Does Conquest Pay?

The Exploitation of Occupied Industrial Economies

by

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Abstract

The central question of this thesis is: Does conquest pay in the modern
era? It asks, in other words, whether foreign powers can mobilize occupied or
conquered industrial economies. There is an important disagreement among
international relations scholars over the answer. Realist balance-of-power
strategists and theorists assume that successful conquest pays well; this
supports their argument that unopposed conquest makes conquerors more
powerful, forcing other states to balance to survive. But critics of this
assumption have argued that nationalism and industrialization have made
even easy conquests economically futile. I call this the "liberal view" of
conquest, because it appears in more general liberal arguments about the
advantages of trade over conquest and empire.

This study argues that industrial economies can be heavily exploited,
but only by coercive and repressive conquerors. This is because modern
societies are likely to find collaboration a lesser evil than resistance if the
conqueror makes clear that resistance will result in reprisals and suffering.
This theory of collaboration is based on theories of collective action and
modernization. Modernization leaves societies physically weak relative to
police forces and militaries, and highly dependent on the normal functioning
of their governmental apparatuses. Societies are thus at the mercy of
occupying powers, and institutions and individuals will see collaboration as in
their societies' best interest. Modernization also breaks down the cohesive
peasant villages (whose solidarity helps overcome the free-rider problem) and
reduces the information costs of surveillance and repression. Atomizing
repression guarantees that most members of modern societies will free-ride
rather than engage in mass collective action, from armed rebellion to strikes
and boycotts, even when doing so is in the national interest. Repression
involves a moderate degree of cost, and cannot eliminate all nationalistic
resistance, but conquest should still pay much better than the liberal view would admit.

This dissertation tests three hypotheses about the profitability of conquest—a hard geopolitical hypothesis (full mobilization), a soft geopolitical hypothesis (partial and conditional mobilization), and a liberal hypothesis (no mobilization)—against five twentieth-century occupations and empires: German rule over Belgium, northern France, and Luxembourg during World War I; the Franco-Belgian occupation of the Ruhr in 1923-24; German rule over Western Europe during World War II; the Japanese Empire; and the Soviet postwar East European "Empire." In each of these cases I make ballpark estimates of the internal, economic costs and benefits, from the conqueror's perspective. But in order to assess the liberal and soft geopolitical hypotheses I also analyze the effects of nationalism, industrialization, and coercion (and control for still other alternative explanations) on the profitability of conquest. Controlled comparisons between the cases (which draw mainly on published scholarly histories) show that only insufficiently coercive conquerors—who allowed external funds or food to sustain general strikes—failed in their attempts to mobilize captured industrial economies.

This study thus supports the soft geopolitical hypothesis, with important implications for international relations theory and practice. First, realist arguments for balancing against expansionists (such as the U.S. postwar strategy of Containment, which was based on the fear that the Soviet Union could harness the industrial resources of a conquered Europe) are based on solid geopolitical assumptions. Second, guerrilla- or civilian-based defenses are not a viable alternative to conventional military forces for modern societies. Third, the often-noted secular decline in wars of conquest and empires is not due to industrial economies' capacity for economic resistance.

Thesis Supervisor: Barry R. Posen, Professor of Political Science
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For their comments on draft chapters, I'm also grateful to Professors James Alt, John Gillingham, Carl Kaysen, Robert Keohane, Steven Miller, Richard Samuels, and Werner Warmbrunn, as well as to my fellow students and colleagues, Tom Christensen, Neta Crawford, Michael Desch, Steven Flank, Beth Kier, Jon Mercer, Kevin Oliveau, Laura Reed, and Brian Taylor.

Finally, this thesis was researched and written with the financial and institutional support of the Defense and Arms Control Studies Program at MIT, the MacArthur Foundation, the Ford Foundation's Program in Western Security and European Society, and the John M. Olin Institute for Strategic Studies.
Dedication

To Sarah Soffer, who conquered my heart.
Chapter 1: The Profitability of Conquest

It is a logical fallacy and an optical illusion in Europe to regard a nation as increasing its wealth when it increases its territory.
-- Sir Norman Angell, *The Great Illusion* (1910)

But let us be rid of cant. Democracy must reckon with Reality.
-- Sir Halford Mackinder, *Democratic Ideals and Reality* (1919)

The central question of this thesis is: Does conquest pay in the modern era? Of course, conquest rarely pays as a policy because the wars provoked usually cost more than any conceivable gain. Napoleonic France, Hitler's Germany, and Saddam Hussein's Iraq, for example, could hardly be said to have made conquest pay in the long run. But it is still worth asking whether conquest pays aside from the costs and reversals imposed by still undefeated powers. This thesis thus examines the internal costs and benefits of conquest. It focuses in particular on the value of conquered economic resources (as opposed to that of conquered bases or military manpower), especially industrial resources. For the "cumulativity" of industrial resources is

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controversial, and has significant implications for international relations theory and practice.³

Most influential realists implicitly assume that conquest pays in constructing balance-of-power theories and strategies. But many students of international politics have challenged this premise, arguing that even easy conquests are now economically futile. I call this the "liberal view" of conquest, because it builds on a tradition of liberal arguments about the advantages of peaceful trade over war, conquest, and empire. The recent incarnation of the liberal view argues that nationalism and industrialization have enabled societies to deny economic gains to a conquering invader.

This is an important debate, because the premise that conquest pays underlies balance-of-power strategies such as containment. Analyzing the profitability of conquest helps us to assess the merits of such strategies, as well the feasibility of "porcupine" defenses against invasion (i.e., civil disobedience and guerrilla tactics). It also helps us better understand the causes of war and the economic feasibility of modern empires.

In this study I argue that industrial economics can be exploited heavily, if not fully, under certain conditions. These conditions are inferred from theories of collective action and modernization. Collective action theories show that 1. mass resistance is likely to occur only when it has a chance of success and 2. even then, the free-rider problem further undermines its likelihood and effectiveness. Modernization leaves societies physically weak relative to modern police forces and militaries, and highly dependent on the normal functioning of their governmental apparatuses. Atomizing repression

further constrains mass collective action, from armed rebellion to strikes and boycotts, by exacerbating the free-rider problem.

Modern tyrants thus can mobilize conquered industrial resources if they meet two conditions. First, they must use economic compulsion; i.e., they must ensure that the subject populations must work to earn the basic necessities. For the most part, this condition is satisfied if the organized distribution of strike pay (from whatever source) is prevented. Second, they must repress all other forms of opposition organizations, in order to maximize free riding. Conquerors meeting both conditions can make collaboration appear to conquered peoples a lesser evil than resistance.

Repression involves a moderate degree of cost, and cannot eliminate all forms of passive resistance, so conquest is less profitable than the "hard geopolitical" worst-case assumption of full exploitability. But this theory of collaboration supports a "soft geopolitical" hypothesis that conquered industrial nations are, under coercion and repression, worth at least half a comparable ally.

Subsequent chapters will test the "hard geopolitical," "soft geopolitical," and "liberal" hypotheses about the profitability of conquest against five occupations and empires, all involving the attempted extraction of industrial production: the German occupation of Belgium, northern France, and Luxembourg during World War I; the Franco-Belgian occupation of the Ruhr in 1923-24; the German occupation of Europe during World War II; the Japanese Empire; and the Soviet postwar East European "Empire."

This chapter describes in greater detail the importance of the question, focusing especially on the weight it implicitly carries in realist theory and strategy. It then turns to the liberal and soft-geopolitical theories about
whether conquerors can or can not mobilize industrial resources. The chapter concludes with an explanation of the case selection, measures, and method.

Implications of the Debate

The profitability of conquest deserves critical examination for several reasons. The premise that conquest pays supports realist arguments that states should and do balance against expansionist powers. Assessing the profitability of conquest thus helps us to evaluate the U.S. postwar strategy of containment, which was based on the fear that the Soviet Union could harness the industrial resources of a conquered Europe. Analyzing the conditions for resistance and collaboration also provides the tools necessary to evaluate guerrilla- or civilian-based defenses as alternatives to conventional military forces. Finally, the question has implications for the causes of war as well as the decline of empires.

Containment Strategies

Balance-of-power theory and strategy, at least in their stronger forms, assume that conquest pays. States balance against conquerors because expansion dramatically shifts the balance of power; in the words of Hans Morgenthau, unopposed expansion "amounts to a piecemeal change in the power relations in favor of the imperialistic nation."4 Realist strategists thus advise states to obstruct rivals' conquests, and realist theorists predict that states will try to do so.5 If conquerors gain the economic resources of their victims, conquest results in a drastic shift in the balance of power.

5In addition to Morgenthau, see Edward Vose Gulick, Europe's Classical Balance of Power (New York: W.W. Norton & Co., 1955) and F. H. Hinsley, Power and the Pursuit of
I call the assumption that conquest pays the "geopolitical premise," because it is most explicit in the writings of geopolitically-minded realists. The father of geopolitics, the British geographer Halford Mackinder, based his famous formula, "who rules eastern Europe commands the Heartland; who rules the Heartland commands the World Island; and who rules the World Island commands the World," on the claim that the political consolidation of the Eurasian continent (the "World Island") "would permit the use of vast continental resources for fleet-building, and the empire of the world would then be in sight." The American political scientist Nicholas Spykman's wartime reformulation, "who controls the rimland rules Eurasia; who rules Eurasia controls the destinies of the world" placed greater emphasis on the West European "rimland." But both versions imply that control of territory allows the full use of its material and human resources.

Realist arguments for the United States' entry into World War II and for its postwar policy of containment refer explicitly to the geopolitical premise.

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6Mackinder, Democratic Ideals and Reality, 150; idem., "The Geographical Pivot of History," Geographic Journal 23:4 (April 1904): 436; cf. 443. Mackinder's view of the malleability of human loyalties is further revealed in his 1904 paper (p. 437): "Were the Chinese...organized by the Japanese, to overthrow the Russian Empire and conquer its territory, they might consitute the yellow peril to the world's freedom just because they would add an oceanic frontage to the resources of the great continent, an advantage as yet denied to the Russian tenant of the pivot region."


The United States was not attacked by Hitler, but it joined the European war because it feared that a Hitler-dominated Eurasia threatened U.S. survival, or at least would require the adoption of a permanent war economy. The same fear, with Stalin replacing Hitler as contender for Eurasian hegemony, inspired the Cold War strategy of containment. George Kennan's explanation of containment is clearly reminiscent of Mackinder:

It was essential to us...that no single Continental land power should come to dominate the entire Eurasian land mass. Our interest has lain rather in the maintenance of some sort of stable balance among the powers of the interior, in order that none of them should effect the subjugation of the others, conquer the seafaring fringes of the land mass, become a great sea power as well as land power...and enter...on an overseas expansion hostile to ourselves and supported by the immense resources of the interior of Europe and Asia.9

Kennan's assumption that the Soviets could heavily exploit the resources of Western Europe was widely shared in policy-making circles. A 1948 National Security Council report stated that "there are in Europe and Asia areas of great potential power which if added to the...Soviet world would enable the latter to become so superior in manpower, resources and territory that the prospect for the survival of the United States as a free nation would be slight."10 Western Europe was the highest priority, because as then Secretary of State Dean Acheson explained (upon sending a half dozen U.S. divisions to Europe in 1951): "Outside our own country, free Europe has the greatest number of scientists, the greatest industrial production, and the largest pool of skilled manpower in the world. It has a tremendous shipbuilding capacity, essential to control of the seas."11

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Economic and moral objectives also contributed to containment, and at times stretched it beyond narrow realist objectives. But the baseline consensual motive was geopolitical: to prevent the Soviet Union from controlling the whole of industrial Eurasia. The foreign policy consensus for containment lasted throughout the Cold War, and American realists continue to conceive of GNP as something that can be transferred between capitals like money being wired between banks. Thus Kenneth Waltz's *Theory of International Politics* (1979) states that "only Japan, Western Europe, and the Middle East are prizes that if won by the Soviet Union would alter the balance of GNPs and the distribution of resources enough to be a danger." Of course, realists do not have to believe that conquest pays to advocate or predict balancing against expansionists. Conquest shifts the balance of power in several ways (see Table 1), any one of which might be sufficient to endanger still-independent states. The Nazi seizure of Czechoslovakia in 1938-39, for example, wiped out the Czech threat to Germany's southeastern flank. When Hitler invaded Poland the following year, Britain and France had lost the chance to enlist 30 Czech divisions on their side. This alone may have been sufficient to tip the balance of power against France in 1940. Likewise, Walter Lippmann's *U.S. Foreign Policy: Shield of the Republic* (1943)


portrayed the advancing web of Axis air and naval bases as the principal wartime threat to the United States, while hardly mentioning Axis control of economic resources.\textsuperscript{15}

<table>
<thead>
<tr>
<th>Source of Power</th>
<th>Lost to Defenders</th>
<th>Gained by Conqueror</th>
</tr>
</thead>
<tbody>
<tr>
<td>Territory</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Military forces</td>
<td>yes</td>
<td>arms=yes; troops=no?</td>
</tr>
<tr>
<td>Economic Resources</td>
<td>yes</td>
<td>&quot;geopolitical premise&quot;</td>
</tr>
</tbody>
</table>

Table 1. Impact of Conquest on the Balance of Power\textsuperscript{16}

But because economic resources are so crucial to power, arguments for power-balancing are greatly strengthened if conquest pays. The standing forces that states can sustain—and thus their ability to win short wars—depend mainly on their wealth. This is even more true for long wars, which require the total mobilization of a nation’s economic resources. "The outcome of all the major, lengthy wars among the Great Powers," observes Paul Kennedy, "repeatedly points to the crucial influences of productive economic forces—both during the struggle itself, and during those periods between wars when differentiated growth rates cause the various Powers to become relatively stronger or weaker."\textsuperscript{17}


\textsuperscript{16}For simplicity, the table excludes the costs of defeating and controlling the victim, the military advantages of "practice," and the effects of international economic sanctions, even though all of these can affect the balance of power. For a related discussion, see Klaus Knorr, \textit{The Power of Nations: The Political Economy of International Relations} (New York: Basic Books, 1975), 244.

material supply is sufficient, most postwar realists use Gross National Product as a rule-of-thumb measure for power.\textsuperscript{18}

Balance-of-power theory and strategy thus draws considerable force from the premise that conquerors can harness conquered economies, especially industrial economies. It is the conquest of industrial heartlands, after all, which realists have considered the prelude to world dominion. The worst-case assumption that economic resources are fully cumulative—i.e., that conquered lands can be exploited as heavily as loyal provinces—would thus support the strongest imaginable argument for containing expansionists. I call this the "hard geopolitical" view of conquest.

Most realists would shy away from the "hard geopolitical" position. Morgenthau dismisses the possibility of protracted nationalistic resistance, because conquest "without prospects for speedy recovery usually breaks the will to resist of the conquered people."\textsuperscript{19} But Morgenthau's definition of power included national character and national morale, qualities he surely would have differentiated in conquered and free nations. Most realists express reservations about the problems of governing hostile nationalities.\textsuperscript{20} Kennan, for example, believes


\textsuperscript{19}Morgenthau, Politics among Nations, 81; on nationalism, 74-9, 118-20. Morgenthau also credits domestic support for foreign policy ("national character and morale") as an important element of power; cf. 96-104. It is possible that twentieth-century realists adopted too readily this assumption from seventeenth- and eighteenth-century balance-of-power theorists, who wrote in an era before nationalism had reared its head.

\textsuperscript{20}Machiavelli wrote in The Prince (1513), well before the rise of nationalism, that foreign republics were hard to conquer because they have "greater life, greater hatred, and more desire for vengeance; they do not and cannot cast aside the memory of their ancient liberty." The surest way to govern them, he concluded, was "either to lay them
the continued and undiminished relevance in the modern world of Gibbon's assertion that "there is nothing more contrary to nature than the attempt to hold in obedience distant provinces." [Thus] one must not be too frightened of those who aspire to world domination. No one people is great enough to establish a world hegemony. There are built-in impediments to the permanent exertion by any power of dominant influence in areas which it is unable to garrison and police, or at least to overshadow from positions of close proximity, by its own troops.\textsuperscript{21}

Waltz, too, recognizes the force of nationalism, approvingly quoting Hume (himself a balance-of-power theorist) that "force is always on the side of the governed."\textsuperscript{22} But it is hard to reconcile Kennan's reservations with his argument for containment, just as it is hard to reconcile Waltz' with the statement that conquest alters the "balance of GNPs," unless Waltz means that the mere disappearance of Western Europe, Japan, and the Middle East would decisively favor the Soviet Union (which alone remains geopolitically weaker than the United States). Realist arguments for limited containment (i.e. containing Soviet expansion in the First but not the Third World) share the same inconsistency when they point out superpowers' difficulties in Vietnam and Afghanistan but fail to consider whether the Soviet Union might have had trouble mobilizing the GNPs of Western Europe or Japan.\textsuperscript{23} Where they do appear in realist thought, doubts about the profitability of conquest weaken balance-of-power theory and prescriptions.

\begin{itemize}
  \item waste or reside in them." The Prince and the Discourses (New York: Modern Library, 1950), 18-19.
  \item \textsuperscript{22}Waltz points out further that foreign "governors, being few in number, depend for the exercise of their rule on the more or less willing assent of their subjects. If sullen disregard is the response to every command, no government can rule." Waltz, Theory of International Politics, 188.
  \item \textsuperscript{23}Of course, the central point of these arguments was that the stakes in these regions were low. Waltz, Theory of International Politics, 188-92. Posen and Van Evera, "Departure from Containment," International Security 8 (Summer 1983): 33; Walt, "Case for Finite Containment," 26-27.
\end{itemize}
Recognizing this, "neoisolationist" critics of containment argued that an occupied Western Europe would add little to Soviet power, or would even be an economic liability to Moscow. The Soviet conquest of Western Europe was thus not only improbable, but also not dangerous enough to warrant containing. Even the U.S. entry into World War II has been challenged on the grounds that internal resistance by the occupied societies would have minimized German and Japanese gains from conquest. Thus scrutinizing the geopolitical premise is a necessary part of evaluating fifty years of U.S. foreign policy.

Of course, any broad assessment of containment strategies must consider other criticisms, especially the argument that the nuclear revolution makes geopolitical thinking obsolete. Even "geopolitically" small states, so long as they have a survivable nuclear force, can devastate the most massive industrial attackers. The Soviet Union might be deterred by French and British nuclear arsenals, and that even a successful Eurasian hegemon would still not threaten a nuclear-armed and ocean-moated America. On the other hand, it is not totally clear that nuclear stand-offs preclude conquest, because even nuclear-armed states might prefer surrender to suicide. And even if

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nuclear weapons have made geopolitics obsolete, there are regions of the world, like East-Central Europe, where nuclear weapons may play no role, especially if the nuclear powers revert to isolationism.

Porcupine Strategies

Analyzing the dynamics of resistance to foreign rule can also help to assess "porcupine strategies," which proponents claim can economically frustrate and perhaps even expel invaders. Gene Sharp, the leading advocate of non-violent civilian-based defense, argues that "a power potential is inherent in societies that can be harnessed and skillfully applied to destroy oppression and tyranny and to deter and defeat aggression so effectively that weaponry will no longer be needed." The reasoning has much in common with the arguments advanced by neo-isolationists and other critics of the geopolitical premise. Since rulers depend on the cooperation of the ruled, according to Sharp, they can be foiled if the population systematically refuses to cooperate. By training and preparing in civil disobedience, societies could make themselves "unconquerable."

Proponents of violent porcupine strategies emphasize the obstacles to foreign rule that guerrilla warfare imposes. Underground resistance


Gene Sharp, Civilian-Based Defense (Princeton: Princeton University Press, 1990), 22; cf. 34.


Kennan proposed in a a controversial 1957 radio talk that Europe adopt Swiss-type paramilitary forces whose "function should be primarily internal rather than external"
organizations might be outgunned, but intimate knowledge of the territory and the support of a sympathetic population would be on their side. In the words of Mao Tse-tung, guerrillas "swim like fish among the people," attacking occupying forces at places and times of their own choosing. Saboteurs, for example, could destroy the invaders' military and economic stores and cut lines of communication, while guerrillas could directly attack enemy detachments that strayed from their bases. Several small states—Sweden, Switzerland, Yugoslavia, and Austria—have explicitly adopted citizen-militia defenses as a fall-back or supplement to conventional defense. At least one, post-Soviet Lithuania, appears to have contemplated adopting national resistance as its principal defense policy.\textsuperscript{31}

Porcupine defenses are appealing because they lack offensive capabilities, and thus would dampen the security dilemma. But they are dismissed out of hand by most security analysts, because advocates have produced no body of theory or evidence to show that they can work.\textsuperscript{32} Indeed, the few cases that are presented suggest a very mixed record of successes and failures. Proponents attribute the failures to a lack of preparation, which they claim would produce "an effective power (conservatively estimated) at least ten times greater than that demonstrated in the most powerful of the past

\begin{flushright}
which should be trained to "offer whatever overt resistance might be possible to a foreign invader but also to constitute the cores of a civil resistance movement on any territory...overrun by the enemy." George F. Kennan, \textit{Russia, the Atom and the West} (New York: Harper & Bros., 1958), 63. See also Alternative Defense Commission (Great Britain), \textit{Defense without the Bomb} (London: Taylor & Francis, 1983), 71; Robert Taber, \textit{The War of the Flea: A Study of Guerrilla Warfare Theory and Practice} (New York: Citadel, 1970), 25.


cases of improvised nonviolent struggle." It is difficult to test claims about untried strategies. But other conditions of success or failure can be found by developing a theory of resistance and collaboration, and testing it systematically against historical evidence. By doing exactly that, this study should thus help advance the debate between advocates and critics of porcupine defenses.

Causes of War

Beliefs about the profitability of conquest have important implications for the likelihood of war and peace. If states believe that conquest pays, wars will be frequent and long; but if states believe conquest to be economically futile, war will decrease in frequency and intensity. This argument has been used to explain a decline in wars of conquest over the course of modern history. Before the consolidation of the nation-state system, states and empires seemed to have an unquenchable appetite for each other's real estate. Rulers struggled daily to attempt or avert conquest, and Europe's political boundaries were in a constant state of flux. As Frederick the Great (who became "great" by conquest) put it, "at all times it was the principle of great states to subjugate all whom they could and to extend their power

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33 Sharp, Civilian-Based Defense, 83.
continuously."36 But since the rise of nationalism, great powers, with notable exceptions, seem to have ceased coveting neighboring lands. Indeed, the postwar era has witnessed few attempts by any state to conquer neighboring nations and virtually no successes. India's conquest of Goa, Indonesia's conquest of Papua New Guinea and Timor, and China's seizure of Tibet, seem only to prove the rule. A declining profitability of conquest would provide a plausible explanation for this apparent pattern.

Of course, the economically futility of conquest by itself would not assure perpetual peace. States fight not only for economic resources, but also for other interests, like bases. Thus the Meiji oligarchs feared that governing Korea would put a drain on their treasury, but they fought two wars for it and annexed it in 1910 to prevent this "dagger pointed at the heart of Japan" from falling into Chinese or Russian hands. States have also fought over the course of history for prestige, religion, irredentism, communism, capitalism, and democracy, although many of these missions were really disguised quests for wealth and power. Still, since economic resources are among the most central interests of states (in large part because of their importance to power), whether or not they are conquerable should have a significant impact on the likelihood of war.37


37Structural-realist theories of war ignore interests as a general cause of war, because interests appear to have varied so much over history. (See, e.g., Geoffrey Blainey, The Causes of War (New York: Free Press, 1973), ch. 10.) But since wealth is a key source of power, and since structural realists hold that anarchy makes states compete for power resources, it follows that the profitability of conquest should affect the likelihood of war. Thus Lionel Robbins says that the "ultimate condition giving rise to those clashes of national economic interest which lead to international war is the existence of independent national sovereignties...the anarchic political organization of the world is the root disease." Lionel Robbins, The Economic Causes of War (London: Jonathan Cape, 1939), 99.
The connection between the profitability of conquest and the likelihood of war is not as simple as it seems on the surface. If states believe that expansion pays, they may be more likely to try it themselves, but they will also try harder to deter the expansion of rivals. The more valuable the real estate, the fancier the security system to catch burglars. But we should not expect balancing behavior to fully compensate for the temptation to conquer easily exploited economies. States can bolster deterrence only as far as their resources permit. Those lacking the necessary resources or alliances to do so are more likely to be gobbled up if conquest pays. Weak states are often sheltered by alliances, which realists would contend are extended and strengthened in proportion to the profitability of conquest. But powers balance inadequately, because they tend to buck-pass in multipolar systems, because they sometimes fail to recognize threats in time to deter them, and because even prompt balancing can fail to deter.\footnote{On buck-passing, see Waltz, \textit{Theory of International Politics}, 165; Barry R. Posen, \textit{The Sources of Military Doctrine}, France, Britain, and Germany Between the World Wars (Ithaca: Cornell University Press, 1984), 232-33; and Thomas J. Christensen and Jack Snyder, "Chain Gangs and Passed Bucks: Predicting Alliance Patterns in Multipolarity," \textit{International Organization} 44: 2 (Spring 1990): 137-68. On misperception and miscalculation, see Robert Jervis, \textit{Perception and Misperception in International Politics} (Princeton: Princeton University Press, 1976), pt. 3; Blainey, \textit{Causes of War}, ch. 8.} The uncertainties, misperceptions, and inefficiencies in international politics make it unlikely that balancing behavior would fully compensate for the temptation of easily exploitable conquests.

States' perceived needs for size and autarky also affects the impact of the profitability of conquest on the likelihood of war. These in turn depend on the degree of economic interdependence, the likelihood of war and/or protectionism, and the duration of expected wars. Interdependence, while raising the costs of severing trade, makes states dependent on each other for
the resources essential to their prosperity and security. Thus the same feature that makes states vulnerable to tariffs and blockade may also tempt them to protect themselves through conquest. A high likelihood of economic barriers and/or war also makes self-sufficiency and size more important. If conflict is inevitable, and is likely to require a massive mobilization of resources, expansion would be a plausible and perhaps even necessary means to security.\textsuperscript{39} The prospect of long wars of attrition puts an additional premium on autarky, because such wars require an especially protracted and intensive mobilization of resources, probably under conditions of embargo or blockade.\textsuperscript{40} This leads to a seemingly paradoxical conclusion, arising from the conflicting dictates of economic security and of the battlefield: states fearing wars of attrition might be likely to start them, either intentionally or through miscalculation, by seizing vulnerable assets.\textsuperscript{41} The most obvious examples are how Japanese and German beliefs in the inevitability of total war spurred

\textsuperscript{39}On the other hand, if peace and free-trade are assured, national borders are economically meaningless, and expansion gains nothing. Thus Lionel Robbins wrote that "It is all very well to argue that, given peace, the raw material problem is only a matter of tariffs and other barriers to trade...But the given fact of the world situation...is not peace but war and the danger of war; and, if raw material supplies are in the hands of powers with whom the state is likely to be at war, or from whose territories it might be cut off, the preservation of national power must necessarily involve concern with the securing of adequate provisions." \textit{Economic Causes of War}, 61-62.

\textsuperscript{40}Conversely, if war is likely to be short and decisive, it will be over so fast that only standing forces and existing munitions stockpiles would matter.

aggressive conquering strategies which led to World War II (see chapters 5 and 6).

What states believe about the exploitability of conquered resources thus has important implications for understanding the causes of war. It provides an explanation which differs from other realist theories of war stressing system structure, the offense/defense balance, hegemonic transitions, or the costliness of war, especially in the nuclear era. If conquest still pays, the argument that a declining profitability of conquest has made war obsolete is clearly wrong; such a conclusion would lend support to alternative theories, like "nuclear weapons keep the peace" (i.e., even if conquest pays, nuclear powers can deter invasion, and nuclear powers don't need expansion for security). This thesis focuses more on the actual, rather than the perceived, profitability of conquest. It does examine the aims and expectations of the conqueror/occupier in each of the case-studies, but a much broader study of all the great powers' beliefs about the cumulativity of resources would be needed to draw any conclusions. Still, on the assumption that general trends in reality are recognized more or less accurately, examining the actual profitability of conquest is a useful first step.

Imperial Decline

To analyze the profitability of conquest is also to study the profitability of empire. The same factors that are supposed to make conquest futile, except

for the cost of war, should also make empires decline. Robert Gilpin's War and Change in World Politics (1981), for example, argues that in the premodern era, "the size of the economic surplus from agriculture and imperial tribute was principally a function of the extent of territorial control. Therefore, other things being equal, the greater the territorial extent of an empire...the greater the power of the empire." But in the modern world, according to Gilpin, the nation-state proved a more efficient unit of political organization for the generation of economic surplus power, in large part because it commands the loyalty of nationalistic populations. By contrast, empires "were able to enlist and secure the loyalty of only a small fraction of their inhabitants...[accounting] for the ultimate fragility of empires in the face of internal revolts and external pressures."

Thus the same reasons advanced to show why conquest no longer pays also explain why multinational empires are inefficient and unstable; they may help us to understand the collapse of the only industrial empire, the Soviet Union. Unfortunately, there has been little systematic empirical work on how modernization affects the profitability of empire. The profitability of the European colonial empires has been extensively studied, but because none of these empires had industrial peripheries, they are of limited use in addressing whether the conquest of industrial economies pays.

\[43\] Gilpin, War and Change, 111.
\[44\] Ibid., 117.
the feasibility of extracting resources from industrial economies should help us to understand whether an "industrial colony" is a contradiction in terms.

The Liberal View of Conquest

Since realists have never provided any evidence to support the geopolitical premise, it is not surprising that scholars have challenged it. The critics have two basic arguments. First, nationalism ensures that all modern societies will hate being conquered, so maintaining control requires costly repression. Second, the social surplus generated by industrial societies would decline or disappear under foreign rule, because of the stultifying effects of repression, the economic resistance of the subject peoples, or both. These arguments have been offered sketchily, in terms of a vaguely declining profitability of conquest. But they have gained currency in the international relations field, and deserve to be taken seriously.

I call this critique the liberal view of conquest because it often appears as part of a broader argument, dating back to the classical economists, stressing the advantages of free-trade over conquest and empire. Adam Smith's *The Wealth of Nations* (1776) argued that free-trade would produce more total wealth than mercantilist tariffs and the resulting inefficient monopolies. But in a *laissez-faire* world, "owning" a colony meant no special access to its resources or markets. Empire thus would make economic sense only if it returned surplus revenues to the mother country. But Smith was skeptical that colonial taxes could compensate the metropole's administrative and military costs. In fact, colonial resistance to taxation was made so obvious

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in the 1770s by the American colonial revolt against British taxes and rule that Adam Smith concluded *The Wealth of Nations* with a diatribe against imperial drain:

...countries which contribute neither revenue nor military force towards the support of an empire... may perhaps be considered as appendages, as a sort of splendid and showy equipage of empire. But if the empire can no longer support the expense of keeping up this equipage, it ought certainly to lay it down.\(^\text{47}\)

Over the course of the nineteenth century the liberal critique of conquest and empire was adopted and elaborated by political liberals, utilitarians, pacifists, internationalists, and other opponents of empire and war, most notably Richard Cobden and John Bright of the "Manchester School."\(^\text{48}\) It reached its apogee, in popularity if not sophistication, in Norman Angell's *The Great Illusion*, which attacked the "great illusion" that conquest among developed states could pay. First published in 1910, the book sold over a million copies in seventeen languages, spawned a peace movement known as "Norman Angellism," and even persuaded the hard-bitten realist Alfred Thayer Mahan that conquest among industrial states was economically futile.\(^\text{49}\)

Unlike his contemporary, Jean de Bloch, who argued that the costliness of modern warfare had made it an "economic impossibility," Angell stressed

\(^{47}\text{Adam Smith, *Wealth of Nations*, 899.}\)


the insignificance of any possible gains that wars of conquest could achieve. He argued that "the exaction of tribute from a conquered people has become an economic impossibility," since "in every civilized state, revenues which are drawn from a territory are expended on that territory." Developed societies "become self-governing communities in greater or less degree" and thus "cannot be made amenable by force." Since in a free-trade world owning territory isn't important, because goods and markets are equally available to all, an imperial mother country exploits its colonies "exactly as she exploits any other community with which she may be trading." If Germany conquered Canada, for instance, "Germans would have to pay for every sack of wheat and every pound of beef that they might buy, just as though Canada 'belonged' to England or to anybody else." Even if conquered subjects could be "made amenable" to paying a steady tribute, or even just a one-time indemnity, the victory would still be a Pyrrhic one. Confiscating the wealth of modern economies would only ruin them, and, because of international interdependence, the victor's economy as well. Angell's The Great Illusion presumed a free-trade world and often lapsed into viewing a state's wealth in per capita terms, thus missing the thrust of realists' concern about conquest. More importantly, it also failed to provide any reasons why extracting tribute had become impossible or would debilitate conquered economies.


51 Angell, Great Illusion, 45-9, 109, 112; cf. 107-130.


53 Angell, Great Illusion, 50-87.

54 Most of these problems were pointed out by a contemporary British critic, J. H. Jones, in his The Economics of War and Conquest: An Examination of Mr. Norman Angell's Economic Doctrines (London: P.S. King & Son, 1915).
But scholars in years have resuscitated Angell's claim, arguing that nationalism and industrialization make foreign rule and economic exploitation especially difficult. Nationalism provides an explanation, where Angell had none, of the hostility of developed societies to foreign rule. No societies enjoy oppressive foreign rule, but nationalistic societies resent even nice conquerors. Nationalists don't like to be ruled by foreigners, much less exploited by them. Few other ideologies are as pervasive in the modern world, or as capable of mobilizing populations to create or defend their own nation-state. Richard Rosecrance argues that the rise of nationalism in the nineteenth century made "foreign rule impracticable."

Robert Gilpin dates the change to an even earlier era, arguing that "the imperial game of territorial conquest for the sake of exploitation [was] discovered by Napoleonic France to be costly in an age of nationalism."

One consequence of nationalism is that the political hostility provoked by conquest raises the costs to a conqueror of maintaining control. As Klaus Knorr points out, "European powers used to need only small forces to conquer and 'pacify' foreign populations overseas. The French required only thirty thousand men to subdue Algeria in 1830. In 1962, they could not subdue her with a force twenty times as large." Nationalism will erode the conqueror's gains further because of the effects, in Carl Kaysen's words, of "continuing political hostility of the conquered...on the level of energy and efficiency with which their economy operates." Economist Martin McGuire argues along the same lines that "much of the surplus that accrues to modern populations is

56 Gilpin, War and Change, 142.
57 Knorr, Power of Nations, 112.
58 Kaysen, "Is War Obsolete?" 54.
simply not available to a conqueror. Rosecrance explains that industrial societies are inherently difficult to exploit, because "highly developed economies are much more dependent upon social cooperation and obedience to the rulers of the state than are primitive or transitional economic systems." The most detailed explanation of how nationalists would withdraw their cooperation is provided by the civilian-resistance strategist Gene Sharp. "Strikes and economic boycotts," he argues in an analysis of "social power," "demonstrate the capacity of non-violent struggle to weaken and remove [economic resources] from existing or would-be rulers." Economic gains can be denied, even without violence, by "having scientists, technicians, workers, and administrators, and every institution involved, refuse cooperation and assistance...during the procuring of raw materials, research, planning, transportation, manufacture, supply of energy and parts, quality control, packing, and shipping."

These claims are sketchy but appealing, especially since they resonate with the association of socioeconomic development and political participation noted by political comparativists. Robert Dahl, for instance, argues that "economic development itself generates the conditions of a pluralistic social order." This is in part because advanced economies "automatically distribute political resources and political skills to a vast variety of individuals, groups, and organizations." These skills and resources enable individuals and

61 Sharp, Civilian-Based Defense, 70, 107.
groups to bargain for their own interests, weakening the grip of authoritarian regimes, native or imposed. A related argument is that productivity is incompatible with coercion. As Dahl states, "even within ostensibly hierarchical organizations, leaders learn that compulsion and coercion are often damaging to incentives. In an advanced economy, long-run performance under threat or coercion is less productive at all levels than a more willing performance based on voluntary compliance." Economists agree that performance is motivated by identification with ultimate goals as well as by pay. Experimental studies have shown that morale and motivation have a slight effect on assembly-line productivity, but morale would surely suffer more from national subjugation than, say, not enough coffee breaks.

The idea that skilled labor is harder to coercively exploit is supported by transaction-costs analyses. Monitoring the performance of complex tasks requires considerable attention and expertise, making it difficult to detect and penalize slack working. Sabotage is easier as well, and it is potentially more damaging since manufacturing relies on valuable and often delicate equipment. By contrast, manual labor, like mining, is much easier to monitor and offers fewer possibilities for sabotage. This explains the variation of reward and pain incentives for different types of slave labor, as well as modern industry's "growing dependence on worker carefulness and goodwill." If the exploitability of labor is inversely related to its complexity,

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then higher levels of development should provide greater opportunities for economic resistance by nationalist populations.

A variant of the modernization argument holds that post-industrial economies are uniquely difficult to exploit. This is because these "information" societies are highly dependent on free access to information. According to Stephen Van Evera,

This access requires a free domestic press, and access to foreign publications, foreign travel, personal computers, and photocopiers. But police measures needed to subdue a conquered society require that these technologies and practices be forbidden, because they also carry subversive ideas. Thus critical elements of the economic fabric now must be ripped out to maintain control over conquered polities.67

Conquerors of post-industrial societies face a dilemma: "liberalize and lose control politically, or maintain tight political control and impoverish the empire."68

The liberal view of conquest as it has appeared in the international relations literature is more a hodgepodge of arguments than a well specified theory. It is not clear whether the authors cited think that conquest of industrial societies is flatly unexploitable, or simply less exploitable than before. Moreover, it is often unclear whether "profitability" is defined in terms of lower net gains alone, or in terms of lower net gains combined with war costs and the opportunity costs of foregone trade and internal development.69 Opportunity costs, like war costs, are external costs of

68 Ibid, 15.
69 According to Kaysen, "if the calculation were made of the economic balance between securing these materials by conquest, and securing them in the ordinary ways by trade or by the search for substitutes and alternate sources of supply, it would be a peculiar situation indeed that gave the advantage to war." Kaysen, "Is War Obsolete?" 56-57; cf. Rosecrance, Trading State, 139. Buchan claims "that there is nothing which a country can now do to augment its prosperity, power, or status by way of territorial expansion which it cannot also do by the stimulation of technology and by capital investment within its existing boundaries." Alisdair Buchan, "Technology and World Politics," in Brian Porter,
conquest. Presumed trade-offs between conquering and trading strategies stem from economic sanctions levied on conquerors by unconquered powers, and any trade-off between conquest and internal development assumes that conquest is costly.

This study focuses exclusively on the internal costs and benefits of conquest. Externally imposed costs like war, blockades, and embargos will be set aside here, not because they are unimportant, but on the assumption that it is useful to break complex theories down into testable components. After all, the goal here in part is to see how important external sanctions still are in the modern age. For the sake of simplicity and contrast with the hard geopolitical view, and granting that many of the scholars cited above might take a less extreme position, I define the liberal view of conquest as holding that nationalistic, industrial societies are flatly unexploitable. That is, a conqueror cannot recoup his costs of control through economic extraction.

A Soft Geopolitical View

Realists have not provided any reasons to support a worst-case "hard geopolitical" assumption, but there are good reasons to take a "soft geopolitical" position. A theory of collaboration and resistance is developed

here based on theories of collective action and modernization, and applied to conquered industrial societies. The division of labor makes modern societies highly vulnerable to coercion, both by increasing the relative power of militaries and by making societies internally interdependent. Although urbanization facilitates the organization needed to overcome the collective action problem, modern tyranny can keep society atomized and weak. Thus while modernity makes societies nationally resentful of foreign rule, it also makes it hard for them to do anything about it. Mean rulers who use economic compulsion and repression should thus be able to extract significant industrial production from modern societies--enough to support a soft, if not hard, realist view of conquest.

Theories of Collective Action

Nationalistic resistance, whether violent or passive, has to be practiced on a mass scale for it to be effective, whether in expelling conquerors or frustrating their economic aims. Since widespread resistance is, by definition, collective action, it may be helpful to apply what is known about more common forms of collective action. One wouldn't want to argue that social protests in liberal democracies are similar to national resistance movements, but rebellions and revolutions against local despots certainly share much in common with revolts against foreign ones. Nationalism raises the temperature of political turmoil, but not in any qualitatively different way from the resentments, anger, and hopes that fuel domestic rebellions. It thus makes sense to draw upon the leading theories on collective action to determine the conditions that make nationalistic resistance likely and successful.

There are three schools of thought on collective action relevant to resistance. None of them purport to provide the necessary and sufficient
causes of rebellion or revolution, but they do identify the central factors which determine the likelihood and success of all forms of mass resistance. Psychological theories, such as Ted Gurr's "relative deprivation", James Davies' "J-curve", or Ivo and Rosalind Feierabend's "frustration-aggression" approaches, view rebellion and revolution as an outlet for aggregate levels of popular frustration. Widespread and intense anger of both masses and elites results in outbursts of violence, whether riots, rebellions, or revolutions.\textsuperscript{70} The general consensus of the discipline is that anger is not enough.\textsuperscript{71} History is full of oppressed, frustrated, and disappointed peoples who never openly rebel at all. We can assume that conquered nationalistic societies are angry, but this is not sufficient to predict that they will try to rebel, much less succeed.

Political-conflict theorists, like Charles Tilly, see rebellion as a form of purposive political action, begun by groups to further their own interests.\textsuperscript{72} People rebel only if they think it will achieve something positive. Thus, rebellion depends on the relative resources of the state and contending groups. This explains why revolutions have such a poor record against strong


and loyal armies, and why states weakened by international war are prime targets for revolution. From the point of view of the society as a whole, resistance is rational only if it would make a critical difference between subjugation or liberation at an acceptable cost in lives. Hitler recognized that societies will not struggle against conquerors without any hope of success when he said that:

ruling the people in the conquered regions is, I might say, of course a psychological problem. One cannot rule by force alone. True, force is decisive, but it is equally important to have this psychological something which the animal trainer also needs to be master of his beast. They must be convinced that we are the victors.

The likelihood and intensity of resistance thus boils down to the relative capabilities between the society as a whole and the conqueror.

While political-conflict theorists treat contending groups as more-or-less rational units, rational choice theorists point out that individuals normally act in their own self-interest. Self-interest often diverges from group-interest, because it generally pays for individuals to free-ride rather than bear the costs of contributing to a public good--a good that all will share regardless of whether they contributed or not. The larger the group involved, the less important each actor’s participation is to overall success, and the greater the temptation to free-ride. Short of irrationality or "Kantian" morality on a mass scale, the collective action problem can be surmounted.

73Theda Skocpol, States and Social Revolutions: A Comparative Analysis of France, Russia, and China (New York: Cambridge University Press, 1979); D.E.H. Russell, Rebellion, Revolution, and Armed Force (New York: Academic Press, 1974); and Katherine Chorley, Armies and the Art of Revolution (London: Faber & Faber, 1943). Skocpol does not consider herself a political-conflict theorist, because the social revolutions she explains involved simultaneous conflicts of groups with different aims.

74Quoted in Alexander Dallin, German Rule in Russia 1941-1945 (New York: Oxford University Press, 1957), 498. Resistance is equally pointless (except for post-occupation politics) if the conqueror is going to leave regardless. If the conqueror is on the losing end of an ongoing war, for example, a conquered society would rather let the belligerents pay the blood price than mount a costly struggle for self-liberation.
only by organizations providing selective incentives to rebels and sanctions against free-riders.\^5

The rational-choice approach provides a parsimonious explanation for patterns of rebellion observed by political-conflict theorists. Skocpol's States and Social Revolutions notes that cohesive peasant villages of eighteenth-century France and turn-of-the-century Russia rebelled spontaneously with the breakdown of the old-regimes' power in 1789 and 1917, but that "open" Chinese villages failed to revolt until they had been mobilized by the Chinese Communist Party.\^6 Rational-choice theorists explain that cohesive villages could overcome the collective action problem because they had at their disposal "an array of powerful, positive and negative social sanctions which were highly effective in maintaining social order and in the provision of other public goods."\^7 Where community ties were weaker, political entrepreneurs were needed to provide the organizational ties necessary for


\^6Skocpol, States and Social Revolutions, chs. 3 and 7.

collective action. If political-conflict theories recognize the importance of organization by contending groups, rational-choice theory explains why.

This theory of collaboration is based on both the political-conflict and the rational-choice theories of collective action. The goal of this study is examine whether industrial societies resist or collaborate, not to test these theories of rebellion against each other. Rational choice theory probably best explains the behavior of most ordinary people, and political-conflict theory is useful for explaining the behavior of "group-rational" nationalists, including heroic resistance fighters and government officials and employees who take seriously their mission to serve their nation. As argued below, the national interest does not always dictate resistance.

The Division of Labor and Relative Resources

Modernization makes collaboration more likely according to both the political-conflict and the rational-choice theories of collective action. Modernization brings a deep division of labor and specialization of function within societies. One result is that societies are extremely weak relative to military organizations. Modern societies, once defeated militarily, have little chance of mounting any significant armed resistance against an even quite small occupation army. This is not because, as some have argued, civilized

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79 This study finds considerable evidence of self-interested justifications and behavior, but does not systematically attempt to distinguish them from those tailored to the group's interest. Testing group-rational against individual-rational explanations is difficult because self-interested collaborators tend to justify their actions as in their society's best interest, persuading themselves that collaboration is the lesser evil to a spiral of resistance and reprisal. This is possible because it is so often unclear what actions are in a society's best interest, unclear to participants as well as historians.
peoples have lost all stomach for violence.\textsuperscript{80} The real reason is that the division of labor in modern societies has granted the state a real (as well as legitimate) monopoly on violence. In the eighteenth century, a population armed with rifles, like the American colonists, could do considerable damage to an occupying army. But ordinary people's skills and tools for violence have withered after centuries of relying entirely on their state to protect them, from criminals as well as from conquerors.\textsuperscript{81} At the same time, modern militaries (and police and paramilitary forces) have became astonishingly capable instruments of surveillance and violence. Tanks, mortars, machine-guns, and tear gas are for obvious reasons not available to most citizens and are difficult to produce clandestinely.\textsuperscript{82}

Another consequence of the division of labor is that individuals, firms, and regions are highly dependent on each other for goods and services, and on a state for lubricating the exchange of goods and services. As Adam Smith noted, "without the assistance and cooperation of many thousands, the very meanest person in a civilized country could not be provided [in the] manner in which he is commonly accommodated."\textsuperscript{83} For example the division of labor between agricultural and industrial sectors makes the survival of urban populations dependent on a steady supply of food from distant farms. Most

\textsuperscript{80}Walter Laqueur, \textit{Guerrilla: A Historical and Critical Study} (Boston: Little, Brown & Co., 1976), 394-95; Mueller, \textit{Retreat from Doomsday}, 91-92. Ironically, Mueller grants the geopolitical premise, but thinks it supports his argument that war is obsolete. He construes the lack of resistance to Nazi occupation during the Second World War as evidence that civilized societies have lost their capacity for civil violence, and thus for war of any kind. But if, as I suspect, the stomach needed for internal resistance is much greater than that needed for a state-supported war, this evidence undermines rather than supports Mueller's case.


people in modern societies don't have backyard gardens they can live from, and the ingrained division between industrial and agricultural production is too great to allow a return to the land. The division of labor also requires extensive government services like taxation, law enforcement, transportation, communication, and garbage collection to maintain a society's safety and standard of living.

The costs of disrupting the commercial and governmental networks of modern societies would thus be very high. But a conqueror occupying a modern society can easily do just that, bringing chaos and starvation. Rosecrance and Sharp are correct in pointing out the importance of social cooperation and obedience in modern societies, but they draw the wrong conclusion. Interdependence makes them vulnerable, not resistant, to coercion. Of course, conquerors have little to gain by destroying, looting, or starving captured economies. Doing so would preclude further exploitation and drive desperate people with little to lose into rebellion. Recognizing this, societies may buy themselves some mercy. But society has much more to lose if conflict continues, so in a contest of will, it is likely to cry uncle first. Even group-rational "Kantians" are more likely to prefer collaboration to the reprisals and chaos which resistance would bring.

This includes economic as well as political collaboration. It is not feasible for modern societies to wage extended boycotts and strikes against conquerors, except under extraordinary conditions. Boycotts actually amount to the same thing as strikes, since occupying forces can easily shut down firms refusing to do business with them. But modern societies cannot survive extended general strikes, even of industry alone. Strikes deprive workers of

84 Tilly, "Food Supply;" Taylor, "Revolutionary Collective Action." 65 fn 4.
the income, unless the union provides strike pay. When the pay runs out, so does the strike.\footnote{Colin Crouch, \textit{Trade Unions: The Logic of Collective Action} (Glasgow: Fontana, 1982), 89-93.} Only a massive relief effort, involving food imports on credit or the total mobilization of the agriculture and food distribution sector by the state, could provide the necessary strike pay to keep large numbers of strikers from starving. All this, moreover, assumes that the conqueror would permit the defeated society to organize a national "strike pay" system, and this is likely only under very special circumstances (see Chapters 2 and 3). Pre-modern societies, even those with commercialized agriculture, can revert to subsistence farming, but modern societies must keep their complex economies going to avoid national disaster.

But this commitment alone (and not counting desires to maintain higher-than-subsistence living conditions) gives a conqueror an opening for economic exploitation. All but the most primitive economies depend on currency to facilitate the exchange of goods and services, including the trade of services and industrial production for food. Conquerors can tap the money supply, either by extorting tribute from defeated rulers, by printing it themselves, or by introducing a totally new currency (that may or may not be linked to their own). This control over the currency allows conquerors to extract revenue which can then be used to buy goods and services in occupied territory or even abroad, if the trading system is still open.\footnote{Henry S. Bloch and Bert F. Hoselitz, \textit{Economics of Military Occupation} (Chicago: Foundation Press, 1944); Yuan-li Wu, \textit{Economic Warfare} (New York: Prentice-Hall, 1952), 236-42; Vladimir Petrov, \textit{Money and Conquest: Allied Occupation Currencies in World War II} (Baltimore: Johns Hopkins University Press, 1967), 15-16, 252-63.}

Modern societies, even if they can behave as rational units, are thus more likely to collaborate economically than resist. The vestiges of indigenous political authority remaining in occupied or conquered territory will find that...
resistance entails high costs to their society. Selective resistance—continuing to serve their society while frustrating the conqueror's demands—may have some effect. But disobedient civil servants risk dismissal or replacement by more compliant, if less knowledgeable, personnel. The danger of the progressive incapacitation of government, or its corruption by Quislings or foreigners, is unlikely to be worth the inconvenience caused to the conqueror. Bureaucrats and civil servants often cling to their posts just to support their families, and "collaborationists" serve for personal gain or ideological conviction. But even patriotic politicians may collaborate for reasons of state, in the belief that the alternative is a Hobbesian state of nature. 87

In sum, modernization concentrates coercive resources in the hands of militaries and makes modern societies vulnerable to the disruption of commerce and governmental services. Given such an imbalance in resources and vulnerabilities, even group-rational Kantians would be more inclined to collaborate than resist. This substantially reduces the costs of occupying and administrating defeated societies. Threats alone may be sufficient to compel collaboration, and if the conqueror is seen as ruthless and resolved, its threats will be infrequently tested. Troops stationed in conquered territory can devote most of their energies to training while their very presence deters internal rebellion.

Urbanization and Collective Action

Modernity increases population densities, as well as communication and mobility within and between urban areas. These twin aspects of modernity have complex implications for collective action. On the one hand, urbanization dissolves the close-knit communities that fueled the major social revolutions of history. Peasant villages may still exist, but they represent only a small minority of the population in modern societies. Large cities, which included less than 3% of the European population before 1800, comprised 5% by mid-century, 10% by the turn of the century, and nearly 25% by 1950.\textsuperscript{88} In contrast to the organic ties bonding villagers who live their entire lives in the confines of a small village, the mobility, isolation, and impersonality--the Durkheimian anomie--of urban life lacks the cohesion which facilitates collective action.\textsuperscript{89}

On the other hand, high population densities in cities and factories counteract atomism by reducing the costs of forging organizations and of disciplining and rewarding their members. This was recognized long ago by Marx and Engels, who argued in the \textit{Communist Manifesto} (1848) that

\begin{quote}
...with the development of industry the proletariat not only increases in number; it becomes concentrated in greater masses, its strength grows.... The real fruit of their battles lies...in the ever-expanding union of the workers. This union is helped on by the improved means of communication that are created by modern industry and that place the workers of different localities in contact with one another. It was just this contact that was needed to centralise
\end{quote}


the numerous local struggles, all of the same character, into one national struggle between classes.\textsuperscript{90}

Population density reduces the information costs of monitoring resistance and collaboration, and thus the task of organizations like unions of rewarding strikers and penalizing strike-breakers; organizations can in principle perform the same functions as cohesive villages. Communication also helps to overcome the prisoner's dilemma that lies at the heart of collective action problem by enabling conditional cooperation. Knowing that others are about to rebel reduces the risk of being caught out on a limb. Because there is safety in numbers, crowds have been a historic source of spontaneous collective violence.\textsuperscript{91}

But modernization reduces the information costs for repressive rulers as well as for resistance organizations. Surveillance in cities and factories is easier than over forests and farmland, so repressive regimes can prevent the formation of politically hostile organizations as well as riotous crowds. Repression using modern police and surveillance techniques can prevent the development of underground groups sufficiently organized to provide incentives or coerce individuals into taking risks.\textsuperscript{92} States, with their pervasive laws and propaganda, are able to persuade and discipline ordinary people to die for their country, but underground resistance leaders don't have those organizing capabilities. Moreover, all it takes is one informant to identify underground leaders, and their arrest shatters outlawed organizations, or at least any ability they might have to curtail free-riding.


Modernity thus has the potential for massive collective action, but it also provides ruthless conquerors with the wherewithal to prevent it. Repressing the formation and growth of organizations keeps society atomistic and thus incapable of collective action. Most individuals will shirk the path of resistance because the difference each would make to the cause is too small to justify the dangerous risks involved. Resistance is thus unlikely even in the cases where the chance of success outweighs the total costs of rebellion. As students of authoritarian regimes readily concede, "no transition can be forced purely by opponents against a regime which maintains the cohesion, capacity, and disposition to apply repression."

Free-riding also has significant implications for economic collaboration. If a conqueror can repress social self-organization, the collective action problem ensures that the economy will perform well, if not at 100%. The same market competition that prevents price-setting collusion under normal conditions also prevents collusion against exploitation. The costs of initiating an unorganized boycott, or even more subtle forms of foot-dragging and inefficiency, will be very high if the conqueror responds with factory closure and pillaging. In capitalist economies, firms are controlled by owners who have a direct stake in their survival and prosperity. Firms still interested in profits will compete to get them, and will continue their normal monitoring of worker productivity and vigilance against sabotage. Even when all firms would be better off turning down orders or sabotaging output, self-interested firms and workers will face strong incentives to free-ride and perform at their peak. Even group-rational or altruistic firms will find

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themselves in a dilemma, because resistance, if met with closure, would throw their employees out of work and cut off supplies to indigenous customers.

Theory Testing

Hypotheses

The theory of collaboration and resistance presented in this chapter suggests that mean and repressive conquerors should be able to control and extract substantial resources from militarily defeated modern societies. Resistance is possible only if the conqueror is unwilling or unable to use coercion and to suppress the distribution of strike pay; it is likely to be strongest when it seems possible to make a difference (i.e., the population is neither resigned to foreign rule nor sure it will go away by itself). Atomizing repression increases collaboration by exacerbating the free-rider problem; market economies should perform better than centrally planned economies, because firms and individuals have greater incentives to perform.

Nationalism matters, and will make exploitation difficult if not impossible for a conqueror who lacks the determination and capabilities to maintain this level of repression. But brutal conquerors will be able to make conquest pay far better than the liberal hypothesis (i.e., industrial economies are economically useless) suggests. This does not mean that the hard geopolitical hypothesis of full exploitability is correct. Even in the face of repression, nationalism will drag down a conquered economy's productivity somewhat, and repression itself involves a moderate degree of cost. The theory presented thus suggests that a conquered society would be worth economically at least half of an ally.
Cases and Measures

This study tests the hard geopolitical hypothesis and the liberal and soft geopolitical theories of the profitability of conquest against five cases of empire or occupation: the German occupation of Belgium, northern France, and Luxembourg during World War I; the Franco-Belgian occupation of the Ruhr in 1923-24; the German occupation of Europe during World War II; the Japanese Empire; and the Soviet postwar East European "Empire." These cases nearly encompass the universe of industrial empires, conquests, and occupations, which is quite small because most colonies achieved independence before becoming industrialized, and most conquered industrial countries were quickly liberated.94 Although no study has compared these cases to see if conquest pays, a host of published works on single cases makes possible a comparative study of this scope.95 In the following chapters, I try to use the comparative case-study method to make the best use of the available evidence.96 Theory testing with a limited number of cases requires comparisons between and within cases to control for alternative theories as well as other ad hoc explanations.

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95 Alan Milward's brief chapter on occupied economies during World War II in his War, Economy and Society, 1939-1945 (Berkeley and Los Angeles: University of California Press, 1977) remains the broadest comparative study. In this study I rely mainly on English- and French-language published works, scholarly as well as official.
The dependent variable in this study is the profitability of conquest, which can be defined more precisely as the conqueror's (or occupier's) net gain taken as a percentage of the victim's economic potential. For each case, I make ball-park estimates of the economic costs and benefits, from the conqueror's perspective. Costs can be estimated according to the personnel involved in administering and policing occupied territory; this involves some guessing about whether occupation troops involved in defending conquered territory from external threats are necessary to deter resistance. In assessing gains, I will use the aggregate value of total resources extracted, not just military-industrial production. This includes loot as well as current production. But looting is inherently a one-shot deal, because it discourages continued production and strips economies of capital. Moreover, since the productivity of equipment in complex economies depends on the system in which it is embedded, looted equipment is thus unlikely to find as productive a use outside of its original setting. To make conquest really pay, conquerors have to milk their conquests rather than slaughter them. Because economic resources are highly fungible, most forms of economic production can be useful to a conqueror. Anything extracted from occupied societies that would otherwise have to be produced in the conqueror's economy frees up labor, raw materials, and plant for military purposes.\[^{97}\]

The net gains have to be considered in proportion to the economic potential of conquered or occupied societies. To take into account any drop in productivity resulting from

\[^{97}\text{Although strategic resources increase in value preceding and during war, especially if normal sources of supply are cut off by embargo or blockade, tracking substitution costs is immensely difficult. Normal peacetime prices, adjusted for inflation, will have to suffice in measuring the profitability of conquest. Controls on prices and wages have to be considered if they add to the conqueror's gains; this may be the main form of exploitation. See David S. Landes, "Some Thoughts on the Nature of Economic Imperialism," Journal of Economic History 21 (Dec. 1961): 499.}\]
conquest, it is best to measure economic potential in terms of pre-conquest national income.\textsuperscript{98}

In using different outcomes to test the alternative hypotheses, it is essential to control for extraction strategies. Conquerors sometimes prefer "fattening" to "milking" strategies, depending on the international context (to be more precise, on their needs and time horizons).\textsuperscript{99} In war, when survival is at stake and the odds of holding onto captured (or one's own) lands are not high, rulers try to maximize short-term output. Conquerors will thus exploit conquered economies full tilt, running them down and even looting them if necessary. In peacetime, a conqueror will prefer to fatten a conquered "cow" for devouring later in case of war.

It is possible to control for different strategies of extraction by comparing the level of mobilization attained to some appropriate benchmark. Thus, a hard geopolitical position would predict that a state would mobilize the same percent of its GNP whether it is independent or occupied. But it is hard to know what level of mobilization a conquered society would achieve if it were independent. The level of mobilization reached by the conqueror would suffice, as long as the levels of development are not radically different. Using this rule of thumb, a conquering state mobilizing 60\% of its domestic resources should be able to mobilize 60\% of conquered resources, taking into account any additional policing and administration costs; if it is mobilizing only 10\% of its own resources, it should mobilize 10\% of conquered resources as well.

\textsuperscript{98}Gross domestic product is the best measure of national income for assessing exploitability because it includes the total income, foreign and domestic, from all domestic assets. Gross national product will also suffice, although it includes domestic income from assets abroad (which a conqueror wouldn't control) and excluded foreign income from assets at home (which he would) as a measure of national income, as will net national product (which excludes capital consumption).

\textsuperscript{99}The same is true for domestic resource extraction. See Margaret Levi, \textit{Of Rule and Revenue} (Berkeley: University of California Press, 1988).
The liberal hypothesis predicts that a conqueror will extract 0% of conquered resources, regardless of the domestic level of resource mobilization. A soft geopolitical position would predict that a conquering state mobilizing 60% of its own resources would be able to mobilize about 30% of conquered resources.

For cases of fattening strategies, the predictions of the realist and liberal hypotheses converge, so they do not allow competitive tests of the theories (although an outflow of resources merely to maintain control, or failing to actually "fatten" the periphery, would provide evidence for the liberal theory). It is also important to control for exogenous factors affecting the economic performance of conquered lands. All bets are off if the economy is ruined by the invasion, scorched earth measures, excessive pillaging, clumsy economic policies, or military and economic warfare waged by third parties.

This study is not simply an exercise in measurement, but also an attempt to test competing theories about the profitability of conquest. Assessing the liberal and soft geopolitical theories requires measuring the independent variables of nationalism, industrialization, and coercion. Most of the cases examined here are highly industrialized in a centuries-long perspective; since there are no post-industrial examples, Van Evera's variant of the liberal theory cannot be directly tested. Among the cases, variation in level of industrialization can be measured by real GNP per capita.\(^{100}\) The effect of technological level can also be examined within economies by comparing different sectors, say mining and engineering.

\(^{100}\)This poses difficulties when currencies are not fully convertible, but for most cases this is not a problem. Paul Bairoch, "International Industrialization Levels from 1750 to 1980," *Journal of European Economic History* 11 (Fall 1982): 269-334. Other alternatives are percentage of urban population, steel output, energy consumption, and share of world manufacturing output. See also Kennedy, *Great Powers*, 198-202.
Nationalism is as difficult to measure as any ideology. But rough approximations can be made based on what we know about the sources of nationalism, which are themselves easier to recognize. Ernest Gellner's *Nations and Nationalism* (1983) stresses the importance of language and other distinctive traits. He explains that non-agricultural workers depend on their proficiency in a shared culture for economic advancement, and thus prefer rulers who share their language and other traits subject to discrimination. Thus, nationalism varies with level of development, and political hostility should reflect particular threats posed to a society's language and culture. A society is much less likely to object to conquest if it shares language and culture with the new ruler, and there is no other obstacle to assimilation. By this measure, Austria's nationalism vis-a-vis Germany in 1938 is much less than that of France.

Gellner's theory is insufficient to explain the varying intensity of nationalism, as well as its obviously irrational excesses, but historians have long noticed that politicians, and especially states, can fan the flames of nationalism. States have considerable control over the dissemination and currency of ideas in their societies, because they can tell schools what to teach and newspapers what to publish. As Rousseau advised the Polish government, "it is education that must give souls a national formation, and direct their opinions and tastes in such a way that they will be patriotic by inclination, by passion, by necessity."\(^{101}\) The discovery that nationalism could mobilize and fire up conscript armies led states to redouble their efforts to spread

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nationalism throughout their societies. Since states gradually homogenize and indoctrinate their societies over time, length of statehood (especially great-powerhood) can also serve as a measure of nationalism. On this scale, France would rank well above Czechoslovakia, which enjoyed real independence only between 1919 and 1938, and since 1989. Finally, multinational societies are no less nationalistic than culturally homogenous ones, but they are susceptible to internal divisions which divert energy from resistance against the conqueror. Nationalistic minorities, like the Belgian Flemings and the Czech Germans and Slovaks, can become potential tools in a "divide and rule" strategy.

Coercion and repression must be defined independently of the collaboration they are supposed to cause. This is not too difficult. Atomizing repression consists of the enforced prohibition of opposition organizations. Physical coercion comes in many different forms: holding or shooting hostages, destroying public buildings, burning and pillaging, etc. Economic coercion is also easy to observe: boycotters are shut down and possibly looted and the distribution of strike-pay is prevented.

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Chapter 2: Occupied Belgium, France, and Luxembourg, 1914-1918

A squeezed lemon affords no juice and a slaughtered cow gives no more milk.
-- Ferdinand von Bissing, Governor-General of Belgium, June 1915

Whatever Germany's guilt for the outbreak of World War I, Germany did not provoke the war to conquer new territories. But German war plans called for an invasion of France, through Belgium, to knock France out of the war before turning to Russia. The 1914 offensive was initially so successful that German troops overran Belgium and Northern France in less than three months. Luxembourg was taken without a shot in the first days of August (it had no military, by treaty). A German ultimatum delivered on August 2nd to Brussels offered to respect Belgium's territorial integrity after the war if the Belgians allowed German troops free passage through their country. Belgium refused, and its tiny hundred-thousand-strong Army held up the Schlieffen


Plan by a few days before retreating behind the flooded Yser, retaining a tiny piece of southwestern Belgium. France managed to stave off Germany's drive at the Marne, thanks in part to the delay in Belgium, but could not keep the German Army from overrunning its industrially vital northern provinces. By late October the Western Front had hardened into parallel trenches cutting across Northern France.

German expansionists did get their way after the war had begun, and the government's ambitions followed on the heels of its army's advances. These ambitions were based on economic as well as strategic motives, although among the former raw materials held greater allure than industrial capacity. Concerns about non-German nationalism influenced preferences between outright annexation and less indirect forms of German rule, but do not appear to have otherwise dampened Germany's appetite for expansion.

Regardless of long term plans, German policy in the occupied territories was driven by the need to protect lines of communication and to mobilize resources for total war. For four years, the belligerents poured all the blood and iron they could muster into the struggle to prevail. Germany naturally tried to mobilize the resources of the territories it occupied as well as its own. Although Germany eventually controlled a huge expanse of western Russia, as well as (with Austria-Hungary) Serbia and Romania, this chapter examines only Belgium, Northern France, and Luxembourg. They were the most highly industrialized regions occupied during the war, and have been subjected to more thorough historical scrutiny.

Germany had no problem maintaining control. But economically, the occupations were a failure in Belgium and Northern France, whose factories lay idle throughout the war. Industrialists refused to collaborate despite the very real threat of the destruction of their factories, and labor refused to work
for the Germans. Germany ultimately had to satisfy itself with large-scale plundering of raw material stocks, scrap metal, and industrial equipment. Only in Luxembourg, and in the case of Belgian coal mining, did Germany succeed in harnessing captured industrial resources.

This chapter argues that Franco-Belgian resistance depended vitally on external support. Germany didn’t have the food surplus needed to maintain these food-importing regions, so it struck a deal with the Allies: if the Allies allowed relief through the blockade, Germany would neither appropriate it nor use it to compel Belgians and French to work. The soup-kitchens which sprang up in occupied Belgium and Northern France denied Germany use of economic compulsion, allowing labor to "just say no" to work. But where Germany had this leverage, it profited massively. Belgium had abundant coal resources, and to obtain enough to keep warm during the winter they provided half their output to the Germans. In Luxembourg, which had no access to food relief, the mines and steel mills worked steadily for Germany throughout the war.

Luxembourg’s collaboration is not fatal to the liberal theory, because the Luxembourgeois were less nationalistic vis-à-vis the Germans than were the French and Belgians. Since both the liberal and soft geopolitical theories can provide plausible explanations for the pattern observed, this set of cases does not provide the most competitive test of these two theories. But the fact that the Belgians mined coal for the German war economy does suggest that societies will collaborate if necessary to meet their basic human needs.
German Aims

Although Imperial Germany bears a considerable burden of the guilt for starting the war, the "Great War" did not begin as a war of conquest. It did, however, rapidly become one, and Germany's escalating territorial ambitions, though not Germany's alone, presented a formidable obstacle to any compromise peace. Meanwhile, Germany's wartime objectives in the occupied territories were to harness them as much as possible to the German war effort.

Wilhelm declared upon the outbreak of the war that "it is no lust of conquest that inspires us." Indeed, territorial ambitions do not appear in the forefront of any belligerent's motives in July-August 1914. Rival imperialisms, to be sure, had exacerbated the long-standing tensions in Europe prior to the war. Austro-Hungarian and Russian competition in the Balkans had been heightened by Vienna's annexation (after thirty years of occupation) of Bosnia-Herzegovina in 1908, which was motivated more by nervousness about South-Slav nationalism than by naked greed. Russo-German antagonism had been further exacerbated by Berlin's economic and military ventures in Turkey, whose Dardanelles long had been coveted in Moscow. French readiness to fight Germany stemmed in part from French ambitions to regain Alsace-Lorraine. Finally, German-French and especially German-British relations had been chronically aggravated by German demands for a colonial empire, a "place in the sun" alongside the other "world powers."

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This German quest for Weltpolitik has been interpreted by Fritz Fischer and others as proof of German guilt for the outbreak of the war.\textsuperscript{6} Clearly there were many influential advocates in pre-war Germany for aggressive continental and colonial expansion, and a feverish propaganda campaign had spread Social Darwinist fears and aspirations for Weltpolitik, Mitteleuropa, and Lebensraum in German society.\textsuperscript{7} German expansionists prior to World War I argued that Germany had to expand to survive: "the continental expansion of German territory [and] the multiplication on the continent of the German peasantry...would form a sure barrier against the advance of our enemies."\textsuperscript{8} But there is little evidence that the German government, or at least its pivotal Chancellery, was so bewitched by these dreams as to gamble war for them. From an economic perspective alone, Bethmann Hollweg was not prepared to sacrifice Germany's world trade for an autarkic continental and colonial trading-bloc. The Chancellor shared the Angell-esque view of his trusted adviser, Kurt Riezler, that "wars between great powers [would] no longer be started because of the rewards to be gained from them, but only from necessity."\textsuperscript{9}

"Necessity" arose for Germany when its security appeared endangered by the rising power of its foe, Russia, and declining power of its ally, Austria-Hungary. Belief in the inevitability of war led Bethmann Hollweg to take

\textsuperscript{6}Fritz Fischer, War of Illusions (New York: W.W. Norton & Co., 1975).


grave risks in July 1914 in order to prop up his tottering ally. If the fait accompli failed, the resulting preventive war would be a lesser evil, he thought, to a future conflict against even worse odds: "in a sense it was a preventive war. But the war was hanging over us anyway, two years later it would have come even more dangerously and unavoidably..." Smashing Russian power would have required driving back the Russian border, but this was to have been maintained through a cordon sanitaire rather than German expansion.

If German expansionists failed to persuade their government to launch a war of conquest, they succeeded in promoting ambitious territorial objectives during the war. As German troops approached the Marne, Bethmann Hollweg drew up for the first time a set of aims to be demanded once the expected hour of victory had arrived. His "September Program" sought nothing less than continental hegemony and world empire for Germany: "Belgium, even if allowed to continue to exist as a state, must be reduced to a vassal," which entailed that it demilitarize, cede Liége, Verviers, and its colonies to Germany, allow German control of Belgian railways and ports, and "become economically a German province" via an enforced customs union. Germany would also obtain France's African colonies and advance the Alsace-Lorraine border to include the Vosges mountains and the "ore-field of Briey, which is necessary for the supply of ore for our industry." France too was to be bound economically to Germany by a treaty which "secures the French

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10 Bethmann Hollweg in 1917, quoted in Fischer, War of Illusions, 468.

11 The best prewar evidence on Bethmann Hollweg's expansionist aims is, according to Fischer-protégé Imanuel Geiss, his July 29th offer to refrain from annexing Belgian and French soil (though their colonies would remain fair game) in return for British neutrality. Geiss, German Foreign Policy, 174-75. Still, there is no reason to think that these ambitions were critical in his decision to provoke or risk war, much less that the result was "Germany's War of Conquest."
market for our exports and makes it possible to exclude British commerce from France," and would have to pay a war indemnity "high enough to prevent France from spending any considerable sums on armaments in the next 15-20 years." Plans for Russia were not yet so focused, but it "must be thrust back as far as possible from Germany's eastern frontier and her domination over the non-Russian vassal peoples broken." By eliminating France and Russia as great powers, the war would achieve "security for the German Reich in west and east for all imaginable time." But German aims continued to grow with the German Army's conquest of western Russia. As Russian resistance disintegrated, German aims followed German arm, from a slight incursion of the Prussian border into Russian Poland, with Austrian suzerainty over Poland, to the attachment of the Baltics and Poland to the Reich.

Even if territorial ambition was not a motive for German aggression or risk-taking before the war, their full-blown emergence during the war presented an insurmountable obstacle to a negotiated peace. Woodrow Wilson offered repeatedly to mediate talks between the Entente and the Central Powers on the basis of a return to the status quo ante bellum. But Germany was never willing to accept such terms, as Bethmann Hollweg made clear in a May 1915 Reichstag speech: "The greater the danger which we have to face from the ring of enemies around us...the more necessary is it for us to hold out until we have fought for and achieved all possible real guarantees and safeguards that none of our enemies will again dare appeal to arms, alone or in company." Of course, the blame for prolonging the war must be shared by the Allies, who also were unwilling to return to the status quo ante--France,
for one, demanded the return of Alsace-Lorraine. Even though many of the conditions leading to war had vanished after 1914, especially the illusory "cult of the offense," escalation of war aims on all sides doomed any hope of compromise peace.

This wartime expansionism grew from a range of motives, held by various interests in Germany. Some scholars argue that mass opinion drove German war aims, because promises of victory and great gains were necessary to mobilize the population for the war and deflect criticism of the monarchy.15 But the Reichstag's July 1917 resolution calling for "peace without annexations or indemnities" more accurately reflected the rank-and-file's desired war aims.16 The increasingly influential German High Command led the expansionist charge, demanding outright annexation of any strategic territories it had seized, as did the German Navy, including the English Channel coastline as a springboard for threatening Britain. But in addition to achieving military security "for all time," Germany sought economic security and prestige. Heinrich Class and his Pan-German League were interested mainly in gaining expanses of depopulated farmland for peasant settlement—a forerunner of Nazi Lebensraum.17 German industry, severed from its world

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15 Conservatives thus warned the government that "a government which, without urgent necessity... relinquishes Belgium, will lose support of the largest and best sections of the German people and thus endanger the monarchy." Hans W. Gatzke, Germany's Drive to the West (Drang nach Westen): A Study of Germany's Western War Aims during the First World War (Baltimore: Johns Hopkins Press, 1966), 22. See also Fred Iklé, Every War Must End (New York: Columbia University Press, 1971), passim, and Charles S. Maier, "Wargames 1914-1919," Journal of Interdisciplinary History 18:4 (Spring 1988): 834.

16 Fischer, Germany's Aims, 394-404; Gatzke (Germany's Drive, 293) claims that mass opinion had already shifted against the war in 1916; cf. L.L. Farrar, Jr., Divide and Conquer: German Efforts to Conclude a Separate Peace, 1914-1918 (New York: Columbia University Press, 1978), 11-12, 109-10.

17 Smith (Ideological Origins, 174-85) portrays the Pan-German quest for Lebensraum as an old Junker ploy to divert peasant attention from their wealth and power. But the
market opportunities by Allied blockade and the threat of protracted economic warfare, now sought an economically unified Mitteleuropa that it could dominate free from British competition. It was even more insistent on the annexation of mineral deposits: the coalfields of the French provinces Nord and Pas-de-Calais and of Polish upper Silesia, and especially the French iron-ore fields of Longwy-Briey. A delegation of prominent industrialists told the Chancellor in 1917 that they were prepared to carry on the war for another ten years for Longwy-Briey, and they were still insisting in January 1918 that it was "an absolutely vital necessity for the future development of the German iron and steel industry." German industry was less enthusiastic about the prospect of long-term competition from producers in conquered lands, and this view seemed to be shared in Berlin. As Chief of Staff Hindenberg wrote to Bethmann-Hollweg in March 1917, Belgium "must be weakened economically to a greater extent than the German people. Only thus can we render her economically dependent upon ourselves."20

Germany's taste for foreign real-estate was somewhat tempered by the prospect of political struggles with the people who lived there. Annexation posed the problem of how to integrate them into the Reich's constitutional structure. Alsace-Lorrainers had protested interminably since 1871 about their lack of representation in the Reichstag, and Poles and Belgians were far less nationally akin to Germans. The Pan-German League advocated massive

18Hillgruber, Germany and the Two World Wars, 44-45.
19Fischer, Germany's Aims, 259; cf. 164-73, 273, 591; Gatzke, Germany's Drive, 30-38.
20Quoted by Gatzke, Germany's Drive, 160; cf. 152ff.
depopulation and German settlement, but this was accepted in official circles only for small bits of territory destined for annexation, like the Polish frontier strip. German officials thought that making Belgium, Poland, and the Baltics "vassal-states" was the ideal compromise, offering "the advantages of annexation without its inescapable domestic political disadvantages." 21 Belgium and Poland were to be permitted "to enjoy their national life to the full," with independent national institutions and subject only to German military and economic control. 22 The wartime Governor-General of Belgium, Ferdinand von Bissing, had a more realistic view of what indefinite German control would require, and he recommended permanent press censorship and restrictions on rights of association and assembly. 23 The possibility of Germanization appeared somewhat more feasible in the Baltics, where ethnic Germans amounted to about 7% of the populations. 24 Still, Kaiser Wilhelm objected to annexations even here in order to avoid "a second Alsace-Lorraine." 25

Regardless of Germany's ultimate expansionist designs, its wartime policy in occupied territories was governed for the most part by the requirements of waging total war. Total pacification was essential to avoid any threat to German lines of communication or rear areas. But Germany also sought to exploit conquered economies. As early as late August 1914, Prussian

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21 Bethmann Hollweg, quoted by Fischer, Germany's Aims, 104. He was even more circumspect about how to draw Netherlands into a German-dominated Mitteleuropa: "in view of the Dutch character, this closer relationship must leave them free of any feeling of compulsion, [and] must alter nothing in the Dutch way of life." Ibid., 105.

22 Bethmann Hollweg, quoted by Fischer, Germany's Aims, 453. On Belgium, see 260-71; on Poland, see 203, 236-44, 353-56, 450-56.

23 Fischer, Germany's Aims, 261-62.

24 The German population was higher in Latvia (then called Livonia and Courland) and Estonia than in Lithuania. Fischer, Germany's Aims, 456-63; cf. 273-77, 605.

25 Fischer, Germany's Aims, 603.
War Minister Erich von Falkenhayn urged "to so exploit [Belgium] militarily, economically, and financially that it covers in large part the needs of our Army. The land should materially relieve our own Fatherland, and must thus be treated as conquered territory." The failure of the Schlieffen Plan became obvious by November, and the German Army had already exhausted its weapons and ammunition reserves. Desperately needing food, raw materials, labor, and industrial production to survive, Germany naturally tried to draw on the whole range of captured foreign economic resources. The economic resources of Belgium, Northern France, and Luxembourg alone represented potentially significant additions to the German war economy (see Table 1). Harnessed to the German war economy, they might have made a critical difference to the outcome of the war.

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Table 1. Population (millions) and industrial output (millions of tons) of Germany, Belgium, Northern France, and Luxembourg, 1913.27

<table>
<thead>
<tr>
<th>Region</th>
<th>Population</th>
<th>Coal</th>
<th>Iron ore</th>
<th>Iron</th>
<th>Steel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>64.9</td>
<td>277.3</td>
<td>28.6</td>
<td>16.8</td>
<td>17.6</td>
</tr>
<tr>
<td>Belgium</td>
<td>7.4</td>
<td>22.8</td>
<td>0.0</td>
<td>2.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Northern France</td>
<td>3.7</td>
<td>20.0</td>
<td>18.3</td>
<td>3.3</td>
<td>2.9</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>.3</td>
<td>0.0</td>
<td>7.3</td>
<td>2.5</td>
<td>1.3</td>
</tr>
<tr>
<td>Total</td>
<td>11.4</td>
<td>42.8</td>
<td>25.6</td>
<td>8.3</td>
<td>6.7</td>
</tr>
<tr>
<td>% of Germany's</td>
<td>18%</td>
<td>15%</td>
<td>90%</td>
<td>50%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Germany's most serious problem was a manpower shortage. Military mobilization stripped labor from factories in July and August, causing an immediate slump in industrial production to two-thirds prewar levels.28 The German Army had to release armament workers from military service to cope with the October 1914 "munitions crisis," and a series of measures followed desperately trying to mobilize more labor.29 Germany also desperately needed raw materials and transportation equipment. The Allied blockade cut off raw material imports, causing immediate shortages in non-ferrous metals, nitrogen, and soon after in lubricants and textile fibers. Production was also


held up (in the winter of 1916-17) because the rail network could not supply factories with the necessary coal, and even after the transportation crisis eased, a lack of miners constrained the coal supply. Coal and steel remained in short supply until the end of the war.  

Although labor, raw material, and transportation shortages were the main constraints on German armament production, Germany also sought to expand its industrial capacity, at least for a brief period between September 1916 and February 1917. In August 1916, the new Supreme Command of Hindenburg and Ludendorff doubled and tripled production targets for ammunition, artillery, mortars, machine guns, aircraft, and fortification materials. In addition to the usual call for a more intensive mobilization of manpower and materials, the Hindenburg Program planned the construction of new blast furnaces and arms and ammunition factories. But most of these new projects were abandoned when it became clear that the raw material supply would be inadequate to run them. Still, Belgium and northern France together had ample labor, coal, and iron for steel production, and producing steel nearby would have minimized further strain on German transportation. German desire to harness these industries may have been somewhat slackened by opposition of self-interested German steel producers, who feared that competition from French and Belgian steel plants would eat into their own profits. But the German exploitation of Luxembourgeois industry, which was partially but not entirely German-owned, suggests that it was not the


31 Hardach, First World War, 55-73.

32 Apparently, steel interests opposed proposals from the head of the German War Raw Materials Department's iron section to reactivate French and Belgian plants. Feldman, Army, Industry and Labor, 385.
opposition of German industry which prevented the reactivation of Belgian and French production.

Political Control

Germany easily pacified occupied Belgium, France, and Luxembourg. No armed resistance emerged to oppose German control. The German Army and the press back at home conjured up the idea of vicious Belgian "franc-tireurs," referring to old memories of 1871 French partisans. In reality, although a few locals did spontaneously attack the invaders, the atrocities committed in August that left five thousand civilians dead and several towns and cities burned appear to have been due to a deliberate policy of terror.\textsuperscript{33} There was no trifling with the Imperial German Army, in the words of the American ambassador (and poet) Brand Whitlock, "this dread thing, this monstrous anachronism, modern science yoked to the chariot of autocracy and driven by the cruel will of the pagan world."\textsuperscript{34}

For the rest of the war, the Belgians refrained from making any physical attacks on German troops or administrators; in fact, they obeyed German demands (supported by local mayors) to turn in all firearms.\textsuperscript{35} The civil administration chief, von der Lancken, reported to Berlin in September


\textsuperscript{34}Whitlock, \textit{Belgium}, vol. 1, 125. Herbert Hoover later complained that Whitlock, "a poet by nature and a novelist by profession" spent most of the war writing, "shrank from the rough stuff of dealing with the German officials, and had to be prodded constantly." Herbert C. Hoover, \textit{An American Epic}, vol. 1, \textit{The Relief of Belgium and Northern France, 1914-1930} (Chicago: Henry Regnery Co., 1959), 40-41.

\textsuperscript{35}Whitlock, \textit{Belgium}, vol. 1, 134-35.
1916 that nothing in Belgium even remotely approached rebellion. An underground newspaper, *La Libre Belgique*, managed to put out 170 issues during the war, and an underground railway helped 30,000 Belgians escape to join the Allies. Not even this level of resistance occurred in Belgium and Northern France.

Administration of the occupied territories took three forms. The government of Luxembourg, which continued to hold office under German occupation, protested the occupation and insisted on maintaining its neutrality throughout the war. But aside from refusing to cooperate with martial-law measures taken by German troops, such as rounding up escaped POWs, relations with the German garrison were generally correct. The population, moreover, enjoyed its normal civil rights until mid-1917. Thousands of workers met in massive public meetings and formed a union, but when they struck in June 1917 the German authorities responded by outlawing all further assemblies.

German rule in Belgium and northern France was far more strict and severe. Newspapers refusing to submit to censorship—and all refused—were closed down. Public meetings, anti-German activities, and even the open expression of patriotic sentiments were outlawed, with violators subject to the


39 Traush, *Question du Luxembourg*, 45, 53. Only 86 Luxembourgeois had been put under German arrest by February 1915, over the period with the peak arrest rate. Three thousand did escape to fight (and perish) for the French Army. Mounier, *L'état actuel*, 56-57.
harsh judgements of German military tribunals. Heavy fines, imprisonment, forced-labor, deportation to German prison camps remained ever-present threats against subversion of German rule; about a thousand Belgians were executed for engaging in anti-German resistance. The six German armies on the Western Front administered the operations zones, or Etappengebiet, which included all of occupied France and southwestern Belgium (East and West Flanders) except for a tiny strip of channel coast behind the Yser river, held tenaciously by the Belgian King and Army. Each German army had an inspector-general and a commandant to manage its own zone, and used territorial and reserve troops to police it. Here the highest level of native administration was the municipality, although important cities like Lille had a German governor. The mining-metallurgical center of Longwy-Briey was attached to Alsace-Lorraine.

The rest of Belgium was ruled by a "General Government," responsible to the Kaiser. Belgian ministers had escaped to London, and the Governor-General never tried to reconstitute a collaborating indigenous regime. Instead, German administrators filled new departments of general administration, finance, education, commerce and industry, justice; only interior, agriculture, and public works relied mainly on Belgian personnel.

40Pirenne, Belgique et la Guerre, ch. 3; Emile Wanty, "La vie militaire," 352-53.
41Boulin, Organisation du travail, 9.
under German supervision. German officials also replaced the important Belgian provincial and district administrators, leaving only municipal governments intact. Minor Belgian officials continued at their posts, and after a brief strike most state employees, such as railway, police, and postal workers, returned to their positions or were replaced by other Belgians.44 The number of German bureaucrats in the civil administration was 3,500 in 1918, while the military staff, responsible for maintaining internal order, had only 200 officers and 1,400 soldiers, mainly older men.45

Grebler and Winkler claim in The Cost of the War to Germany (1940) that although "the occupation of large territories by Germany and her allies was hailed... as an important step in breaking through economic isolation," the expenses of running these territories made them "a doubtful asset to Germany's war economy."46 But expenses in the General Government at least do not appear to justify this conclusion. Only 5,000 Germans were involved in administering and garrisoning a region with 5 million Belgian inhabitants, and these were hardly drawn from Germany's most able workers and soldiers. Some of the expenses Grebler and Winkler attribute were not costs of occupation at all, but costs of the war against the Allies. For example, maintaining, reconstructing, and improving Belgian roads and railways was not needed for controlling the country, but for supplying men, munitions, and supplies to the Western Front.

45Whether for age, sex, or infirmity, only a third of the civilian staff were subject to military draft, and only 3% were eligible for active service. Hans von Winterfeldt, "Die Deutsche Verwaltung des Generalgouvernements in Belgien 1914-1918," in M. Schwarte, ed., Der grosse Krieg 1914-1918, vol. 10 (Leipzig: J. Barth, 1923), 11, 42; Ritter, Sword and Scepter, vol. 3, 361. On recruitment, see von Köhler, Administration, 18-20.
46Grebler and Winkler, Cost of the War, 75-6, 98.
Economic Exploitation

Germany found it far easier to pacify than to exploit conquered nations. Belgian and French industry and labor refused for the most part to work for the German war economy. As a result, the factories of Belgium and Northern France lay idle throughout the war, leaving Germany no better option than to crudely plunder the occupied economies. Only in Luxembourg, and in the case of Belgian coal mining, did Germany succeed in mobilizing captured industrial resources.

Yet the passive resistance of the Belgians and French depended on Germany’s inability to use economic compulsion. Highly industrialized Belgium and Northern France were normally food-importing regions. But Germany was barely able to feed itself, much less the subject Belgians and French, so it could not make them work for survival. Rather than let the occupied populations starve, Germany struck a deal with the Allies which allowed relief to be imported and freely distributed in Belgium and Northern France. This relief materially sustained an extended general strike in these regions. Where people had to work to eat, as in Luxembourg, or to stay warm, as in the case of Belgian coal, they did.

Boycott and Industrial Paralysis

German troops entering Belgium and northern France threatened to plunder the urban areas unless they handed over lump sums in cash. A more centralized system of tribute was established in Belgium in December 1914. The General Government agreed to leave the municipalities alone after the Société Générale, the leading Belgian financial consortium, agreed to pay 40 million francs per month (later increasing to 60 millions) in “war
contributions.

In occupied France, the Germans continued to extort locally printed money from cities and towns throughout the war. Goods bought with extorted currency were essentially free to the German war economy. German currency spent in the occupied territories (the Reichsmark had been legal tender in Luxembourg, which had been part of the German customs union for fifty years, and was declared convertible at fair prewar exchange rates in Belgium) would have cost Germany their face value under normal trading conditions. But strict commercial restrictions prevented foreign holders of marks from buying German goods during the war. The five billion prewar francs' worth of Reichsmarks circulating in Belgium thus amounted to the payment tribute on an even larger scale than the war contributions. And although Luxembourg was spared having to pay war contributions, the 200 million Reichsmarks circulating in Luxembourg at the end of the war amounted to the same thing.

Germany used its currency and trade control to mobilize Luxembourg's metallurgical production just as it used taxes to mobilize domestic production. The Luxembourgeois mines and forges lost most of their Italian and German labor at the outset of the war, but a sufficient number of locals took their place.

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47 The Société Générale became the national bank of emission after the Germans shut down the Belgian National Bank, which had whisked its metal reserves to London during the invasion. The "war contributions" totalled 2.3 billion belgian francs by the end of the war. Bauduin, Histoire économique de la Belgique 1914-1939, 2nd ed., vol. 1, (Bruxelles: Émile Bruylant, 1946), 41-42, 73.


50 Trausch, Question du Luxembourg, 47-49.
to keep the labor force relatively steady.\textsuperscript{51} Total labor productivity, moreover, was higher in 1915 and 1916 than before the war, enabling production to sustain near prewar levels (see Table 4).\textsuperscript{52} A single general strike halted production for five days in June 1917, but this could hardly be considered significant resistance. Seemingly angrier at the profiteering factory and mine owners than at the German Army, Luxembourgeois labor was just as compliant as Germany's own labor force, which had struck for better wages only a few months before.\textsuperscript{53}

\textsuperscript{51}By 1917, 5,300 Luxembourgeois and 700 Belgians had taken the place of 4,200 Italians and 2,200 Germans. Faber, \textit{Métallurgie du Luxembourg}, 56, 149.
\textsuperscript{52}Carlo Hemmer, \textit{L'économie du Grand-Duché de Luxembourg}, vol. 1 (Luxembourg: Beffort, 1948), 80; Faber, \textit{Métallurgie du Luxembourg}, 149.
\textsuperscript{53}Gatzke, \textit{Germany's Drive}, 184.
Table 4. Industrial Output in Belgium, Northern France, and Luxembourg 1913-1918
(millions of tons)\textsuperscript{54}

<table>
<thead>
<tr>
<th>Luxembourg</th>
<th>1913</th>
<th>1914</th>
<th>1915</th>
<th>1916</th>
<th>1917</th>
<th>1918</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron ore (m.tons)</td>
<td>7.3</td>
<td>5.0</td>
<td>6.1</td>
<td>6.8</td>
<td>4.3</td>
<td>3.1</td>
</tr>
<tr>
<td>Pig-iron (m.tons)</td>
<td>2.5</td>
<td>1.8</td>
<td>1.6</td>
<td>2.0</td>
<td>1.5</td>
<td>1.3</td>
</tr>
<tr>
<td>Steel (m.tons)</td>
<td>1.3</td>
<td>1.1</td>
<td>1.0</td>
<td>1.3</td>
<td>1.1</td>
<td>0.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Belgium</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>22.8</td>
<td>16.7</td>
<td>14.2</td>
<td>16.9</td>
<td>14.9</td>
<td>13.9</td>
</tr>
<tr>
<td>Pig-iron</td>
<td>2.5</td>
<td>1.5</td>
<td>0.07</td>
<td>0.13</td>
<td>0.01</td>
<td>--</td>
</tr>
<tr>
<td>Steel</td>
<td>1.4</td>
<td>0.9</td>
<td>0.09</td>
<td>0.06</td>
<td>0.01</td>
<td>0.00</td>
</tr>
<tr>
<td>Stone (mfrs)</td>
<td>70.6</td>
<td>45.6</td>
<td>12.1</td>
<td>19.5</td>
<td>10.3</td>
<td>10.8</td>
</tr>
<tr>
<td>Semi-finished</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iron&amp;steel</td>
<td>0.8</td>
<td>0.4</td>
<td>0.1</td>
<td>0.2</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Zinc</td>
<td>0.2</td>
<td>0.1</td>
<td>0.1</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Northern France</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>18.6</td>
<td>2.9</td>
<td>2.2</td>
<td>2.9</td>
<td>2.63</td>
<td>1.8</td>
</tr>
<tr>
<td>Iron ore</td>
<td>17.5</td>
<td>------</td>
<td>4 year total: 14</td>
<td>------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pig-iron</td>
<td>3.7</td>
<td>negligible</td>
<td></td>
<td></td>
<td>151;</td>
<td></td>
</tr>
<tr>
<td>Steel</td>
<td>2.9</td>
<td>negligible</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In contrast, Belgium and Northern France refused economic collaboration. German financial depredations in these two regions proved meaningless because neither produced much worth buying. Belgian industrial production fell to 37% of prewar levels in 1915, and then to 29% by 1918; in Northern France activity was just as meager (see Table 4 again).\textsuperscript{55}


Stagnation in Belgium and France resulted from two factors: resource and labor shortages and passive resistance. War damage was not a major problem. The Belgian industrial base was virtually untouched by the Schlieffen drive.\textsuperscript{56} The clash of German and French troops led to greater economic destruction in northern France, and German soldiers gratuitously added to the damage by senselessly sacking several enterprises.\textsuperscript{57} The heavy shelling, military operations, and occasional shift of the front posed additional obstacles to the use of important French coalfields and factories. Thus the coal mines in Pas-de-Calais, closer to the trenches, were less productive than those of the Nord (6% of prewar production, as compared to 36%).\textsuperscript{58}

Northern France suffered a severe labor shortage from the outbreak of the war, when all the males eligible for military service were mobilized into the French Army. Many others fled from the advancing Germans, leaving occupied France with only half of its prewar population—2.1 million—and those mainly women, children, and older men.\textsuperscript{59} Labor was no problem in Belgium, for although a million Belgians fled during the invasion, mainly into the Netherlands, all but a half-million returned after the dust settled.\textsuperscript{60}

\textsuperscript{56}Most of the destruction occurred in southwest Flanders, and there was no damage to mines. Charles Kerchove de Denterghem, \textit{L'industrie belge pendant l'occupation allemande, 1914-1918} (Paris: Presses Universitaires Français, 1927), 21, 113.


\textsuperscript{58}Boulin, \textit{Organisation du travail}, 26. It was often possible for mining operations to continue quite close to the front; in one instance, French miners dug coal under German trenches, until the Germans found out and gassed the shaft. cf. Brooks and La Croix, \textit{Iron}, 22. The Briey iron mines do not appear to have been constrained by military problems (cf. Boulin, \textit{Organisation du travail}, 30; pace Kerchove, \textit{Industrie belge}, 58).

\textsuperscript{59}Boulin, \textit{Organisation du travail}, 3.

\textsuperscript{60}In 1918, there were 325,000 Belgian refugees in France, 163,000 in Britain, and 101,000 in the Netherlands. Belgium, \textit{Annuaire statistique de la Belgique et du Congo belge, 1915-1919}, vol. 46 (1922), 114-17.
the Allied blockade cut off Belgian metallurgical, metal-working, and textile industries from their peacetime supplies of metal ores and fibers.\textsuperscript{61}

But passive resistance was a more important cause of Franco-Belgian stagnation than input shortages. Labor-rich Belgium and mineral-rich Northern France together were capable of producing far more than they actually did during the war. Industries which were more clearly self-sufficient also refused to fill German orders. The entire personnel of the Belgian railways, officials as well as employees, refused to work under German orders or for German accounts, so German soldiers were required to organize the transport of men and materiel to the front.\textsuperscript{62} Machine factories refused to repair German railroad equipment, and quarries refused to cut stone which the German Army wanted for trench-building. Where the army took control of entire factories due to the recalcitrance of management, the workforce promptly vanished.\textsuperscript{63} Industrialists and workers alike invoked incessantly their national duty as well as their protection by international law, which expressly prohibited compelling services which contribute to the occupier's military effort.\textsuperscript{64}


\textsuperscript{62}Kerchove, \textit{Industrie belge}, 28-29.

\textsuperscript{63}At the outset of the occupation, the German Army took control of major Belgian arms plants, including Cockerill at Seraing, Nagant and the Fonderie Royale de Canons at Liege, and the Fabrique Nationale d'Armes de Guerre at Herstal. The Germans later took control of an increasing number of stone quarries, lime works, machine, engine, and car factories, match factories, and gas and electricity works, that persistently refused orders. Kerchove, \textit{Industrie belge}, 23.

\textsuperscript{64}The 1899 and 1907 Hague Convention on The Laws and Customs of War on Land, Article 52, states: "Neither requisitions in kind nor services can be demanded from communes or inhabitants except for the necessities of the army of occupation. They must be in proportion to the resources of the country, and of such a nature as not to imply for the population any obligation to take part in military operations against their country."
Passive resistance was far from total. Resistance was stronger against work which blatantly assisted the German war effort. Enterprises in the operations zones thus tended to be more reluctant to deal with Germans than in the General Government, because only the German Army placed orders there. Here there were exceptions as well—northern French textile factories employing about 2,000 workers produced sand-bags for the German Army until, under public pressure, they suddenly stopped in June 1916. But besides food shops working for the relief commission, only German-run factories continued to work in northern France. Non-strategic industries collaborated more fully. In 1917 and the first half of 1918, Belgium exported nearly 900 million francs of glass, stone, ceramics, phosphates, and sugar, 83% going to Germany and the rest mainly to the Netherlands. Exports in 1915 and 1916 were much higher, although value figures are not available. The goods Germany exported from Belgium to neutral countries were worth twice the value of the Dutch cereals, fodder, and industrial raw materials returned to Belgium, the difference in Dutch goods was siphoned off to Germany.

The most important exception to Franco-Belgian economic resistance was the collaboration of Belgian coal mining. Output remained significant throughout the war (refer to Table 4). Although industrialists and labor

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67 *Rapport*, 48-9. Belgians got 224 million in neutral exports, and German exports must have been low because they consisted mainly of agricultural machinery, mining accessories, and other small manufactured items. von Köhler, *Administration*, 164.

realized that coal would assist the German military effort, they agreed—with the blessing of the exile Belgian government—to continue producing coal on the condition that a large percentage was consumed domestically.\textsuperscript{69} The General Government took control of coal distribution by establishing a central coal office, to which all Belgian mines were required to sell their coal. Coal-Central then sold about half of the coal in Belgium (this fell to 40% in 1918), and reserved the rest for the German Army, the military railroads, and for export to the nearby neutral states (see Table 5).\textsuperscript{70} Although Belgian coal was not exported to Germany, it saved Germany from having to use scarce railroad cars to haul scarce Westphalian coal to the front; exports, moreover, bought Germany desperately needed Dutch, Swiss, and Scandinavian goods.\textsuperscript{71}

Table 5. Belgian Coal Distribution, 1917, by quarter\textsuperscript{72}

<table>
<thead>
<tr>
<th>Consumer</th>
<th>Jan-Mar</th>
<th>Apr-Jun</th>
<th>Jul-Sep</th>
<th>Oct-Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>53</td>
<td>43.5</td>
<td>44.5</td>
<td>46</td>
</tr>
<tr>
<td>Germany</td>
<td>37.5</td>
<td>47.5</td>
<td>49.75</td>
<td>52</td>
</tr>
<tr>
<td>Occupied France</td>
<td>.5</td>
<td>.25</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Export</td>
<td>9</td>
<td>8.75</td>
<td>5.75</td>
<td>2</td>
</tr>
<tr>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Collaboration by industrialists and labor increased in the second half of the occupation. Almost 2,000 machinery plants, tanneries, stone quarries, saw mills, and other plants judged useful for the German war economy remained open, and the manufacture of militarily-useful machinery increased. By mid-1917, 15,000 Belgians were working in 337 establishments in the General Government, under 900 Germans and run by the German military railway.\textsuperscript{73}

\textsuperscript{69}Kerchove, \textit{Industrie belge}, 54.
\textsuperscript{70}Kerchove, \textit{Industrie belge}, 147; \textit{Rapport}, 53.
\textsuperscript{71}\textit{Rapport}, 57.
\textsuperscript{72}\textit{Rapport}, 53, 249.
\textsuperscript{73}Another 2,000 in the Military Zones. Passelecq, \textit{Deportation et travail forcé}, 349. cf. Kerchove, \textit{Industrie belge}, 123. This is in addition to the 27,000 Belgians working in
These establishments, according to von Köhler, "gradually developed into important army and industrial plants" which "eased burden on German armaments industry."\(^7^4\) But these remained minor exceptions to the passive resistance campaign.

**Pillage**

Germany's meager exploitation of Belgian and French production was not the only form of German profit from these territories. Unable to get Belgian and French factories to work, it settled ultimately for dismantling them for shipment to Germany. At first, German pillage focused mainly on raw material stocks, requisitioning entire holdings in the warehouses of commercial centers. German soldiers looked after their own palates as well; their phrase-books contained alternate French and German translations of sentences like:

I am thirsty; bring me some beer, gin, rum.
Lead me to the wealthiest inhabitants of this village. I have orders to requisition several barrels of wine.
Show us the way to -----. If you lead us astray you will be shot!\(^7^5\)

\(^7^4\) von Köhler, *Administration*, 179. At the same time, the number of German-administered enterprises multiplied in the Spring of 1917. But the number of German-run plants declined from late 1917 until the end of the war. By January 1918, the Belgians working in such plants had dropped to 4,600. Passelecq, *Deportation et travail forcé*, 349. Only 215 administered plants in GG at end of the war. von Köhler, *Administration*, 168. The workers employed in construction etc. increased by the same amount.

\(^7^5\) Whitlock, *Belgium*, vol. 1, 221-22.
Germany also requisitioned thousands of machine tools for use in German armaments and munitions plants, and even dismantled a few entire factories for shipment to Germany.76

Purchase and pillage overlapped in a number of ways. When the Société Générale agreed to pay a monthly tribute in January 1915, it did so on the condition that the General Government would pay for all further requisitions.77 Owners of seized goods were henceforth issued requisition receipts, which could be redeemed (at a value set by German offices) at the Société Générale. Germany promised to repay the Société Générale three months after the peace, but for all practical purposes the Belgian bank footed the bill, covering by the end of the war 95 million francs' worth of requisition receipts.78 The General Government authorized German entrepreneurs and several official purchasing agencies to buy stocks which had been requisitioned but not yet actually seized by the Office for Belgian Raw Material Distribution. The threat of seizure, in exchange for a receipt of uncertain value, was enough to persuade most Belgian owners to sell their requisitioned stocks at substantial discounts. But these equitable seizures were small compared to those taken without any payment whatsoever. The steel, cereals, coal, wool, oils, and other materials spirited out of the Belgian port of Antwerp alone had reached 85 million francs by March 1915.79 In November 1916, Governor General von Bissing estimated that the value of requisitions seized

76Kerchove, Industrie belge, 23-4. von Köhler, Administration, 152, says that the equipment was in "urgent demand" in Germany.
77Rapport, 11-17.
7895 million is the German appraisal; the Société Générale actually only paid 90% of that amount. 80% of the requisition receipts had been redeemed by the end of 1916. See Kerchove, L'industrie belge, 37-43, and Rapport, 34-36.
79Kerchove, Industrie belge, 35-7. Antwerp estimate from Castelein. For raw material quantities requisitioned up to June 1918, see Pirenne and Vauthier, p. 41.
outright or with receipts had reached 800 million francs, about half of which represented the requisition of 40% of Belgium's horses.\textsuperscript{80}

Von Bissing opposed any increase in the scale of plunder because "a dead cow no longer gives milk."\textsuperscript{81} But Belgium and northern France were not affording much milk anyway, and von Bissing's expectations of the long-term economic advantages from a permanently subjugated Belgium could not be reconciled with Germany's dire wartime needs. Thus Germany began in 1917 to devour Belgian and French industrial plant on a massive scale. A panoply of new military and private organizations began systematic plant-stripping in the operations zones in early 1917, and in the rest of Belgium by mid-year.\textsuperscript{82}

By the armistice, the Germans had destroyed 151 factories and shipped their 43,000 tons of scrap iron and 50,000 tons of scrap lead to Germany. They had taken 24,000 machines to Germany, and had stored another 12,000 in holding dumps within occupied territory.\textsuperscript{83} The loss to Belgium and France was magnitudes greater than Germany's gain. Even the equipment which arrived in Germany intact was allocated poorly, and greedy German industrialists were able to get French and Belgian machinery for which they had no immediate need.\textsuperscript{84}

\begin{flushright}
81 Quoted in Pirenne, \textit{Belgique et la Guerre}, 172.
82 WUMBA (\textit{Waffen- und Munitons-beschaffungamt}, or Arms and Munitions Procurement Bureau) organized the seizure of all the useful machinery in the condemned plants. Its sister organization ROHMA (\textit{Rohmaterial-Beschaffungstelle}, or Raw Material Procurement Bureau) was responsible for demolishing the remaining furnaces, machinery, and structures—anything that might yield a few tons of scrap metal. Several private German companies, so-called "Demolition Groups" carried out the actual dismantling and pulverizing work, with only 170 Germans overseeing 1,300 Russian and Italian POW laborers. Kerchove, \textit{Industrie belge}, 164-8.
83 Ibid., 165, 170-3.
84 Ibid., 170-3.
\end{flushright}
Forced Labor

Germany tried to remove Belgian and French labor as well as plant, by deporting idle workers for work in the labor-starved Fatherland. Raw material shortages and passive resistance resulted in massive unemployment in Belgium. At first, the General Government seemed more concerned about idleness leading to unrest than about exploiting the slack, and it permitted locally organized public works projects. It was German industry which took the first steps toward utilizing this pool of labor. An organization of iron and steel industrialists, the German Industry Bureau, opened offices in major Belgian cities in June 1915, and began recruiting skilled labor for work in German iron, steel, and mining industries. But the American food flowing into Belgium from the Commission for Relief in Belgium allowed unemployed Belgians to refuse unpatriotic work. By March 1916, only 12,000 Belgians had volunteered for work in Germany, and by September the total had risen only to 26,000.

The growing labor shortage in Germany in 1916 intensified pressure to obtain more Belgian labor, if not by wages then by force. A large number of the 46,000 Belgian POWs were already subjected to forced labor in German industry. They were not particularly productive because they required heavy guarding (initially, 15% supervising personnel) and had little incentive to work, but the profits outweighed the costs. Still, leading German industrialists sought not only more prisoner-of-war labor, but conscripted

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85 In spring 1915, 500-650,000 unemployed, but hundreds of thousands more were underemployed. von Köhler, Administration, 186; Pirenne, Belgique et la Guerre, 44.
86 Ritter, Sword and Scepter, 361-2; von Köhler, Administration, 188-92.
civilian labor as well. At a key September 1916 meeting with the supreme command, Carl Duisburg, representing the chemical industries, urged Hindenburg and Ludendorff to "open up the great human reservoir of labor in Belgium." The industrialist and war-economy official Walter Rathenau argued that "by compulsion Germany can get 700,000 workers for her own industry." 88

The conscription of Belgians in the General Government for deportation to Germany, and of Belgians and French in the operations zones for forced labor on military works, began in October 1916. 89 The deportation program was a failure. The General Government had inadequate administrative resources for identifying unemployed, healthy industrial workers in any short order. The Belgian Relief Committee declined to turn in its relief lists, and municipal officials refused to cooperate in identifying suitable deportees, despite the imprisonment of numerous mayors and judges. The General Government thus had to go from town to town rounding up able-bodied men with little screening as to their health, skills, or employment status. 90 A clumsy deportation apparatus resulted in unnecessary hardship and illness. Of the 61,000 deported, 13,150 had to be sent back because they were unfit, and another 800 died.

Historian Henri Pirenne, himself a victim of German deportation, found the Belgian deportees "worked only with ill will and insuperable apathy." 91 German employers, who had so urgently lobbied for Belgian labor, feared

88 Armeson, Total Warfare and Compulsory Labor, 30-32.
91 Pirenne, Belgique et la Guerre, 196. Cf. Grebler and Winkler, Cost of the War, 33; Herbert, Fremdarbeiter, 28.
resistance and sabotage from the deportees and were hesitant in the end to take them on, so a majority never left the camps. The General Government drew the lesson (to be disproved in the next world war) that "sufficient force can send any number of people anywhere where work is to be done, but they can never be induced to perform careful and industrious work, least of all [work requiring] knowledge and skill." Indignant protests from neutral states also took their toll. In February 1917 the deportations were halted, and most of the remaining deportees were sent home.

The forced labor program was not a complete failure, however. Labor conscription in the military zones was successful enough, at least, to be continued up to the armistice. There, 60,000 Belgians and French grouped in "Civil-Worker Batallions" slaved over fortifications, roads, railways, and barracks until the end of the occupation. Moreover, German industry did ultimately gain more Belgian workers, as the coercive measures succeeded in frightening thousands of Belgians into volunteering for work in Germany. Indeed, this had been part of the plan from the beginning, and German Industry Bureau personnel recruited heavily from crowds under threat of deportation. Having recruited only 30,000 Belgians in its first 16 months of operation, the Bureau enrolled another 14,000 in the three months after deportations began. Another 12,000 deportees signed work contracts in Germany, and continued to work there as "volunteers" after the deportation program had ended.

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93 von Köhler, Administration, 216, 219.
95 von Köhler, Administration, 211, 216.
Table 7. Belgians working directly for Germany in January 1918

<table>
<thead>
<tr>
<th>Volunteers</th>
<th>In Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>88,500</td>
</tr>
<tr>
<td>Women</td>
<td>1,500</td>
</tr>
<tr>
<td>Civilian Prisoners (some out of G.)</td>
<td>1,800</td>
</tr>
<tr>
<td>Prisoners of War</td>
<td>38,800</td>
</tr>
<tr>
<td>Deportees</td>
<td>11,800</td>
</tr>
<tr>
<td></td>
<td>142,400</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>In Belgian operations zones</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>RR operation and repair</td>
<td>105,858</td>
</tr>
<tr>
<td>Trade and Industry</td>
<td>100,000</td>
</tr>
<tr>
<td>Construction and Roads</td>
<td>4,543</td>
</tr>
<tr>
<td>Other</td>
<td>12,517</td>
</tr>
<tr>
<td></td>
<td>229,918</td>
</tr>
<tr>
<td>Total</td>
<td>372,318</td>
</tr>
</tbody>
</table>

But the threat of deportation cannot be the only explanation for the increased willingness of Belgians to work for Germany, since the higher enrollment rate persisted after the deportations stopped. At the time of the armistice, there were 130,000 volunteer Belgians still working in Germany. Worsening living conditions in Belgium enticed an increasing number of volunteers into Germany and German-run plants in Belgium.

Explaining Economic Resistance and Collaboration

Physical coercion was insufficient to make nationalistic resisters work, even those with much to lose. Germany's massive dismantling campaign was at least partially effective in persuading Belgian industrialists to collaborate. Capitalists who continued their boycott in 1917 faced a much

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96 German official figures, cited in Passeecq, *Deportation et travail forcé*, 349.
97 Von Köhler, *Administration*, 220.
98 Herbert, *Fremdarbeiter*, 32. Hoover gives the unbelievable number of 700,000.
100 Kerchove, *Industrie belge*, 160.
graver threat of losing their entire capital stock, machines, structures, and all. The General Government boasted in a 1918 bulletin about the new attitude of what was left of the iron industry: "Where in some cases difficulties arose, pointing out the disagreeable consequences for the factories almost always sufficed to make them compliant." But in fact, most French and Belgian industrialists were prepared to lose their factories and even suffer German imprisonment and forced labor than collaborate. Workers too preferred to suffer the consequences of striking than work for the enemy.

But the French and Belgians' resistance depended on the fact that they did not have to work for the Germans to earn their daily bread, thanks ironically to a shortage of indigenous and German foodstuffs. These densely populated, industrial lands in the west had no food to spare, and depended heavily on food imports in peacetime for their own survival. Belgium before the war had imported three-quarters of its wheat supply and much of its livestock feed and fats. Northern France was in a somewhat better position in peacetime, but the 1914 labor hemorrhage reduced its agricultural capacity significantly.

Germany was itself pushed to to the brink of starvation by an agricultural slump and the Allied blockade, and could not make up the shortfall to these regions. Germany thus refused to take responsibility for

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101 von Köhler, Administration, 168-9. Of the 66 more iron-related enterprises closed in the first half of 1918, only four were closed for resistance. Kerchove, Industrie belge, 123-5.

102 Although Germany was nearly 90% self-reliant in food-stuffs before the war, the call-up of men and horses into the army, and the loss of crucial imported fertilizers sent German agriculture into a slump. Government efforts to increase grain and potato cultivation, at the expense of (less calorie-efficient) livestock, were largely frustrated by profiteers and greedy farmers who sold meat at astronomical prices in a burgeoning black market. Hardach, First World War, 112-123. On the role of hunger in Germany's collapse, see Avner Offer, The First World War: An Agrarian Interpretation (Oxford: Clarendon, 1989), pt. 1.
feeding the populations in occupied Belgium and France, saying that if starvation occurred it would be the fault of the Allies and their blockade. At the same time, the occupying power was hardly relishing the prospect of mass starvation behind German lines, even if only out of self-interest. An American observer noted at the end of October 1914 that "The people are so hungry, and so desperate that...they are liable to attack the German soldiers at any moment, which would mean another terrible and useless sacrifice of the Belgian people;" at the same time the Liége city council was warning of riots, because "the people will rather die fighting than starving." 103 French and British leaders, while relishing Germany's dilemma, did not want the nine million occupied peoples to starve either, but were unwilling to slacken the pressure of the blockade on Germany.

A solution to this impasse appeared in the form of an international relief effort, organized by Herbert Hoover. 104 Hoover negotiated a tenous deal with the belligerents allowing his Commission for Relief in Belgium (CRB) to ship food into Belgium and northern France. The Allies agreed to let food through the blockade, but only with guarantees that it wouldn't feed German mouths, and that the Germans refrained from taking local produce which the CRB would then have to replace. The Germans agreed in October 1914 to these conditions. Over the next four years, CRB ships, carrying the CRB flag and huge, illuminated "Belgian Relief" signs to protect them from Allied harassment and German U-boats, brought four million tons of foodstuffs (paid for mostly by the U.S., French, and British governments) through Rotterdam to

104The best account of this relief effort is Hoover, An American Epic, vol. 1; see also Albert Henry, La ravitaillement de la Belgique pendant l'occupation allemande (Paris: Presses Universitaires de France, 1924); Pirenne, Belgique et la Guerre, ch. 6.
Belgium and northern France. A British official described this unprecedented international organization, with its flags, informal treaties, and immunities, as a "practical state organized for benevolence."

Indigenous organizations sprang up to ration and distribute the relief provided by the CRB in occupied Belgium and France. They were private (i.e., independent of their governments) but nonetheless massive: the Belgian Food and Relief Committee (Comité Nationale de Secours et d'Alimentation, or CN) had 40,000 full-time employees and another 85,000 assistants; Food Committee of Northern France (Comité Nationale de Secours et d'Alimentation du Nord de la France, or CF) had a proportionately similar cadre of relief workers. The Germans generally refrained from interfering with the distribution of relief, and periodic interference, like the August 1915 General-Government decree forbidding relief for strikers, brought immediate Allied threats to shut down the entire program and hasty German concessions.

Relief thus provided the backbone of passive resistance by denying Germany the ability to use economic coercion against the Belgians and French. By feeding all unemployed industrial labor, including those put out of work by the anti-German boycott, the CRB allowed the Belgians and French to refuse German orders without sentencing themselves or their families to starvation. This was a considerable incentive for the Allies to allow the relief

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107 Hoover, American Epic, vol.1, 415; Pirenne, Belgique et la Guerre, 164.

108 See, e.g., Hoover, American Epic, vol.1, esp. 154-60.
effort, and Herbert Hoover frequently made use of this fact in his pleas for their financial support:

From an economic point of view the war will be won not by compelling the Germans to give up 6 per cent of their breadstuffs to the Belgians, but by the pressure on the other 94 per cent...On the other side of the balance sheet, the Belgians are on strike; their attitude keeps a considerable number of Germans off the fighting line; their passive resistance in refusing to work arsenals and machine-shops and railways is a service to the allies...Assuming that the Germans should in the last resort change their minds and feed the desperate and starving population, they certainly would only do so upon receiving in return the services of this population...to my mind no pleas based on military exigency can divest any of the belligerents of the moral responsibility for which they will be held responsible in history as the result of such a tragedy.109

Indeed, the Allies even went so far as to secretly supplement Hoover's relief (against his wishes) with smuggled cash to reward striking Belgian railmen and mechanics.110

Although forbidden from explicit political activity, the indigenous organizations provided moral as well as material support. Spread throughout the occupied territories, meeting regularly, and in direct contact with the population through its stores and soup kitchens, they provided the social sanctions and experience of group cooperation necessary for overcoming the collective action problem. As the Belgian historian Henri Pirenne wrote:

The Belgians' cooperation in the face of their shared misery maintained among them the awareness of their common destiny and the will to remain united...All parties rallied spontaneously around the Comité. Its weekly meetings were the only assemblies where the Belgians could freely discuss their affairs, fostering—even under the cover of charity--patriotic and civic feelings.111

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111 Pirenne, Belgique et la Guerre, 164.
But it was the material support that was crucial. This is demonstrated by Luxembourgeois collaboration, by the collaboration of Belgian coal producers, and by the increasing level of collaboration in Belgium in the latter part of the occupation. First, Luxembourg had to collaborate because, unlike Belgium and France, it had no access to CRB relief and thus could not survive extended unemployment. Skeptical about its declared neutrality and viewing it as an economic ally of the Central Powers, Britain vetoed Luxembourg's entreaties for CRB support. Luxembourg was thus thrown back on its own resources, which were inadequate to provision such a densely populated area, and on whatever foodstuffs it could obtain through commerce with Germany and neutral countries. Germany, moreover, insisted that Luxembourg obtain all its imports through German central offices. Although the terms of trade are unknown, Germany was in a strong position to obtain a maximum amount of Luxembourgeois steel for a minimal amount of food. This situation put great pressure on the Luxembourg government to comply with German demands, and also precluded any mass passive resistance. Extended strikes would have meant immediate starvation; as a machinist pointed out before the only major strike, "We are materially too poor and don't have enough determined workers." Attempts to establish a national strike fund foundered, at least in part due to direct German intervention but also due to the inadequacy of national resources, and hunger forced workers back to the mines and factories after only five days.

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112 Trausch, Question du Luxembourg, 26.
113 Trausch, Question du Luxembourg, 26-27; p. 32: "For food the [Luxembourg] government was simply 'bound hand and foot' to Germany."
114 Trausch, Question du Luxembourg, 41.
115 Ibid., 63.
It is possible to argue, in support of the liberal theory of conquest, that different degrees of nationalism explain Luxembourg's readiness to collaborate. Luxembourg was a tiny nation which was economically integrated with, and culturally similar to, Germany. Its colloquial language, Luxembourgeois, is a Westphalian-German dialect; although French was used in legal and official proceedings, the newspapers were then mainly in German. Its government, moreover, avowed neutrality in the war, and its court had closer ties to the Prussian royalty. Although the majority reportedly sympathized with the Allies, one would expect Luxembourgeois nationalism to be much weaker, vis-à-vis Germany, than that of the Belgians or the French.\footnote{116}

But the fact that Belgium did produce coal for Germany, knowing that it was supporting the German war effort, suggests that people will collaborate economically in order to satisfy their vital needs. So does the fact that passive resistance visibly eroded when the food situation worsened. Daily bread rations dropped from 400 in late 1916 to 300 grams in 1917.\footnote{117} Although horribly inflated, currency earned working for the Germans allowed desperately hungry souls to buy an extra meal on the black-market. The increased collaboration by industrialists noted above could only have been possible with the increased willingness of the labor force to collaborate. As Pirenne observed, "the occupation was too long, the miseries too cruel--total passive resistance by the working class would have required superhuman heroism."\footnote{118}

\footnote{116} On popular opinion, see Mounier, \textit{L'état actuel}, and Francis Gribble, \textit{Luxembourg in Wartime} (London: Headly Bros., 1916).
\footnote{117} Baudhuin, \textit{Histoire économique}, vol. 1, 33.
\footnote{118} Pirenne, \textit{Belgique et la Guerre}, 179-80; 197.
Conclusions

The conquest of Belgium and Northern France, while a strategically necessary step in the Schlieffen Plan, did not pay economically. The German Army did manage to pacify the occupied territories without a significant diversion of military manpower. Despite the fact that this was a closely-matched war, in which the future independence of Belgium and northern France were at stake, the occupied populations were unable or unwilling to engage in guerrilla warfare to affect its outcome. But they did wage passive resistance to undermine Germany's economic gains from occupied territory. The failure to sustain industrial production in these highly developed regions at anything approaching prewar levels, or to make much use of their highly skilled but idle labor, reduced German profit to little more than the value of pillaged industrial plant. It was often asserted during the war by German expansionists that the uninterrupted production of the Longwy-Briey iron fields was essential for German arms and munitions production. But in reality only Luxembourg's mining and metallurgical complex, and Belgium's coal mines, produced much of value for Germany during the war.

Still, German gains in loot alone were considerable, although it is impossible to assign even an approximate value to Germany's total profit.

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119 Grebler and Winkler (Cost of the War, 75) call the pillage of machinery the most profitable area of exploitation.
120 Fischer, Germany's Aims, 257. -- get cites from Griff.
121 German gain from the other occupied territories is even more uncertain. In 1924, the Allies commissioned two committees under the leadership of Charles Dawes, to reevaluate Germany's reparations burden—Germany had defaulted, been occupied, and suffered financial collapse since the end of the war (see the next chapter). The "Second Committee of Experts," assigned to estimate German assets abroad, somehow arrived at the figure of 5.7–6 billion gold marks of total unpaid imports from occupied Belgium, France, Poland, Lithuania, and Romania. Such a figure amounted to about 7% of Germany's total,
The 2.3 billion francs in occupation payments and 4 billion marks spent in Belgium, recycled an unknown number of times, covered only what was purchased, not any of the uncompensated seizures. Moreover, there is no consistent index of prices, least of all for the haphazardly valued requisitions. The losses to Belgium and France were estimated after the war in an attempt to grapple with the problem of reparations. John Maynard Keynes shocked Belgian negotiators with his lowball estimate of 3,750 million gold francs, or about $750 million, although this figure was later accepted by Belgium's foremost economic historian. But the damage to Belgium and to northern France was far greater than German profit, considering the fact that entire modern factories were shredded for scrap metal, as well as the gratuitous damage inflicted on Belgian and French mines and factories in the hour of German defeat.

Governor General von Bissing attempted a rough estimate at Germany's gains from Belgium up to November 1916. In a letter to Hindenburg, he pointed out that Germany had extracted one billion francs in "war contributions," another 800 million francs of requisitions without payment, 360 million francs' worth of horses and other goods bought with German currency, plus a massive amount of coal mined wholly at Belgian expense, all direct war expenditures. Allied Powers, Reparations Commission, Report of the Second Committee of Experts (Dawes Plan) (Paris: 1924), 4, 10-11. U.S. National Archives appear to contain no record of how the 6 billion figure was calculated.

122 This has to be adjusted for the massive inflation Belgium suffered; understandably, given the introduction of billions of marks, the amount of francs printed to cover the occupation costs, and the scarcities of goods. On the other hand, as explained above, Belgians were often considerably underpaid for their goods.

123 John M. Keynes, The Economic Consequences of the Peace (New York: Harcourt Brace Jovanovich, 1920), 124-31; Baudhuin, Histoire économique, vol.1, 73-76. Keynes put the value of "levies, fines, requisitions, etc." at $500 million (=2.5 billion francs) and of destruction and loot at $750 million (=3.75 billion francs).
totalling 3 billion prewar francs' worth of goods. At the rate of 1.5 billion francs per year, Germany was getting the equivalent of a quarter of Belgium's prewar national income of 6.6 billion francs. These gains must be measured against Germany's costs. But if the German personnel who ran the General Government were all paid twice as much as Belgian miners, their total cost would have been less than two percent of the annual gain. However, von Bissing had good reason to exaggerate his economic accomplishments, so this must be seen as an upper limit on German profit, and certainly higher than in the second half of the war, since Germany had exhausted Franco-Belgian materials and goods stockpiles by late 1916.

Passive resistance clearly succeeded in preventing Germany's full mobilization of the French and Belgian economies. Passive resistance, in turn, resulted from both nationalism and the availability of relief for the unemployed. The Germans had no choice but to permit the independent distribution of what amounted to strike pay throughout occupied France and Belgium. But if the occupied regions had been self-sufficient in food, or if Germany had enjoyed an agricultural surplus, it seems likely that they would have collaborated as they did two decades later under the Nazis. For then Germany would have prohibited the distribution of relief, whether via unemployment pay or soup kitchens, and the population would have had to work to survive. It is also unlikely that industrialists would stand in the way, especially if it meant sacrificing their capital.

125 Fernand Baudhuin, *Histoire économique*, vol.1, 27. If von Bissing's figures applied only to the General Government, the proportion of that area's national income would be somewhat higher; moreover, they do not include the value of the Belgians who "volunteered" to work in Germany.
126 About 9 million francs per year, assuming 5,000 Germans paid at 10 francs/day.
Ironically, the fact that passive resistance stemmed ultimately from Franco-Belgian food deficits seems to support Angell's argument that the interdependence of developed nations makes war costly. Belgium and Northern France comprised a highly industrialized, food-importing region, which lost its economic value when separated from its trading partners. But this fact does not support the modern liberal argument that nationalistic and industrialized societies can resist economic exploitation. It simply demonstrates the point made by economic nationalists that economic self-sufficiency is an important element of power.

Still, this set of cases is not very damaging to the modern liberal theory. Both nationalism and the lack of repression (especially of the food distribution) appear to explain Franco-Belgian resistance, while Luxembourg's collaboration could be attributed to a lack of nationalism vis-à-vis Germany as well as to dependence on Germany for food imports. This set of cases thus does not pose a very competitive test for the liberal and soft geopolitical views of conquest. But the latter theory gains at least some support from the weaknesses in the Belgian resistance. Where the Belgian populace had to collaborate to procure such a basic necessity as coal for winter warmth, it did so. The fact that labor collaboration increased towards the end of the war, with the declining availability of food in Belgium in 1917 and 1918, provides further support for the soft geopolitical view. This suggests that if Germany had controlled sufficient food, the French and Belgians would have collaborated with the Germans as fully as they did during the next world war.
Chapter 3: The Ruhr, 1923-24

We must squeeze the Germans until the pips squeak
-- Sir Eric Geddes, British First Lord of Admiralty, 1919.¹

[The French] are so dreadfully afraid of being swallowed up by
the tiger, but yet they spend all their time poking at it.
-- Lord Balfour, Lord President of the Council, February 1925²

Military occupation and resource extraction can served other purposes
besides mobilization for war. In 1923, the French and the Belgians occupied
Germany's industrially vital Ruhr valley to collect reparations for the damage
inflicted on them in World War I. Reparations and indemnities are terms for
the extortion of economic resources from defeated but still independent states.
Neither France nor Belgium had any appetite for German territory beyond
their gains from Versailles. The overarching aim of the occupation was to
enforce the reparations provisions of the Versailles Treaty, and thereby solve

¹Quoted by Walter A. McDougall, France's Rhineland Diplomacy 1914-1924: The Last
²Quoted by Stephen A. Schuker, The End of French Predominance in Europe: The
Financial Crisis of 1924 and the Adoption of the Dawes Plan (Chapel Hill: University of
the serious economic challenges facing France and Belgium after World War I. As a case of attempted resource extraction against the interests and the will of nationalistic populations in occupied territory, the resulting struggle provides important evidence about the feasibility of making conquest pay.

The Franco-Belgian occupation of the Ruhr can be divided into two cases. The first phase of the occupation, from January through September 1923, resembled the German occupation of Belgium and Northern France during World War I. The occupied populations made no effort to violently expel the intruders, but used passive resistance to frustrate the occupiers' economic aims. This passive resistance campaign, known as the *Ruhrkampf* ("Ruhr struggle"), worked while it lasted, but it too depended on external support. When this support dried up, resistance collapsed, allowing the occupiers to extract vast quantities of reparations coal over the second phase of the occupation. The Ruhr occupation thus shows even more clearly than the WWI cases that resistance on a massive scale requires material support to avoid economic compulsion and collaboration.

**French Aims**

At the conclusion of the armistice, France sought lasting guarantees of security against Germany. Though defeated and geographically pruned, Germany remained the most industrially dynamic and populous country on the continent. Triumphant France, as the same time, had lost a generation of its men, mortgaged its financial future, and seen its most industrially vital regions devastated in the war. The French had won the war, but now they feared losing the peace. At stake was France's ability to remain a great power. A consensus emerged in the country during the war for four ways to avert a
paix boche. France's foremost demand was to recover Alsace-Lorraine; the territories lost in 1871 had been France's central war aim, and their return was undisputed. Second, France desperately needed economic relief for reconstruction and for paying off its crushing war debts, and it sought to make the Germans carry this burden. Third, Germany should be further weakened, not only by long-term demilitarization, but also by making the Rhineland an autonomous state under permanent French influence. The left bank of the Rhine, in other words, was to be treated as the Reich had planned to treat Belgium in the event of a German victory. Finally, the Entente's wartime military and economic cooperation was to be extended indefinitely into the future, to permanently contain the German threat.  

But at the Paris Peace Conference the British and Americans resolutely opposed French designs on the Rhineland. The British government feared that France was taking the opportunity of an Allied victory to achieve its own hegemony on the continent. In the wake of victory, Britain overestimated French strength and underestimated Germany's potential for resurgence. The idealistic Americans were even less sympathetic to French security fears. Detaching the left bank of the Rhine from Germany was hardly consistent with Woodrow Wilson's insistence that "peoples and provinces must not be bartered about from sovereignty to sovereignty."  

Forced to abandon a "military border on the Rhine," the French had to settle for a fifteen-year Allied occupation of the Rhineland.

The Allies did agree, at least at Versailles, on the importance of extracting reparations from Germany. Britain and Belgium had also been

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4 McDougall, *France's Rhineland Diplomacy*, 27.
economically exhausted by the war, and domestic opinion there too demanded that Germany pay their war debts and the reconstruction of war damage. An interim payment of 20 billion gold marks, in cash and in kind, was fixed in the Versailles Treaty. Despite chronically insufficient German deliveries, the Allies presented Germany with a 50 billion gold mark bill in early 1921, payable over a 36 year period.

The reparations provisions of the Versailles Treaty, as well as those for disarmament, were to be guaranteed by a long-term Allied occupation of Germany's Rhineland. German recalcitrance on reparations would be deterred, it was hoped, by the threat to extract them directly from the Rhineland or the neighboring Ruhr basin, Germany's industrial heartland. The Allies made use of this threat at the 1921 London Conference to persuade Germany to accept their reparations schedule, going so far as to occupy the Ruhr ports of Duisburg, Ruhrort, and Düsseldorf and confiscate their customs receipts. Berlin promptly agreed to the "London Schedule" of reparations and met its first payment.

France and Belgium were especially keen on reparations paid in coal. Absorbing Alsace-Lorraine and its iron fields and blast furnaces doubled French steel capacity, but at the same time it increased French dependence on foreign coal. France already had been a net coal importer before the war, and

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5 The customs arrangement lasted through September, bringing in 270 million francs. Paul Tirard, La France sur le Rhin: douze années d'occupation rhénane (Paris: Librarie Plon, 1930), 332-42. The United States did not participate in the sanctions.

6 Cash transfer was difficult for a state as financially unsteady as Germany, and resulted in currency devaluation. More importantly, the transfer of German manufactures, even if useful for the national economy, would hurt French and British producers of the same goods, who were already clamoring for protection against foreign competition. Marc Trachtenberg, Reparation in World Politics: France and European Diplomacy 1916-1923 (New York: Columbia University Press, 1980), 77-84, 107-9, 337-42 shows that this "transfer problem," while real, was exaggerated in the interwar period.
the sabotage of French coal mines by retreating German troops had exacerbated the situation still more. In 1919, France had to import 50% of its coal; 70% was bought from Britain at prices seven times prewar figures. The Versailles Treaty obliged Germany to deliver 7 million tons of reparations coal to France per year for ten years, plus millions more to compensate for the lost output of the damaged French mines; Belgium and Italy were to receive 12.5 million tons. In August 1919, the Allies granted a reduction from 3.3 million tons/month owed to 1.7 million tons/month which would increase with German output.

The German government was forced to accept the terms of the Versailles Treaty, but remained determined to oppose its full implementation. German politicians and popular opinion alike denied German "aggression" or guilt for the war, upon which the harsh peace had been premised. They also claimed that Germany was simply incapable of paying the amounts demanded, in any form. This view, argued forcefully in John Maynard Keynes' *Economic Consequences of the Peace* (1920), gained currency in Britain and for decades became the conventional wisdom in Anglo-American historiography.

But the reparations demanded at Versailles were not far out of proportion to German economic potential: 6-7% of German national income was not much more than the 5.6% of French national income which Prussia

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7 The Versailles Treaty granted France fifteen-year possession of the Saar's coal mines (the French had sought outright annexation), but Saar coal was not coking quality.
8 Trachtenberg, Reparation in World Politics, 122-23.
had demanded and received from 1871 through 1875. Recent scholarship has
supported the French view that Germany could pay and lacked only the
requisite will. The Weimar government may have simply calculated that
resistance would be cheaper in the long run than compliance. Thus German
Foreign Minister Walter Rathenau pointed out in March 1922 that "a policy of
fulfillment pure and simple could not lead to [treaty] modification;" he
advocated a policy of testing the Allies to see "how far the ice is capable of
bearing the load." A more charitable interpretation is that although the
German economy could bear the load, the Weimar government was too weak
politically to raise reparations taxes.

Whatever the reason, Berlin followed a policy of partial fulfillment.
The German government paid the billion gold marks in cash demanded by the
1921 London ultimatum, but failed to make full payments through mid-1922.
Coal deliveries fell consistently short by one fifth over the course of 1922
(despite the fact that German per capita coal consumption was higher than

11 Charles Kindleberger, A Financial History of Western Europe (London: Allen &
Unwin, 1984), 232-51; Trachtenberg, Reparation in World Politics, 67-68. The Versailles
reparations were to be divided as follows: 52% going to France, 22% to Britain, 9.5% to
Italy, 8% to Belgium, and the remainder to Yugoslavia and other claimants.

12 Trachtenberg, Reparation in World Politics; McDougall, France's Rhineland
Diplomacy; Schuler, End of French Predominance and idem, American "Reparations" to
Germany, 1919-1933: Implications for the Third-World Debt Crisis, Princeton Studies in
International Finance No. 61 (July 1988). For a useful literature review, see Jon
History 55:1 (March 1983): 88-117. For an earlier critique of Keynes (by a French
economist who perished fighting with De Gaulle in 1944) which placed the reparations
problem in the perspective of Nazi gains from occupied Europe, see Étienne Mantoux, The
Carthaginian Peace, or the Economic Consequences of Mr. Keynes (London: Oxford
University Press, 1946).

13 Quoted by Trachtenberg, Reparation in World Politics, 214.

14 Charles S. Maier, Recasting Bourgeois Europe: Stabilization in France, Germany, and
Italy in the Decade after World War I (Princeton: Princeton University Press, 1975);
Hermann J. Rupieper, The Czeck Government and Reparations 1922-1923: Politics and
Economics (The Hague: Martinus Nijhoff, 1979); and Bruce Kent, The Spoils of War: The
France's), and in July, the German government requested a full moratorium through 1924.\(^{15}\)

The French resolved to compel German compliance. Poincaré hoped above all that a brief occupation would quickly persuade Berlin to accept its treaty obligations, just as it had in 1921. Instead of taking customs receipts, the occupiers this time would seize coal and coal taxes, which alone were worth more than Germany's total reparations deliveries in 1922. French planners reasoned that the Reich would rather give in than endure foreign control of Ruhr coal.\(^{16}\) But if coercion failed, the French would try to squeeze reparations directly from the occupied territory, which after all produced 70% of Germany's coal and 80% of its steel.\(^{17}\) Coercion and extraction would go hand in hand, he argued, because France would demonstrate its will to remain there, indefinitely if need be. Jacques Seydoux, the commerce undersecretary of the French Foreign Ministry, predicted that the occupiers would net 700 million gold marks per year.

French Finance Minister Charles de Lasteyrie warned that such predictions assumed full collaboration, for "everything depends on the attitude of the German authorities and their reaction to the measures of the occupation."\(^{18}\) But the French were willing to make the gamble, in part because of the fall-back option of cutting off the Ruhr and Rhineland from

\(^{15}\)Trachtenberg, *Reparation in World Politics*, 148.

\(^{16}\)Rupieper, *Cuno Government and Reparations*, 100.


\(^{18}\)Quoted in McDougall, *France's Rhineland Diplomacy*, 226. Seydoux's expected the occupation to cost 100 million gold marks and earn 450 millions from coal taxes and 400-600 millions from taxes on other industries and customs. Ibid., 225. On the evolution of planning for the Ruhr occupation, see Trachtenberg, *Reparation in World Politics*, ch. 7.
the rest of Germany. If this came to pass, France might achieve its secondary longstanding ambition of Rhenish separation. As General Degoutte, the French commander of the Rhineland occupation force, argued in May 1922, a Rhineland economically severed from Germany would soon separate politically, "as a ripe fruit falls from a tree."  

But the French government's aims were limited by its fear of a sharp break with the British and the Versailles framework, as well as its economic dependence on Anglo-American financial support. Realizing that Britain was unlikely to tolerate any French encroachment on the Rhine smacking of permanence, Poincaré saw Rhenish separatism as a card to play in the reparations battle, both against Germany and Britain, rather than an end in itself. The British government would be more tolerant of France enforcing its reparations rights under the Versailles Treaty. But the British refused to participate as they had in 1921. The British had adopted Keynes' position on Germany's ability to pay, and believed that German economic revival was the best way to stimulate Britain's export-dependent economy, and they were more concerned about the survival of the Weimar democracy than were the French, who worried about German revival in any shape or form. Finally, the British suspected that "France was endeavoring to re-establish that supremacy in Europe which she had exercised from time to time in her history." Belgium supported France, but British opposition meant that France would

20 McDougall, France's Rhineland Diplomacy, esp. 237, 244-249, 259-64, 288; Trachtenberg, Reparation in World Politics, 260-75.
21 Trachtenberg, Reparation in World Politics, 100-109.
22 Lloyd George, August 1922, quoted by Trachtenberg, Reparation in World Politics, 254.
have to occupy the Ruhr without a great power partner. It also meant that France's determination to collect reparations would be constrained by its dependence on Anglo-American finance in the even of a fiscal crisis.

Controlling Occupied Germany

On January 11, 1923, 44,000 French and 5,000 Belgian troops entered the Ruhr, escorting the 300 tax-collectors and engineers of the Interallied Control Mission for Factories and Mines (Mission Interalliée de Contrôle des Usines et des Mines, or MICUM). MICUM was authorized to impose licenses, tariffs, and taxes and to supervise the distribution of Ruhr coal and coke. But Germany refused to roll over as it had in 1921. With broad support from local officials, industrialists, and unions, Berlin ordered passive resistance in the occupied territories, forbidding any cooperation with the invaders.

The French and Belgians responded to German resistance by expanding the occupation to the entire Ruhr basin. General Degoutte, overall commander of the Rhineland and Ruhr immediately disarmed and disbanded the German state police, leaving only local police to maintain order.

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24 McDougall, France's Rhineland Diplomacy, 252, 270; and Rupieper, Cuno Government and Reparations, 103 stress the spontaneity of passive resistance, while Schuker, French Predominance, 25, and Alfred E. Corbise, "Some Aspects of the German Response to the Ruhr Occupation, January-September 1923," (Ph.D diss, University of North Carolina, Chapel Hill, 1965), 38-42, 194-6 emphasize Berlin's leadership. Regardless, Berlin seems not to have anticipated the invasion, and had to improvise its strategy.

25 Degoutte worked closely with the Inter-Allied Rhineland High Commission, an organization set up under Versailles to supervise the Rhineland occupation. The French and Belgians dominated the commission, since the Americans had withdrawn, and the British representative abstained from in all decisions to register his country's passive
limited in Versailles to a weak 100,000-man army, so a military defense was out of the question. But Berlin also opposed direct attacks on the occupying forces, proclaiming that "anyone who lets himself be carried away and commits any rash and unconsidered action which in the end would only serve the enemy's ends would be deeply guilty." Violent action, the Cuno government reasoned, would gain little and might prompt Britain to back the occupation. Still, it secretly supported a campaign of sabotage against rail lines in heavy use by the occupiers. Throughout the entire period of resistance, 325 attacks resulted in 50 derailments. The occupiers took their highest casualties on June 30th when a blown-up railway bridge derailed a Belgian troop train, killing ten and wounding forty.

The occupiers tracked down and punished suspected saboteurs, achieving some success thanks to the collaboration of rewarded informants. They also imposed reprisals against the population at large, such as curfews and bans on road traffic. The nervousness of the occupation troops and the arbitrariness of military tribunals meant that many of the 131 Germans killed and 4,124 imprisoned during the occupation were probably innocent. In the wake of the railway-bridge incident, the occupied zone was completely cut off

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29 Favez, Occupation franco-belge, 361; Sternstein, "Ruhrkampf," 149.
from the rest of Germany, further intensifying the misery there. Fear of such reprisals was sufficient to turn the German rank and file against active resistance, and negative diplomatic repercussions persuaded provincial governments as well as the Chancellor to denounce sabotage in July.30

In general, the level of repression was rather mild, at least compared to the martial law experienced by the Belgians and French under German rule during World War I. There was a certain amount of press censorship, but meetings and demonstrations were permitted unless they grew especially vitriolic. Thus unions and other organizations were able to apply their ordinary techniques of monitoring and rewarding or sanctioning rank-and-file discipline, and thus help to mitigate the collective action problem.31 French troops in the Ruhr and Rhineland rose from 80,000 in 1922 to a peak of 163,000 in April 1923 (57,000 in the Ruhr), and then stabilized at 140,000 until the end of passive resistance.32 Thus from June 1923 through the end of the year, one Allied soldier was deployed for every 90 German citizens in occupied territory.

Although France succeeded in pacifying occupied Germany, it failed to gain many German supporters for Rhenish secession. The Rhineland High Commission supplied transportation, rented halls, and provided security for thousands of separatists holding a series of rallies across the Rhineland, beginning in late July and gaining momentum in the autumn. But the

30 John F. Flynn, "The 1923 Ruhr Crisis as a Two-front War," (Ph.D. diss, Ohio State University, 1977), 118; Sternstein, "Ruhrkampf," 149; Cornbise, "German Response," 144-5, 150-4; Gordon, Reichshehr, 348.

31 Sternstein, "Ruhrkampf," 140-42; Cornbise, "German Response," 111.

32 Troop #s dropped down to 100,000 in January 1924. Total Belgian troops hovered around 10,000 throughout. From Paoli, Armée française, vol. 2, 309, Annexe IV.
separatist movements remained widely unpopular, and their efforts to seize control of provincial governments in late October 1923 failed miserably.33

Economic Struggle

The Weimar government had no hope of physically expelling the French, but it intended to persuade them to leave by frustrating their economic aims. A cut-off of the existing flow of reparations might even damage their economies; prescient German industrialists thought they could make the franc fall.34 Chancellor Cuno expected that the British, who had noticeably cooled to reparations since Versailles, would increase the pressure on France and Belgium. The British and Americans had held back the French at Versailles, and Berlin hoped they would do so again, especially since resistance would provide further confirmation of Germany’s inability to pay reparations.35

Strikes and demonstrations broke out spontaneously in January 1923, but the German government supported passive resistance in three crucial ways.36 First, it forbade state employees from obeying the invaders’ orders. German customs officials, who had worked efficiently for the Allies in 1921, deserted their posts in 1923. The state-run rail and canal network in the Ruhr and Rhineland refused to transport Ruhr coal or anything else to Belgium or France. Coal-laden trains commandeered by occupation troops were

33 McDougall, France’s Rhineland Diplomacy, esp. 280-86, 299-359.
34 Feldman, Iron and Steel, 351.
35 On German strategy, see Rupieper, Cuno Government and Reparations and Donald B. Saunders, "Stresemann vs. Poincaré: the Conduct of Germany's Western Policy during Gustav Stresemann's Chancellorship, August-November 1923" (Ph.D diss., University of North Carolina, Chapel Hill, 1974).
36 Favez, Occupation franco-belge, chs. 4-5; Degoutte, Occupation de la Ruhr, 124-52.
abandoned by German railwaymen, and by early February the entire left-bank network was on strike.

Second, the Reich forbade businesses to cooperate with the occupation troops or MICUM. The sale or delivery of coal to the occupiers was prohibited, and severe fines and prison sentences were decreed for paying taxes, tariffs, or licensing fees to any foreign power. Many major industrialists were willing to continue selling to France, but all complied with Reich orders.\(^{37}\) The occupiers blocked the immediate enforcement of these decrees, but since they disavowed any annexationist plans, the occupied populations expected that the Reich would soon regain its sovereign powers. A shadowy surveillance network and published black-lists sufficed to remind Ruhr businesses of the Reich’s long-term authority.\(^{38}\)

Third, the government provided financial subsidies to support passive resistance. At first, these went mainly to idled railmen and to industry to help it maintain production and employment for as long as possible. The Reich paid two-thirds of the wages of unproductive workers (leaving the last third to be covered by the industries), and all of the wages of unemployed workers and officials.\(^{39}\) These funds, smuggled into the occupied territories and distributed clandestinely by employers and private associations to avoid confiscation, enabled an unproductive workforce to continue buying food which the French allowed freely into occupied Germany.\(^{40}\)

\(^{37}\) Rupieper, *Cuno Government and Reparations*, 101, 144.


\(^{39}\) Rupieper, *Cuno Government and Reparations*, 104-5.

\(^{40}\) McDougall, *France’s Rhineland Diplomacy*, 271. Heavy industry initially used its own money and credits. Feldman, *German Inflation*, 362. Flynn, “Two-Front War,” 156 puts the figure at 40 million gold marks/day.
Degoutte closed down shops which refused to sell their wares to his troops and deported around 150,000 striking railmen and functionaries to unoccupied Germany, but neither approach persuaded German citizens to defy their government. But the occupiers had powerful economic leverage to bring to bear. By establishing a customs barrier around occupied Germany, MICUM was able to enforce the payment of taxes on all Ruhr exports. This effectively turned the German boycott into a strike, because producers refusing to pay taxes to MICUM could not sell outside of occupied Germany. Ruhr industry tried to keep going, drawing on its own financial resources as well as subsidies from the Reich, but little could be done without trade outlets. Stocks of coal accumulated at the pit-heads, and metallurgy suffered from lack of ores.

While the French let the effects of the blockade set in, they moved to collect reparations themselves. Success here, in Poincaré's words, would show "the Germans that, quite apart from the suffering we inflict upon them, we are capable of achieving a long, stable and remunerative occupation." But de Laysterie's warning that France could get little without German cooperation proved right. Even a looting campaign needed a functioning railway to transport seized goods back to France and Belgium. The occupiers thus had to begin by organizing their own railway organization, the Régie des Chemins de Fer. From the beginning of February, 12,500 French and Belgian technical troops, assisted by only 2,000 Germans, attempted to revive an unfamiliar

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41 Sternstein, "Ruhrkampf," 140.
42 This was accomplished only at the end of January, due (according to Rupieper, Cuno Government and Reparations, 113) to "the inefficiency of French controls."
43 Feldman, German Inflation, 351-92.
44 Mid-February, 1923; quoted in Kent, Spoils of War, 211.
railroad system that normally employed 170,000 men.\(^{45}\) Incidental sabotage perpetrated by departing German workers only complicated an already impossible situation.

The occupiers proceeded to seize stockpiled coal, mine by mine, using Polish and some local German workers to load Régie-operated trains.\(^{46}\) Daily coal deliveries crept up from 1,000 tons in February to 11,000 tons in May, to 15,000 tons in September. But this was still a small fraction of Ruhr capacity (6%), less than half of the amount of reparations coal Germany had been delivering before the occupation.\(^{47}\) Even these low levels could not have been sustained for long, because the mines promptly halted production and turned their energies to maintenance and excavation (see Figures 1 and 2). MICUM responded by taking over several mines and cokeries to manage production themselves, but these produced marginal amounts of coal as long as the passive resistance continued.\(^{48}\)

\(^{45}\) Paoli, Armée française, vol. 2, 289. See Breaud, Régie, passim, and Tirard, France sur le Rhin, 360-73.


\(^{47}\) McDougall, France's Rhineland Diplomacy, 277. Trachtenberg, Reparation in World Politics, 304.

\(^{48}\) Trachtenberg, Reparation in World Politics, 301, 303. On similarly futile French efforts to utilize German dominal forests, see Tirard, France sur le Rhin, 378-83.
Figure 1. Activity of Ruhr-Rhineland Factories and Coal Mines, 1923 (1922 avg.=100%)\textsuperscript{49}

Figure 2. German Deliveries of Coal, Coke, and Lignite, 1923, % of Reparations Obligation\textsuperscript{50}

\textsuperscript{49}Un An d'Occupation: l'oeuvre franco-belge dans la Ruhr en 1923 (Düsseldorf: Imprimerie de l'Armée du Rhin, February 1924), 84. This report was published by General Degoutte's staff, and its figures are identical to those appearing in his classified report.

\textsuperscript{50}Ibid., 85.
But if France and Belgium were failing to make occupation pay, Germany was teetering on the brink of ruin. There is no way that unoccupied Germany could indefinitely support the mainly industrial labor and their families in the Ruhr and Rhineland (five and eight million people, respectively). The Reich spent more in nine months funding the resistance than it had in years of reparations payments. It was in no better position to raise taxes for resistance than it had been for reparations, and so it had to finance the resistance with the printing press, leading inevitably to hyperinflation. Already weakened over the previous year, the mark took a steep dive in April, and sank to unprecedented depths in the following months. By September, the Reich had supplied industry in occupied Germany with 189 trillion paper marks.

As General Degoutte foretold in July, "the day Berlin is no longer able to finance the resistance, the patriotism of the Rhine and Ruhr populations will cease to have a hold on them." The moment was not long in coming, for as the mark collapsed even wheelbarrowsfull of smuggled Reichsmarks were insufficient to feed striking workers. The breakdown occurred in stages. The first to cave in were the small businessmen, whose boycott had not been supported at all. Labor and business in the occupied territories warned the

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51J.W.F Thelwall and C.J. Kavanagh, Report on the Economic and Financial Conditions in Germany, revised to April 1924 (London: Department of Overseas Trade, 1924), 114-17.
53On German coal purchases, and efforts to stabilize the mark, and the reasons for their sudden failure in April, see Rupieper, Cuno Government and Reparations, 107-13.
54Feldman, Iron and Steel, 375.
55Quoted by McDougall, France's Rhineland Diplomacy, 272.
56As Sternstein ("Ruhrkampf," 140) put it, "economic necessity and in many cases pure selfishness broke through barriers which had been erected against the occupiers."
government that they had no alternative but to cut a deal with the invaders.\textsuperscript{57} Neither German nor foreign farmers wanted to trade their crops for worthless paper. The population grew hungry and began to turn against the government.\textsuperscript{58} Nor was the Ruhr Berlin's only concern. The entire German economy suffered from hyperinflation. By autumn the hardship across Germany was breeding rebellion that threatened to tear apart the country. Socialist-Communist coalition governments took power in Saxony and Thuringia, and Hitler's right-wing putsch in Bavaria were followed by the separatist demonstrations in the Rhineland.\textsuperscript{59}

Rather than face mass defection, Gustav Stresemann, who replaced Wilhelm Cuno as German Chancellor in August, revoked many of the passive resistance decrees on September 26. Railway workers were allowed to return to work in mid-October, and 60,000 were repatriated back into the occupied territory, where they joined the 32,000 Frenchmen and 6,000 Belgians on the Régie.\textsuperscript{60} Coal deliveries from MICUM-run mines increased to about 20,000 tons per week by mid-October (see figure 2, at end). But the struggle continued. Poincaré insisted on establishing more profitable guarantees before relaxing the customs blockade. He refused to parley with Berlin, but offered to allow Ruhr industrialists to resume production if they paid a share as reparations.\textsuperscript{61}

Berlin was loathe to allow Ruhr industrialists to negotiate individually with the occupiers, since free-riding would result in the most disadvantageous

\textsuperscript{57}Maier, Recasting Bourgeois Europe, 375-76.
\textsuperscript{58}See Flynn, "Two-Front War," chaps. 3-4. Cornbise, "German Response," 122-142, 177-8.
\textsuperscript{59}McDougall, France's Rhineland Diplomacy, 290.
\textsuperscript{60}Weill-Raynal, Réparations allemandes, 459-60.
\textsuperscript{61}Trachtenberg, Reparation in World Politics, 309-29; Feldman, German Inflation, 405-22.
overall terms. Stresemann was able to restrain industry for a time by refusing to reimburse it for reparations coal. But several particularly hard-hit firms, accounting for about 15% of Ruhr coal output, struck a deal with MICUM by mid-October. Berlin had no choice but allow direct MICUM-industry negotiations to go forward. By late November, Ruhr industry as a whole had come to terms with MICUM, granting the Allies roughly 27% of coal and coke output, plus coal taxes. The occupiers began exploiting other industries as well. By imposing a general turn-over tax on all major industries in the Ruhr and Rhineland, they financed the delivery of reparations lumber, chemicals, tools, automobiles, aluminum, and other products. The burden fell most heavily on the Ruhr miners, who had to resume work for lower wages and longer hours.62 But industrial production revived quickly in early 1924 (see Table 1).

<table>
<thead>
<tr>
<th></th>
<th>1922</th>
<th>1923</th>
<th>1924</th>
<th>1925</th>
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</thead>
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<tr>
<td>Coal</td>
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<td>41.8</td>
<td>94.1</td>
<td>104.4</td>
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<tr>
<td>Pig-Iron</td>
<td>7.1</td>
<td>2.9</td>
<td>6.3</td>
<td>8.0</td>
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<tr>
<td>Steel</td>
<td>9.2</td>
<td>3.9</td>
<td>8.1</td>
<td>9.9</td>
</tr>
</tbody>
</table>

The collapse of passive resistance appeared to many as, in Marshal Foch's words, "Armistice once again."64 The French and Belgians had, at great cost, achieved their initial goal of controlling and taxing Ruhr coal distribution, and collecting import and export duties. By the end of 1923, the

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63Feldman, *German Inflation*, 474-75.
64Quoted by Schuker, *End of French Predominance*, 171.
occupiers had netted only 120 million gold marks.\textsuperscript{65} By September 1924, the total reached 900 million gold marks (see Table 2). Thus in eight months in 1924 the French and Belgians extracted nearly ten times the amount of reparations it had obtained over the first eleven months of the occupation.

<table>
<thead>
<tr>
<th>Payments</th>
<th>Goods</th>
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<tbody>
<tr>
<td>Customs</td>
<td>Coal and Coke</td>
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<tr>
<td>172.6</td>
<td>362.1</td>
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<td>Industrial Material</td>
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<tr>
<td>132.8</td>
<td>27.8</td>
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<tr>
<td>Licences</td>
<td>Coal by-products</td>
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<tr>
<td>100.1</td>
<td>26.6</td>
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<tr>
<td>Regie profits</td>
<td>Nitrates</td>
</tr>
<tr>
<td>72.3</td>
<td>24.7</td>
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<tr>
<td>Exploitation of forests</td>
<td>Wood</td>
</tr>
<tr>
<td>30.5</td>
<td>20.3</td>
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<tr>
<td>Paper marks seized</td>
<td>Sugar</td>
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<td>19.3</td>
<td>10.8</td>
</tr>
<tr>
<td>Diverse charges</td>
<td>Dyes</td>
</tr>
<tr>
<td>11.3</td>
<td>8.6</td>
</tr>
<tr>
<td><strong>Total payments</strong></td>
<td>Canal barges</td>
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<td><strong>538.9</strong></td>
<td>7.6</td>
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<td></td>
<td><strong>Other</strong></td>
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<td></td>
<td><strong>22.1</strong></td>
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<table>
<thead>
<tr>
<th>Expenses</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Coal seizures and mining</td>
<td><strong>Net Balance</strong></td>
</tr>
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<td>67.6</td>
<td>Goods + Payments</td>
</tr>
<tr>
<td></td>
<td><strong>1049.5</strong></td>
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<tr>
<td>Troops in the Ruhr</td>
<td>Total expenses</td>
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<td>60.0</td>
<td><strong>-146.9</strong></td>
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<td>Civil administration</td>
<td>Net profit</td>
</tr>
<tr>
<td>17.3</td>
<td><strong>902.6</strong></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td>2.0</td>
<td></td>
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<tr>
<td><strong>Total expenses</strong></td>
<td></td>
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<tr>
<td><strong>146.9</strong></td>
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</table>

But the MICUM accords could not provide the basis of a long-term solution to the reparations problem. Even with the lengthened work day, Ruhr industry could not afford to hand over a third of its production without


\textsuperscript{66} Weill-Raynal, \textit{Réparations allemandes} vol. 3, 220-2. "Other" includes "fonds commun" (cf.ii, 468-9), requisitions, "contrats divers", loading of abandoned wagons, and pharmaceuticals. "Troops in the Ruhr" does not include normal upkeep of these troops (44 million), or the upkeep of the 80,000 French troops and 30,000 Belgian troops already garrisoning the Rhineland (208.9 million expenses less 62.4 million additional receipts, or 146.5 million). Weill-Raynal, \textit{Réparations allemandes} vol. 3, 223-6. Troop #s: Paoli, \textit{Armée française}, vol. 2, 256.
compensation from the Reich. Ruhr-Rhenish industry claimed it was losing 90-120 million gold marks every month. But if the Reich was merely unwilling to pay reparations in 1922, it had utterly bankrupted itself in the passive resistance campaign of 1923. Germany desperately needed economic aid to restore its currency, never mind a reparations reprieve. It was in no position to sustain the level reparations met in 1924. Thus the French Finance Ministry reported in December that the MICUM system "appears sustainable neither in logic nor in practice."

A bolder policy from the start would probably have achieved greater and more durable results for France. Seydoux had developed a strategy in late 1922 which called for replacing the German mark with a new currency. The imposition of a Rhenish mark could be enforced through control of the food supply; the new currency would be the only legal tender for buying food. This would cut off external support from Berlin, and cripple passive resistance. If local governments still refused to pay tribute, the occupiers could mint their own spending money. Creating a Rhenish mark would have taken considerable capital, and controlling the food supply a concentrated administrative effort. But a more intense effort to break resistance at the outset would have spared the occupiers such longer-term expenses as running the railroads and mines with their own personnel; the total financial and personnel costs thus probably would have been lower. France would then not have depended on Berlin's financial solvency to obtain reparations and,

69 Quoted in Trachtenberg, *Reparation in World Politics*, 405 n.126.
70 Trachtenberg, *Reparation in World Politics*, 265-75, 298-305.
according to historian Marc Trachtenberg, "could then allow the special regime for the occupied areas to be dismantled gradually, as acceptable arrangements with Germany were worked out and put into effect." 72

The main obstacle to such a policy was France's commitment to maintaining good relations with Britain, which required working within the Versailles framework. Poincaré refrained from any occupation measure smacking of permanence, believing that the British (or the Belgians) would not tolerate any unilateral French revision of the Versailles settlement. The British, moreover, had responded to France's Rhineland subversion and the MICUM accords (which raised the possibility of a Franco-German coal and steel bloc), with increasing hostility. Over the course of 1923 they resurrected the American proposal from the previous year to convene an interallied committee of experts to reevaluate the whole reparations and war debts problem. 73

Poincaré finally assented to this plan on October 19th, not long after the end of passive resistance. At the outset he insisted on limiting the scope of the investigation to the restoration of German finances, and at most he would agree to a temporary reprieve of reparations payments; the size of the reparations debt was not to be questioned. With France's stranglehold on the Ruhr-Rhineland intact and the MICUM accords in full swing, Poincaré hoped finally to engage Anglo-American capital in a financially workable solution to the reparations- and war-debts stalemate. 74

72 Trachtenberg, Reparation in World Politics, 329.
74 Trachtenberg, Reparation in World Politics, 331-35.
But France's bargaining position was undermined by the precariousness of its own finances. The cost of the Ruhr struggle was merely the final straw in France's postwar fiscal mismanagement. After the war the French government had failed to raise taxes to pay for reconstruction. In the hope of imminent German reparations, it resorted to inflationary deficit spending, which compounded its war debts burden. The Ruhr struggle exacerbated this situation, not because France and Belgium failed to make a net gain on the occupation, but because they lost the (under-quota) reparations Germany had been supplying up to January 1923. During the passive resistance campaign, France and Belgium were able to extract only a quarter of 1922 German coal deliveries. Even French conservatives were calling it "the Verdun of the peace battle."\footnote{McDougall, \textit{France's Rhineland Diplomacy}, 277-78. McDougall claims that half of all French furnaces were blown by March out for lack of fuel, but industrial production figures show increasing steel production.} The loss of French and foreign creditors' confidence in France's ability to collect caused speculation against the franc, and it fell by almost a third against the dollar over 1923.

Mounting inflation, and its implication for French bond holders, was politically disastrous for the government. But when Poincaré turned to London and New York financiers to rescue the franc, he discovered that their condition for financial aid was a deep reduction of Germany's reparations debt. By the time the Dawes Committee arrived at its moderate reparations plan in April 1924, France had no alternative but to accept. Thus, as historian Stephen Schuker argues:

\begin{quote}
the inability of the French to decide on distribution of the fiscal burden at home and to cope with the difficult but not necessarily unmanageable problems of domestic public finance undermined the success of the Ruhr occupation and, at a critical moment,
\end{quote}
fatefully weaken the nation's power to impose a satisfactory reparations settlement.\textsuperscript{76}

The Dawes Plan replaced the MICUM accords in September 1924, and the occupation of the Rhineland ended less than a year later.\textsuperscript{77}

Conclusions

The Ruhrkampf of 1923 paralleled in many ways the passive resistance in occupied Belgium and northern France during World War I. The similarities were not lost on contemporary observers like Arnold Toynbee, who wrote that "it is difficult to see in what respect the struggle that took place in the occupied German territories during these months differed from that which had been carried on in the occupied Belgian and French territories between August 1914 and November 1918."\textsuperscript{78} In both cases, nationalistic passive resistance effectively blocked the foreign extraction of economic resources. In both cases, external support materially sustained resistance.

But in 1923, unlike during World War I, the external support failed before the occupation ended. The fall of the mark effectively ended the Reich's financial support of striking workers and industry. The collapse of passive resistance in the autumn of 1923 shows its dependence on external support, as does the earlier breakdown of the small-business boycott, which was unsupported by smuggled relief funds. When the German masses could no longer eat without working, they went back to work, and Berlin's revocation of its resistance decrees merely sanctioned the inevitable. As a result, France and Belgium were able to collect over 800 million gold marks' worth of goods

\textsuperscript{76}Schuker, \textit{French Predominance}, 385; see esp. chs. 1-2, 6.

\textsuperscript{77}Schuker, \textit{French Predominance}, chs. 6-9; McDougall, \textit{France's Rhineland Diplomacy}, 293-99, 360-79.

\textsuperscript{78}Toynbee, \textit{Survey of International Affairs, 1924}, 267.
from January through August 1924. Franco-Belgian profits thus amounted to roughly 19% of the economic potential of the occupied territories in the post-
*Ruhrkampf* period, or 9% over the whole occupation.\(^7^9\)

As in Belgium and France during World War I, threats of imprisonment, fines, and deportation alone were insufficient to get people to work. Franco-
Belgian sanctions were mild compared to the German Army's executions and sackings during the two world wars. There was no attempt to impose forced labor, and organizations and the media were only partially restricted. Moreover, the German government—the ultimate organization—continued to exercise influence in occupied Germany despite the deportation and dismissal of thousands of officials and employees. As long as France foreswore an intent to annex or separate the Ruhr-Rhineland, potential collaborators had more to fear from German prisons than French ones. German industrialists were initially willing to pay coal taxes and export tariffs (if not out-of-pocket reparations) to MICUM, for example, until they were sternly forbidden by Berlin. But the Reich's smuggling of relief funds into occupied territory, and instructions for its distribution, were the real backbone of the general strike. Black-lists, fines, or jail terms could not sustain passive resistance when the population approached the brink of starvation in autumn 1923.

Although the passive resistance campaign was largely improvised, it is difficult to see how it could have been strengthened further by advance planning and training. Wolfgang Sternstein argues that violence and sabotage undermined resistance because they gave the occupiers a justification for reprisals, and thus indirectly turned the population against

\(^7^9\) Based rough estimate of £300 million (or 5.67 billion gold marks) "minimum annual wealth production" in the occupied territories by Thelwall and Kavanagh, *Economic and Financial Conditions*, 113.
the entire struggle. He also suggests actions that would have further strained the occupiers' administrative burdens, such as lying down on railroad tracks and disobeying deportation sentences. But participants in such actions would have been easier to catch and punish than stealthy saboteurs. And Sternstein proposes no solution to the economic blockade problem, which "must be solved if civilian defense is to be effective."

It is much easier to see how the French and Belgians could have implemented a more effective occupation policy. Germany had tolerated the external support of idle masses in occupied France and Belgium during World War I, and the French and Belgians returned the favor in 1923. But this was not their only option. As argued above, they could have gained more economic coercion by completely sealing off occupied from unoccupied Germany and replacing the mark with the franc or a new currency. The Ruhr-Rhineland would then have been forced to resume production and commerce, along with any imposed tariffs, in order to feed its inhabitants. As Jacques Seydoux argued in 1922, control over the currency would have permitted a smoother and more durable means of extracting resources than France achieved with the MICUM accords.

But the occupiers' exploitation policy was moderated by internal and international constraints. Perhaps most fundamentally, French security was not immediately at stake. France feared a shift in the European balance of power, but this was still a distant prospect. The economic challenges of reconstruction and war debt were great, but France was not mobilizing for

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81 Sternstein, "Ruhrkampf." 160.
82 Thus, Trachtenberg (Reparation in World Politics, 329, 334) argues that the failure of the occupation was due to the lack of a "coherent and consistent policy." Kent (Spoils of War, 209) also thinks a stronger policy would have worked.
survival in a total war, as was Germany in both world wars. Moreover, the French government regarded friendship with Britain as essential for French military and economic security. Financial woes sharpened France's dependence on British and American good will, and precluded an independent policy on Germany. In fact, French fiscal difficulties were one of the major objections to Seydoux's more far-reaching occupation strategy, for a new currency required capital reserves that France sorely lacked. Had France not been so shackled by economic misconceptions, domestic opposition to taxation, and indecisive leadership (not to mention British opposition) it would have been able to make Germany pay. The success attained casts doubt on the utility of passive resistance, for if national resistance fails against a timid conquerer, what chance does it have against a ruthless one?
Chapter 4: Occupied Western Europe, 1940-45

We took a good swig from the bottle.
-- Joseph Goebbels, on the exploitation of France, March 1941

This chapter examines Nazi-occupied Western Europe, including occupied France, Belgium, Netherlands, Norway, Denmark, and the Czech Protectorate. Germany sought to mobilize the highly industrialized (according to the standards of the time) economies of these nationalistic societies for war against the Allies. They thus should provide clear tests of the liberal and geopolitical hypotheses about the profitability of conquest.

At the height of Hitler's victories, Germany controlled much of Eastern Europe as well. But Nazi-occupied Poland, Soviet Union, and Yugoslavia are less suitable for theory testing, because Germany's genocidal occupation policies were incompatible with any sort of rational economic mobilization. Conquest is obviously unlikely to pay if the captured economy is systematically devastated by the conqueror. A campaign of plunder, terror, forced

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2 Czechoslovakia is generally considered part of Central Europe, or after World War II, Eastern Europe, but for convenience I lump it together with the rest of Western Europe.
evacuation, enslavement, famine, and extermination against the conquered Eastern populations was launched in the wake of the advancing German Army.3 "Our task," Himmler said in 1942, entails "making sure that only people with pure germanic blood are living in the East."4 Economic exploitation was further impaired in the Soviet Union by the Red Army's scorched-earth retreats, but even the industries found intact were heavily plundered.5 Hitler's "war of annihilation" was not only inconceivably evil; it was a strategic blunder which may well have cost Germany the war.

The "Final Solution," tentative attempts at Nazification and Germanization, and economic mismanagement reached into every corner of occupied Europe. But overall, German occupation policy in Western Europe complied with the dictates of the ongoing war. Hitler didn't start World War II to capture this industrial capacity, but he soon realized that harnessing it would be essential in a total war against a growing coalition with superior economic might.

Making conquest pay required a maximum of political control with a minimum of administrative and coercive personnel. Germany's success here was astounding. After defeating and disarming Europe's militaries, active resistance was effectively repressed by small numbers of German police, along with the mere proximity of troops training for battle with the Allies. As in the World War I and Ruhr cases, resistance did not threaten foreign rule. The only

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3It was a campaign in which the Wehrmacht took part as well as the SS. See Theo J. Schulte, The German Army and Nazi Policies in Occupied Russia (Oxford: Berg, 1988).

4Quoted by Alexander Dallin, German Rule in Russia (New York: Oxford University Press, 1957), 279.

thing that loosened Germany's grip on Europe was that the Allies came and took it away.

Germany was able to rule Europe with such astonishing efficiency only with the collaboration of indigenous regimes and bureaucracies. Administrators collaborated not because they were pro-German, but because they believed that collaboration was a lesser evil to resistance, even passive resistance. All were drawn into helping Germany police and exploit their own countries. Yet their decision to collaborate, within certain broad limits, was accepted by the vast majority of citizens, and often even vindicated by postwar tribunals.

The economics of occupation featured three mechanisms of exploitation: pillage, slave labor, and especially purchasing. Control of the financial apparatus of each country put endless spending power in German hands. Germany was thus able to utilize as much of the economic surplus of occupied Europe as it wanted. Strikes and boycotts against the occupier might have decreased this surplus, but these simply did not occur. The conquered populations had no access to external support, as in World War I Belgium and 1923 Ruhr. The prospect of organizing national strike-pay systems in the face of German opposition was so dim that few appear even to have considered it. Atomized by German and collaborating repression, firms and workers acted in their narrow self-interests, which dictated working for German orders. The occupied economies, with the notable exception of the Czech Protectorate, did go into a slump, but this was due more to continental material shortages (especially coal) than to economic resistance.

Germany thus succeeded in mobilizing the economies of occupied Western Europe for war. Despite variations in detail, the essential uniformity of political and economic collaboration in each occupied territory suggests
that it was independent of national character and domestic politics. Instead, collaboration appears to have been an inevitable consequence of German military domination and the vulnerability of modern societies to coercion. This case thus provides strong evidence that conquest does pay, at least in the short term.

Nazi Aims in Occupied Europe

Hitler's war was clearly a war of conquest. Rearmament, the restoration of pre-World War I borders, and the annexation of German-speaking Austria and Sudetenland appealed to mainstream German aspirations. For Hitler and other German imperialists, they were simply preparations for a campaign of unlimited, if opportunistic, territorial expansion. Hitler's life mission was to make Germany a "world power" capable of vying for world dominion. To become a world power, he baldly declared in Mein Kampf, Germany had to conquer a vast Lebensraum ("living space") that would provide the strategic depth, agricultural lands, and raw materials comparable to those commanded by the United States. Lebensraum would provide Germandom with a geopolitical springboard for further expansion--followed by the seizure of a colonial realm in Africa, the building of an Atlantic Fleet, and an ultimate bid for global mastery. World dominion was to be a project for later generations, however, and Hitler devoted himself to carving Lebensraum out of Poland and Russia.6

Hitler realized that he had to defeat France and Britain before turning on the Soviet Union. But beyond retaking Alsace-Lorraine, he appears not to have formulated plans for the West as concrete as those for the East. Western European industry was not as great a prize as Eastern European soil to Hitler, whose quest for autarky was sharpened by the bitter memory of food and other shortages in World War I. Expansion to the east was also simplified by Nazi abhorrence of "inferior" races; Slavic and Jewish Untermenschen could and would be removed, subjugated, or exterminated.

Before the war, Hitler imagined that the defeated western and northern European states would become economic dependencies on Germany's imminent Grossraumwirtschaft ("large-area economic zone"). But his appetite grew with victory. After the summer of 1940, Hitler planned to Germanize and Nazify the Nordics, Dutch, and Flemish, and to herd the French and Walloons (a "race of degenerates," but still better than Untermenschen) into a small, Mediterranean satellite state. Had Germany won the war, Hitler would have tried to establish an empire in Europe which included the Netherlands, Belgium, northern and western France, Norway, Denmark, probably Sweden and Switzerland, Austria, Croatia, northern Italy, Poland, Czechoslovakia, the Baltics, Ukraine, and Russia up to the Urals.

Hitler pursued these grandiose goals incrementally, with a divide-and-conquer strategy, to increase German power without provoking reaction of a hostile coalition. France had to be neutralized before turning to conquer the


Soviet Union, and that meant first eliminating potential French allies to the South and East. Pan-German rhetoric concealed the real power-political motivations for annexing Austria in March 1938 and the Czech Sudetenland after Munich. Hitler invaded the Czech rump of Bohemia-Moravia in March 1939, signed a non-aggression pact with Stalin, and proceeded to attack Poland that September and Denmark and Norway in April. Then, in a victory that stunned the world, the German Army swept into the Netherlands, Belgium, Luxembourg, and France in May, losing less than 100,000 men.\(^9\) Yugoslavia and Greece were seized in the spring of 1941; in June, Hitler turned on the Soviet Union. The tidal wave of German conquest was stemmed only just short of Moscow.

In Hitler's near-term balance-of-power calculations, defeating potential attackers and controlling territory predominated over economic gains. But economic gains were never ignored, and detailed plans were drawn up on the eve of each invasion for the seizure of arms, strategic raw materials, and even arms industries. In the case of Austria and Sudetenland, the reservoir of German-speaking military manpower tempted Hitler as well as raw materials, labor, and industrial capacity.\(^10\) Rump Czechoslovakia appears to have been the most clearly economic of all the conquests; Goering even said that the Germans invaded mainly "to increase German war potential by the exploitation of industry there."\(^11\) Knocking a powerful enemy out of the war was the main

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\(^10\) In a November 1937 conference recorded in the Hessbach Memorandum, Hitler explained that taking Austria and Czechoslovakia would "remove the threat to our flank in any possible operation against the West...mean an acquisition of foodstuffs...shorter and better frontiers, the freeing of forces for other purposes, and the possibility of creating...about twelve divisions." Rich, *Hitler's War Aims*, vol. 1, 97.

reason for invading France, although economic considerations came somewhat more to the fore in the decision to take neutral Belgium and the Netherlands as well.\textsuperscript{12}

Even in the absence of much evidence about Hitler's economic objectives in Western Europe, it is reasonable to assume that he intended to mobilize conquered industrial resources for war. Hitler sought to obtain Blitzkrieg victories over each of his victims, but he expected eventually to face a long war of attrition against the British and the Soviet Union, and someday even the United States. Thus he had every reason to plan to fully mobilize occupied economies as well as his own. Early studies of German economic preparations for war attributed the initially low level of arms production in part to a "Blitzkrieg economy," a deliberately reduced level of economic mobilization to maintain domestic consumption and thus internal political stability.\textsuperscript{13} Milward even uses the Blitzkrieg economy concept to explain the initially sluggish exploitation of the occupied territories as well, even though these posed no political constraints.\textsuperscript{14} But Richard Overy has shown that the German rearmament effort was already straining against material and labor


shortages at the outbreak of war in 1939. Hitler was already preparing for total war because:

All the evidence suggested that a future war between the major powers would be a long war of attrition again, with economic blockade and financial and industrial strength key factors in its prosecution. Hitler himself was haunted by the fear that Germany might fail the economic test as it had done in 1918.15

Overy points out that German civilian consumption fell more rapidly than the domestic constraint argument supposes, and lays the blame for low arms output entirely on mismanagement.16

Whatever Germany's initial objectives, the eventual reality of total war dictated the total mobilization of all resources at Germany's disposal. The German war economy was desperate not only for arms production, but also for transport and material, and all the inputs that go into their production: labor, raw materials, tools, etc. Even consumer goods were needed, though at drastically reduced levels, to bolster morale on the home front. German needs were sharpened further by the initially poor performance of a war economy, plagued by procurement inefficiencies.17

Except for Denmark, which offered no resistance to invasion and was treated for a while as a showpiece of the Nazi "New Order" (giving rise to the phrase "lie down like a Dane"), occupied Western Europe was to be

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16Idem, "Hitler's War and the German Economy: A Reinterpretation," Economic History Review 2nd ser. 35 (1982) and Berenice Carroll, Design for Total War: Arms and Economics in the Third Reich (The Hague: Mouton, 1968). This position is still consistent with the idea that German overconfidence between June 1940 and September 1941 permitted the mismanagement of the German economy and the underutilization of Western Europe to continue as long as it did.

17Overy (Goepping, 159-62) argues that military micro-management of industry was the major problem. On the evolution of the German war economy, see also Klein, Germany's Economic Preparations, pt. 2; Milward, German Economy at War; Carroll, Design for Total War, 213-50.
economically mobilized to the fullest possible extent. Hermann Göring summed up policy for the western territories in September 1940:

The aim is the strengthening of German war potential. For this purpose all mines, iron works, rolling mills, firms producing primary materials, and also important manufacturing firms such as machine-tool factories, locomotives and wagon works, and so on should be used at their full capacity and firms unimportant for war shall have their production reduced or be closed. Raw materials important for war which will not be used, as well as machine tools... will be transported to the homeland. The consumption of the population is to be shrunk to the lowest possible level.18

The successful mobilization of Western European economies would vastly expand German power, because the region surpassed Germany in population, produced almost three-quarters as much steel and motor vehicles, and a third as much coal (see Table 1).

<table>
<thead>
<tr>
<th>Region</th>
<th>Pop. (millions)</th>
<th>Coal (m.tons)</th>
<th>Steel (m.tons)</th>
<th>Electricity (gigawatt h.) (thousands)</th>
<th>Veh. (thousands)</th>
<th>GNP/capita</th>
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<tr>
<td>France</td>
<td>41.6</td>
<td>47.6</td>
<td>7.9</td>
<td>20.1</td>
<td>227</td>
<td>76</td>
</tr>
<tr>
<td>Czechoslovakia</td>
<td>15.5</td>
<td>34.7</td>
<td>2.3</td>
<td>3.6</td>
<td>13</td>
<td>49</td>
</tr>
<tr>
<td>Netherlands</td>
<td>8.8</td>
<td>13.7</td>
<td>3.1</td>
<td>4.0</td>
<td>82</td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>8.4</td>
<td>29.6</td>
<td>3.1</td>
<td>5.4</td>
<td>90</td>
<td></td>
</tr>
<tr>
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<td>6.8</td>
<td>3.5</td>
<td>.7</td>
<td>2.9</td>
<td>57</td>
<td></td>
</tr>
<tr>
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<td>.3</td>
<td>1.1</td>
<td></td>
<td>93</td>
<td></td>
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<tr>
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<td>.3</td>
<td></td>
<td></td>
<td></td>
<td>115</td>
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<tr>
<td>sub-total</td>
<td>87.9</td>
<td>129.4</td>
<td>14.0</td>
<td>45.8</td>
<td>240</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>69.5</td>
<td>369.2</td>
<td>19.8</td>
<td>49.0</td>
<td>338</td>
<td>100</td>
</tr>
<tr>
<td>% of Germany</td>
<td>129%</td>
<td>35%</td>
<td>71%</td>
<td>93%</td>
<td>71%</td>
<td>74%</td>
</tr>
</tbody>
</table>


Resistance to German Control

The societies liberated at the end of World War II preferred to remember the more heroic stories of their wartime experience, but in reality German repression all but eliminated overt resistance. There is little sign that resistance undermined German morale, tied down more than a handful of military divisions, or denied significant economic resources. At best, resistance action was effective only as an adjunct to conventional military attack.

Guerrilla units were non-existent in Denmark, Holland, Belgium, and Czechoslovakia, only marginally active in the mountainous regions of France and upper Italy (but more numerous in less industrialized Yugoslavia, Poland, and occupied Russia).\(^2^0\) The rare efforts to take and hold territory met with disastrous results. The Anglo-Americans instructed resistance groups to act only in conjunction with the Allied landing, when the Germans would be at their weakest and too preoccupied to wipe them out or carry out reprisals. Even then, uprisings seemed to accomplish little, especially in cities. "In practice there were few memorable urban risings...Warsaw was a tragedy,...Paris...was really almost as much farce as triumph,...[and] Naples...a four days' massacre."\(^2^1\)

The numbers of Western Europeans engaged in active resistance to German rule gradually increased over the course of the war, as the shock of


sudden collapse and the apparent inevitability of total German victory gradually wore off. Successive German set-backs, beginning with the failure to subdue Britain, made plausible the idea that resistance could help bring liberation more quickly. The German attack on the Soviet Union in June 1941 thrust European communists, sympathetic to the Soviet cause and now viciously persecuted, into resistance. But resisters came from all classes and ideologies, and their numbers grew rapidly from the mid-point of the war, when German labor conscription drove thousands into hiding.22

Still, the total numbers remained small. Among Germany's western dominions, resistance was most serious in France. But, even at their peak, active French resisters numbered only around 400,000, or just 2% of the French adult population. Most of these were unarmed and joined just before the liberation.23 In the Netherlands, the figure was less than a tenth of one percent.24 Resistance was simply too dangerous to become anything more than a minority affair. Resistors had to deal not only with the ruthless SD and Gestapo, but also with the cooperation and even energetic collaboration of indigenous police, paramilitary groups, and informers. The history of European resistance is riddled with infiltration, betrayal, torture, and execution.25

24 1,200 full time resisters; Werner Warmbrunn, The Dutch under German Occupation, 1940-1945 (Stanford: Stanford University Press, 1963), 266.
25 Foot, Resistance, 63-9; Jørgen Haestrup, European Resistance Movements, 1939-1945: A Complete History (Westport, Conn.: Meckler, 1981), 31-33. For gruesome details,
The contribution of the resistance to liberation was not in killing occupation troops but in obstructing their movement. Sabotage teams attacked French and Belgian railways on the eve of the Allied landings, making thousands of railway cuts and disabling locomotives at a rate comparable to Allied bombing. German divisions forced to march were slowed further by hit-and-run ambushes. The 2nd SS Panzer division (Das Reich), for example, lost only 35 men but required ten additional days (some attributable to Allied air attacks) to reach Normandy from southern France (it took vengeance on over 2,000 French lives, including the entire village of Oradour-sur-Glane, giving the French a taste of a commonplace reprisal in the East.

Resistance was minimized by Nazi repression. Pacification duties in the western territories were performed mainly by the police agencies of the Army and SS, whose regular troops devoted their energies almost entirely to preparing for battle with the Allies. These agencies were the Army’s Field Police, Secret Field Police, and Military Intelligence, and the Security Service (Sicherheitsdienst, or SD), Security Police (Sicherheitspolizei, or Sipo), and the Secret State Police (Geheime Staatspolizei, or Gestapo) of the SS. Jurisdictional rivalries may have impeded their efficiency, but not their ruthless suppression of all active resistance to German rule. The highest police authorities supervised (and in some cases purged and reorganized) the native

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police forces and recruited and trained other natives for use as police auxiliaries, paramilitary units, guards, and even SS soldiers.\textsuperscript{28}

Throughout the occupation, reprisals were used to deter attacks on German personnel. Each German assassinated was "avenged" by the immediate execution of dozens of natives (the exact number depending on the rank of the German victim) selected from local prisons or randomly off the streets. Others were threatened with execution unless the perpetrators were identified. In one extreme case, the assassination of Czech Protector Reinhard Heydrich in 1942 was punished by the slaughter of 1,300 Czechs. Such high costs turned the Allies, emigré governments, and most underground resistance groups against assassination of Germans (if not traitorous countrymen). The Soviets urged the communist underground to kill as many Germans as they could, but in France at least "à chacun son Boche" ("to each his German") remained more a slogan than a \textit{modus operandi}.\textsuperscript{29}

Resisters found it difficult to create, arm, and train a mass movement waiting to act in unison on demand. Hiding out in the hills was impracticable for long periods of time because it was difficult for large numbers to live off the land. But underground movements were confronted with police repression, posing a tough tradeoff between size and organization (and thus coordination and supply) on the one hand, and security on the other. Large, centrally directed organizations, like the Czech \textit{Obrana Naroda} (based on the prewar secret service), were easily penetrated and disassembled.\textsuperscript{30} But independent, isolated groups lacked the specialized skills, equipment, and

\textsuperscript{28}United States, Office of Strategic Services, Research and Analysis Branch, \textit{German Military Government over Europe}, vol 2, part 1, "The SS and Police in Occupied Europe," R & A No. 2500/22 (Washington, D.C., 1945); Delarue, \textit{Gestapo}, 233-270, 290-312.

\textsuperscript{29}Hæstrup, \textit{European Resistance}, 444-60.

\textsuperscript{30}Foot, \textit{Resistance}, 204-5.
intelligence to strike effectively at German interests. Attacks on unused railroads or factories, for example, did little more than waste precious dynamite.\textsuperscript{31} Compartamentalization resulted from political rivalries as well as the dictates of secrecy. In Yugoslavia, Tito's communists and Mihailovic's royalists spent nearly as much time fighting each other as they did attacking the Germans.\textsuperscript{32}

Finally, the level of effectiveness achieved by Western European resistance was possible only because of external sources of supply. Only Tito's partisans captured a substantial amount of weapons, and these were from Italian troops surrendering in 1943. Most arms, radios, and explosives (as well as advice) were parachuted in to Western and Southeastern Europe by Britain's Special Operations Executive (SOE) and to Eastern Europe by the Soviet Air Force. The Allied Command considered SOE essential to the contribution of resistance forces to liberation: "without the organization, communications, material, training and leadership which SOE supplied,... 'resistance' would have been of no military value."\textsuperscript{33}

Even with external support, the fact that resistance was limited in size and effectiveness does not detract from the valor of those who risked or sacrificed their lives in the struggle against Nazism. Underground resistance movements did spring up in every conquered country. Clandestine presses churned out pamphlets and newspapers which, combined with British and Soviet radio broadcasts, informed the captive peoples of occupied Europe of the progress of the war and spread anti-Nazi messages. Some resistance

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\textsuperscript{32} Foot, \textit{Resistance}, 186-98.

organizations managed to smuggle out downed pilots, Jewish or political fugitives, and intelligence about German deployments. Anti-Nazi sabotage, assassination, and espionage occurred, and remain legitimate sources of national pride. But the overall record shows that resistance posed little threat to the German control and use of occupied Western Europe.

Administrative Collaboration

If the conquered countries of occupied Europe failed to resist German domination, neither did they enthusiastically leap to Hitler's side. Germany power, however, dictated extensive collaboration in each country. This section focuses on the collaboration of native administrations. After describing the extent and similarity of collaboration, it argues that only German domination—as opposed to pro-German sympathies or passing domestic divisions—can explain at least the common baseline level of administrative collaboration shared throughout occupied Europe.

Patterns of Collaboration

Historians sometimes contrast the collaborating Vichy and Norwegian regimes with the "headless" administrations of the other occupied countries. It is true that Marshal Philippe Pétain and Vidkun Quisling, along with Emil Hacha in Bohemia-Moravia, claimed titular leadership of their governments. Quisling, moreover, earned the notoriety associated with his name by attempting a coup during the German invasion and his generally unmitigated spinelessness. But the organization and legal status of the governments and administrations in occupied Western Europe made little difference to their

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34See, for example, Paxton, *Vichy France*, 359.
willingness to comply with most German demands. In the Netherlands and Belgium, the permanent department heads, or "secretaries-general," ran administrations in the absence of their cabinets who had fled to London. But the secretaries-general complied with the economically important German demands just as readily as did Quisling or Pétain. The only exception to this pattern is Denmark, the "model Protectorate," which was allowed a significant degree of domestic autonomy until it resigned under German pressure in the summer of 1943, leaving a situation much like that in Belgium and the Netherlands.

German occupation authorities presented European officials with a simple choice: obey or resign. Many did resign rather than collaborate, and the Germans purged others who they considered unreliable or hostile. But the vast majority of European officials, bureaucrats, and civil servants stuck to their posts and obeyed. They often dragged their feet, especially in hunting down Jews, communists, and forced-labor evaders, but rarely refused outright to perform even these odious tasks. Collaboration was the norm, not the exception, in occupied Europe.

German authorities found native police forces generally cooperative and efficient in carrying out these duties, although as the war progressed they worried about their reliability in repressing mass anti-German demonstrations or rebellions. Indeed, Robert Paxton has concluded that—counting the police, military guard units, and the 30,000-strong French Milice

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"militia")—"as many Frenchmen participated in 1943-44 in putting down 'disorder' as participated in active resistance."³⁶ In the Netherlands, the entire police force was involved in the deportation of all but 20,000 of 140,000 Dutch Jews to Nazi extermination camps. The head of German security in Amsterdam testified after the war that "the main support of the German forces in the police sector and beyond was the Dutch police. Without it, not 10 per cent of the German occupation tasks would have been fulfilled...Also it would have been practically impossible to seize even 10 per cent of Dutch Jewry without them."³⁷ Vichy also authorized the use of census data and French police in rounding up Jews, and took other antisemitic initiatives not even demanded by the Nazi overlords. Vichy stopped cooperating with the Final Solution in mid-1943, but its Milice continued to help the SS do its dirty work.³⁸

Only Denmark and Belgium refused all cooperation with the Final Solution, and Denmark had the advantage of its initially privileged status and a small Jewish population easily evacuated to nearby Sweden.

The greatest administrative resistance was against labor conscription. The native administrations assented to mobilizing labor for Germany through economic pressure, by withholding unemployment benefits, lengthening the work-week, and closing down "unessential" enterprises. But they were more reluctant to take the highly unpopular step of physically drafting workers for forced labor in German munitions factories. In late 1942, German labor czar Fritz Sauckel began combing through Dutch and Belgian factories, without

³⁶ Paxton, *Vichy France*, 294. John Sweets has argued that French resisters outnumbered French oppressors, while acknowledging that this made little difference to German military and economic interests. Cf. *Choices in Vichy France*, 224-30, 175. The Milice performed guard duty, tracked down labor evaders, resisters, and Jews, and even skirmished with guerrilla bands.
indigenous cooperation (although the Dutch Secretary-General for Social Affairs authorized the release of labor records). In France, Pierre Laval (Pétain's prime minister) managed to put off Sauckel until February 1943, when he finally passed a compulsory labor law (the Service du Travail Obligatoire) instructing French labor agencies to provide employment data and personnel to the German recruiters, and imposing sanctions against evaders. But passive resistance within the French labor bureaucracy, with Laval's complicity, meant that extensive German supervision and participation was necessary. The end results were similar; about 3-3.4% of the population of each country was working in Germany by late 1943.

The native administrations were also unwilling to collaborate militarily, although they were helpless to stop the 60,000 Europeans from volunteering to don SS or Wehrmacht uniforms: 27,000 Dutch, 6,500 Norwegians, 15,000 Belgians (two-thirds Flemish), 7,000 Danes, and 10,000 Frenchmen (n.incl. A-L). Vichy tried to bargain for greater autonomy by offering Germany various degrees of military collaboration, from access to French North Africa to an outright alliance. Hitler consistently refused any such deals, and as the Germans moved to seize the French fleet in November 1942, Pétain had it

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39 Hirshfeld, Nazi Rule, 211-23; Warmbrunn, Dutch under German Occupation, 72-77, 125; Peter F. Klemm, "German Economic Policies in Belgium from 1940 to 1944" (Ph.D. diss., University of Michigan, 1973), 296-99, 473-77, 485.


42 Kenneth W. Estes, "A European Anabasis: Western European Volunteers in the German Army and SS, 1940-1945" (Ph.D diss., University of Maryland, 1984), 200. Estes (p. 204-8) judges the Danes and Flemish as performing better than the Dutch, Norwegian, French, and Wallon units. See also Bertram Gordon, Collaborationism in France during the Second World War (Ithaca: Cornell University Press, 1980), 244-78.
scuttled in what Paxton calls "Vichy's most determined act of neutrality."\textsuperscript{43} Vichy and the Dutch secretaries-general proscribed the production of completed weapons, and the Belgian secretaries-general forbade producing even components, although the Czech regime made no effort to obstruct military production.\textsuperscript{44} These restrictions were more symbolic than practical, however, as Germany preferred anyway to purchase components rather than final assemblies in the occupied territories, and found no resistance to orders for military components when thinly disguised as civilian goods.

These refusals are insignificant compared to the financial collaboration of all the native administrations. Germany relied on three mechanisms for taxing the occupied territories: occupation costs, clearing deficits, and forced bond-sales. First, German occupation authorities demanded huge "occupation costs" from each territory (for the new states, the Czech Protectorate and the Polish General Government, these were called "matricular contributions"), sums way out of proportion to the actual expenses required to police and administer occupied territories.\textsuperscript{45} Germany could pay for goods and services with these occupation costs, but it often resorted to a second mechanism--credit--when paying for exports to Germany. The collaborating administrations had to pay their own exporters while the amount was chalked up as "clearing deficits" in Berlin, on the dubious presumption of postwar repayment. Third, in the territories where Germany spent Reichsmarks, the Czech Protectorate and the Netherlands, it recovered much of its currency by forced sale of German treasury bonds. The Czech and Dutch regimes had to

\textsuperscript{43} Paxton, \textit{Vichy France}, 307; 302-21.
\textsuperscript{45} The German occupation scrip (\textit{Reichskreditkassenschein}), initially used by the invading troops, was redeemed by local banks for native currency and charged to the national "occupation costs" account.
compensate holders of Reichsmarks with domestic currency and hand over the marks to Germany in return for bonds as dubious as the clearing accounts.46

None of the collaborating administrations was able to interfere with the hemorrhage of native goods and services into German hands. On the contrary, they lubricated the flow by putting their finance ministries, central banks, and taxation systems at Germany's service. It was not as if they failed to recognize what was going on. As the German armistice negotiator told his French counterpart, "France was going to be made to lower her standard of living and to bring it to a level analogous to Germany."47 Vichy officials realized that the surplus would go to the war, and fretted that 400 million francs daily occupation costs would enable the Germans "to buy the whole of France."48 After protesting that these "costs" would sustain an army of 18 million men (in contrast to the less than one million then in France), Vichy gave in. Later threats to default persuaded Germany to lower Vichy's occupation payments from 400 to 300 million francs per day, but Germany simply made greater use of its clearing debt; in November 1942 the daily payments were increased to a new plateau of 500 million francs.49 Belgium and the Netherlands failed to offer the slightest resistance, even when their obligations were unilaterally increased to cover higher German expenditures.50

46 Milward, New Order, 54-77.
47 Ibid., 58.
48 Ibid., 61.
In sum, all the native regimes traveled down the path of collaboration without straining very hard at the Nazi leash. Some went farther than others, but all went well beyond the minimal policing and financial collaboration needed for German exploitation. Limited resistance on armaments production and labor deportation had little effect on German military and economic interests, because so many forms of economic production are useful in total war. Workers did not have to be in Germany, in uniform, or even in a munitions plant to contribute to the German war effort. The virtually complete continuity of personnel in the native bureaucracies permitted Germany an astonishing economy of personnel in its rule of Western Europe. In France, 1,500 German administrators, 6,000 policemen, and a half-million soldiers--most of whom had no internal policing responsibilities--effectively pacified a country of 42 millions (See Table 2).

Table 2. German Personnel in Occupied Territories, Fall 1941

<table>
<thead>
<tr>
<th>Territory</th>
<th>Admin.</th>
<th>Police</th>
<th>Troops</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>1489</td>
<td>6,000</td>
<td>567,000</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1596</td>
<td>10,000 (incl. Waffen-SS)</td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>1166</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td>806</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Protectorate</td>
<td>9362</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>89</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reasons for Collaboration

Collaborating officials justified their policies as a lesser evil to the reprisals, chaos, and hardship which would result from disobeying the Germans. They believed that collaboration was in the national interest. Dutch and Belgian officials and bureaucrats could even justify collaboration on the grounds of prewar directives, instructing them to take no action against an occupying power, but rather continue their work to promote peace, order, and the general welfare. They were to resign only if they believed their services to the occupier outweighed their services to the population. If West European officials and bureaucrats found it difficult to weigh the occupier's gains against the population's prospective suffering, they nearly always opted to minimize the suffering.

Fear of reprisals led native officials to disapprove of any of anti-German behavior which might rebound to hurt the population. As a result, they adopted new laws outlawing sabotage, demonstrations, strikes, overt opposition parties, anti-German statements and writings, and of course underground resistance movements. Thus the Dutch secretaries-general warned in 1941:

There are still fellow countrymen who have obviously not understood the gravity of the current situation. In their blindness they believe they can damage the occupying power by acts of sabotage, although in reality they can only damage the interests of the Dutch people. This cannot be permitted. Understand that the German authorities cannot tolerate incorrect conduct on the part of the Dutch population and realize above all that the life of many people is brought into great danger by...the actions of reckless and criminal elements.52

They sought to prevent actions intended against the occupier which had collateral damage to native interests, such as railway sabotage. But in the face of German threats, the distinction between German interests and native

52Quoted in Hirschfeld, Nazi Rule, 149. Emphasis in original.
interests blurred. Thus Western European police forces and judiciaries were drawn into assisting German control and repression.

A similar logic led collaborating officials to eschew even passive resistance. Officials could drag their feet at the margins of German demands, but on matters of any importance they had to either resign or comply. Most complied because they believed that they would be replaced by incompetent, unprincipled, and/or German personnel. Abdication would thus lead to an erosion, or even collapse, of native administration. This would certainly be less efficient for Germany, but at too great a cost to the occupied society. Collaborating officials and functionaries obeyed German demands because they believed that there was no other way to maintain the smooth functioning of government so essential to the public good. The Dutch Secretary-General for Economics, Hans Max Hirschfeld, for example, realized from the beginning that the Germans planned to ruthlessly exploit Dutch productive capacity. But he believed that extensive collaboration was the only way "to secure essential supplies for the population and maintain the country's economic and social structure." He defended his own actions after the war by pointing out that refusal would have led much earlier to the kind of chaos and suffering of the 1944-45 "hunger winter," brought on in part by a Dutch railway strike.

This position was reasonable, and most Europeans supported it—even when out of reach of the Nazi terror. When Pétain announced in the autumn of 1940 that France would now collaborate with the victors, the French

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53 Hirschfeld, Nazi Rule, 205. The motivation of the Belgian Secretaries-General was the same; see Marc Van Den Wijngaert, "La politique du moindre mal. La politique due Comité des Secrétaires Généraux en Belgique sous l'occupation allemande, 1940-1944," Revue du Nord special ser. no.2 (1987): 63-72.

responded with nearly unanimous adulation and gratitude. Even countrymen far from Hitler's reach agreed, as only a few far-flung colonies and a small percentage of military personnel abroad defected to de Gaulle in 1940.\(^{55}\) As Robert Paxton explains in his *Vichy France*, rebellion requires that "a people must have been stripped of the comforts of property and the solace of routine irrevocably enough to have renounced them, but not quite to the point of passivity." France, on the contrary, "had been stunned and demoralized but not spartanized" by the 1940 debacle, and saw chaos as "something to be prevented, not exploited as the ultimate weapon against Hitler."\(^{56}\) The response was similar in the Netherlands, and in Belgium "three-quarters of the population gave the impression of having rallied, or being largely resigned, to the New Order, and it is permissible to believe that if Germany had [promised an independent, satellite status]...the overwhelming majority of public opinion would have... enter[ed] full-fledged the path of collaboration with Germany behind the banner of Axis hegemony."\(^{57}\)

Collaborating regimes and officials grew increasingly unpopular over the course of the occupation, especially in France and Norway. But condemnation was heaped on collaborating regimes mainly for labor conscription and political arrests, not for the more economically significant forms of collaboration. Paxton argues that it was participation in German labor conscription which finally turned opinion decisively against Vichy in

\(^{55}\) Paxton, *Vichy France*, 41-44.


the Spring of 1943. It was those who partook in collaborationist excesses who bore the brunt of their nation's rage after the war. In contrast, many collaborating officials and most of their underlings were exonerated of wrong-doing, including the Dutch Secretary-General Hirschfeld, who even got his pension despite having totally ignored the instructions of the government-in-exile to refuse to participate in labor conscription and "excessive" requisitions.

Richard Rosecrance argues, in defense of the liberal view of conquest, that "the Nazis had one particular factor in their favor, the hatred of Bolshevism on the part of the European Right. Collaboration was facilitated by some common ideological dispositions." Indeed, the 1930s in France witnessed a radical right proclaiming "Better Hitler than Blum," deep class divisions, political strife, and parliamentary instability. France after all needed 13 individuals per cabinet post in the interwar years. Vichy blamed the French 1940 military debacle on a prewar national malaise or "decadence," a theme taken up by historians as well. Finally, one cannot ignore the infamous June 1942 radio address of Pétain's Prime Minister Pierre Laval: "I desire victory for Germany because without it Bolshevism would establish itself everywhere. France cannot remain passive or indifferent before the immensity of the sacrifices that Germany is willing to make in order to construct a Europe in which we must take our place."

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58 Paxton, Vichy France, 234-41. Sweets, Choices in Vichy France, 146-69, suggests that opinion turned against Pétain much earlier, over the course of 1941. Many had no knowledge of the mechanisms and extent of economic exploitation, although little else could have impoverished their countries. Cf. Hirschfeld, Nazi Rule, 199.
62 Quoted in Azéma, Munich to Liberation, 121.
But if domestic politics and national character help explain Vichy's enthusiasm for collaboration, they do not explain the baseline administrative collaboration that occurred throughout occupied Europe. Radical-right wing parties outside of Germany had dwindled to an insignificant minority on the eve of the war, especially in Belgium and the Netherlands. Furthermore, Belgium and the Netherlands also experienced more stable interwar political leadership, with 5-6 persons per post (comparable to Britain). Collaboration thus cannot be explained either by popular ideological predilections or a crisis of confidence in parliamentary democracy.

Collaboration did not even require the existence of "fifth-column" minorities within Western Europe to run the collaborating governments. It is true that Quisling and Laval were rabid communists who reached positions of leadership, but their collaboration was hardly motivated by a fear of Bolshevism. After all, the German setback at Stalingrad (February 1943) occurred only after the Anglo-Americans had seized North Africa (November 1942). The fact that they echoed Nazi propaganda is a better reflection of their well-known sycophancy than their true motives.

Even more significant is the fact that Quisling and Laval were not typical collaborators. Most of the collaborating administrations were composed of mainstream politicians and bureaucrats. Hitler encouraged and funded native Nazis and other "collaborationists" during the war, but kept them at arms length for as long as possible. From the German perspective, their domestic unpopularity and administrative inexperience made them less suitable than the occasionally foot-dragging politicians and civil servants.

63 Kossman, Low Countries, 572, 624-30, 637-49.
from the conservative mainstream. As a German diplomat reported from Paris in 1943, "We have inhibited the rise to power of political groups and ideologies related to us...We have wanted instead a government to preserve peace and order, the most efficient contribution of labor, the highest possible production for our war needs." Only in Norway was a native Nazi, Vidkun Quisling, installed at the head of the administration, and then only with considerable reservations, even contempt; Hitler once called Quisling "a blown-up rubber pig which emits a loud squeaking noise and then collapses." Only gradually were native Nazis foisted upon the Dutch, Belgian, and French administrations. The greatest effect of native Nazis on administrative collaboration was that they provided an additional lever on European administrators, who were loathe to give up their posts to despised traitors. But their fear was not that the native Nazis' compliance or eagerness would help Germany, but that their incompetence or ill-will would alienate the bureaucracies and lead to a breakdown in government functioning.

The Germans were certainly correct in observing the unpopularity of Nazis outside of Germany. During the war collaborationist movements claimed less than 2% of their societies: 43,000 members in Norway's Nasjonal Samling, 100,000 each in the Dutch Nationaal-Socialistische Beweging and Belgian Vlaamsch Nationale Verbond (giving binational Belgium the highest proportion of collaborationists), and 150-200,000 total in the French

65 Gordon, Collaboration in France, 17.
67 Darnand became the French minister of "internal order" in December 1943. In Belgium, VNV members became Secretaries-General for Interior and Economic Affairs; in the Netherlands, NSB members gradually replaced seven of ten S-Gs, but "the number of NSB members in public service increased only gradually...without exerting any decisive ideological influence on the work of the administration in general." Hirschfeld, Nazi Rule, 153.
Rassemblement National Populaire, Parti Populaire Français, and Milice. Motives for joining these parties, as well as the SS legions, were as often opportunistic as ideological, however; the Milice for example was filled with unemployed hoodlums seeking to escape forced labor.

The support or understanding of the conquered populations, as well as the emigré and postwar governments, for basic political and economic collaboration has persuaded most historians of its inevitability. Norman Rich's study of the Nazi Empire, which remains the best comparative political analysis, concludes:

The response of the European peoples to Nazi domination reflects an instinct of people everywhere to cling to life and to seek physical and economic security for themselves and their families. In any case, it is difficult to see what else the subject populations could have done. Militant or passive resistance, general strikes, attacks on German personnel, and any effort to disrupt the administration and economy of an occupied country provoked cruel and large-scale reprisals. Resistance activities were unquestionably inconvenient to the Germans...but it was the subject population which had to face the ultimate implications of resistance.

Thus from the point of view of society as a whole, collaboration appeared to have been a sensible strategy given Hitler's capability and readiness to punish disobedience. The harsh reality of German domination dictated at least a modicum of collaboration.

If all of occupied Europe had rebelled against the relatively small numbers of German troops, it is at least conceivable that the conquerors could

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68 Gordon, Collaborationism in France, 326-7; Hirschfeld, Nazi Rule, 284-5. Figures on Norway and Belgium from Littlejohn, Patriotic Traitors, 20, 159.
69 Paxton, Vichy France, 221-8, 291-8; Sweets, Choices in Vichy France, 92-6; Gordon, Collaborationism in France, 166-95 and 257-9.
70 Rich, Hitler's War Aims 2: 423. Assertions about the inevitability of at least economic collaboration are made by Azéma, Munich to Liberation, 69; Warmbrunn, Dutch under German Occupation, 262; and Hirschfeld, Nazi Rule, 10, 317-9.
have been dislodged earlier. But relentless repression of resistance organizations and public demonstrations kept society sufficiently atomized to prevent any substantial collective action. The effect of the free-rider problem is hard to isolate, for most individuals believed resistance to be counterproductive for their societies as well as costly to themselves. One piece of evidence is the fact that in all of France, the most courageous examples of resistance to the Vichy-aided deportation of Jews occurred in the small, close-knit villages of southern France.

The isolated Protestant communes of the Haute Loire, Hautes Alpes, and the Tarn -- the most celebrated being Chambon-sur-Lignon, the "safest place for Jews in Europe" -- were unique in the risks they took to offer shelter and aid to Jewish refugees. To be sure, the remoteness of the villages from German and Vichy police was an important factor, but even when the Gestapo arrived to "clean out" Chambon the villagers maintained a solid front. Their devout and defiant faith, hardened by years of Catholic persecution and the leadership of Pastor André Trocmé, was also vital in inspiring the Chambonnais to defy the Germans for the sake of outsiders. But their piety was clearly reinforced by the solidarity of these homogenous and insular villages. In the rest of France, religious resistance was undermined precisely by the lack of such ties.71

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A "European War Economy"

Pillage

In contrast to the "smash and grab" policy in the East, where all moveable industry was dismantled and shipped back to the homeland, Germany chose to "milk" its Western European conquests. This did not preclude, however, a large measure of pillage, especially early in the occupation. Goods that were not essential to economic production in the occupied areas were obvious targets. Foremost were military equipment and stockpiles, which were not only economically useless but positively dangerous to leave in occupied territory. Moreover, arms seized from conquered states immediately bolstered German military strength. Hitler boasted after invading rump Czechoslovakia that he had seized over 1,500 airplanes, 2,000 artillery pieces (with 3 million shells), 500 anti-aircraft guns, 470 tanks, and a million rifles (with a billion rounds).\(^{72}\) The Wehrmacht used 112 captured (and 59 new) Czech tanks in the invasion of Poland, and 128 captured (plus 229 new) Czech tanks against France in 1940.\(^{73}\) That war resulted in an even greater boon, as the armistice required the French to surrender all of their air and army arms and munitions, including 2,500 military aircraft.\(^{74}\) French tanks (many of them modified into mobile assault guns) supplied German panzer brigades and 7,000

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\(^{72}\)Most of the figures are close to Czech estimates. The German war economy office appraised the arms at 77 million RM. Vojtech Mastny, The Czechs under Nazi Rule: The Failure of National Resistance 1939-1942 (New York: Columbia University Press, 1971).


\(^{74}\)Aircraft #s 3289 less 757 destroyed in May-June war. France, Assemblé Nationale, Commission d'enqüete parlementaire: Les evenements survenus en France de 1933 a 1945, Temoignages et document recueillis par la Commission, vol.2, 342-3; Annexes vol.2, 337.
WWI-vintage "75s" equipped the coastal batteries on the Atlantic beaches. Light tanks and aircraft were sold off to German allies. The French kept only the Navy and enough arms for a tiny army and air force.

In the years leading to the outbreak of war, the chief bottleneck in German rearmament was a shortage of raw materials. The capture of Austrian and Czech raw material stockpiles, as well as finished goods, gold, and foreign-currency reserves that could be used to pay for raw material imports, considerably eased the German war economy's growing pains. The pillage of raw material stocks soon halted in these economies, in order to increase their industrial output, but the practice continued on an even greater scale in Western Europe. Western Europe's stocks of non-ferrous metals, such as copper, lead, tin, nickel, zinc, magnesium, and tungsten, probably prevented serious bottlenecks in German armament production in 1941. Liquid fuel stocks seized in France alone amounted to 10% of Germany's 1941 consumption. Toward the end of the war, as the Germans were becoming increasingly desperate, they began pillaging church bells, bronze statues, and even door knobs for their copper.

Germany also preyed on Western European industrial infrastructure, carting industrial, transport, and agricultural equipment of all kinds off to Germany. France, for example, was stripped of over half of its railway

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76 Volkmann, "National Socialist Economy," 325-6, 334-5.
77 Milward, New Order, 80, 280-1.
79 Some of this was leased, though at dictated rates.
wagons, a fifth of its locomotives, and over a third of its buses and trucks. French wagons and locomotives increased the German supply by 45% and 15%, respectively, helping the Deutsche Reichsbahn to overcome a severe transportation crisis in the winter of 1941-2 as German supply lines stretched deep into Russia.

Indeed, German profits from the exploitation of French production didn't exceed its profits from pillage until late 1941. Even by the end of the war, booty had amounted to a seventh of all industrial products, a quarter of the raw materials, and a tenth of the foodstuffs taken by the Germans. Plunder also resulted from a failure, either out of vindictiveness, overconfidence, or ignorance, to constrain the acquisitiveness of rival fiefdoms and firms. Göring himself inveighed on occasion against milking Western Europe: "In earlier times you pillaged...at present things are done in a more humane way. As for myself, I still think of pillage, comprehensively."

Labor

Germany siphoned millions of European workers out of their own economies and put them to work in Germany, or directly for German organizations operating in occupied territory. The invasion of Poland opened the first major reservoir of foreign labor; a combination of force and economic dislocation in Poland procured about 800,000 Poles for work in

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81 United States Strategic Bombing Survey [cit. USSBS; all reports published January 1947], The Effects of Strategic Bombing on German Transportation (Report No. 200), 74-y6; and idem, The German Locomotive Industry (No. 203), 5-17.


83 Quoted in Milward, New Order, 77.
German agriculture and mining. The conquest of the West put a million French prisoners of war at Germany's disposal, 85% of whom were already at work by November 1940.

Germany immediately began recruiting volunteers among the large pool of highly skilled Western European labor; the war had left a million in France and a half-million in Belgium and the Netherlands unemployed. Contracts were for 6-12 months at German-level pay, surpassing the wages available in their own stricken countries. By the end of 1940, 220,000 civilians from the western occupied nations were working in Germany; a year later, the number had grown to almost 300,000.

The invasion of the Soviet Union opened a vast reservoir of labor, although the Germans starved three out of four million Russian POWs to death in makeshift camps during the winter of 1941-42. But German losses on the Eastern Front required mobilizing more German labor into the Army while increasing war production. Germany began using force to procure skilled labor in the west, where workers, having found conditions in Germany worse than advertised, were declining to voluntarily renew their contracts. The first step was to increase working hours and to close "inessential" enterprises to free up slack labor; the second was to begin drafting labor directly from

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84 Homze, Foreign Labor, 23-44.
86 Homze, Foreign Labor, 49-56.
factories. By 1944, over seven million foreigners were working in Germany, comprising a fifth of the total labor force (see Table 3).87

Table 3. Foreign Labor in Germany, Fall 1943 (thousands) 88

<table>
<thead>
<tr>
<th>Nationality</th>
<th>POWs</th>
<th>Male Civ.</th>
<th>Female Civ.</th>
<th>Total</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soviet Union</td>
<td>496</td>
<td>817</td>
<td>899</td>
<td>2212</td>
<td>32</td>
</tr>
<tr>
<td>Poland</td>
<td>29</td>
<td>1094</td>
<td>527</td>
<td>1650</td>
<td>24</td>
</tr>
<tr>
<td>France</td>
<td>739</td>
<td>605</td>
<td>44</td>
<td>1388</td>
<td>20</td>
</tr>
<tr>
<td>Bohemia-Moravia</td>
<td>-</td>
<td>244</td>
<td>42</td>
<td>286</td>
<td>4</td>
</tr>
<tr>
<td>Belgium</td>
<td>53</td>
<td>195</td>
<td>33</td>
<td>281</td>
<td>4</td>
</tr>
<tr>
<td>Netherlands</td>
<td>-</td>
<td>236</td>
<td>20</td>
<td>256</td>
<td>4</td>
</tr>
<tr>
<td>Serbia</td>
<td>94</td>
<td>34</td>
<td>11</td>
<td>139</td>
<td>2</td>
</tr>
<tr>
<td>Italy</td>
<td>-</td>
<td>103</td>
<td>14</td>
<td>117</td>
<td>2</td>
</tr>
<tr>
<td>Others</td>
<td>54</td>
<td>303</td>
<td>124</td>
<td>481</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>1465</td>
<td>3631</td>
<td>1714</td>
<td>6810</td>
<td>100</td>
</tr>
</tbody>
</table>

The concentration of foreign labor was higher in the munitions sector (reaching about a third) than elsewhere in industry. Within industry, foreign labor was used predominantly for heavy manual labor (e.g., mining, steel processing, construction) or routine, assembly-line tasks (which could even involve the production of aircraft engines).89 The Germans also tried to exploit foreigners' skills, by offering higher pay for complex work and the opportunity to avoid more arduous alternatives. Foreigners were even promoted to supervisory roles; at an I.G. Farben chemical plant "entire

87 Ibid., 232.
88 Ibid., 195.
89 Ibid., 234-40; Hans Pfahlmann, Fremdarbeiter und Kriegsgefangene in der deutschen Kriegswirtschaft 1939-1945 (Darmstadt: Wehr und Wissen Verlagsgesellschaft, 1968), 232. By late in the war, Daimler-Benz was using 45% foreign work-force to manufacture aircraft engines, trucks, and tanks; foreign workers moreover cost the company a quarter of German salaries, and their productivity was overall good. Bernard P. Bellon, Mercedes in Peace and War: German Automobile Workers, 1903-1945 (New York: Columbia University Press, 1990), 230-1, 238-53.
divisions were handed over to French personnel from the chemist in charge, down to supervisors and workers. The results fully came up to expectations.\textsuperscript{90}

The productivity of foreign workers was just as important to the German war economy as their numbers. One would expect nationalistic and demoralized foreign workers, especially the enslaved, to labor as slowly and negligently as they possibly could. Yet, despite becoming 20\% foreign, overall labor productivity in Germany rose over 15\% between 1940 and 1943.\textsuperscript{91} This was no doubt largely due to massive reorganization of the German war economy effected by armaments czar Albert Speer over the course of 1942-43. Greater mechanization and longer working hours were critical factors, but the increase in productivity would hardly have been possible if a fifth of the workforce was significantly non-compliant.

In fact, German employers found foreign workers manageable, if indifferent. Productivity varied by treatment, period of the war, nationality, gender, and POW or civilian status, but on average foreign workers were 80\% as productive as German workers in equivalent jobs.\textsuperscript{92} Anecdotal evidence suggests that skilled labor worked even more energetically than unskilled: a 1942 Krupp survey rated French and Russian skilled POWs at 92\% (versus 79\% for unskilled) and 44\% (vs. 39\%) of their German equivalents.\textsuperscript{93} Historian Edward Homze judges that "the Germans brought millions of unwilling persons, many of whom were personally mistreated, into a strange country, presented them with grim living circumstances, and then molded them into

\textsuperscript{90}H.L. Ansbacher, "Testing, Management and Reactions of Foreign Workers in Germany during World War II," \textit{American Psychologist} 5 (February 1950), 45.

\textsuperscript{91}Homze, \textit{Foreign Labor}, 260-62.


\textsuperscript{93}Billig, "Role des prisonniers," 59.
productive workers" and that this achievement was "the main factor in the maintenance of the German war economy during the last years of the conflict."\textsuperscript{94}

**Purchase**

Pillage and slave labor stand out as the most notorious forms of Nazi profits, but in reality they represented a small fraction of the economic value of the conquered countries to the German war effort. Germany's chief gain was from milking occupied Europe's continued production. Requisitioning worked fine for existing goods, but farmers, businesses, and workers would not have produced any new goods or services without compensation, not to mention supplies. New production had to be paid for, some way or another. But since the funds were extorted directly from the financial apparatuses of the occupied territories, they cost Germany nothing.

Germany tried to get the most for these payments by controlling inflation in the occupied territories. The indigenous administrations, seeking to maintain social order, obligingly participated. Prices and wages were fixed initially at pre-war levels, but rampant shortages and currency creation (needed to pay part of the occupation costs) resulted in a barely contained inflationary potential. Official prices were allowed to gradually increase, more so than in Germany, but avoiding hyperinflation (see Table 4).\textsuperscript{95}

\textsuperscript{94} Homze, *Foreign Labor*, 262-63.

Table 4. Wholesale Prices in Europe, 1940-44 (1938=100)\textsuperscript{96}

<table>
<thead>
<tr>
<th></th>
<th>1940</th>
<th>1941</th>
<th>1942</th>
<th>1943</th>
<th>1944</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>104</td>
<td>106</td>
<td>108</td>
<td>110</td>
<td>110</td>
</tr>
<tr>
<td>France</td>
<td>138</td>
<td>169</td>
<td>197</td>
<td>229</td>
<td>258</td>
</tr>
<tr>
<td>Netherlands</td>
<td>130</td>
<td>146</td>
<td>155</td>
<td>158</td>
<td>161</td>
</tr>
<tr>
<td>Bohemia-Mor.</td>
<td>140</td>
<td>149</td>
<td>153</td>
<td>154</td>
<td>156</td>
</tr>
<tr>
<td>Norway</td>
<td>136</td>
<td>167</td>
<td>173</td>
<td>175</td>
<td>177</td>
</tr>
</tbody>
</table>

The level of exploitation gradually increased over time. Germany was simply not administratively prepared to begin the full mobilization of European capacity in the summer of 1940. Delays were aggravated by mismanagement and anarchy in procurement, which crippled German mobilization until the middle of the war. Thus, Germany did not fully spend France's occupation-costs payments through the end of 1941, by which time it had accumulated almost 65 billion francs, or seven months worth.\textsuperscript{97} After the winter of 1941-42, Germany stepped up contracting to Western European industries. Germany also attempted to extend the rationalization of its own economy, which achieved incredible results in German armament production, to the occupied territories. There, contract and resource allocation were centralized in 1943, under the direction of leading German and local industrialists.\textsuperscript{98}

A rough measure of the dimensions of German exploitation is the sum total of the financial contributions of the occupied territories. An October 1944 report by the German Research Office for Military Economy (\textit{Forschungsstelle für Wehrwirtschaft}) under the Supreme Command (OKW)

calculated these through March 1944. The report is particularly useful because it takes account of open and black market inflation in each country, arbitrary exchange rates, and local tariffs (the French were permitted to tax exports) to evaluate the actual purchasing power of the financial transfers (see Table 5). The contributions of occupied Western and Central Europe alone, not counting booty and much of forced labor, amounted to about 10% of German GNP between mid-1940 to mid-1944.99

Table 5. Occupation Costs and Credits, through March 1944, millions of RM100

<table>
<thead>
<tr>
<th>Country</th>
<th>Occupation Costs</th>
<th>Clearing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>27,935</td>
<td>7,128</td>
<td>35,063</td>
</tr>
<tr>
<td>Bohemia-Moravia</td>
<td>2,314</td>
<td>9,819</td>
<td>12,133</td>
</tr>
<tr>
<td>Netherlands</td>
<td>7,767</td>
<td>4,260</td>
<td>12,027</td>
</tr>
<tr>
<td>Belgium</td>
<td>5,311</td>
<td>3,982</td>
<td>9,293</td>
</tr>
<tr>
<td>Norway</td>
<td>5,044</td>
<td>-143</td>
<td>4,901</td>
</tr>
<tr>
<td>Denmark</td>
<td>1,446</td>
<td>1,088</td>
<td>2,534</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>49,817</strong></td>
<td><strong>26,134</strong></td>
<td><strong>75,951</strong></td>
</tr>
</tbody>
</table>

France, being by far the largest economy, provided the greatest economic contribution to the German war economy in absolute terms. But this does not mean that France was the most intensively exploited. To assess the degree of mobilization, the absolute contribution must be weighed against the economic potential of each country. Table 6 attempts to assess the level of


100Forschungsstelle für Wehrwirtschaft, "Die finanziellen Leistungen der besetzten Gebiete bis Ende März 1944", October 1944, reproduced with commentary in Christoph Buchheim, "Die besetzten Länder im Dienste der deutschen Kriegswirtschaft während des Zweiten Weltkriegs", Vierteljahrshefte für Zeitgeschichte 34 (April 1986): 117-45. This study gives only the Czech "matricular contribution" (i.e., occupation costs) and does not include German debts (in RM, checking, trade clearing accounts and treasury bonds) amounting to 14,230 RM by the end of the war. The figure for Czech clearing in the chart is adjusted (proportionately according to the increasing matricular contributions) to March 1944.
mobilization reached in the occupied countries by taking Germany's annual gains as a proportion of each country's prewar national income.

Table 6. Mobilization of Western Europe for the Nazi War Economy

<table>
<thead>
<tr>
<th>Avg. Ger. gain/yr. (billions 1938)</th>
<th>France francs</th>
<th>Netherlands guilders</th>
<th>Belgium francs</th>
<th>Norway kroner</th>
<th>Denmark crowns</th>
<th>Bo-Mor crowns</th>
</tr>
</thead>
<tbody>
<tr>
<td>1938 nat'l income (billions 1938)</td>
<td>88.0</td>
<td>2.06</td>
<td>27.0</td>
<td>1.91</td>
<td>1.20</td>
<td>34.7</td>
</tr>
<tr>
<td>Annual gain/income</td>
<td>26%</td>
<td>38%</td>
<td>38%</td>
<td>38%</td>
<td>18%</td>
<td>69%</td>
</tr>
</tbody>
</table>

Denmark's burden reflected its "model protectorate" status until mid-1943, when the rate reached 23%. The intermediate French burden equalled French military expenditure in 1939.\(^{102}\) The Netherlands, Belgium, and Norway were exploited even more heavily, and the burden on Norway was even higher considering that Norwegian shipping earnings--lost during the war along with 80% of the Norwegian fleet--had amounted to over 10% of national income before the war.\(^{103}\) Bohemia-Moravia, the territory first and most closely integrated into the German war economy, was by far the most

\(^{101}\) The transfers are from Forschungsstelle für Wehrwirtschaft, "Finanziellen Leistungen," deflated 4% to 1940 RM, and then converted into national currencies according to the 1940 purchasing power parities used in that report. Income figures are NNP at market prices (i.e., GNP-depreciation), from Colin Clark, The Conditions of Economic Progress, 3rd ed. (London: Macmillan, 1957); French income has been reduced 5% to compensate for the wartime loss of Alsace-Lorraine.


\(^{103}\) Alan S. Milward, The Fascist Economy in Norway (Oxford: Clarendon, 1972), 36, 95, 281. The ranking is mirrored in the promptness of satisfying major contracts: 84.4% were filled on time in the Netherlands, compared to 75.5% in Belgium and 70% in France. Hirschfeld, Nazi Rule, 192. The German ministry of the Interior apparently thought that Belgium was the most fully harnessed to the German war economy (Rich, Hitler's War Aims 2, 178, 186), but Klemm argues that Belgian industries and administrators resisted more than the French or Dutch ("German Economic Policies," 480-1).
intensively mobilized, reaching a level comparable to Germany's domestic effort. These contributions include the amounts actually spent on the occupation troops and administrations, although as mentioned above most of the military presence had little involvement in pacification. Even then, it amounted to a small fraction of expenditures outside of Norway; in France, about a tenth of the total. On the other hand, Table 6 makes no allowance for booty and the value of labor (beyond surplus wages sent back to families) working in Germany.

The resources mobilized from the occupied countries did not all wind up in Germany. The German military effort extended to all corners of Fortress Europe. Transportation, troop provisioning, and the construction of barracks, fortifications, and air bases in occupied territory were all necessary for defending the continent against the Allies. Protecting Norway's vast coastline from an Allied landing and launching naval and air attacks on Atlantic supply convoys required a military and construction effort that nearly outstripped Norwegian economic capacity, leaving little surplus for export to Germany. But this should not obscure the fact that Norway underwrote operations which would otherwise have created a massive drain on German resources.104

Economic Performance

These varying levels of mobilization for Germany resulted from varying levels of total economic activity, which in turn were influenced more by raw material allocations than by national resistance. Table 7 shows the

levels of wartime activity in occupied Europe. The Czech economy was the most dynamic, and was the one exploited most fully by Germany. Norway and the Netherlands follow (with Denmark, which was not exploited heavily for political reasons), and then France.

<table>
<thead>
<tr>
<th></th>
<th>1940</th>
<th>1941</th>
<th>1942</th>
<th>1943</th>
<th>1944</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>88</td>
<td>70</td>
<td>63</td>
<td>59</td>
<td>50</td>
</tr>
<tr>
<td>Bohemia-Moravia</td>
<td>95</td>
<td>95</td>
<td>98</td>
<td>101</td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>88</td>
<td>83</td>
<td>76</td>
<td>74</td>
<td>50</td>
</tr>
<tr>
<td>Norway</td>
<td>91</td>
<td>93</td>
<td>90</td>
<td>88</td>
<td>83</td>
</tr>
<tr>
<td>Denmark</td>
<td>84</td>
<td>76</td>
<td>80</td>
<td>80</td>
<td>82</td>
</tr>
</tbody>
</table>

It thus appears that economic slumps in the occupied territories represented the chief constraint on German gains. This makes sense in light of the fact that native administrations were unable to limit German financial depredations. One would thus expect economic resistance to take the form of a drop in production, especially industrial production. In fact, the economic slump in occupied Western Europe did occur mainly in industry. This is the opposite of what one would expect in a typical war economy, in which resources are shifted from services to industry, and within industry from consumer goods to armaments. The belligerents in World War II actually increased their wartime industrial production and GNPs. Of the occupied territories, only Bohemia-Moravia matched this feat.

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But the industrial downturn appears to be due more to shortages of coal and other materials than either passive economic resistance or German mismanagement. Coal, the primary source of energy of European industry, proved to be the Achilles heel of the European war economy. As historian John Gillingham has argued, the continental coal supply "provided a ceiling for economic activity in German-dominated Europe."\textsuperscript{106} The Low Countries had been roughly self-sufficient in coal, but France had imported about 30% of her annual consumption, mainly from Britain and Germany, but also from Belgium and Poland. Britain of course cut off imports and the German war economy absorbed all of its prior surplus, as well as part of French, Belgian, and Dutch output.\textsuperscript{107} The result was a decline in the Western European coal supply to 60-65% prewar levels. Household consumption was cut in half, but that was still insufficient to provide industry with pre-war levels of coal. In 1942, French general industry was allocated only 63% of its pre-war coal consumption; the railways were better supplied at 75%, but small industry and engineering received only 45%, and steelworks and other metallurgical industries only 40%. As for petroleum, an even scarcer substance in Nazi-controlled Europe, consumption fell to 13%.\textsuperscript{108} Suffering from the same continental shortages, but not German occupation, Swiss GNP fell 11-14% during the war.\textsuperscript{109}


\textsuperscript{107}Sven-Olof Olsson, \textit{German Coal and Swedish Fuel 1939-1945} (Göteborg: Institute of Economic History of Göteborg University, 1975), 120-23.


Economic sectors better supplied with coal, such as railroads, or less dependent upon it, like agriculture and mining, performed relatively well during the occupation. Although the French railway network had lost over half its wagons and a fifth of its locomotives and work force, it still managed to sustain pre-war levels of traffic. This was made possible by a high German demand (for the movement of troops across France and the delivery of goods to Germany) and an accordingly steady supply of coal. The German share of total traffic increased from 66% in December 1941 (25% troops and 75% goods) to 85% in January 1944 (40% troops and 60% goods).\footnote{110}

Agriculture performed well in all of Western Europe.\footnote{111} In France, for example, agricultural production held at 75% pre-war levels, despite the loss of 10% of cultivated land, 13% of human and 22% of equine labor, 50% of fertilizers, almost all liquid fuel, and access to spare parts for agricultural machinery.\footnote{112} Production was probably even higher than official statistics indicate, because unreported farm goods had a lucrative outlet on the black market. Germany was a major beneficiary of continued French production. By reducing French food rations to about half of a healthy level of calories, Germany was able to skim 15-20% of bread grains, meat, and dairy products

\footnote{110}{Milward, \textit{The New Order}, 281-2. The CCDR four-year estimate of 30\% (see CCDR, \textit{Dommages}, 8, report T.C.I, 11) seems to exclude commercial traffic within France necessary for German-exploited production. For total traffic levels see INSEE, \textit{Mouvement économique}, 243-5.}

\footnote{111}{For an overview, see Karl Brandt, \textit{Management of Agriculture and Food in the German-Occupied and other Areas of Fortress Europe: A Study in Military Government} (Stanford: Stanford University Press, 1953).}

produced in France during the war.\textsuperscript{113} The Germans also consumed an astounding quantity of French wine (one can hope it sapped their vigilance more than it propped up their morale)! Selling on the black-market, moreover, was no way to avoid German exploitation, because the Germans frequented the black-market when necessary.

European extractive industries also did relatively well. Coal output increased slightly in France, while dropping only 8\% in the Netherlands and 17\% in Belgium over 1940-43.\textsuperscript{114} The decline in Belgian coal mining resulted above all from the loss of Belgian miners to the Ruhr, but declining labor productivity was also an important factor there as in France and the Netherlands, where increases in the number of miners were needed to sustain the levels reached. Productivity fell because of shortages of supplies (like lumber for pit-props), malnutrition, and worker indifference. It appears that hunger outweighed hostility as a brake on labor productivity, and even the much better fed German (and British) miners' productivity suffered because of diet, wear and tear.\textsuperscript{115}

French and Luxembourg iron ore had been a key component of Hitler's planned autarkic sphere, although a copious supply of higher-grade (and thus coke-efficient) Swedish ore satisfied most of German demand. Still, French and

\textsuperscript{113}Pierre Barral, "Agriculture and Food Supply in France During the Second World War," in Bernd Martin and Alan S. Milward (eds.), Agriculture and Food Supply in the Second World War (Ostfildern: Scripta Murcaturae Verlag, 1985), 94, 98-100. See also Milward, \textit{New Order}, 258, 266.

\textsuperscript{114}Olsson, \textit{German Coal}, 99; Milward, \textit{New Order}, 186-9; France figures exclude Lorraine production.

Luxembourg ore was mined at 70%, 75%, and 95% of pre-war levels in 1941, 1942, and 1943, respectively. France alone provided, in 1943, about a third of the total supply of ore available to Germany (by total weight; by iron content about a quarter). The conquered supply didn't displace Swedish ore, but it permitted expanded production and reduced dependence on Sweden; a 1943 German study concluded that a cut-off of the Swedish supply would, after a transitional period, cut German steel production by only 7-10%. French bauxite output, 80% of which ended up in German aircraft, even surpassed pre-war levels in 1943, thanks mainly to increased manpower.

Coal was the limiting factor in German steel production, so it should be no surprise that much of Western European iron and steel capacity lay idle during the war. Germany generally preferred to consume French iron ore than transport the requisite coal to France, since ore was cheaper to ship; Western European iron and steel production peaked at 80% of pre-war levels. Aluminium production was even better, and would have been higher except that French bauxite was diverted to the more efficient German

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116 Hans-Erich Volkmann, "L'importance économique de la Lorraine pour le IIIe Reich," Revue d'histoire de la deuxième guerre mondiale, no. 120 (1980): 69-93; Milward, New Order, 213-15, 232. French iron output maintained these levels only with increased manpower (Ibid., 229-34). On German steel production, see Martin Fritz, German Steel and Swedish Iron Ore, 1939-1945 (Göteborg: Institute of Economic History of Göteborg University, 1974).

117 Sweden provided about a third, by content. Milward, New Order, 219, 226.


119 Milward, New Order, 238-9, 241-43. Construction materials, on the other hand, fell to half of pre-war levels, leather goods to 40%, and textiles and rubber to 25%. INSEE, Mouvement économique, 211-239.

120 Fritz, German Steel, 17-28; cf. Klein, Germany's Economic Preparations, 114-35

121 Fritz, German Steel, 12-16, 48-53.
metallurgical industry (see Table 8). Germany took a substantial share of this metallurgical output. Western European manufacturing thus suffered not only from coal shortages, but also from an inadequate supply of metal. Insufficient industrial lubricants only made matters worse.

Table 8. Metals Production (thousands of tons)

<table>
<thead>
<tr>
<th></th>
<th>prewar</th>
<th>1941</th>
<th>1942</th>
<th>1943</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>6,694</td>
<td>3,351</td>
<td>3,838</td>
<td>4,921</td>
</tr>
<tr>
<td>Belgium</td>
<td>2,743</td>
<td>1,422</td>
<td>1,269</td>
<td>1,631</td>
</tr>
<tr>
<td>Czech</td>
<td>1,627</td>
<td>1,528</td>
<td>1,576</td>
<td>1,679</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1,695</td>
<td>1,343</td>
<td>1,692</td>
<td>2,268</td>
</tr>
<tr>
<td>total</td>
<td>12,759</td>
<td>7,644</td>
<td>8,375</td>
<td>10,499</td>
</tr>
<tr>
<td>Steel</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>7,044</td>
<td>4,310</td>
<td>4,488</td>
<td>5,127</td>
</tr>
<tr>
<td>Belgium</td>
<td>2,692</td>
<td>1,624</td>
<td>1,380</td>
<td>1,670</td>
</tr>
<tr>
<td>Czech</td>
<td>2,111</td>
<td>2,316</td>
<td>2,332</td>
<td>2,514</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1,600</td>
<td>1,249</td>
<td>1,569</td>
<td>2,159</td>
</tr>
<tr>
<td>total</td>
<td>13,447</td>
<td>9,499</td>
<td>9,769</td>
<td>11,470</td>
</tr>
<tr>
<td>Aluminum</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>48</td>
<td>64</td>
<td>45</td>
<td>46</td>
</tr>
<tr>
<td>Norway</td>
<td>30</td>
<td>18</td>
<td>20</td>
<td>24</td>
</tr>
<tr>
<td>total</td>
<td>78</td>
<td>82</td>
<td>65</td>
<td>70</td>
</tr>
</tbody>
</table>

The French automotive industry was a high-tech manufacturing industry of major military importance, willing to produce for the Germans but hamstrung by material shortages. Germany took 85% of the 17,000 cars and 122,000 trucks produced in France during the war, as well as tractors, snow plows, and tank transporters, turrets, cannon, and track. French truck production alone amounted to 9% of German production in 1943. Granted the diversion of French capacity to German specifications, the total production

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122 Milward, New Order, 239-40.
123 Mitchell, European Historical Statistics, 219-20, 224-25, 229. 1938-39 averages used for pre-war levels. Unclear whether Lorraine production is included.
still seems low in comparison to an annual prewar output of 200,000 cars and 25,000 trucks.\textsuperscript{124}

\begin{table}[h]
\centering
\caption{French automobile production, 1941-43\textsuperscript{125}}
\begin{tabular}{|c|c|c|c|}
\hline
& Renault & Citroën & Peugeot & France \\
\hline
1941 & 12,223 & 13,481 & 9,641 & 55,415 \\
1942 & 10,184 & 9,229 & 8,211 & 43,006 \\
1943 & 5,267 & 4,494 & 4,697 & 18,995 \\
\hline
\end{tabular}
\end{table}

The German commissar for the French automotive industry dispatched a few engineers and a few guards to each of the major companies in the occupied zone, and inquired whether they would prefer German orders to pillage and requisition. Renault, Citroën, and Peugeot immediately began working for Germany; Citroën management resolved that "duty commands us to stay and not abandon Citroën's employees."\textsuperscript{126} No such threat could be made against factories in unoccupied France, but none was necessary for the fourth largest automotive producer, Lyon's Berliet. Marius Berliet acted strictly according to his immediate business interests, going so far as to take advantage of the German labor draft to get rid of union-leaders, slack-workers, and communists in his factories. On trial after the war, when asked why he didn't try to slow production that was helping the Germans, he replied, "Those are subtleties I didn't consider. In any case we were not at war since there was an armistice. I saw matters only as an industrial leader."\textsuperscript{127}

\textsuperscript{124}In France, the orders amounted to 10.3 billion 1939 francs worth. CCDR, Dommages, vol. 3, report A.I.3, 18, 31; USSBS, German Motor Vehicles Industry Report (No. 77), 8-9, exhibit E.


\textsuperscript{126}Jean-Louis Loubet, "La Société Anonyme André Citroën, 1924-1968, étude historique" (Thèse de doctorat de 3ème cycle, Université de Paris X, 1979), 333.

\textsuperscript{127}Ted Morgan, An Uncertain Hour: The French, the Germans, the Jews, the Barbie Trial, and the city of Lyon, 1940-1945 (New York: William Morrow, 1990), 119. See also
These French companies wanted not only to keep their capital intact and their personnel employed, but also to turn a profit, which they all successfully did. However one ranks their various motives, none resisted German exploitation. On the contrary, they competed for German orders, which remained well below capacity because of insufficient material allocations. Falling orders made the French companies nervous rather than happy. Louis Renault even pleaded with the Germans for orders: "...my will is to give you material of the best possible quality, given our metal supply. We will make everything that you want. Tomorrow, we will make more tank turrets if you want, but please order more trucks. Help us through this difficult period. We have done at least as much as Ford to help you. We are ready to do still more, but don't strangle us."\(^{128}\)

Automobile executives believed that resistance was pointless, not only because of requisition, but because of the readiness of competitors to collaborate. Thus Renault's Director-General René de Peyrecave explained to his department heads, after a major Allied bombing attack in 1943, that "if the Renault factories do not quickly resume production, it is certain that their labor and material will little by little be removed and put at the disposition of more active factories. Our activity will be progressively reduced to the profit of other enterprises ready to do work."\(^{129}\) The competitiveness among the companies was perhaps most painfully obvious in Louis Renault's anger against the Royal Air Force for not attacking Citroën and Peugeot as well.\(^{130}\)

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\(^{130}\) Picard, *Épopée de Renault*, 153.
Louis Renault and Marius Berliet were imprisoned after the war for the energy of their collaboration. Neither was motivated by any great fondness for Hitler. Fernand Picard concluded that Renault "didn't like the Germans. Why would he like them? He never liked anyone. But he was afraid they would take his machines...He gave them everything in order to keep it all."\footnote{Ibid., 265.}

The directors of Citroën and Peugeot were less cooperative with the Germans, refusing weapons orders, if not deliberately sabotaging production. Only Peugeot was requisitioned, by the Volkswagenwerke in 1943.\footnote{Loubet, Peugeot, 21.}

The autoworkers supported the policy of collaboration, because it enabled them to remain in France and put food on the table. Labor efficiency dropped dramatically, probably more than the 12\% estimated by the U.S. Strategic Bombing Survey report on Renault. Slack-working and sabotage were certainly in evidence, but the main cause was incessant work stoppages due to irregular supply, the departure (volunteer and forced) of the most skilled workers to Germany. Allied bombing raids took a heavy toll, requiring weeks of clearing and repair; the Paris Renault plant, for example, lost a half year's production due to three bombing raids in 1942 and 1943.\footnote{Renault Motor Vehicles Plant, Billancourt, Paris (No. 80), chart B. Picard, L'Épopeée de Renault, 142.}

The journal of Renault executive Fernand Picard reports incessant slow-downs and stoppages due to shortages of coal and steel, and the relentless deterioration of under-lubricated machine tools; few are the stoppages attributed to sabotage.\footnote{Picard, Épopeée de Renault, passim.} Passive resistance did affect productivity, but despite the aura of patriotism, "absenteeism, turnover, lack of discipline, and resistance
(including even a few strikes) had a conspicuous likeness to those of the prewar period."\textsuperscript{135}

The experience of the French automobile industry was typical of most of western European industry. Industrialists generally followed the dictates of self-interest, and competed for German orders, often outflanking efforts by indigenous administrations to control commerce with the Germans. They refused to produce complete armaments independently, but accepted and sometimes even requested token German supervision; thus the Fabrique Nationale plant at Liège produced its famous small arms once 79 Germans had "taken over" the factory. Metal-working industries were not averse to manufacturing components so long as they were thinly disguised. Cockerill in Belgium, for example, rejected a German Navy order for gun barrels, but then accepted a similar order for "tubes."\textsuperscript{136}

Construction companies had no compunction about building air bases, coastal fortifications (the "Atlantic Wall"), and 30-foot thick submarine pens.\textsuperscript{137} Industrial collaboration even extended into technologically sophisticated products. Dutch Philips provided radios to the Luftwaffe, and the German Navy even placed a development contract for new submarine components in Rotterdam.\textsuperscript{138} The collaboration of the Belgian electronics


\textsuperscript{136} For several such examples, see Klemm, "German Economic Policies," 213-32.


\textsuperscript{138} Hirschfeld, \textit{Nazi Rule}, 183-92.
industry was so great that the German conglomerate AEG fretted about the expansion of its Belgian competition.\textsuperscript{139}

Most industrial collaboration was in the production of goods other than military armaments and components. But in total war, most kinds of economic production can be useful to the military effort. Western European textiles were used by Germany for parachutes, rags, and uniforms, and hides and furs also helped to dress the German soldier; lumber went into German barracks and other construction projects, in France and in the East. Consumer goods production in the occupied territories, some directly for the Wehrmacht and the rest to keep the German arms workers happy, allowed the transfer of 1-1.5 million German workers (3-5% of the total) from consumer-goods to armaments industries in 1943 alone.\textsuperscript{140}

Western European industrialists recognized the value of their contribution to the German war effort. But they believed that resistance would lead only to the seizure of their factories and their labor, and even convinced themselves that this would result in a greater level of exploitation.\textsuperscript{141} Resistance was greater than a mere ritual, but it remained "subtle and indirect."\textsuperscript{142}

Labor also did not provide a serious obstacle to exploitation. Sabotage was extremely risky and serious damage difficult to accomplish. Although resistance veterans' memoirs describe hundreds of small successes, their cumulative effect remains speculative. A resistance historian admits that "the members of the Resistance, with the support from the majority of the

\textsuperscript{139}Gillingham, \textit{Belgian Business}, 151.
\textsuperscript{140}See Milward, \textit{New Order}, 86, 94-95, 144-45, 151, 161-62.
\textsuperscript{141}Verhoeven, "Grands industriels belges," 96-97, 103-4.
Resistance historians, are inclined to attribute greater results to sabotage and, particularly, greater potential than the examination of realities can justify.\textsuperscript{143} Alan Milward argues that "it is extremely difficult to find cases where important resistance activity was economically effective and also justifiable as an investment choice."\textsuperscript{144} Perhaps this explains why, when questioned by Milward on the impact of the French Resistance on Nazi exploitation policy, Albert Speer's first reaction was: "What French Resistance?"\textsuperscript{145} Despite the heroic efforts of many French saboteurs (usually directed and supported by British agents), the impact of industrial sabotage seems to have been small; even optimists compare it to strategic bombing, which had only a marginal effect on the French economy until mid-1944.\textsuperscript{146} Even this seems to be a substantial overstatement. Of the 15 billion francs' worth of damage inflicted on the French railroads in 1944, only half a billion was due to sabotage.\textsuperscript{147} Moreover, sabotage was virtually nonexistent during the early years of the occupation.\textsuperscript{148}

Passive resistance was the only real means labor had of undermining exploitation. This took the form of working slowly rather than refusing to work at all. Most Europeans wanted to work; they had to in order to earn

\textsuperscript{143}Hæstrup, \textit{European Resistance}, 427.
\textsuperscript{145}Quoted in Milward, "Effectiveness of Resistance," 197. Speer hastily retracted his statement, but he makes no reference to French sabotage in his memoirs.
\textsuperscript{146}As Webster and Frankland note in the official British history of the bombing offensive, "The total effect of the damage in France was not very important. There were in most cases other plants which could supply what was necessary and in any event these factories were soon to be overrun by the allied armies." Charles Webster and Noble Frankland, \textit{The Strategic Air Offensive against Germany, 1939-1945}, 4 vols., (London: HMSO, 1961), vol. 2, 293. Foot, \textit{S.O.E. in France}, 437; cf. 505-17.
\textsuperscript{147}Durant, \textit{SNCF}, 282.
\textsuperscript{148}Hirschfeld, \textit{Nazi Rule}, 191.
enough to feed themselves and their families. Even brief strikes were rare, because the Germans and collaborating administrations outlawed all union activity and mercilessly prosecuted strike-leaders. A combination of threats, arrests, deportations, and slightly higher wages were enough to dispatch the occasional strikes that began to occur in the fall of 1942. Massive strikes did break out in 1944, but by then the economic exploitation of France was history. Thousands of French workers went into hiding from 1943, but they did so to escape deportation to Germany rather than hinder Germany's economic effort in France; moreover, labor in the more densely populated Low Countries had less opportunity to live off the land.

No statistics document it, but historians agree that "go slow" tactics were ubiquitous in France, increasing over time with growing hope for liberation and bitterness against the occupiers. Absenteeism was much higher than before the war, and the quality of work was often poor. The German administrators complained often of the hostility of the French work-force. Slack working on assembly lines was discouraged by the use (continued from before the war) of piece-work rather than hourly wages, but resistance could then take the form of poor workmanship. On the other hand, workers obviously not performing up to par risked being fired and shipped off to Germany.

If the poor performance of Western European industry was due mainly to fuel and material shortages, this was the result of a deliberate German policy. Since the German military-industrial base was the most efficient on the continent, it made sense to divert fuel, raw materials, and even foreign

151 USSBS, *Renault Motor Vehicles Plant, Billancourt, Paris* (No. 80), Appendix D.
labor into Germany. As Albert Speer put it, if the French couldn't develop a strong armaments industry before the war, then German "endeavors to make an armaments industry out of French industry will also be impossible."\textsuperscript{152} German industry also contained excess capacity; as the U.S. Strategic Bombing Survey noted, "existing inventories were under-utilized and most of German industry worked only a single shift throughout the course of the war."\textsuperscript{153} No doubt considerations of national loyalty also played a role in the German assessment of relative efficiency. Production in Germany could be more closely supervised and less vulnerable to sabotage and slack-working.

That is not to imply that Germany's management of the European war economy was maximally efficient. It is difficult to assess this question without knowing more about the productivity of fuel, materials, and labor in Germany versus in Western Europe. But economic mismanagement was pervasive in the occupied territories. The competition for resources and fiefdoms in occupied Europe between the military or civilian administrations, Wehrmacht procurement agencies, Four Year Plan, Foreign Ministry, and SS was intense, and obstructed the rational allocation of contracts and inputs. Indiscriminate pillaging stripped occupied Europe of equipment which would have been more useful there than in tool-rich Germany.\textsuperscript{154} Labor conscription was also counter-productive. Labor became short even in high-priority French factories, and the abilities of highly skilled workers was not always tapped in Germany.\textsuperscript{155} The increasingly coercive measures employed by Sauckel to conscript workers reached a break-even point in 1943, when major drives

\textsuperscript{152}Milward, \textit{New Order}, 160.
\textsuperscript{153}USSBS, \textit{Machine Tool Industry in Germany} (No. 55), 3; cf. idem, \textit{Machine Tools and Machinery as Capital Equipment} (No. 54).
\textsuperscript{154}Milward, \textit{New Order}, 77.
\textsuperscript{155}Picard, \textit{Épopée de Renault}, passim.
chased more workers into hiding than into Germany, and resulted in noticeable drops in production. Albert Speer began pressing for restraint, arguing that "it is imbecility if I call up one million men in France... I end up with two million workers less there and fifty to a hundred thousand more in Germany." Even given the same amount of raw materials, a more rational strategy would have mobilized even more industrial production from occupied Europe.

Conclusions

Nazi Germany carved a huge empire out of Europe during World War II, and managed to create a "European war economy" in its struggle against the Allies. Through financial transfers alone, Germany was able to mobilize annually 25% of French economic potential, and nearly 40% of Dutch, Belgian, Norwegian and 70% of Bohemian-Moravian potential (prewar levels). Germany spent only a small fraction of these profits on occupying and administering its conquests, and gained huge amounts of booty and cheap labor in addition.

To put these figures in perspective, consider that at the height of wartime mobilization, the United States, Britain, the Soviet Union, and Germany were devoting respectively 54%, 47%, 66%, and 60% of their national incomes to the war. Military expenditure as a proportion of prewar national income was higher for the U.S., U.K., and Germany, whose economies grew during the war: 82%, 62%, and 70%. Obviously there is too much variation to assign a precise benchmark for total mobilization. But clearly the Czech

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Protectorate was fully mobilized for the German war effort and France was about half mobilized, with Belgium, the Netherlands, and Norway falling somewhere in between.

The administrative and economic collaboration which made conquest so profitable were a direct result of the balance of power within the continent. Germany's monopoly on military power, its ruthless willingness to use it, and the relentless suppression of all anti-German organizations precluded any active resistance and established powerful incentives for collaboration. A general strike of the kind practiced by Belgians in World War I and Germans in 1923 was simply out of the question. Occupation authorities forbade any but the most insignificant organizations from distributing unemployment relief in the occupied territories. German financial depredations and food purchasing meant that the food supply was stretched tight, and Germany prohibited the distribution of unemployment relief. The labor force had to work to get both the currency and ration tickets needed to support themselves and their families.158

It is not clear that resistance was ever in European national interests. As Norman Rich argues, "in many areas a policy of co-operation with the Nazis 'worked,' meaning that it enabled a majority of a subject population to lead comparatively normal lives throughout the occupation and to survive."159 The great uncertainties about the course of the war meant that there were no obvious thresholds where European rebellion would have decisively turned the tables on Germany. Early in the war, resistance appeared hopeless, and late in the war it may have appeared unnecessary.

159 Rich, Hitler's War Aims vol. 2, 423.
Still, the collective action problem does appear to have presented grave obstacles to resistance of all kinds. The conquered peoples loathed the Nazis and hoped fervently for their demise. But this hatred did not translate into political action. Ordinary citizens preferred to let others stick out their necks. Firms looked after their own interests in survival and profit, with the knowledge that what they didn't produce, another firm would.

The variation between these cases, and thus the main constraint on German gains, appears to have been shortages of coal. As in World War I Belgium and Northern France, foreign-resource-dependent conquered countries were cut off from peacetime suppliers, and lost some of their economic value. Critics often point out that the Allied blockade failed to create bottlenecks in the German war economy, in large part because Germany could draw on conquered resources. While this is true, the wartime severance trade beyond the continent did create significant bottlenecks in the European war economy. British sources alone had supplied over half of France's prewar jute, rubber, tin, and raw wool requirements, and a third of coal, coke, and manganese imports. Germany could not make up these and other shortages, so western European industry would have to go without them. These cases show, as does the World War I case, that closed trading zones must be autarkic to be fully mobilized. But they fail to show that nationalistic resistance can significantly reduce extraction, and where raw materials are abundant (as for the Protectorate) full mobilization is possible.

An alternative explanation is that the Czechs, used to centuries of Austrian rule, were less nationalistic than the other conquered peoples. The

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one historically great power in the group, France, was also mobilized the least. German racial ideology's premise of German-Nordic-Dutch racial unity was absurd, but Dutch and Flemish are linguistically closer to German than French, which perhaps may explain the proportionately greater readiness of Dutch and Flemish youth to don German uniforms, and the greater economic mobilization of their countries. However, all of the societies considered here were highly nationalistic. The levels of mobilization attained in France, combined with the clear raw material constraints and the readiness of industrialists to fill German contracts, suggests that the country could have been much more highly mobilized with a full complement of materials and better management.

It is less clear what would have happened to Europe if Germany had won the war. The level of German exploitation increased over the course of the occupation, but appeared to plateau in 1943. Assuming that the behavior of the occupied societies remained the same, a greater supply of raw materials would have led to much greater level of production, and, since the Germans skimmed as much as they wanted, a greater level of exploitation as well. On the other hand, Germany was running down the occupied economies by a lack of investment and intense wear-and-tear on the capital stock.161

The long-term outlook depends on the attitude that Germans and Europeans would have taken after the war. Hitler's ambitious imperialistic program hinged on the continued will to dominate of the German military and the grandiose plan to Germanize or colonize most of Europe. Germanization and nazification were attempted only partially because of the ongoing war, but

161 The French Reparations Commission estimated losses due to "abnormal usage and deferred upkeep" of machines, farmland, mines, buildings, etc. at 234.2 billion francs. While much of this was probably superfluous from the German perspective, the lack of compensation for capital depreciation was significant.
these tentative efforts failed miserably to gain adherents to the Nazi cause. George Kennan, who traveled through most of occupied Europe in 1940-41, believed that Nazi ideology, based as it was on the glorification of the German people, could never appeal to more than a small minority of non-German Europeans. Thus,

The Germans were faced with a dilemma, either to try to remain permanently in military occupation of most of the remainder of Europe, something which was physically almost impossible and would inevitably lead to the disaffection of large elements in their own military forces; or to accommodate themselves in some way to regimes...which would pursue aims by no means identical, and at times even in conflict, with those of German national socialism.\(^{162}\)

It is doubtful that Germanization could have succeeded. The resilience of national identity under decades of cultural repression is remarkable, as the revival of Soviet nationalities has recently demonstrated. On the other hand, the stability of the Soviet Empire until the onset of political liberalization also demonstrates the potential for the long-term suppression of nationalistic resistance.

Thus, if the German Army continued to operate as a loyal and brutal instrument of Nazi policy, it probably could have continued to deter rebellion and extort compliance and resources.\(^{163}\) Collaboration was not merely a tactical maneuver for weathering the storm of a brief German occupation. The vast majority of Europeans, indeed the entire world, saw German victory as complete and irrevocable in June 1940. Administrators, business, and labor embarked on collaboration as an adjustment to the perceived new political


\(^{163}\)There is little evidence that the German Army would have opposed an indefinite occupation of foreign lands. It could hardly do so on moral grounds after having participated in large-scale genocide in the Soviet Union. The conspiracy to assassinate Hitler was a response to the imminent national catastrophe of total defeat, not to disaffection with German imperialism.
realities of a German-dominated Europe. Resistance increased over time, but only in reaction to the growing prospects for liberation, and then providing at most a minor irritation to German political and economic objectives. Nazi-occupied Europe provided a better reason than even Kennan realized for geopolitical realism.
Chapter 5: The Japanese Empire, 1910-45

War can maintain war.

-- 1930s slogan of Imperial Japanese Army

The Japanese Empire differs from the cases analyzed thus far in both duration and peripheral level of development. It was constructed over a half-century of conquering and then developing backward, agrarian societies. Whatever industrialization existed in Japan's periphery by the collapse of the Empire in 1945 had been introduced by Japan itself. Japanese reforms and investment in Taiwan, Korea, and Manchuria resulted in a modernization rate unmatched in the European colonial empires. By the outbreak of World War II, Japanese imperialism had massively expanded the population and economic resources under its control.

After showing that Japan's goals were largely, if not entirely, economic, this chapter describes Japan's success in maintaining political control in Taiwan, Korea, and Manchuria. These societies remained pre-modern compared to the other cases examined in this study. Still, the fact that their
rapid modernization and social mobilization did not result in significant levels of national resistance suggests that repression can counteract the effects of modernization, at least in the early stages.

The liberal view also gains no support from an economic analysis of the Japanese Empire. Growth rates in Korea, Taiwan, and Manchuria were astounding. The economic profitability of the Empire is much harder to determine because of the complex economic flows between the center and periphery. But it appears that the empire was profitable overall, especially if one takes into account Japan's quest for autarky, and no evidence of deliberate economic resistance has come to light. Japan's profit was limited, however, by the low level of modernization in the periphery. Japan had to develop the resources it wanted to mobilize from the conquered regions, and this required investment of its own resources and reinvestment of extracted resources. Japan's fattening strategy succeeded in increasing the economic base available for mobilization in World War II.

**Japanese Imperialism**

At first, Japanese imperialism was motivated by a quest for territorial bulwarks against foreign invasion. This quest was unceasing, since the protection of each new acquisition seemed to require control over adjacent lands. But economic motives began to predominate in Japanese planning after World War I. Japan's industrialization and increasing dependence on foreign trade led its leaders to conclude that expansion was a vital means of increasing Japanese economic as well as military security. Japan sought to carve an autarkic empire out of East Asia that would insulate it from the vicissitudes of
peacetime world trade and provide a geopolitical foundation for waging total war.

The Japan pried open by Commodore Matthew Perry's gunboats in 1854 was an insular, agrarian society, seemingly fated to wind up a victim rather than a perpetrator of imperialism. But Japan reacted more vigorously to the intruding West than did its Asian neighbors. The Meiji oligarchs who seized power in 1868 understood the importance of industrial might to military power, and under the rallying cry of "rich country, strong army" they launched a crash modernization effort. By copying Western military, educational, and economic institutions, they hoped to make Japan a great power and avert foreign domination.

Japan's leaders began imitating western imperialism as well, though at first they proceeded very cautiously and for purely strategic objectives. The Meiji oligarchs very nearly invaded Korea in 1873, but those mindful of Japan's weakness and fearful of western intervention prevailed after a bitter internal quarrel. But they resolved that no third power should be allowed to control the Korean peninsula, which was, in the words of their Prussian military advisor Major Meckel, a "dagger pointed at the heart of Japan." Japan finally declared war on China in 1894 to eliminate its main competitor on the peninsula.

After a decisive victory, Japanese leaders demanded China's withdrawal from Korea, as well as cession of Taiwan and Liaotung (a small peninsula to the northwest of Korea), a massive indemnity, and commercial privileges in China.

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on par with the western powers. Liaotung was sought primarily for its strategic proximity to the Korean-Chinese frontier, although the pragmatic oligarchs abandoned this demand after Russia, France, and Germany conveyed their joint disapproval in the "Triple Intervention." Japanese was interested in Taiwan, not as a stepping-stone for further expansion, but to preclude its seizure by France or Britain. Prestige, both abroad and at home, was next in importance to Japanese leaders. Before the turn of the century, Japan's stake in trade with these areas was marginal and it had no surplus capital for foreign investment. If anything, economic interest was a deterrent to expansion. Prime Minister Ito Hirobumi thought that "we may have to spend on the lands more than we can reap from them;" indeed, Taiwanese pacification was initially so costly that the oligarchs considered selling the island to France for 100 million yen.3

When Japan went to war a second time over Korea, its motives were still chiefly strategic. In the decade following the Triple Intervention, Russia had leased Liaotung from China, built railways and stationed troops in Manchuria, and curried the favor of the Korean court. But Japan's rulers were beginning to see territorial expansion as a means of economic gain as well. Formal and informal empire would provide opportunities for profitable investment, in the future if not the capital-poor present, and would also help Japanese trade, if only by precluding trade barriers. Late-industrializing Russia tended to protect its markets; thus Russian dominance in Manchuria and Korea would

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threaten Japanese exports to its nearest trading partners.\textsuperscript{4} Victory in the Russo-Japanese war of 1904-1905 left Japan with a protectorate in Korea, a sphere of influence and ownership of Russian railways in southern Manchuria, the southern half of Sakhalin (renamed Karafuto), and the Liaotung (renamed Kwantung) leasehold. Japan gradually increased its hold on Korea until it formally annexed it in 1910.\textsuperscript{5}

In the following decades, economic aims came to the fore of Japanese imperialism. As Japan industrialized, it became increasingly nervous about its dependence on foreign markets and raw material supplies. Now that it had some capital to play with, Japan, like the western powers, sought profitable investments and unrestricted markets in China. Japan also aspired to its own privileged colonial markets, but refrained from doing so in the near term to avoid antagonizing the western Powers.\textsuperscript{6}

The political fragmentation of China following the 1911-12 overthrow of the Manchu dynasty, combined with the outbreak of World War I, gave Japan opportunities to expand its informal empire in China beyond Kwantung. After declaring war on Germany in 1914, Japan seized its leased port and railway in Shantung and its Micronesian colonies. Unable to call upon the British, who were embroiled in Europe, the Chinese had no alternative but to extend Japanese rights in Manchuria and accept Japan's new rights in Shantung.\textsuperscript{7}


\textsuperscript{5}Beasley, Japanese Imperialism, 69-90; Conroy, Seizure of Korea, 325-82.

\textsuperscript{6}Beasley, Japanese Imperialism, 91-97.

Still, Japanese dependence on trade continued to escalate, and not only in the eyes of the Japanese. In 1921, a British Foreign Office report asserted that Japan "stands little chance of industrial survival unless she can obtain control over the resources of China." But developments outside Japan fanned Japanese anxieties over the next decade. Japan's existing privileges in China were under siege from Chiang Kai-shek's consolidation of power in south and central China from the mid-1920s. Second, the rest of Japanese trade seemed suddenly more precarious in the wake of the 1929 collapse of world trade. Japanese trade outside the Empire dropped 46% by 1931, while trade with the colonies fell only 28%. The lesson for many Japanese was obvious: Japan required a large economic trading bloc to protect itself from the "economic warfare" of the West and the Chinese nationalists. The Japanese press, politicians, and military now regularly referred to Manchuria, which contained four-fifths of Japanese investment and most of Japan's trade in China, as Japan's "economic lifeline."

The military was a particularly strong advocate of economic autarky, but for strategic reasons. Japanese war planners had observed how the European powers had totally mobilized their economies during World War I. Germany's strangulation by blockade and internal collapse in 1918 seemed to hold dire implications for resource-poor Japan. They concluded that for Japan

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8 Quoted in Beasley, *Japanese Imperialism*, 166.
to survive another war with a great power, it would have to expand to gain control of resource-rich territories. The Japanese military, in other words, sought autarky through conquest. This was feasible because the conquered territories would pay for Japan's continued expansion; as the popular Army slogan put it, "war can maintain war."  

While the Western powers gradually gave way to Chiang Kai-shek on the treaty port system (with the exception of Shanghai and Hong Kong), Japan resolved to secure its position in Manchuria. It supported a south Manchurian warlord from 1921, but then assassinated him in 1928 when he proved overly independent. His son and successor, unsurprisingly, established ties to Chiang. In September 1931, a "mysterious" explosion in Mukden provided the Kwantung Army with a pretext for establishing "order" throughout Manchuria. The Kwantung Army's loose cannons, by risking Russian or even Anglo-American intervention, had exceeded national policy. But after the powers failed to react, Tokyo sanctioned the fait accompli and established the new puppet state of Manchukuo.

Despite the burgeoning dimensions of the Empire, Japan's accelerating industrial expansion in the 1930s further exacerbated its dependence on foreign raw materials. In 1937, Japan still imported 84% of its iron ore and 55% of its scrap iron, not to mention coal, oil, tin, bauxite, and a host of ferroalloys. Coal- and iron-rich North China became the next target of Japanese

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14 Jerome B. Cohen, Japan's Economy in War and Reconstruction (Minneapolis: University of Minnesota Press, 1949), 114.
expansion. Japan proceeded by negotiating for economic and political rights with Chiang, while actively subverting his authority in the region. As in Manchuria, Japanese field garrisons took initiative in creating incidents which provided a pretext for ever greater political demands. By mid-1935, Koumintang troops had been expelled from North China, and local warlords had been promoted to positions of regional authority. But Chiang was determined to oppose another Manchukuo in North China, and after arranging a truce with the Communists in 1936, he moved forces northward. When local Chinese troops suddenly revolted in July 1937 (after the "Marco Polo Bridge Incident"), Tokyo decided to smash Chiang in what it thought would be a three-month campaign.

But even after Japanese forces had occupied all northern and central China's principal cities and towns, Chiang fought on from the interior, assisted by Anglo-American support via Burma and French Indochina. While the protracted conflict required increased imports of iron, oil, and machinery, the outbreak of war in Europe meant another contraction of Japan's trading possibilities, and the United States was threatening to add economic sanctions. But the German successes of 1940 provided an opening for Japan to drive the western powers out of South East Asia and achieve autarky (with its oil, rubber, bauxite, tin, nickel, and copper) in one blow. With the French

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17 Crowley, *Japan's Quest for Autonomy*, 301-78. Dissenters, including the Mukden conspirators, argued that Japan needed several years of peace to consolidate its economic gains in Manchukuo, and advocated withdrawing from North China to avoid a war "like what Spain was for Napoleon, an endless bog." Barnhart, *Japan Prepares for Total War*, 89; cf. 39-49, 77-90.

and Dutch prostrate and the British under siege, only the United States stood between Japan and its "Greater East Asia Co-Prosperity Sphere." This was a formidable obstacle indeed, because the United States had naval superiority and seemed determined to prevent Japan from expanding into South East Asia.19 Thinking that war was inevitable anyway, Japan pressed ahead in its quest for autarky, gambling that Pearl Harbor would buy enough time "to establish the foundation for a long war."20

Tokyo had no definite, long-term conception of the political structure it would establish in East Asia in the event of victory, but colonial administrators planned for the gradual economic, cultural, and political integration of Taiwan and Korea. The colonial governments expected the process to take many decades, perhaps even centuries; as Goto Shimpei (the mastermind of modern colonial administration in Taiwan) said, "you do not turn a flounder into a sea bream overnight."21 Until then the colonial populations would remain politically subordinate to the autocratic Japanese authorities.

Japanese ambitions appear somewhat more restrained for China and Southeast Asia, although Japan eventually might have tried to repeat the Korean-Taiwanese formula had it been victorious. As it was, the international climate, the brevity of Japanese rule, and the huge dimensions of the task precluded much more than minimal military control. Japan's slogans of "Asia for the Asians" and "co-prosperity" were merely propaganda designed to win domestic support and diffuse opposition from its victims and from foreign powers. In Manchukuo, "co-prosperity" meant the establishment of a puppet

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19 Barnhart, Japan Prepares for Total War, 162ff.
20 Naval Chief of Staff Admiral Nagano, October 1941, quoted in Crowley, "Military Policies," 97.
21 Quoted in E. Patricia Tsurumi, "Colonial Education in Korea and Taiwan" in JCF, 288.
government, nominally headed by China's "last emperor" Pu-Yi, but actually run by the Kwantung Army. The puppet regime established in North China appeared to be a nascent Manchukuo, so to a lesser extent did the regimes of Inner Mongolia, Central China in 1937-40, and Wang Ching-wei's regime in south-central China from 1940. South-east Asia was to receive varying degrees of autonomy, though within an enforced military and economic alliance with Japan.\footnote{22}

Once embroiled in war, Japanese short-term policies were clear: "to fulfill the demand for resources vital to the prosecution of the present war, to establish at the same time an autarkic Greater East Asia Co-Prosperity Sphere, and to accelerate the strengthening of the economic power of the empire.\footnote{23} But the geographic sprawl of its empire meant that its conquests could not be held for long, and even if Japan had been able to mobilize all of Greater East Asia, it would have remained a geopolitical pigmy compared to the United States. Thus the attempt to achieve ultimate economic security plunged Japan into the ultimate national disaster.

**Political Control**

Japanese rule made few loyal converts, yet managed to wipe out nearly all organized resistance. After initial periods of armed revolt, the populations of Korea, Taiwan, and Manchuria remained submissive to Japanese rule.


Political repression stamped out the Korean independence movement of 1919, and nothing analogous even appeared in Taiwan or Manchuria. By 1937, Japanese leaders had good reason to be confident in their ability to mold new conquests into submissive, if not fully loyal, vassals. But Japanese forces finally overextended themselves in their attempt to conquer China. Not only were they unable to eliminate the Chinese Nationalist Army deep in Southern China, but they also unable to prevent the penetration of Communist guerrillas. After describing these patterns of resistance, this section will attempt to explain Japanese successes and failures.

Korea and Taiwan

Japanese rule in Korea and Taiwan began with typical colonial pacification campaigns. In both colonies, disbanded native soldiers combined with local elites in rebelling against the intruders. While pacification was costly, it never faced mass opposition. After a rocky start, Taiwan remained submissive and cheaply governed.24 At the peak of resistance in Korea, Japanese troops skirmished with 70,000 insurgents in 1,500 incidents; even assuming that each insurgent was only counted once, this amounted to a half of one percent of the population. Regular Japanese forces were able to eradicate the rebels within a few years of annexation, and Japan henceforth faced no armed resistance for the life of the Empire.25 The Japanese Taiwan and Korea Armies ("armies" in name only, for they amounted to no more than one and two divisions, respectively) remained in the colonics—to defend them against foreign attack, to engage in offensive actions (the Korea Army


participated in the 1931 invasion of Manchuria), and to passively deter native revolt. 26

Modern colonial bureaucracies, headed by appointed Japanese governors, swept away the indigenous ruling institutions and elites. Their muscle was the colonial police forces. The colonial police enforced laws against anti-Japanese agitation, nationalist organizations, and labor unions, supervising public rallies and meetings, censoring publications, and controlling firearms and explosives. Most of their energies were devoted, however, to suppressing non-political crime, as well as assisting in local administrative duties like population and land surveys, tax collection, information dissemination, and labor and military conscription during the war. The pervasive responsibilities of the colonial police led colonial officials to call their administrations "police states;" Gregory Henderson has called it "colonial totalitarianism." 27

But if the colonial police were repressive, they were hardly numerous enough to pose an economic drain. The colonial bureaucracies grew in size to manage the expanding state-sponsored development projects; the Government-General of Korea grew from 43,000 in 1918 to 103,000 in 1942, although it relied heavily on Korean personnel, especially in the lower rungs of the bureaucracy. 28 In contrast, police personnel barely kept up with

26 Alvin D. Cox, "The Kwantung Army Dimension," in JIEC, 408.
28 Koreans made up 18-30% of the high officials, 32-40% of the junior officials, and 39-57% of the rest of the employees between 1915-1942. Wonmo Dong, "Assimilation and Social Mobilization in Korea," in Andrew C. Nahm, ed., Korea Under Japanese Colonial Rule: Studies of the Policy and Techniques of Japanese Colonialism (Kalamazoo, Mich.: Center for Korean Studies, Western Michigan University, 1973), 164. On the administrative structure, and relationship to Tokyo, of the governments-general, see
population growth. In Korea, after a brief increase to suppress the March First Movement, the number of police stabilized at .8-.9 per thousand until the end of Japanese rule--comparable to that in Japan proper (.8/1000 in 1911)\textsuperscript{29} Taiwan had a somewhat higher density of police, 1.0-1.1 per thousand.\textsuperscript{30} Total manpower requirements were reduced by the collaboration of indigenous village leadership structures (in Taiwan, the Chinese pao-chia), and costs were further minimized by the recruitment of less well-paid natives. About half of the policemen and a fifth of the police officers in Korea were native, as was a sixth of the Taiwan police force.\textsuperscript{31}

Japanese administrators sought to mold the colonial populations into economically useful and politically loyal subjects through education. Whereas before Japanese rule only a small percentage of the native populations got any education at all, half of all Taiwanese, and a third of all Korean, children were attending primary schools by 1940. The central focus of these schools was Japanese-language training, followed by arithmetic; instruction in Korean or Chinese was gradually phased out by 1938. By 1941, over half of the Taiwanese population and nearly a fifth of all Koreans had at least some facility with Japanese, and literacy rates had also increased dramatically. Secondary

\textsuperscript{29}Dong, "Japanese Colonial Policy", 226, 305-6, 362; Edward J. Barker, "The Role of Legal Reforms in the Japanese Annexation and Rule of Korea, 1905-1919," in D.R. McCann et al, eds., \textit{Studies on Korea in Transition} (Honolulu: University of Hawaii, 1979), 38-41. I am following Barker and Ching-cheh Chen (ICE, 222) in assuming that the Japanese military police was merged into the civil police after 1919, but cf. ICE, 27,78.

\textsuperscript{30}This excludes the aborigines and the relatively large numbers of police required to control and supervise them. Chen, "Police and Community Control Systems," 218-20, 229; idem, "Japanese Socio-Political Control in Taiwan, 1895-1945, (Ph.D. diss., Harvard University, 1973), 258-63.

schools, which focused on vocational training, were also proliferating, and a few universities had even been established.\textsuperscript{32}

But "Japanization" was hampered by blatant political, economic, and social discrimination against the native populations. The monopolization of higher administrative offices by Japanese colonists was considered necessary for maintaining control. And the colonists, who remained a small percentage of the population, enjoyed markedly superior wages and educational opportunities.\textsuperscript{33} Gratuitous apartheid, blatant racism, and the lack of any form of representation to Japan's Diet further alienated natives from embracing a Japanese identity.

It thus proved easier to eradicate nationalistic resistance than nationalism itself. This was especially true in Korea, which harbors bitter resentments to this day. Despite the repression of all independence and anti-Japanese agitation, Korean nationalists staged a nation-wide protest beginning on March 1, 1919 (hence known as the "March First Movement"). About two million Koreans (or 10% of the population) from all regions and occupations participated in the peaceful demonstrations calling for independence. It took the imprisonment of 20,000 Koreans and the massacre of 2,000 more for the Japanese police to silence the protests.\textsuperscript{34}

But Korean nationalism appeared to wilt in the following years. The average number of political offenses prosecuted in the colonial courts each year declined steadily from 35 cases per million Koreans in 1920-24, to 21 cases


\textsuperscript{33} In 1930, Japanese made up only 5% of the total population in Taiwan and 2.5% of the population of Korea. Samuel Pao-San Ho, The Economic Development of Taiwan, 1860-1970 (New Haven: Yale University Press, 1978), 312; and Wonmo Dong, "Japanese Colonial Policy and Practice in Korea." (Ph.D. diss., Georgetown, 1965), 497.

\textsuperscript{34} Lee, Korean Nationalism, 101-26; Tsurumi, "Colonial Education," 301-2. Korea's main churches provided the organizational network to coordinate the movement.
in 1925-30, to 13 in 1930-34, to 5 in 1935-40.\textsuperscript{35} Chong-sik Lee's study of Korean nationalism concludes that from the beginning of the 1930s, "there was a rising tendency of acquiescence and complacency toward the Japanese government....To many of the Koreans, the wisest thing seemed to be to adjust themselves to the situation."\textsuperscript{36} This is consistent with a 1936 police survey which found four-fifths of Koreans had either given up hope for independence or were indifferent.\textsuperscript{37} In 1939-40, all Koreans were exhorted to adopt Japanese family names, and 80% complied. Wartime economic dislocations, labor and military conscription, and intensified repression and Japanization (including the forced Japanization of names and banning the use of Korean in schools) increased unrest (political offenses climbed back up to 10 per million), but overall the Japanese Home Ministry appears to have been satisfied with the Korean participation in the war effort.\textsuperscript{38}

Nationalism never progressed even this far in Taiwan. Taiwanese students, physicians, lawyers, teachers, and merchants participated in small political movements which lobbied for political and educational equality with the Japanese colonists, or at most limited autonomy within the Empire. The first Taiwanese protest that was either nation-wide or for national independence came in 1947, against reimposed Chinese rule.\textsuperscript{39}

\textsuperscript{35} Dong, "Assimilation and Social Mobilization in Korea," 176.
\textsuperscript{36} Lee, Korean Nationalism, 261.
\textsuperscript{37} Dong, "Japanese Colonial Policy," 341.
Manchukuo and North China

The conquest of Manchuria in 1931-32 added, implicitly at least, a vast territory and population to the Japanese Empire. Concerned about international reactions, Tokyo refused the Kwantung Army's request to establish a military administration, allowing instead the creation of a puppet regime under China's last emperor, Pu-Yi. In reality, Kwantung Army officers directed all the key central and provincial offices of "Manchukuo," and even important prefectures. Japan had no intention of ever relinquishing control; on the contrary, its grandiose colonization and investment plans suggest that annexation lay not far down the road.

The fiction of "Manchukuo" was also preferred for propaganda within Manchuria, for here the Japanese sought the cooperation of 34 million Chinese (mainly immigrants from North China since the turn of the century) inhabiting an area larger than France and Germany combined.40 Arnold Toynbee observed at the time that if the Manchurians had employed passive resistance like the Germans had in the Ruhr crisis of 1923, "the Japanese would have had either to abandon the attempt [to create a puppet state] altogether or else annex Manchuria outright."41 But there was no external source of support available, as there had been in the Ruhr, so passive


resistance must have seemed futile. Accordingly, the economy continued to function and native bureaucrats collaborated with Japanese overlords.

The Japanese faced widespread guerrilla resistance which took longer to suppress than in the colonies. The remnants of the vanquished warlord's army swelled the number of anti-Japanese "bandits" to 360,000 by the fall of 1932. The Kwantung Army grew steadily from 65,000 in 1931 to 164,000 in 1935, to 270,000 in 1939, but was deployed to counter the build-up of the Soviet Far Eastern Army (from 230,000 in 1934 to 570,000 in 1939). For pacification, the Japanese relied heavily on a "Manchukuo Army" made up of over 40,000 native mercenaries, trained and commanded by Kwantung Army officers. The expense was great—¥1.4 billion by one estimate—but it showed results. The "bandits" were reduced to 20-25,000 in 1935, to 7,300 in 1938, and had been completely eradicated by 1941.42

Along with the anti-guerrilla campaign, the Japanese authorities in Manchukuo sought to win mass loyalty, or at least submission. A modern police force was established with 10,000 Japanese police officers supervising 80,000 native patrolmen.43 A rapidly expanding network of elementary schools offered instruction in Japanese to a growing number of children (from 750,000 students in 1929 to 1.8 million by 1940—approaching the proportions reached in Korea), and attempted to inculcate a Manchurian national identity and belief in "the indivisible relationship of Japan and

43 Jones, Manchuria Since 1931, 32-3.
Manchukuo." Political indoctrination of adults was carried out by the Concordia Association, a totalitarian-style party which conducted propaganda and rallies, and monitored indigenous village organizations (i.e., pao-chia) for signs of political disaffection.\(^4\)\(^5\)

As in the colonies, Japanese mistreatment inevitably alienated the native population. Land was seized from farmers to give to Japanese colonists and discrimination and racism were pervasive. As part of the anti-guerrilla campaign, moreover, the Japanese destroyed villages suspected of harboring guerrillas and forcibly herded 5.5 million peasants into concentration-camp-like "collective hamlets." The hamlet program, while successful in isolating the peasants from Communist penetration, also succeeded in pauperizing them.\(^4\)\(^6\) The Chinese of Manchuria were understandably embittered against Japanese rule.\(^4\)\(^7\) Yet, as the guerrilla resistance petered out, no anti-Japanese movements or protest emerged.

In China, by contrast, the Communist guerrilla movement not only survived but flourished under the eight-year Japanese occupation. The Japanese Army initially routed Koubintang opposition, but Chiang retreated to Chungking deep in China's interior and proved impossible to dislodge. Japan shifted to a blockade strategy, and tried to maintain control over the vast areas of north and central China. Behind Japanese front lines at the end of 1943 lay 345,000 sq. miles with a population of 183 million, but the 750,000 troops of the Japanese Army were able to control only 25% of the area and 40% of the

\(^{44}\)Jones, *Manchuria Since 1931*, 45-49.


\(^{46}\)Lee, *Counterinsurgency in Manchuria*, 25-36.

population. While maintaining a powerful grip on the occupied towns and cities, the Japanese Army was unable to quell the growing communist guerrilla forces in the countryside.

Puppet regimes established in North China, Inner Mongolia, and Central China were some help, but were unable to compete with the Communists for the support of rural peasants. The Communist guerrilla-organizers, based in the remote Shensi province since the Long March of 1934-35, infiltrated easily behind Japanese lines after 1937. By organizing and working with the poverty-stricken peasants to increase agricultural production and defend against Japanese requisitions of grain and labor, the Communists were able to fill the political vacuum left by the vanquished Kounintang. Peasant support in return allowed a great increase in guerrilla numbers, from 50,000 in 1937 to 400,000 in 1940.

The guerrillas rarely challenged Japanese urban strongholds, except during the "Hundred Regiments Offensive" in autumn 1940. But that offensive, along with their relentless attacks on smaller garrisons and railways, provoked severe Japanese reprisals against guerrilla base areas in North China. Unable to pin down the elusive guerrillas, the Japanese resorted to a scorched earth policy against the villages which had harbored them. This


49 Boyle, China and Japan at War, 83ff; Lincoln Li, The Japanese Army in North China 1937-1941: Problems of Political and Economic Control (Tokyo: Oxford University Press, 1975), 64-90. In North China, armed puppet forces amounted to 180,000; but since most of these were needed for local policing, the number available for anti-guerrilla operations was only 41,000. Ibid., 210-11.

50 Mark Selden, The Yenan Way in Revolutionary China (Cambridge: Harvard University Press, 1971), ch. 4-6. On the North China Army's grain requisitions, see Li, Japanese Army in North China, 180-86.

onslaught set the Communists back over 1941-42, but ultimately drove the peasantry more solidly into their ranks, which reached 500,000 by 1945. In central China, the Kuomintang-Communist rivalry and the less desperate food situation allowed much greater Japanese success in rural pacification. The Japanese were not defeated in China, and most of their forces were operating against Chiang and not the Communist guerrillas. But the diversion of forces for guarding and patrolling garrisons and supply lines, and the apparent momentum of peasant mobilization in North China at least, is striking in comparison with Japanese control in Manchukuo.

Implications of Nationalism and Rebellion in the Japanese Empire

At no time did Japan's empire become as modern as, say, mid-19th century France (in which already half of the labor force was non-agricultural). The majority of the population remained peasant farmers who rarely traveled from their place of birth and had little knowledge of national affairs. But considerable modernization did occur which neither increased economic or political resistance, nor required increased expenditures on repression to maintain stability. The extent of development under Japanese rule will be presented later, but a few statistics will suffice to convey the trend. Non-agricultural labor increased in Korea from 11% in 1915 to 25% by 1940; likewise in Taiwan from 29% to 39% over the same period. Manchurian non-agricultural labor had also reached 25% by 1940, and GDP

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52 Johnson, Peasant Nationalism and Communist Power, 55-69, 73.
per capita had increased 20% since the onset of Japanese rule.\textsuperscript{55} Despite steady increases in social mobilization measures and unrelenting Japanese discrimination, Koreans, Taiwanese, and Manchurians appeared increasingly resigned to accept their role in the Japanese Empire. A simple relationship between modernization and nationalistic resistance is further undermined by the fact that the more modern colony Taiwan (in terms of non-agricultural labor, education levels, and incomes) was also less rebellious.\textsuperscript{56} Assimilation appeared to be working in Taiwan, at least at this stage in colonial modernization.

In contrast, Japan's eight-year rule in China met growing unrest and open rebellion. Analysts have attributed the Communist successes to several factors: the Communists' organizing abilities and remote sanctuary in non-occupied Shens; Japanese overextension, brutality, and requisitions; and Peasant nationalism. The conventional wisdom of thinly spread Japanese forces is not all obvious, because they were spread even more thinly in the colonies and Manchukuo (see Table 1). Even if half of the Japanese forces in occupied China were reserved for operations against Chungking, the ratio of forces to population would remain above that of Korea. Furthermore, Japan

\textsuperscript{55}Dong, "Assimilation and Social Mobilization in Korea," 169; Ho, \textit{Economic Development of Taiwan}, 33, 82-83, 319, 322; Jones, \textit{Manchuria Since 1931}, 206-7; Chao, \textit{Economic Development of Manchuria}, 34-5. Dong attributes the lack of correlation between social mobilization and political offenses to regime coercion. But political offenses declined while regime coercion (as measured by police density) remained constant.

\textsuperscript{56}Two-thirds of all Taiwanese children were getting a primary education compared to one-third of Korean children in 1940. Dong, "Assimilation and Social Mobilization in Korea," and Ho, \textit{Economic Development of Taiwan}, 321. Taiwanese rice consumption was nearly comparable to consumption in Japan proper, and roughly double Korean consumption. Industrial wages were also higher in Taiwan than in Korea, and on average were closer to the wages of Japanese colonists in comparable trades. Edward I-te Chen, "Japanese Colonialism in Korea and Formosa: A Comparison of its Effects upon the Development of Nationalism," (Ph.D diss., University of Pennsylvania, 1968), 210-14, 241-44.
had been brutal against all internal opponents, whether in the colonies or on
the mainland, and its burning of guerrilla-supporting villages was a response
to resistance as well as a cause of it. Finally, it is doubtful that the locally-
oriented Chinese peasant had much attraction to nationalist ideas, or at least
not more than in Manchuria.57

Table 1. Japanese Police and Available Troops in the Empire,
c. 1940 (thousands)58

<table>
<thead>
<tr>
<th>Region</th>
<th>Troops</th>
<th>Police</th>
<th>Pop.</th>
<th>Area (km²)</th>
<th>J's/kpop</th>
<th>J's/km²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occ. China</td>
<td>750</td>
<td>?</td>
<td>183,000</td>
<td>894</td>
<td>4.1</td>
<td>.84</td>
</tr>
<tr>
<td>Korea</td>
<td>24</td>
<td>15</td>
<td>23,500</td>
<td>221</td>
<td>1.7</td>
<td>.18</td>
</tr>
<tr>
<td>Taiwan</td>
<td>12</td>
<td>7</td>
<td>5,900</td>
<td>36</td>
<td>3.2</td>
<td>.53</td>
</tr>
<tr>
<td>Manchukuo</td>
<td>114</td>
<td>10</td>
<td>44,400</td>
<td>1,303</td>
<td>2.8</td>
<td>.10</td>
</tr>
</tbody>
</table>

More research is needed to explain Japanese difficulties in North China.
But the pattern observed is hardly comforting to the liberal view of conquest.
North China was the least modern area controlled by Japan: its per capita GDP
was 85% Manchuria's in the early 1930s and less than 60% by 1941.59 Chinese
guerrillas flourished only in rural areas, which were neither easily monitored
by Japanese forces nor easily accessible to them, thanks to a lack of roads and
communication networks.

57Johnson disagrees in Peasant Nationalism, but see Selden, Yenan Way, 91-93.
58All China data for the end 1943, from Van Slyke, ed., Chinese Communist Movement,
116-7. Korean and Taiwanese troop #’s based on 12,000 men/div. in peacetime;
Manchukuo troop numbers from 1933, not incl. subsequent anti-Soviet build up. Coox,
Nomonhan, 84, 1042, 1059. Police (Japanese personnel only) from Dong, "Japanese
Colonial Policy," 226,305-6, 362; and Chen, "Japanese Colonialism: Political Control,"
147; Population figures from Ho, Economic Development of Taiwan, 312; Sang-Chul Suh,
Growth and Structural Changes in the Korean Economy, 1910-1940 (Cambridge: Harvard
University Press, 1978), 132; Manchukuo size and police from Jones, Manchuria Since
59Although it contained a small fraction of China's population and area, Manchuria in
1943 produced 60-70% of China's soda ash, ammonium sulfate, and cement, 50% of its coal
and iron ore, and 85-95% of the electricity, pig-iron, steel, and machinery. Chao,
Economic Development of Manchuria, 19-21; Ramon H. Myers, The Japanese Economic
This is not to say that backwardness was sufficient for rebellion, as Japan's successes in its initial pacification of the colonies and Manchukuo shows. Rational-choice theory offers a plausible explanation for the passivity of Manchuria.\textsuperscript{60} Manchurians were mainly recent arrivals from North China, most of whom, moreover, had to work as tenants on large estates.\textsuperscript{61} Both factors would militate against the development of village communities as close-knit as in China, which stem from long traditions of communal activities.\textsuperscript{62} Thus Manchuria lacked a crucial social basis for overcoming the collective action problem in the countryside.

**Economics of Empire**

Taiwan, Korea, and Manchuria were backward agrarian societies when they were conquered by Japan. To turn these regions into useful trading partners and areas of exploitation, Japan systematically applied the same modernization model that had worked so well in Japan, minus the military, political, and advanced educational institutions. The result was astonishing growth rates, unparalleled in the history of empire. By expanding agricultural and mining output in regions under its control, Japan clearly achieved a measure of autarky, though its failure to fully wean itself from the

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\textsuperscript{60}Chong-sik Lee (*Revolutionary Struggle in Manchuria*, 276-91, 319-20) attributes the failure to Japan's extensive knowledge of Manchuria, its persistant counter-insurgency campaigns, the harsh Manchurian winters, the absence of a remote sanctuary, and the failure of Communists to gain peasant support. I would argue that the last factor was most important, and that it was due mainly to weak village ties.


\textsuperscript{62}Chinese villages were open compared to those in Revolutionary France and Russia, but still had more solidarity than in Manchuria. See Michael Taylor, "Rationality and Revolutionary Collective Action," 74-76; Philip C.C. Huang, *Peasant Economy and Social Change in North China* (Stanford: Stanford University Press, 1985), 29-30, 249-91.
world economy is reflected both in its desperate bid to grab South-east Asia and its wartime resource shortages.

The economic effects of imperialism on the peacetime Japanese economy is much less clear. Even ignoring the costs of establishing and maintaining political control, investment in the periphery may not have been as profitable as other foregone investments. Subsidies were paid to noncompetitive industries to develop and assure a guaranteed source of supply. Most scholars who have studied the economics of empire assert or imply that it was profitable overall for Japan, or at least an inconsequential burden, but without presenting any comprehensive accounting. One scholar has even argued that such an accounting is impossible.63 But after describing Japan's success in developing its conquests, I will argue that circumstantial evidence suggests that Japan did indeed profit from its empire, in addition to increasing its self-sufficiency.

Development

The first step in development was a heavy investment in infrastructure. Railroads, harbors, telegraph networks, commercial centers, information-collecting bureaucracies, and centralized banking were all essential for trade and further development.64 Of course, transport and communications were also militarily useful for defending the region from both external attack and internal rebellion. Transport monopolies (secured even before seizing

control, in Korea and south Manchuria) ensured that at least these investments were highly profitable.65

As soon as political control was established over Taiwan and Korea, the colonial administrations began imposing far-reaching agricultural reforms. A comprehensive land survey was conducted to introduce the systematic taxation of property, including lands once exempted by feudal privileges. The market was improved by the construction of railroads, roads, harbors, and warehouses, the standardization of currency and measures, and the availability of credit. Research bureaus were established for evaluating and disseminating information about seeds and fertilizers, and Japanese capital permitted the clearing and irrigation of new lands for cultivation.66 Japanese agricultural investment in the leased Kwantung peninsula and south Manchuria (where Japan did not yet have political control) was on a much smaller scale, but infrastructural development alone stimulated a huge increase in the land under cultivation.67

Table 2. Rice Production and Export to Japan, Taiwan and Korea, 1910-38
(thousand bushels)68

<table>
<thead>
<tr>
<th>Year</th>
<th>Yield Korea (thousand bushels)</th>
<th>Export Korea (thousand bushels)</th>
<th>Export Taiwan (thousand bushels)</th>
<th>% of Japan's total supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>1910</td>
<td>2,039</td>
<td>98</td>
<td>118</td>
<td>2%</td>
</tr>
<tr>
<td>1925</td>
<td>2,902</td>
<td>902</td>
<td>412</td>
<td>10%</td>
</tr>
<tr>
<td>1938</td>
<td>3,751</td>
<td>1,980</td>
<td>961</td>
<td>18%</td>
</tr>
</tbody>
</table>


Japanese rule thus wrought an agricultural revolution in its colonies, one that foreign investment alone could not have achieved. Korean and Taiwanese rice production doubled, and the sugar-cane introduced to tropical Taiwan (to wean Japan from Indonesian imports) grew exponentially. The increases in both were all sold to Japan (see Table 2). Manchurian agriculture, which centered on soybeans and grain, received little investment and stagnated as a result. Table 3 shows the varying degrees of agricultural growth in Japan's possessions, which reflect the levels of irrigation investment: highest in Taiwan, second in Korea, and marginal in Manchuria.  

Table 3. Agricultural Production Index in Taiwan and Korea, 1910-39 (1925-29 = 100)

<table>
<thead>
<tr>
<th>Period</th>
<th>Taiwan</th>
<th>Korea</th>
<th>Manchuria</th>
</tr>
</thead>
<tbody>
<tr>
<td>1905-09</td>
<td>57</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1910-14</td>
<td>61</td>
<td>74</td>
<td></td>
</tr>
<tr>
<td>1915-19</td>
<td>72</td>
<td>88</td>
<td></td>
</tr>
<tr>
<td>1920-24</td>
<td>77</td>
<td>96</td>
<td>81</td>
</tr>
<tr>
<td>1925-29</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>1930-34</td>
<td>121</td>
<td>113</td>
<td>67</td>
</tr>
<tr>
<td>1935-39</td>
<td>145</td>
<td>127</td>
<td>97</td>
</tr>
</tbody>
</table>

The Japanese periphery remained almost exclusively agricultural until the 1930s. Japan's initial policy was to restrict industries that would compete with Japanese manufactures. What little industrialization took place prior to 1930 was thus primarily in food processing: sugar refining in Taiwan and soy

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70 Ho, "Colonialism and Development," 387-89; Chao, Economic Development of Manchuria. 32.
pressing in Manchuria. Coal and iron mining were only just getting off the ground in Manchuria (which was not yet Japanese).\textsuperscript{72}

Following the 1929 collapse of world trade, Japan began sponsoring the crash development of mining and heavy industry in the colonies and, soon after, in Manchukuo. Given that Japan sought to increase steel and chemical output within the Empire, it made sense to co-locate heavy industries with the raw materials and energy they fed upon. Since pig iron fills a third of the shipping space needed for the amount of ore and coal to make it, smelting iron on location reduces transportation—and thus total production—costs.\textsuperscript{73} Colonial industry also could take advantage of local hydroelectric power and cheap labor. But it had to be constructed and operated with imported Japanese capital, managers, and technicians.\textsuperscript{74}

Investment was coordinated by the governments-general of Taiwan and Korea, and by the Kwantung Army in Manchukuo. The governments-general closely regulated (and in many cases provided incentives for) the extension of Japanese big business (zaibatsu) to the colonies. Semi-official companies, such as the Oriental Development Corporation, were active in Korea and Taiwan (as well as in Japan), but played a relatively small role.\textsuperscript{75} In Manchukuo, the Kwantung Army’s stranglehold over all aspects of Manchurian development discouraged zaibatsu investment. Capital was raised instead through bonds, with returns guaranteed by Manchukuo or Japan, and combined with

\textsuperscript{72}Myers, \textit{Manchuria}, 30.
\textsuperscript{73}Cohen, \textit{Japan's Economy in War}, 121.
\textsuperscript{74}Ho, "Colonialism and Development," 377.
government capital into semi-official companies.\textsuperscript{76} Excessively centralized planning resulted in wasteful imbalances in Manchurian development.\textsuperscript{77}

Table 4. Population and selected economic indices of Japanese Empire, 1935\textsuperscript{78}

<table>
<thead>
<tr>
<th>Region</th>
<th>Population (millions)</th>
<th>Pig-Iron (k-tons)</th>
<th>Coal (m-tons)</th>
<th>Nat'l Income (¥ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan</td>
<td>5.2</td>
<td>0</td>
<td>1.9</td>
<td>1.1</td>
</tr>
<tr>
<td>Korea</td>
<td>22.2</td>
<td>211</td>
<td>2.9</td>
<td>2.0</td>
</tr>
<tr>
<td>Manchukuo</td>
<td>40.0</td>
<td>623</td>
<td>14.2</td>
<td>3.6</td>
</tr>
<tr>
<td>sub-total</td>
<td>67.4</td>
<td>834</td>
<td>19.0</td>
<td>6.7</td>
</tr>
<tr>
<td>Japan</td>
<td>69.3</td>
<td>1,906</td>
<td>45.0</td>
<td>18.1</td>
</tr>
<tr>
<td>% of Japan</td>
<td>97%</td>
<td>44%</td>
<td>42%</td>
<td>37%</td>
</tr>
</tbody>
</table>

Japan's periphery had developed into a significant economic adjunct to the Japanese economy by the mid-1930s (see Table 4). But the payoff from the investments of the early 1930s was yet to appear (see Table 5). Korean iron ore output increased from .6 million tons in 1930 to one million tons in 1940; almost half was shipped to Japan, but by 1940 Korea was producing 240,000 tons of pig-iron. Over the same period, Manchurian coal nearly doubled, from 10 to


\textsuperscript{77} Myers, \textit{Manchuria}, 262-70.

20 million tons, iron ore more than tripled, from .8 to 3 million tons, as did pig-iron (from a third of a million tons in 1930 to one million tons a decade later). In 1940, steel production was getting underway in Korea, and had already reached over half a million tons in Manchuria.\textsuperscript{79} Korean chemical industries, mainly nitrogen-related products used for either fertilizer or explosives, grew from 16\% to 30\% of Korea's total manufacturing output.\textsuperscript{80} Taiwan's aluminum production increased from nothing to a sixth of Japan's aluminum in 1940 (still, Taiwanese industry remained predominantly food processing).\textsuperscript{81} North China, occupied in 1937, had its coal production more than doubled (to 24 million tons) by 1941.\textsuperscript{82}


\textsuperscript{81}Korean food and textile processing had fallen from 57\% to 45\% of manufacturing output. Ibid.; SCAP, \textit{Aluminum Metallurgy in the Japanese Empire}, Report no. 87 (Tokyo: 1947), 66.

\textsuperscript{82}Cohen, \textit{Japan's Economy in War}, 45.
Table 5. Industrial Production Indices,  
Taiwan, Korea, and Manchuria 1910-39 (1925-29 = 100)

<table>
<thead>
<tr>
<th>Period</th>
<th>Korea Mining</th>
<th>Korea Manufacture</th>
<th>Taiwan Mining</th>
<th>Taiwan Man.</th>
<th>Manchuria Mining+Man.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1910-14</td>
<td>27</td>
<td>31</td>
<td>51</td>
<td>38</td>
<td>22</td>
</tr>
<tr>
<td>1915-19</td>
<td>61</td>
<td>67</td>
<td>60</td>
<td>66</td>
<td>53</td>
</tr>
<tr>
<td>1920-24</td>
<td>76</td>
<td>71</td>
<td>67</td>
<td>65</td>
<td>75</td>
</tr>
<tr>
<td>1925-29</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>1930-34</td>
<td>161</td>
<td>126</td>
<td>108</td>
<td>124</td>
<td>108</td>
</tr>
<tr>
<td>1935-39</td>
<td>467</td>
<td>269</td>
<td>141</td>
<td>178</td>
<td>181</td>
</tr>
<tr>
<td>1940-44</td>
<td>467</td>
<td>269</td>
<td>131</td>
<td>191</td>
<td>270</td>
</tr>
</tbody>
</table>

Investment in infrastructure also accelerated in the 1930s, including in human resources. Schools proliferated in the 1930s, not only to Japanize the populations but also to give them economically useful skills; the long gestation periods inherent in educational investment, however, meant that labor productivity would not be significantly affected until after the colonial period. Of more immediate use were the extension of Korean railways from under 3,000 km in 1931 to over 4,000 km in 1937 (with a further 1,000 under construction), and Manchurian railways from 6,000 km in 1932 to 10,000 km by 1939. Besides preparing for troop movements through the Empire, they connected newly opened resources to ports and sprouting industrial centers. Thus on the eve of Pearl Harbor, Japan was still investing heavily in the modernization of the Empire, planning to reap the rewards of "co-prosperity" long into the future. This development paid off during the war for the

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84 A small expenditure on health and medical care had already reduced the death rate significantly. Ho, "Colonialism and Development," 353-55.
Japanese, and after the war for the Taiwanese, Korean, and Chinese inheritors of Japanese colonial development.86

Exploitation

Japanese imperialists believed Japan was creating an expanding trading bloc which would insulate it from the vagaries of international trade crises and provide an economic base for total war. Although they were willing to pay a premium for autarky, indeed to gamble on war to achieve it, they did not see the Empire as an economic liability to Japan. On the contrary, they thought that this Japanese-dominated bloc would achieve "co-prosperity" as well as self-sufficiency. After an initial period of intensive expansion and investment, they expected the Empire to provide a handsome return to the mother country.

This view was not shared by western liberals. U.S. officials in the 1930's liked to believe that Japan's expansion into Manchuria was an uphill struggle against "natural economic forces."87 The American historian Grover Clark, writing in 1936, agreed. He calculated Japan's colonial costs between 1895 and 1934 by adding together the colonial subsidies (560 million yen), the costs of the Russo-Japanese war and the Manchurian campaign (¥2,300 million), and 15.4% (the colonial portion of Japan's total external trade) of all military expenditures (¥2,379 million). Clark argued that since these costs amounted to a third of Japan's gross colonial trade (imports plus exports), they must certainly exceed Japan's net profit on that trade.88 But even if we accept

87Barnhart, Japan Prepares for Total War, 58-63, 115-6, 271.
Clark's method of estimating the military expenses for protecting the colonies, these should be counted mainly as external costs of the empire. The subsidies alone amount to less than 4% of colonial trade, and Clark didn't consider other sources of profit, such as investments and exploitative taxation, even aside from the geopolitical advantages of size and autarky.

Later scholars have shied away from analyzing the profitability of the Japanese Empire, instead focusing on colonial development. This emphasis stems in large part from an interest in finding practical lessons for developing nations, although Japan's spectacular interwar economic growth may also have deterred liberal economists and historians from scrutinizing imperialism's role, in Miles Kahler's words, "for fear of embarrassment." The most respected works on the Japanese Empire are almost unanimous in their recognition of its economic, if not moral, dynamism. Elizabeth Schumpeter's landmark prewar study of the Japanese and Manchurian economies criticized the "inclination to write off what has been done in Manchukuo as having only strategic importance and no permanent constructive value," since "the improvement of transportation facilities and the development of forestry and mineral resources will be to a very large extent useful in a peacetime economy." Noting that some of Manchurian development was "hasty and wasteful," Schumpeter concludes with a resoundingly positive prognosis for "Japanese industry in a 'Greater East


90 Kahler, "External Ambition," 430. Similar biases have resulted in overlooking the prewar and wartime roots of the Japanese postwar economic miracle; see John W. Dower, "The Useful War," Daedalus 119:3 (Summer 1990): 49-70, esp. 68 fn.6.
Asia."  

Schumpeter's judgment remains the conventional wisdom; Samuel Ho writes that although Japanese gains can not be precisely measured, Japan clearly exploited the colonies with "considerable success."  

The problem of measuring Japanese profit is immensely complex. Unlike Nazi-occupied Europe, exploitation did not operate through the simple and direct appropriation of occupation costs.  

The varied, and not fully documented, resource flows between Japan and the periphery, among public offices and private enterprises, precludes a clear cost-benefit accounting of the Japanese Empire. But there remains good reason to think that the Empire was a profitable venture, especially in a long-term perspective.

To begin with, expanding a free-trade zone had clear economic advantages in the protectionist environment of the 1930s. Japanese industrial development (and military expansion) depended heavily on foreign equipment and materials, yet foreign tariff walls shut out the Japanese exports needed to finance these imports. Japan eased its balance-of-payments problems by shifting whatever trade it could to regions it controlled.

In addition to normal gains from trade, an import surplus would count as prima facie evidence for a profitable return on investment. In fact, Taiwan did have a trade surplus with Japan in nearly every year after 1908, accumulating to 750 million yen by 1937 (see Table 6).  

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92 "Colonialism and Development," 382.  
93 Japanese direct subsidies ended to Taiwan by 1904, and remained small for Korea, declining from 24% to only 3% of the Government-General's budgets between 1910 and 1937. Ho, "Colonialism and Development," 358; Choi, *Economic History of Korea*, 299-304.  
attract some Japanese investment; but from the 1920s, investment was financed primarily by Taiwanese savings, by the private sector, and the colonial government. Growth had become self-generating, and a clear surplus was being transferred to the metropole.\(^{96}\) Korea and Manchukuo, on the other hand, had substantial trade deficits with Japan throughout the period of Japanese rule. The intensity of Japanese development in both regions required importing massive quantities of industrial goods far beyond the value the foodstuffs and minerals returned. Korea accumulated a deficit of over one billion yen by 1937, and Manchukuo's trade balance with Japan amounted to a third of a billion yen in that year alone. Long-term capital flowing into Korea and Manchukuo covered these deficits.\(^{97}\)

<table>
<thead>
<tr>
<th>Period</th>
<th>Korea Import</th>
<th>Korea Export</th>
<th>Taiwan Import</th>
<th>Taiwan Export</th>
<th>Manchuria Import</th>
<th>Manchuria Export</th>
</tr>
</thead>
<tbody>
<tr>
<td>1910</td>
<td>42</td>
<td>16</td>
<td>34</td>
<td>52</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1920</td>
<td>140</td>
<td>164</td>
<td>112</td>
<td>181</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1930</td>
<td>278</td>
<td>241</td>
<td>123</td>
<td>219</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1940</td>
<td>1,229</td>
<td>737</td>
<td>348</td>
<td>510</td>
<td>1,860</td>
<td>469</td>
</tr>
</tbody>
</table>

But this does not mean that Japan failed to extract a surplus from these regions. Reinvested surpluses, after all, would appear not in trade balances but in Japanese assets in the Empire, amounting to $20 billion at the end of the war.\(^{98}\) The colonial governments initially appropriated and auctioned off vast tracts of dynastic and unclaimed land. Japanese landowners continued to

\(^{96}\) Ho, *Economic Development of Taiwan*, 83-90.

\(^{97}\) The balance is slightly worse if invisibles are included. Mizoguchi and Yamamoto, "Capital Formation in Taiwan and Korea," 408-11; Nakagane, "Manchukuo and Economic Development," 152-3.

\(^{98}\) Korea and Taiwan: Schumpeter et al., *Industrialization of Japan and Manchukuo*, 856; Manchuria: Myers, *Manchuria*, "Table 2". The trends are similar in real terms; see Ho, "Colonialism and Development," 396-7.

\(^{99}\) Dower, "Useful War," 52.
reinvest their profits in land, ultimately owning the most fertile 20-25% of Korean and Taiwanese farmland, almost all of which was leased to native peasants at high rents.\textsuperscript{100} Japanese corporations owned over 90% of the large factories in both Taiwan and Korea in 1939, and profits from these enterprises flowed entirely into Japanese hands.\textsuperscript{101} In Korea from 1910-41, out of a total of K¥ 7.3 billion in total capital formation, only K¥ 1.4 billion came from Japan. This means that roughly 80% of Korean capital formation--nearly all Japanese-owned--was extracted from within Korea.\textsuperscript{102} This tallies with the fact that Japanese investment in Korea over 1910-23 earned about 18% in interest and profits.\textsuperscript{103} In Manchukuo the rate of return was far lower, perhaps negligible, which is not surprising since Japan invested more capital there in a decade than Britain had invested in India over two centuries of imperial rule. This does not mean that this investment would never return a profit, only that "the Pacific War erupted prematurely before Japan could derive any gain from the enormous investments already made in Manchukuo."\textsuperscript{104}

Another perspective on the share of growth and production captured by the Japanese is the disparity between economic growth and the living standards of the native populations. Per capita consumption increased by only 20% in Taiwan and 40% in Korea (from lower levels) between 1910 and 1940, miniscule amounts considering that Taiwan's national product nearly tripled

\textsuperscript{100}Ho, "Colonialism and Development," 371-74.
\textsuperscript{101}Mizoguchi and Yamamoto, "Capital Formation in Taiwan and Korea," 419.
\textsuperscript{103}Choi, \textit{Economic History of Korea}, 307-8.
and Korea's national product more than doubled over the same period. Koreans and Taiwanese could barely afford to buy the rice they were producing in ever greater quantities. Per capita annual rice consumption actually fell in Taiwan from 130 to 100 kilos and from 100 to 75 kilos in Korea, so that the Japanese could maintain their 160 kilo-level. Colonial diets had to be supplemented with cheaper, inferior grains. Nor did consumption keep pace with the 21% increase in Manchukuo's per capita GDP between 1929 and 1941.

Regulation of the agricultural market allowed Japanese-owned processing and export companies to extract much of the agricultural surplus. Taiwanese sugar-cane farmers, for example, were obliged to sell their harvest to regional refineries, whose monopsony position kept the price of cane low. Rice exports and milling in both colonies were dominated by a small number of licensed companies, which also helped the Japanese to capture much of the profits of the expanding rice trade.

The native populations were also exploited through taxes and state monopolies. Land taxes, sales taxes (e.g., on alcohol and sugar), monopoly profits (on opium, salt, tobacco, etc.), and income from government enterprises like railways were used mainly to expand Japanese-controlled investments like railways. The rest was spent on administration and policing; in all Japanese conquests, a declining part of the total budget. Korean nationalism resulted in greater political expense than in Taiwan, but

106 Ho, "Colonialism and Development," 379.
108 Ho, "Colonialism and Development," 374-75.
109 Ho, "Colonialism and Development," 357-58; Myers, Manchuria, 220-61.
as pointed out above, the number of police stabilized after the March 1919
disturbances at Japanese levels. Expenditure on Korean administration and
policing costs, averaging 20 million yen before 1919, ran between 30-40
million yen through 1937.\textsuperscript{110}

If Japanese investments did buy considerable growth, were the
burgeoning peripheral enterprises competitive in world-market terms?
Setting aside the premium on autarky, would the Japanese Empire have been
costly in a free-trade world? Colonial rice is often cited as a boon to the
Japanese economy. It could be grown cheaply in Korea and Taiwan, thanks to
low cost colonial land and labor, and imports helped keep Japanese wages
low.\textsuperscript{111} Other products, however, could have been purchased more cheaply
elsewhere. Taiwanese sugar, for example, was more expensive than Javanese
sugar, but Japan excluded the latter with a tariff on sugar imports from outside
the Empire. Japanese consumers had to pay more, but foreign exchange was
conserved and Taiwanese sugar production expanded.\textsuperscript{112} Industrial
development in the periphery also enjoyed cheap labor, hydroelectric power,
and mineral rights. Still, tax breaks, protective tariffs, subsidies, guaranteed
returns, and assured government demand were necessary to encourage much
of the industrial development.

\textsuperscript{110} In real terms. Choi, \textit{Economic History of Korea}, 299-304; Government-General of
Formation," 406, 416. Figures for Manchurian policing expenditure (Myers, \textit{Manchuria},
234-37, 245) include funds used by the Kwantung Army.

\textsuperscript{111} Yujiro Hayami and V.W. Ruttan, "Korean Rice, Taiwan Rice, and Japanese
Agricultural Stagnation: An Economic Consequence of Colonialism," \textit{Quarterly Journal of

\textsuperscript{112} Taiwanese sugar couldn't have been all that uncompetitive, since production
continued after 1945. Ho, \textit{Economic Development of Taiwan}, 73-4, 85-6, 357.
But it would be wrong to assume that protection and subsidization were indefinite costs of autarky. Infant industries require help, and Japan in the 1930s was pioneering the art of state-directed industrial policy. It intervened in the market to support strategic industries in the home islands as well as in the colonies, just as it has intervened to promote high-technology industries in the postwar period. Manchukuo’s state-controlled development even had its analogues in Japanese public policy industries.

There is little analysis published in English of the long-term competitiveness of colonial and Manchukuoan industries. They were highly profitable in the short-term, but the precise extent to which they required state-support and protection is unclear. The studies that do exist of these industries do not mention any inherent obstacles to long-term profitability and competitiveness other than those imposed by Japan itself. Barbara Molony even writes that "colonial expansion was integral to the growth of pre-war technology-intensive companies like Nichitsu," which had built a massive and profitable fertilizer/explosives complex in northern Korea by the mid-1930s. It was only when the Japanese government began fostering strategic industries in the latter half of the decade that Nichitsu diversified into otherwise unprofitable ventures. This problem was particularly acute in Manchukuo, where the Kwantung Army ordered its semi-public companies to


maximize production at all costs, scaring off the traditional zaibatsu from participating at all.\textsuperscript{116}

In the absence of any mention of labor resistance in these far-flung Japanese industries, it seems fair to assume until further studies are done that it was marginal. This, at least, appears to have been the case in the Manchurian coal mines at Fushun, which has been called a "model for developing countries." Here, rapid expansion "was undoubtedly achieved due to the co-operation given by the Chinese engineers and laborers...labor control was achieved relatively smoothly for the management of a modern gigantic coal mine."\textsuperscript{117}

The efficiency of the Japanese Empire, especially in the counterfactual case of an open world economy, is not well understood. Japanese imperialism certainly didn't shackle growth at home. Between 1915 and 1940, Japan's real GNP more than doubled, growing at an average annual rate of 3.7%. Growth in the 1930s, over the period of the heaviest investment in Korean and Manchurian industrialization, reached an astounding 4.6%.\textsuperscript{118} The degree to which imperialism promoted, slowed, or had no effect on economic growth remains to be shown. But this record of growth gives no support to the liberal view of empire.

\footnotesize
\textsuperscript{116}Aikawa's Nissan joined the Kwantung Army in the crash industrialization of Manchukuo also in the expectation of high profits. Manchukuo guaranteed a return of 6% to its shareholders, but it was earning 13.6% by 1940. Aikawa only threw up his hands in 1942 when Army interference had become intolerable. Kinney, \textit{Japanese Investment in Manchuria}, 20-3. Cohen, \textit{Japan's Economy in War}, 39.

\textsuperscript{117}Murakushi, \textit{Transfer of Coal-Mining Technology}, 83. Although output declined after 1937, labor resistance does not appear to have been a factor. See SCAP, \textit{Fushun Coal Field, Manchuria}, Report no.68 (Tokyo: 1947), 10-11.

\textsuperscript{118}Nakamura, \textit{Economic Growth in Prewar Japan}, 6-7.
The War Economy of the Japanese Empire

Japan's long-term plans for the industrialization of the Empire were interrupted by the outbreak of war with China in 1937, and even more so after Pearl Harbor. But if Japan had to produce all of its aircraft, ships, motor vehicles, and munitions in the home islands, it relied heavily on the Empire for the materials necessary to make them.\(^{119}\) During the war, a third of the pig-iron and aluminum, half of the coal, and a tenth of the steel in Japanese hands was produced outside of the home islands (see Table 7).\(^{120}\)

Table 7. Iron, Steel, and Aluminum Production in the Japanese Empire
(Korea, Taiwan, Manchukuo, North China, Karafuto), 1937-1944\(^{121}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Pig Iron (kt) Japan</th>
<th>Pig Iron (kt) Empire</th>
<th>Ingot Steel (kt) Japan</th>
<th>Ingot Steel (kt) Empire</th>
<th>Aluminum (kt) Japan</th>
<th>Aluminum (kt) Empire</th>
<th>Coal (mt) Japan</th>
<th>Coal (mt) Empire</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937</td>
<td>2,318</td>
<td>1,037</td>
<td>5,798</td>
<td>644</td>
<td>12</td>
<td>3</td>
<td>45</td>
<td>22</td>
</tr>
<tr>
<td>1941</td>
<td>4,198</td>
<td>1,759</td>
<td>6,837</td>
<td>730</td>
<td>56</td>
<td>24</td>
<td>56</td>
<td>64</td>
</tr>
<tr>
<td>1942</td>
<td>4,306</td>
<td>2,070</td>
<td>7,009</td>
<td>995</td>
<td>85</td>
<td>25</td>
<td>54</td>
<td>63</td>
</tr>
<tr>
<td>1943</td>
<td>3,813</td>
<td>2,335</td>
<td>7,821</td>
<td>1,017</td>
<td>114</td>
<td>36</td>
<td>56</td>
<td>63</td>
</tr>
<tr>
<td>1944</td>
<td>2,713</td>
<td>1,899</td>
<td>5,911</td>
<td>592</td>
<td>88</td>
<td>30</td>
<td>49</td>
<td>57</td>
</tr>
<tr>
<td>'41-'44</td>
<td>15,030</td>
<td>8,063</td>
<td>27,578</td>
<td>3,334</td>
<td>343</td>
<td>115</td>
<td>215</td>
<td>247</td>
</tr>
</tbody>
</table>

Seizing oil had been a major aim of the "advance to the south." Despite the assumption that captured wells and refineries would be totally wrecked, Japanese war planners expected to obtain 30 million barrels of Indonesian crude oil (out of a total demand of 35 million) by 1943.\(^{122}\) Damage was not as bad as expected, and the over four-thousand Japanese oil workers sent south

\(^{119}\)There were some small automotive assembly plants operating in Singapore, Central China, and Korea. Cohen, *Japan's Economy in War*, 247-48.

\(^{120}\)In addition, two-thirds of the iron ore smelted in Japan was imported, and a third of the Empire's electric power and half of its magnesium lay in the periphery by 1944. Cohen, *Japan's Economy in War*, 115-16, 159, 175.


\(^{122}\)Cohen, *Japan's Economy in War*, 135.
managed to restore production back up to over 75% of prewar production in 1943. In February of that year, Tojo announced that the oil problem had been solved.

But the U.S. blockade was only just moving into gear; the amount of sunk tanker tonnage increased from 4,000 tons in 1942 to 390,000 tons in 1943, to 750,000 tons in 1944. Oil shipped to Japan fell from 14.5 million barrels in 1943 to 5 million barrels in 1944.\textsuperscript{123} The effect on Japanese war making ability was profound. The Imperial Japanese Navy was gradually immobilized by the difficulty of refuelling at any distance from Indonesia. Aviation also suffered dramatically, first in pilot training, and then in combat; a basic reason for kamikaze missions was that they required fuel for only a one-way flight.\textsuperscript{124}

Shipping shortages due to sinkings and lack of oil also hurt the war economy. An inability to move enough Chinese coking coal to Japan and Manchuria starting in late 1943, rather than insufficient coal output, was the limiting factor in steel production. Steel production in the Empire fell as a result from a peak of 8.8 million tons in 1943 to 6.5 million tons in 1944, to .8 million tons in the first quarter of 1945.\textsuperscript{125} Japan attempted to alleviate transportation bottleneck by shifting blast-furnaces to the continent, but it was a matter of too little, too late.\textsuperscript{126}

In order to eke out as much coal as possible, Japan (like Nazi Germany) conscripted foreign labor for work in its coal mines. By 1945 138,000 Koreans, or a third of the entire mining labor force (which also included 10,000 Chinese

\textsuperscript{123}Ibid., 140-42.
\textsuperscript{124}Ibid., 143-47.
\textsuperscript{126}Cohen, \textit{Japan's Economy in War}, 121-22, 129.
and 7,000 prisoners of war) were being forced to work in Japanese coal mines; reportedly at 80% of the efficiency of Japanese miners. The rest of the 422,000 Koreans brought to Japan worked in the construction industry. In addition to the 209,000 Koreans conscripted into the Japanese Army, 150,000 more were drafted for labor service around the Co-Prosperity Sphere, and 2,600,000 for work at home.\textsuperscript{127}

There is little published other than output statistics about the wartime economic mobilization of Japan's empire. But it is clear that the resources of Japan's Empire just barely covered the military operations conducted there, if that. Korea continued to run a trade deficit with Japan averaging 200 million yen over 1940-42; Manchukuo's trade deficit averaged one billion yen between 1939-43, while North China's trade was roughly balanced.\textsuperscript{128} In 1944, the tide reversed, and Japan had overall a billion yen import surplus, a trend that continued into 1945.\textsuperscript{129}

In part, the adverse trade flows represent the wartime increase in the value of raw materials relative to machinery in the resource-scarce Empire. But they also represent Japan's rapid expansion of military power. Although military supplies from Japan would not figure in trade balances, the Korean and Kwantung Armies were able to feed directly off of the industrial output of

\textsuperscript{127}Ibid., 300-1, 324-26; Chen, "Police and Community Control," 323; Shiota, "Koreans in World War II," 47-48. At the outbreak of war there were already 1.4 million Koreans in Japan, and at least .8 million in Manchuria. Cf. Choi, \textit{Economic History of Korea}, 275.

\textsuperscript{128}Mizoguchi and Yamamoto, "Capital Formation in Taiwan and Korea," 408-11; Nakagane, "Manchukuo and Economic Development," 152-3; Dong, "Japanese Colonial Policy," 500; Li, \textit{Japanese Army in North China}, 179. Wartime scarcities of materials under price controls meant that real values of materials had increased relative to their monetary (trade) prices; while the opposite held for producer goods.

Manchuria and Korea. In preparation for a possible war with Russia, the number of Japanese soldiers in Manchukuo increased from 270,000 in 1939 to a peak of 760,000 in 1941, and the Korea Army increased by 55,000 men to 120,000.\textsuperscript{130}

In less industrialized China, forces increasing from 400,000 in 1939 to a million by the end of the war were less able to make "war sustain war." Already in 1938 a foreign ministry memo described the exploitation of China as like "an octopus eating its own tentacles."\textsuperscript{131} Here, there was little industrial surplus for the Japanese to extract. Chinese peasants demonstrated the problems of exploiting agricultural societies by reverting to subsistence agriculture after the first Japanese requisitions of their cash crops.\textsuperscript{132}

Conclusions

Highly industrialized but resource-poor nations are inherently vulnerable to protectionism in time of peace and to blockade in time of war. In light of the lessons of World War I and the Depression, Japanese leaders sought to redress these vulnerabilities through territorial expansion. They proceeded, with increasing recklessness, to carve an autarkic and prosperous empire out of East Asia. China resisted its own dismemberment, with the support of the Western Powers, whose own colonies or trading interests were at stake in the region. The China War and a U.S. embargo meant that by 1941 Japan's quest for economic security produced the opposite. And Japan's final desperate bid to overcome its dependence on the West by seizing its Southeast

\textsuperscript{130} Coox, \textit{Nomonhan}, 1052. While I have found no good information on the direct military exploitation of Korean and Manchurian industries, this is the most likely explanation for the discrepancy between figures for output and exports to Japan.


\textsuperscript{132} Li, \textit{Japanese Army in North China}, 144, 162-66.
Asian colonies was doomed to fail, by overwhelming U.S. military-industrial superiority and the fact that conquest still had not solved Japan's blockade problem.

But the failure of Japan's empire-building was due entirely to external opposition. Up to 1937, Japan had had little difficulty in pacifying its conquests, and it maintained smooth, repressive control over populations nearly equalling its own in size. In the case of Taiwan, moreover, Japan appeared to be successfully assimilating the population into Japanese culture. In conflict with the liberal view of conquest, modernization does not appear to have helped the Taiwanese, the Koreans, or the Chinese Manchurians to seriously challenge Japanese rule. And the liberal view should gain no satisfaction from the fact that Japan finally overextended itself in China, since China was at the time more backward economically than Japan's other possessions.

Despite a continuing dependence on foreign oil, scrap iron, non-ferrous metals, and machinery, Japanese conquests did increase its geopolitical might. Even before Pearl Harbor, Japan had vastly expanded its supply of food, coal, iron, and aluminum. If Japan's empire-building had not resulted in an unwinnable war, the Empire would have added greatly to Japanese economic self-sufficiency and ability to wage protracted war, especially if Japan had developed an anti-submarine warfare capability. Japan had accomplished this not only through conquest, but with a massive investment in the periphery needed to produce these goods.

Moreover, the Empire appeared to be profitable; if not "co-prosperous", then prosperous for Japan at least. Japan did have to invest its own resources to modernize its captured economies. It had to create an economic surplus in Taiwan, Korea, and Manchukuo before it could exploit that surplus. But the
investment appeared to be profitable, and potentially even more so in the absence of U.S. intervention. Cheap and compliant labor and natural resource endowments outweighed the costs of maintaining political control. The fledgling nationalism and industrialization of the Japanese Empire thus did not appear to present a constraint on economic performance or Japanese profit. The waste and inefficiency in the Empire, mainly in Manchuria, was due more to haste and over-centralized control; state-sponsored development in Korea and Taiwan was both effective and profitable.

Although Japan made great strides in modernizing Taiwan, Korea, and Manchukuo, they remained relatively undeveloped by World War II, at least compared to the other cases examined in this study. One can only wonder whether continued modernization would have eventually reached a limit due to economic resistance, raised the costs of repression, or even resulted in rebellion and revolution. The low level of modernization in the periphery of the Japanese Empire means that these cases does not provide critical tests of the liberal view. Still, they should still give pause to those who believe that empires are inherently uneconomic.
Chapter 6: The Soviet Empire, 1945-85

The countries of the great commonwealth of socialist nations can build their relations only on the principle of full equality, respect for territorial integrity, state independence and sovereignty, and noninterference in the domestic affairs of one another.

--Soviet declaration, Oct. 30, 1956 (on eve of crushing the Hungarian revolt)¹

[The sacrifices of the Soviet Union in the Second World War gained the Soviet Union] security, and the guarantee of that security was the postwar division of Europe and, specifically, the fact that Czechoslovakia was linked with the Soviet Union forever.

--Leonid Brezhnev, to Czech leaders during 1968 invasion.²

When the smoke cleared at the end of the Second World War, Stalin's Red Army had restored the Soviet Union to Czarist dimensions and stood astride Eastern Europe as well. Few would argue that Stalin began the war to conquer Eastern Europe, although some historians have suggested that he recklessly

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encouraged Hitler to go west in the hopes of picking up the pieces afterward. Stalin did risk Western hostility by imposing loyal communist regimes in Eastern Europe wherever they failed to spring up by themselves, leaving the Soviet Union with informal control over the region Mackinder had called the "pivot of history."^3 Because the Cold War stayed "cold," the Soviet Union never tried to mobilize Eastern Europe for war. This chapter nevertheless assesses the peacetime costs and benefits of the Soviet Empire.

Forty years of Soviet domination over Eastern Europe shows that it is easy to maintain control with only periodic uses of force, and with troops that spend most of their energies preparing for war against external enemies. Moreover, the Soviet Union extracted massive reparations from the defeated Axis powers, particularly East Germany, for several years after the end of the war. The early postwar period thus supports the realist view of conquest.

But post-1955 Eastern Europe provides mixed evidence on the economics of empire. On one hand, the liberal view appears to gain support from the argument that the chronic instability of the satellite regimes restrained Soviet economic depredations from the mid-1950s on, and even required subsidization starting in the 1970s. The collapse of the Empire in 1989-90 would appear, finally, to demonstrate the economic futility of conquest in the modern age.

But the significance of the post-1955 period is ambiguous, and can be interpreted in ways less damaging to realism. The end of extraction in the mid-1950s can be plausibly ascribed to a shift from a farming strategy to an effort to "fatten" the East European military-industrial base for potential future use. If so, this would mean that post-1955 Eastern Europe was not a good success.

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test case for the profitability of conquest. The fattening strategy, it is true, was only partially successful, and the East European economies eventually grew quite uncompetitive. But most specialists on East European economies attribute their lackluster performance to the inherent limitations of their centrally-planned economies, not to repression or resistance to Soviet domination. Moreover, Soviet subsidies were exceeded by East European military spending, which supported forces under effective Soviet control. Finally, Soviet General Secretary Mikhail Gorbachev's decision to set free Eastern Europe can be explained by a desire for better relations with the West, confidence in military security, and a genuine embrace of liberal ideals no less than by the internal costs of empire.

After reviewing Soviet aims in establishing control over Eastern Europe, this chapter proceeds to explain the 40-year quiescence of Eastern Europe. The meat of this chapter is an overview of the economics of the Soviet empire: a description of Soviet reparations gains and later subsidies. Finally, the chapter presents and critiques the liberal interpretation of the post-1955 period, showing why the evidence is ambiguous.

Soviet Aims in Eastern Europe

The lack of almost any direct, reliable evidence about Soviet foreign policy aims and calculations forces scholars to infer aims from Soviet behavior, leaving considerable room for interpretation. Lack of knowledge about Soviet-East European strategy clouds any assessment of whether Moscow failed to make conquest pay or simply didn't try. There is even an unresolved debate over whether Soviet postwar expansionism was fundamentally
offensive or defensive. A view prevalent in U.S. official circles at the beginning—and at the end—of the Cold War saw the Soviet Union as an ambitiously expansionist, like a cautious Nazi Germany. The White House in 1950 believed that the Soviet Union "seeks to impose its absolute authority over the rest of the world." This thirst for conquest was alternately ascribed to Soviet domestic insecurity (i.e., a communist social imperialism aimed at winning prestige and legitimacy through foreign exploits) and to a deliberate strategy of marshalling geopolitical strength for a final showdown with "capitalist imperialism." Either way, according to this view, only Western pressure kept the Soviet Union from annexing Eastern Europe outright, as it had the Baltics, and only Containment stood in the way of further expansion.

An alternative view characteristic of American liberals sees the Soviet Union as a typical great power, expanding only to assure its own security, and even then quite cautiously. Stalin feared a resurgent Germany and distrusted his wartime Allies, who had amply demonstrated their anti-communism by supporting the White Russians in 1918. The Soviet state and the Russian people had nearly been annihilated during World War II, and had paid a massive blood price to defeat Hitler. The war left the country exhausted and vulnerable to U.S. military, industrial, and nuclear might. Stalin thus saw Eastern

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6 Ulam, Expansion and Coexistence, passim.

7 E.g., Brzezinski, Soviet Bloc, 51, 59, 82, 145, 173.

Europe, not as a springboard for the conquest of all Eurasia, but as a bulwark against a resurgent Germany and an ideologically hostile West. Eastern Europe would provide a territorial buffer and the economic resources needed to rebuild an economy ravaged by four years of grinding, total war, most of it on Soviet soil. Since free elections in most Eastern European nations would result in anti-Soviet governments, and since outright annexation might provoke another war, "satellization" appeared the best way to ensure that Soviet troops could defend the homeland far ahead of its borders.

Ideology--advancing the cause of communism world-wide--was a less likely motive for Soviet postwar expansion. Stalin's intense hostility to Tito's ideologically orthodox but independent-minded regime in Yugoslavia casts considerable doubt on the importance of purely ideological motives, as does the fact that only less geopolitically significant states (Yugoslavia, Albania, and Romania) were allowed to escape Soviet orbit before 1989. Marxism-Leninism clearly shaped Soviet plans for the political and economic development of Eastern Europe, but was more a tool for maintaining political control than an end in itself.

Controlling East Europe

Eastern Europe from the end of World War II to the revolutions of 1989 has been called alternately the Soviet Empire, Soviet Europe, a Soviet sphere of interest, and an alliance. This "alliance," however, was not the result of any mutual love or national interest. Loyalty was maintained through satellite

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regimes, helped into power by the Red Army, and directly supervised at first by Soviet officials. Only the Yugoslavian and Albanian regimes gained and kept power without Soviet intervention; only they, along with Romania, later resisted Soviet demands. No others could plausibly boast of national communism. Soviet insistence on ideological conformity and self-policing helped to keep loyal communists at the head of East European regimes, even after the purges subsided. When this failed or seemed to be failing, military intervention successfully restored discipline—in Hungary in 1956 and in Czechoslovakia in 1968 (the intervention in East Germany in June 1953 was to support, not coerce, a regime). But aside from these brief episodes, the threat to intervene was sufficient to deter defection. Thus the Red Army in Eastern Europe, after an initial period of consolidation, could devote itself almost entirely to the East-West military stand-off.

The Hungarian and Czech armies remained in their barracks during the Soviet interventions. They outnumbered Soviet troops on their soil (see Table 1), but any resistance would have to deal with forces in the western Soviet Union, which participated in 1956 and 1968. The Soviet Union also took steps to ensure the loyalty, or at least neutrality, of the native armies. In the Stalinist period, Soviet control was exercised by Soviet officers and advisers, the most prominent of whom had respective national origins but had become Soviet citizens and served in the Red Army during World War II. Soviet-trained officers ordered their Hungarian and Polish divisions to remain in their barracks in 1956 (although part of the Polish Army did mobilize to support

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12 On the policing and economic functions of the Red Army in the GDR before 1953, see Evangelista, "Stalin's Postwar Army Reappraised," 283-311.
Gomulka). These direct levers of control, removed in the post-1956 "renationalization" of Eastern Europe, were replaced by the integrating institutions of the Warsaw Pact. Joint military planning and exercises (stressing offensive operations) and education in Soviet military academies institutionally constrained the development of doctrines and capabilities for national (i.e., anti-Soviet) defense.

Table 1. Soviet and East European Forces in Eastern Europe, 1967 and 1978

<table>
<thead>
<tr>
<th>Country</th>
<th>1967</th>
<th>1978</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDR</td>
<td>400,000</td>
<td>127,000</td>
</tr>
<tr>
<td>Czech</td>
<td>0</td>
<td>225,000</td>
</tr>
<tr>
<td>Poland</td>
<td>30,000</td>
<td>270,000</td>
</tr>
<tr>
<td>Hungary</td>
<td>50,000</td>
<td>102,000</td>
</tr>
<tr>
<td>Total</td>
<td>480,000</td>
<td>724,000</td>
</tr>
</tbody>
</table>

Blatant intervention and the presence of Soviet troops meant that East European regimes, besides Yugoslavia, Romania, and Albania, could make no claim to legitimacy based on nationalism. On the contrary, nationalism must have undermined support for those communist regimes that owed their position to, and took marching orders from, Moscow. One would expect communism to have had some legitimacy, at least among workers, and scholars

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13 Tatu, "Intervention in Eastern Europe," 239-49.
14 Christopher D. Jones, Soviet Influence in Eastern Europe: Political Autonomy and the Warsaw Pact (New York: Praeger, 1981). Jones argues (pp. 79-92) that Yugoslavian, Romanian, and Albanian capabilities for national defense deterred Soviet intervention and allowed them national autonomy. Poland, too, may have deterred invasion in 1956 because its internal security forces and part of the army were prepared to defend Gomulka, but Gomulka's subsequent subservience to Moscow makes this an unclear case.
have argued plausibly that economic development and social mobility increased support for communist rule in the 1950s and 1960s. But it is difficult to tell just how legitimate these regimes really were, since if any reliable polls were taken they still have not been made public. Polls of traveling Eastern Europeans found little support for their governments in the later decades of communist rule. In 1974-75, only 3% of the Czechs, 7% of the Poles, and 12% of the Hungarians preferred their own political systems; a large majority favored western-style democracies. A 1979-80 poll of the same nationalities found 61% favored the United States in a U.S.-U.S.S.R. war, and only 10% favored the Soviet Union, with the rest favoring neither or undecided.

But the only solid evidence is the elections held before communism's rise and after its fall, neither of which showed much popular support. By 1949, the communist-led Socialist Unity Party (SED) had gained power in East Germany, but the communist party was getting only 6% of the vote in free elections in the rest of Germany. Almost 3 million (of 19 million) East Germans voted with their feet between 1949 and 1961, when this "escape valve" was closed by the Berlin Wall. Poland never had really free elections before the communists took power in 1947-48, but Stalin himself had remarked in 1944 that "introducing communism in Poland would be like saddling a cow" and he warned his Polish puppets that "when the Red Army has left, they will shoot


you as traitors."\(^{19}\) Hungarian Communists received 17% of the vote in November 1945; in Czechoslovakia they got 38% in May 1946, but subsequent polls showed a sharp decline in support prior to the 1948 coup.\(^{20}\)

By the open elections of 1989-90, support for communist rule had dropped dramatically. In June 1989 Solidarity won 92 of 100 upper house seats, and 160 of the open 161 lower house seats, and none of the unopposed communist candidates even received the minimum 50% needed to gain their "guaranteed" lower house seats.\(^{21}\) In March 1990, East Germans voted overwhelmingly for reunification, with the communist party (renamed the Party of Democratic Socialism) receiving only 16% of the vote.\(^{22}\) Communist parties received 9% of the Hungarian vote and 13% of the Czech vote in elections later that year.\(^{23}\) East European communism began with little mass support, and ended with even less.

Unless further research in the East European secret police archives reveals polls that say otherwise, it seems reasonable to assume that the satellite regimes were seen by the vast majority of their populations as illegitimate, or at least that their only claim to legitimacy was the their being a lesser evil to Soviet intervention. This was obvious enough in 1989, at least, when communist rule disappeared along with the Brezhnev doctrine.\(^{24}\)


Communist rule in Eastern Europe was based on repression, backed by the threat of Soviet intervention, rather than any domestic legitimacy. According to Valtr Komarek, vice-premier in the new Czech democratic government,

This system was based on a clear division which worked for almost half a century: on the one side there was a power mafia consisting of 200,000 to 500,000 members of the party apparatus, the State Security Service, the officers, and the leading people in the enterprise and local administrations; on the other side there were 15 million citizens, the people, who were kept at bay.25

No form of non-communist organization was permitted, other than churches (which were closely monitored and subject to discipline) and, briefly, Solidarity. Communist-run organizations, including all labor unions, consumed the "organizational space" of East European society. Anti-communist and anti-Soviet statements, publications, and meetings were banned, and underground opposition was held to a minimum by the political police: the East German State Security Service, the Hungarian Political Police (numbering 30,000 in 1956), the Czech Public Security, and the Polish police and security (50,000 in '56).26

Atomization prevented any mobilization of opposition. Individual dissidents were imprisoned before they had a chance to make themselves heard.27 The party monopoly on communication and organization meant that those who dared speak out would have no audience. They would thus be unable to mobilize any collective protests or strikes on a scale large enough to lower


26Police #s from Tatu, "Intervention in Eastern Europe," 240, 244.

27There were an estimated 4,500 political prisoners in the GDR in the early 1980s, according to Michael J. Sodaro, "Limits to Dissent in the GDR: Fragmentation, Cooption, and Repression," in Jane Leftwich Curry, ed., Dissent in Eastern Europe (New York: Praeger, 1983), 92.
individual risks, gain mass attention, or have an impact on the regime. This applied to the favored proletariat no less than the intelligentsia. As a pair of Hungarian dissidents wrote in the late 1970s,

in Soviet-type societies, the working class is as incapable of organizing itself as [is] any other social group. While rare moments of cataclysmic crisis in the system give rise to strike committees and workers' council, these organizational results of popular uprisings never succeed in consolidating... The extent of mass opposition to communist rule, and the effectiveness of the repressive apparatus in suppressing it, is evident in the fact that the most significant disturbances followed breakdowns in repression. In Hungary 1956, the initial protests which escalated into a mass rebellion were possible only because the regime permitted students to organize and demonstrate. The week-long non-violent Czech protests following the Soviet intervention were encouraged by communist party organizations sympathetic to Dubcek. Once the Polish regime allowed an independent trade union to emerge in 1980, it was doomed to successive strikes in 1981. Finally, the mass demonstrations in 1989 against the hard-line Czech and East German regimes occurred in an atmosphere of justified doubt about the resolve of the communist regimes to


29 Marc Rakovski, pseud., quoted in Connor, Socialism's Dilemmas, 180; cf. ch. 9, "Workers and Power."

30 Party chief Matyas Rakosi, under pressure from Moscow and lower officials to recant for his earlier purges, blamed the political police and forbade them from persecuting party members. University students took advantage of the divisiveness and tolerance by the Party's organs of repression to form independent organizations and stage heated mass meetings, which escalated into a popular rebellion involving 30,000. Kecskemeti, Unexpected Revolution: Brzezinski, Soviet Bloc, ch. 10.


maintain repression, because the changes in Hungary and Poland dispelled all lingering doubts about the end of the Brezhnev doctrine.\textsuperscript{33}

In the absence of such thaws, the other outbreaks of collective action began spontaneously in large factories (or, in East Berlin 1953, construction sites) where direct, face-to-face communication between large numbers of workers helped to overcome atomization. The East German June 17 strikes were more prevalent among older plants, where more cohesive labor forces (workers had been together longer) made collective action easier.\textsuperscript{34} Eastern European disturbances were also more common in isolated industrial centers like Lodz, which tended to have tight-knit communities.\textsuperscript{35} The inability to organize also dictated that disturbances would follow discrete "triggering" events that helped atomized masses coordinate their actions, such as price-hikes, wage-cuts, news of disturbances in other regions and even in other countries (here Western radio was a major help).

It should be kept in mind that strikes and riots were infrequent occurrences in postwar Eastern Europe, had primarily economic objectives, and generally ended with purely economic concessions.\textsuperscript{36} Walter Connor, writing in 1981, concluded that "the most striking fact emerging in a thirty-five-year review of workers' political activity in Eastern Europe, even allowing for the massive coercive resources of the regime, is how little

\textsuperscript{33} Brown, \textit{Surge to Freedom}, ch. 5-6; Garton Ash, \textit{We the People}, 61-130; Pond, "German Unification."


\textsuperscript{36} Montias, "Economic Conditions and Political Instability," identifies only seven in the northern tier (incl. Hungary) between 1945-1980.
organized activity there has been."\textsuperscript{37} Only when workers joined intelligentsia protesters, as in Hungary 1956, or after repeated retraction of concessions, in Poland in 1980, did workers demand the political changes (e.g., unionizing rights) necessary to protect their hard-won gains.\textsuperscript{38} The infrequency and moderation of political demands made by East European protesters testifies to the effectiveness of political repression, and the recognition that even successful internal revolution would probably be reversed by Soviet intervention.

**Economics of the Soviet Empire**

**Exploitation: 1945-1956**

In the final months of the war, the Grand Alliance agreed in principle on both reparations and a substantial reduction of Germany's industrial, especially military-industrial, capacity. Both could be achieved by the dismantling of German industrial plant for use at home. The Soviet Union pressed further for reparations from current German production as well as for the use of German labor. Stalin demanded half of a proposed $20 billion in reparations, including current production and labor as well as dismantled plant, and at the February 1945 Yalta summit the Americans (over British objections) accepted this "as a basis for discussion."\textsuperscript{39} Meanwhile, defeated Hungary and Romania had agreed in separate armistice agreements to deliver

\textsuperscript{37} Connor, *Socialism's Dilemmas*, 198.
\textsuperscript{38} Pravda, "Industrial Workers," 241-50.
reparations goods to the Soviet Union worth $200 million and $300 million, respectively.\textsuperscript{40}

The United States changed its position in July; having effectively financed Germany's World War I reparations payments, it wanted to avoid saddling Germany with what it expected to be unpayable burdens. At Potsdam the Allies could agree only on a formula for the distribution of dismantled industrial plant, allowing each power to take reparations from its own occupation zone, and granting the Soviet Union a quarter of the industrial equipment removed from the Western Zones and all German assets in eastern Austria, Hungary, Romania, Bulgaria, and Finland.\textsuperscript{41} The Soviet Union remained committed to its massive reparations, and if it could not obtain them with Allied help it would extract them from its own zone. East Germany, moreover, was ripe for the picking, for its industry had been built up intensively during the war and had suffered relatively little bombing damage. Differing reparations policies proved to be a major factor in the eventual division of Germany.\textsuperscript{42}

From the time they entered German territory through 1946, the Red Army began pillaging military, industrial, and transport equipment, and agricultural and industrial stocks. Non-military dismantling teams also swept into Germany in the spring of 1945, removing mining equipment, railway repair shops, power plants, and high-tech optical, locomotive, and electrical factories. Successive waves of dismantling stripped East Germany of perhaps half of its industrial capacity by 1947. Metallurgical, chemical, and metal-

\textsuperscript{40}Spulber, Economics of Communist Eastern Europe, 39-40, 167.
\textsuperscript{41}Backer, Decision to Divide Germany, ch.3-7. Kuklick, American Policy, ch. 4-7.
\textsuperscript{42}On Soviet reparations policy, see Alec Cairncross puts the figure at $23 billion (postwar) in The Price of War: British Policy on German Reparations 1941-1949 (New York: Basil Blackwell, 1986), 194-207.
working industries were especially hard hit, but even the remaining basic and consumer-goods industries lost about a quarter of their prewar capacity. One third of all East German railway track was torn up for rebuilding the Soviet network.\textsuperscript{43} Soviet teams also dismantled plant to a lesser extent in the other two defeated enemy states, Romania and Hungary. But the Soviet gain was much less than what East Germany, Hungary, and Romania lost. Western experts estimate that two-thirds of the plundered plant was wasted.\textsuperscript{44} Much of the equipment was left to rust on rail sidings (thanks to war-ravaged railways of Eastern Europe), and the equipment that did reach Soviet factories was often too damaged or mixed up to be of much use. Much equipment that was productive in Eastern Europe was thus reduced to Soviet scrap metal.\textsuperscript{45}

To save dismantling and reassembling costs and the large waste in transferring equipment, the Soviet Union cancelled removal plans for many plants and assumed control of them on site instead. Over two hundred "Soviet enterprises" (Sowjetische Aktien-Gesellschaften, or SAGs) provided the Soviet Union with a considerable share of East German current production. SAG labor and materials expenses, additional German labor hired for various purposes, and the costs of reparations orders from non-SAG firms were all covered by the East German budget. The economics section of the fledgling East German government, the Deutsche Wirtschaftskommission, was ordered to

\textsuperscript{43}Heinz Köhler, \textit{Economic Integration in the Soviet Bloc with an East German Case Study} (New York: Praeger, 1965), 10-16.


"supervise the punctual realization...of commodity deliveries designated as reparations, as well as the satisfaction of the needs of the Soviet occupation forces in Germany...under the supervision of the Soviet Military Administration." 46

SAGs dominated the East German economy, accounting for between a quarter and a third of total industrial output; even the SED-organ Neues Deutschland admitted they were "the very heart of the economy and the most productive of all plants." 47 Basic and metal-working products made up over three-quarters of the combined deliveries, with an increasing proportion of chemical, heavy machinery, and electro-technical goods. One of the largest SAGs was a massive uranium-mining complex near the Czech border. 48 Half of the SAGs (the least important ones) were sold back to the GDR in 1947; 23 more were sold in 1950, and 66 more in 1952 (the final 33 were returned for nothing in 1953). 49 As much as two-thirds of their total output was diverted to Soviet purposes, whether delivered to the Soviet Union as "reparations" or to the Soviet Military Administration in Germany as "occupation costs." 50

The secrecy shrouding the entire reparations process has precluded any precise accounting of Soviet gains. But Heinz Köhler's figures, based on leaked documents, official statements, and informed guesswork, continues to

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46 Soviet Military Administration of Germany, Order no. 32, February 1948, quoted by Köhler, Economic Integration, 43 fn 2.


49 Köhler, Economic Integration, 46 fn 22.

50 Goods delivered to the SMAG were often transshipped to the Soviet Union.
be accepted by other experts as reasonable ball-park estimates.\textsuperscript{51} Chart 1 shows Köhler's breakdown for the components of reparations into dismantled plant (valued at Germany's loss), SAG deliveries directly to the Red Army, SAG shipments to the Soviet Union, Uranium, and labor services in East Germany. Not included is the incalculable value of the labor provided by hundreds of thousands of German prisoners of war held in the Soviet Union after the war, or the 20,000-40,000 German scientists and technicians deported in October 1946 to work there and train Soviet engineers. Equally incalculable, but certainly significant, was the value of appropriated German blueprints and licenses to the Soviet economy.\textsuperscript{52} Although German reparations amounted to less than one percent of Soviet GNP, they represented a large share of East German GNP. As the East German economy recovered, the proportion fell from 33\% of East German GNP in 1947 to 18\% in 1953.\textsuperscript{53} Expressing Soviet reparations in dollars is more difficult because of purchasing power uncertainties; estimates range from $9 to $15 billion prewar dollars.\textsuperscript{54}

\begin{footnotesize}
\begin{samepage}
\textsuperscript{51} Köhler, Economic Integration, ch. 1; Horvath, "Grant Elements;" Marer, "Soviet Economic Policy."

\textsuperscript{52} V.L. Sokolov, Soviet Use of German Science and Technology, 1945-1946 (New York: 1955). Many German scientists freely went to the Soviet Union, often the highest bidder for their services; see Tom Bower, The Paperclip Conspiracy: the Hunt for Nazi Scientists (Boston: Little, Brown, 1987), ch. 7-8 passim.

\textsuperscript{53} Köhler, Economic Integration, 32-35.

\textsuperscript{54} Using prewar exchange rates, Köhler calculated that East Germany's total loss of 63 billion nominal Deutschmarks was equivalent to $19.3 billion prewar dollars, but since the prewar RM was overvalued by 30\%, $15 billion would be closer to the mark. Marer used Köhler's data (less labor services and lower dismantling figures--about 10\%) and postwar GDR/USSR/USA exchange rates to arrive at a figure of $16.8 postwar dollars, or about $9 billion in prewar dollars. See Köhler, Economic Integration, 29, 257; Marer, "Soviet Economic Policy," 161-62; On the overvaluation of the RM, see The Economist (19 Feb 38); cf. Cairncross, The Price of War, 217.
\end{samepage}
\end{footnotesize}
Chart 1. Soviet Reparations from East Germany, 1945-1960, in current DM (millions)\textsuperscript{55}

The Soviet Union also took possession, as agreed with the Allies at Postdam, of Germany's assets in the ex-Nazi satellites of Hungary, Romania, and Bulgaria. Instead of dismantling these factories, the Soviet Union contributed them to "joint" enterprises. Although the bloc partner provided most of the labor, raw material, and often the capital as well, control remained in Soviet hands, allowing an unfair division of profits. Joint enterprises were most substantial in Romania, mainly in oil and coal extraction, transport, metalworking, banking, and insurance. Soviet-Hungarian bauxite, oil, and transport enterprises, and Soviet-Bulgarian mining, aviation, shipbuilding, and construction enterprises also provided further profits to the Soviet Union.

\textsuperscript{55}Based on Köhler, Economic Integration, 25-28. RM before 1948. The sale price of the SAQGs is not separated out, but is reflected in the further deliveries it bought. For conversion to real DM or prewar dollars, see 49, 257. Similar totals appear in Hartmut Zimmermann, ed., DDR Handbuch, 3rd ed. (Köln: Verlag Wissenschaft und Politik, 1985), 1121-22.
The Soviet Union reaped final additional gains from these joint enterprises by gradually selling off its shares above worth to the host countries.\textsuperscript{56}

Poland, though a liberated rather than an enemy country, was also forced to subsidize Soviet reconstruction. In a 1945 accord negotiated with the "Muscovite" Polish regime, the Soviet Union agreed to give Poland 15\% of reparations collected from Germany as well as all German property in Poland, including in former German territory. In return, the Poles agreed to sell 6.5-13 million tons of coal per year at a tenth of its market price. The Soviet Union neglected to abide by its part of the bargain (it seized booty in Poland's new territories and shared hardly any of its German reparations), but Poland continued to deliver cheap coal to the Soviet Union until 1956.\textsuperscript{57}

Table 2 conveys the level of magnitude of Soviet subventions from Eastern Europe. Nine-tenths of the burden fell on East Germany, and most of this had been transferred by the end of 1953. The omission of burdens on other countries due to poor data (on Czech and Hungarian uranium, deliveries to the Red Army in Hungary and Romania) somewhat inflates East Germany's share; on the other hand, only East Germany had lost thousands to Soviet forced-labor camps. The figures for dismantled capital ("Booty") are assessed in terms of their value to the Soviet Union, which was on average a third of lost value. There is little information on price discrimination other than the extreme case of Polish coal, so only the latter is included in Table 2 (under "Deliveries"). But anecdotal evidence "suggests strongly that the Soviet Union

\textsuperscript{56}Nicolas Spulber, \textit{The Economics of Communist Eastern Europe} (New York: John Wiley & Sons, 1957), 182-94. Marer, "Soviet Economic Policy," 141-3. Germany's Balkan-Danubian assets had increased during the war with the purchase--with "occupation costs" funds, of course--from the Nazi-occupied countries of Western Europe. The wartime devastation of Soviet fields and refineries gave the Soviet Union an intense hunger for oil, explaining policy in Hungary, Romania, Austria, and the drive into Iran.

\textsuperscript{57}Spulber, \textit{Economics of Communist Eastern Europe}, 176-78.
under Stalin used every chicanery in the book to obtain favorable prices.\textsuperscript{58} Soviet political dominance allowed it to buy goods at below world-market prices from Eastern Europe, and sell its own goods there at high prices. The imposed bilateral trading patterns meant that the Soviet Union could even take a cut on intra-East European trade, for example by selling Hungarian bauxite bought at $7/ton to Czechoslovakia and the GDR for $12/ton.\textsuperscript{59}

Finally, Table 2 does not include other occupied territories subject to Soviet postwar depredations, like Manchuria and eastern Austria. Although the Allies considered Austria a "liberated" rather than an "enemy" country, they occupied it to ensure its de-Nazification. The Soviet Union, after an extensive trophy campaign, proceeded to expropriate German businesses, oil fields, and other property in its zone of occupation. These holdings, like the East German SAGs, produced almost a third of industrial output in eastern Austria. But because of the autonomy of the Austrian government, the Soviet Union was unable to force it to foot the bill as it had in East Germany. Instead, the Soviets bought this output at just above cost. While the profit margin is hard to ascertain, the NSC estimated that the Soviet Union was draining $100 million a year from the Austrian economy.\textsuperscript{60} Finally, the Austrians had to buy out this Soviet sector for $150 million as a condition of the Soviet departure in 1955.\textsuperscript{61} Soviet gains from Austria probably totalled about $2 billion.\textsuperscript{62}

\textsuperscript{58}Marer, "Soviet Economic Policy," 147.
\textsuperscript{61}Cronin, Great Power Politics, 154.
Table 2. Soviet Exactions and Aid, Eastern Europe 1945-1960  
(millions of nominal dollars)63

<table>
<thead>
<tr>
<th>Country</th>
<th>Booty</th>
<th>Deliveries</th>
<th>Sale of SAG/IEs</th>
<th>Gross Gain</th>
<th>Aid</th>
<th>Soviet Net Gain</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDR</td>
<td>1,333</td>
<td>15,063</td>
<td>453</td>
<td>16,849</td>
<td>62</td>
<td>16,787</td>
</tr>
<tr>
<td>Romania</td>
<td>333</td>
<td>880</td>
<td>200</td>
<td>1,413</td>
<td>58</td>
<td>1,355</td>
</tr>
<tr>
<td>Hungary</td>
<td>333</td>
<td>449</td>
<td>150</td>
<td>977</td>
<td>99</td>
<td>878</td>
</tr>
<tr>
<td>Poland</td>
<td>unk.</td>
<td>626</td>
<td></td>
<td>626</td>
<td>842</td>
<td>-216</td>
</tr>
<tr>
<td>Bulgaria</td>
<td></td>
<td></td>
<td>6</td>
<td>6</td>
<td>89</td>
<td>-83</td>
</tr>
<tr>
<td>Czech</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>16</td>
<td>-16</td>
</tr>
<tr>
<td>total</td>
<td>2,000</td>
<td>17,018</td>
<td>809</td>
<td>19,871</td>
<td>1,166</td>
<td>18,705</td>
</tr>
</tbody>
</table>

Soviet economic policy shifted during 1953-1956. The Soviet Union cancelled outstanding reparations debts from Hungary and Romania in January 1953. A Soviet-GDR meeting in the August after the June uprising eased the Soviet economic burden considerably. Outstanding reparations debts (an alleged $7 billion) were to be canceled at the end of the year, occupation costs were reduced (though they still continued until 1959), and the 33 remaining SAGs were returned (except the uranium mines, which became a joint Soviet-German enterprise). The Soviets also granted the GDR emergency credits and aid.64

Soviet policy shifted once again after the Polish riots and Hungarian revolt of 1956. The Soviets cancelled a Polish debt of $626 million dollars--an


63 Marer, "Soviet Economic Policy," 161-62. I have excluded the release of SAG/joint-enterprises and related debts, as well as reparations cancellations (Marer excludes only the latter). Soviet profits from SAGs and joint-enterprises are included under deliveries. Does not include German property seized in Poland or Czechoslovakia, gains from Czech and Hungarian uranium, unfavorable trading practices (except Polish coal), nor the deliveries to the Red Army in Hungary and Romania--all unknown.

64 The GDR decisions were announced in the August following the June uprising. See Ann L. Phillips, Soviet Policy Toward East Germany Reconsidered: the Postwar Decade (New York: Greenwood Press, 1986), ch. 5.
amount supposedly equivalent to past Soviet profits on underpriced Polish coal. Two billion dollars worth of credits were extended to Eastern Europe at interest so low that they represented a grant of $540 million. Finally, Hungary, Romania, and Bulgaria were given the Soviet shares in remaining joint-enterprises, and unpaid debts for already liquidated shares were forgiven ($447 million, $710 million, and $45 million respectively). 65 Since these assets were originally indigenous or German, this part of the Soviet relief package, like the earlier cancellation of reparations debts, doesn't qualify as a real transfer of resources (and are excluded from Table 2, "Aid"). The Soviet gains from Eastern Europe through the mid-1950s were thus only slightly offset by Soviet aid in the late 1950s.

Growth, Stagnation, and Soviet Subsidies, 1945-1985

The GDR's reparations hemorrhage sapped its economic growth dramatically. Soviet dismantling sharply reduced the capital stock needed for production, and deliveries from current production left little surplus for reconstruction. In addition to any gain or loss in the transition to a centrally planned economy, GDR's growth also suffered from a loss of population and the severing of integral economic ties with the rest of Germany. 66 East German GNP suffered accordingly, failing to reach 1936 levels until 1954. 67


Table 3. Eastern European GNP Indexes (1965=100)\textsuperscript{68}

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDR</td>
<td>50</td>
<td>43</td>
<td>60</td>
<td>87</td>
<td>100</td>
<td>117</td>
<td>138</td>
<td>155</td>
<td>170</td>
</tr>
<tr>
<td>Czech.</td>
<td>53</td>
<td>55</td>
<td>65</td>
<td>91</td>
<td>100</td>
<td>118</td>
<td>140</td>
<td>155</td>
<td>168</td>
</tr>
<tr>
<td>Hungary</td>
<td>49</td>
<td>47</td>
<td>61</td>
<td>83</td>
<td>100</td>
<td>116</td>
<td>138</td>
<td>152</td>
<td>158</td>
</tr>
<tr>
<td>Poland</td>
<td>50</td>
<td>51</td>
<td>64</td>
<td>80</td>
<td>100</td>
<td>122</td>
<td>166</td>
<td>172</td>
<td>177</td>
</tr>
</tbody>
</table>

The rest of Eastern Europe recovered rapidly in the early postwar decades, as did the GDR after 1953 (see Table 3). High growth rates were achieved through extensive development, i.e., the mobilization of human and material resources into industry. Between 1950 and 1970, the non-agricultural work-force increased from 46% to 74% in Hungary, 43% to 63% in Poland, 62% to 76% in Czechoslovakia, and 76% to 87% in the GDR.\textsuperscript{69} The rapid expansion of the industrial base was financed through high rates of investment, ranging over 1950-1963 between 24% and 27% of GNP in Hungary, 21-28% in Poland, 24-28% in Czechoslovakia, and (after 1953) 19-24% in the GDR.\textsuperscript{70} Human capital was not neglected; whereas in the prewar years there were only 50,000 students in higher education in Poland (1/500), 13,000 in Hungary (1/700), and 29,000 in Czechoslovakia (1/425), by 1970 their numbers had swelled to 330,000 (1/100), 86,000 (1/120), and 107,000 (1/130).\textsuperscript{71}


\textsuperscript{71} Connor, Socialism's Dilemmas, 206.
This development, however impressive, was tailored to suit Soviet strategic interests, especially in the period immediately after the outbreak of the Korean War. Heavy industries—metallurgical, chemical, engineering, and especially military—were stressed at the expense of light, consumer-oriented industries. Arms production increased seven-fold in Czechoslovakia between 1948 and 1953, and Polish officials later looked back at this period as "the creation of a half-war economy in 1951-53."\(^7^2\) It is possible that Soviet economic development policy for Eastern Europe was motivated by the example of its own "great leap forward" of the 1930s, or by the desire to make Eastern Europe dependent on Soviet raw materials.\(^7^3\) But the fact that the East European five-year plans were intensified at a peak in Cold War tensions suggests that Stalin sought to establish a military-industrial base in Eastern Europe that would serve as an extension of his own, and thus prepare the Soviet Union for a massive arms race and even total war.

The "New Course" adopted after Stalin's death permitted Eastern Europe to relax and diversify its economic development, and living standards in 1954 once again reached 1950 levels.\(^7^4\) Still, Eastern European and Soviet development kept pace with Western European growth rates in the 1950s. But in the 1960s it slipped further behind. In the 1970s, Hungary and Poland matched growth rates in several Western European countries (Austria and Italy), but more industrialized GDR and Czechoslovakia, having exhausted the possibilities for extensive growth, continued to slide relative to the more


\(^7^3\)Ibid., 159.

industrialized Western European countries (except for Great Britain). But growth rates declined in the latter half of the 1970s; the ruling regimes reduced investment and borrowed from East and West to maintain living standards. The results were catastrophic in Poland, whose GNP actually shrank about 10% between 1979 and 1982. East European growth rates remained sluggish throughout the 1980s, making evident the failure of communism's promise to surpass or even match the West in economic development (see Table 4). By the 1980s the Soviet empire had clearly become what Seweryn Bialer aptly dubbed the "Greater East European Co-Stagnation Sphere."

<table>
<thead>
<tr>
<th>Country</th>
<th>GNP (billions of $)</th>
<th>GNP per capita ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDR</td>
<td>99.2</td>
<td>5,910</td>
</tr>
<tr>
<td>Czech.</td>
<td>72.7</td>
<td>4,740</td>
</tr>
<tr>
<td>Hungary</td>
<td>41.2</td>
<td>4,390</td>
</tr>
<tr>
<td>Poland</td>
<td>133.6</td>
<td>3,730</td>
</tr>
<tr>
<td>USSR</td>
<td>1,117.1</td>
<td>4,190</td>
</tr>
<tr>
<td>FRG</td>
<td>629.2</td>
<td>13,590</td>
</tr>
<tr>
<td>Austria</td>
<td>80.8</td>
<td>10,230</td>
</tr>
</tbody>
</table>

The Soviet-East European economic relationship had reversed itself since the early postwar years. In the 1970s, the Soviet Union began implicitly subsidizing Eastern Europe by selling cheap (i.e., sub-world-market prices) Soviet oil and other raw materials for overpriced East European manufactured goods. Uncertainties about CMEA prices, exchange rates, and the "real"

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76 GNP figs in Brown, Eastern Europe and Communist Rule, 504.
78 Marer, Dollar GNP, 18-19, 86-87, 104-5.
79 Prices for intra-bloc trade are pegged to moving world-market averages of the past five years; this practice temporarily shielded Eastern Europe from the skyrocketing fuel
value of goods exchanged make it difficult to determine the total resources transferred, and leave considerable room for interpretation of the extent of the subsidies. Marrrese and Vanous have estimated the Soviet "implicit" trade subsidies to Eastern Europe at $196 billion (1984 dollars) from 1970 through 1984. At their peak in 1980, they represented 1.6% of Soviet GNP. Marer has argued that insufficient data on Eastern European manufactures, and biases in the Marrrese-Vanous estimates of their value, vitiate 60% of their subsidy figures. Different approaches, based on price changes over time to avoid unreliable estimates of absolute prices, estimate Soviet subsidies totalling $29-37 billion for the same period.

prices of the mid-1970s. Manufactures tend to be overpriced in CMEA trade, Marrrese and Vanous argue, because--unlike for raw materials--there is considerable ambiguity in equivalent world market prices for these goods. CMEA negotiators are able to exaggerate the value of their manufactures by comparing them to analogous--but higher quality--Western products.


Marrrese and Vanous, "Content and Controversy," 198 ("baseline" estimate); Table 3 above.

Marer, "Political Economy," 174-80. The bias comes from using East-to-West prices of Soviet-bloc goods, which are reduced by trade discrimination and Bloc inefficiencies, factors that would not affect Soviet purchases of western goods.

The Soviet Union also supported Eastern Europe with long-term, low-interest loans. Since the interest on Soviet loans (6.5-7%) was well below both world-market rates and CMEA inflation rates (both about 10%), Soviet credits to Eastern Europe involve considerable subsidies as well. By 1984, the total Soviet committed credit subsidies had reached $17.5 billion (1984 dollars).

**Interpretations**

**Buying Political Stability?**

Although there is no doubt that the Soviet Union was able to extract economic resources from East Germany and other East European states in the immediate postwar period, the flow of resources halted in the mid-1950s and then began flowing out from the center in the 1970s and 1980s. This can be interpreted as support for the liberal view of conquest and empire. If political stability depended on East European regimes meeting the demands of their peoples for advancing living standards, then maintaining control over Eastern Europe required halting economic depredations and ultimately costly outlays.

Bunce, for example, argues that East European regimes' illegitimacy (due to their foreign parentage) made them unable to resist social pressure, especially from workers, for improved living standards. The fusion of state and economy in CPEs, she argues, placed the responsibility for economic performance entirely on the shoulders of the state. Bunce and many others grant that the East European regimes were secure as long as they could

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guarantee steady improvement in living standards, i.e., as long as they fulfilled their end of a "social contract" exchanging passivity for bread. But economic downturns, from whatever cause, imperiled the regimes. Workers, moreover, had "considerable resources to transform anomic anger into cohesive concerns and cohesive actions." Similarity of interests, concentration in large factories, and guaranteed employment all make worker protests effective instruments of pressure.

Thus the conventional wisdom holds that Moscow moderated its East-Europe policy to buy political stability in the empire. This view is certainly consistent with events. The Soviet cancellation of East German, Hungarian, and Romanian reparations followed hard on the heels of the German and Czech riots of 1953. And the Polish and Hungarian revolts of 1956 were followed by the halt (and partial redressing) of the exploitation of Polish coal and a cancellation of further East German, Rumanian, and Hungarian debts. Moreover, the shift in strategy seemed to pacify the more dangerous urban discontent, at least for a time. Drawing on the work of Marrese and Vanous, Bunce argues further that fear of unrest compelled the Soviet Union to prop up its tottering satellites with trade and credit subsidies in the 1970s. By the early 1980s, "the empire had become a burden, limiting rather than expanding Soviet power at home and abroad." This has become a common explanation for Soviet willingness to see the bloc collapse in 1989.

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86 See, e.g., Connor, Socialism's Dilemmas, 192.
This is a plausible account, but one open to several objections. First, the strength of "worker power" and "civil society" must be weighed against forty years of overall impotence. If workers were so powerful, why were their outbursts so few and far between? Worker outbursts were facilitated, as Bunce points out, by similarity of interests and concentration in factories, but they were also severely constrained by organizational repression and the collective action problem. As argued above, labor disturbances escalated into major incidents only when the party leaderships and their repressive apparatuses were in disarray. Soviet military power held this "power mafia" together fairly well for over forty years. While most observers have been inclined to stress the fragility of Eastern European communist regimes since their fall, they were of another mind not long before. The 1988 edition of a standard Western textbook on the GDR, for example, stated that "it is apparently one of the world's most stable regimes."\footnote{Childs, GDR, xii.}

The fact that economic policy shifted so quickly after the East European disturbances appears to support the liberal view, but this does not make these disturbances a sufficient cause for the shift.\footnote{The "New Course" was initially pressed on Eastern Europe immediately after Stalin's death, i.e., before the June 1953 uprising. Still, one could argue that the Soviets were acting to prevent unrest.} Stalin's death in March 1953 certainly permitted overdue changes in Soviet domestic policy, such as the "New Course," so it is plausible that it affected foreign policy as well. The Soviet leadership may have already decided to shift from a "farming" to a "fattening" strategy, because its time horizon had lengthened. As pointed out in chapter 1, a long time-horizon encourages growth over extraction in order to build up trading partners and maximize the total military-industrial capacity available in the event of war. The successful reconstruction of the
Soviet economy made extraction far less urgent in 1953 than it had been in 1945. Moreover, the solidifying division of Germany meant that the Soviet Union would have an East German ally for a long time. While it is hard to tell exactly when Stalin really gave up on the prospect of reunification, he was floating proposals for it right up to the establishment of the Federal Republic in May 1952. East European unrest was thus not the only reason the Soviets had in the early 1950s for changing its economic policy.

Finally, with around 5% of the East European GNP's being spent on militaries ostensibly under Soviet control, extraction was continued by other means. It is unclear just how valuable the East European military establishments were to the Soviet Union. Most western analyses were based on a worst-case assumption that they would fight under Soviet command, but opinions varied over the likelihood of their doing so. The more alarmist studies suggested that the Soviet Union viewed the northern tier as "a significant contribution to Soviet military power...earmarked for an active mechanized ground-and-air combat role in military operations in Europe;" operations, moreover, involving "a Soviet-led, rapid, massive, offensive strike into NATO territory in the event of a European war." The East German military was considered most reliable; the Polish, Czech and Hungarian militaries were considered less so, because of past actual or threatened Soviet intervention of their countries.

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95 Enthusiastic about the East German Army were Johnson, Dean, and Alexiev, *East European Military Establishments* and Douglas A. MacGregor, *The Soviet-East German Military Alliance* (New York: Cambridge University Press, 1989); more hedged was Henry Krisch, "German Democratic Republic," in Daniel N. Nelson, ed., *Soviet Allies: The
In fact, there was little evidence for making a prediction one way or the other. Still, the Soviet leadership must have found the East European militaries at least somewhat valuable, for it is hard to understand why they would have fostered their creation and modernization in the first place. East European military expenditures were over twice Soviet subsidies over 1974-1984 (see Table 5). If, in terms of expected military utility to the Soviet Union, East European militaries were worth at least half of what Eastern Europe was paying for them, it would be wrong to call the subsidies a net drain on the Soviet Union.

Table 5. East European GNPs, Military Expenditures, and Subsidies, totals over 1974-1984 (in billions of 1983 dollars)

<table>
<thead>
<tr>
<th>Subsidies</th>
<th>Mil. Expend.</th>
<th>GNP</th>
<th>Sub./GNP</th>
<th>ME/GNP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech.</td>
<td>40.7</td>
<td>73.0</td>
<td>1,288.6</td>
<td>3.2%</td>
</tr>
<tr>
<td>E. Germany</td>
<td>52.0</td>
<td>97.8</td>
<td>1,621.0</td>
<td>3.2%</td>
</tr>
<tr>
<td>Hungary</td>
<td>19.7</td>
<td>34.1</td>
<td>784.3</td>
<td>2.5%</td>
</tr>
<tr>
<td>Poland</td>
<td>35.1</td>
<td>129.1</td>
<td>2,408.0</td>
<td>1.5%</td>
</tr>
<tr>
<td>Total</td>
<td>147.5</td>
<td>334.0</td>
<td>6,101.9</td>
<td>2.4%</td>
</tr>
</tbody>
</table>


Furthermore, Bunce's claim that the Soviets used subsidies to keep East European regimes from economic and political bankruptcy is hard to reconcile with the distribution of subsidies among the regimes. If the Soviet Union was concerned about political stability, Poland should have received the most subsidies, while East Germany, Czechoslovakia, and Bulgaria hardly needed any. In fact, East Germany received the largest subsidies, followed by Czechoslovakia, Poland, Bulgaria, Hungary, and Romania; the ranking by subsidy-per-capita is: East Germany, Bulgaria, Czechoslovakia, Hungary, Poland, and Romania. Based on distribution, Marrese and Vanous interpret the subsidies as rewards for the loyalty of the most geopolitically important allies, but Poland certainly deserved higher subsidies on that score. Brada points out that the ranking matches historical trade patterns, stemming from natural resource and capital endowments, while Marer stresses the difficulty of changing the institutionalized CMEA pricing mechanisms which gave rise to the subsidies in the first place.

Although there is much debate over the amount and intent of Soviet subsidies, it is clear they existed, and, if the Marrese-Vanous figures are right, were significant. But it would be hasty to infer that this burden led, much less forced, Gorbachev to dissolve the empire. The Soviet leadership may have

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99 Ibid., 192-201.
101 Indeed, some argue that Gorbachev never intended to dissolve it at all, rather that his efforts to reform the bloc were not intended to dissolve it, but opened a Pandora's box of anti-Soviet, anti-Communist forces. Coit Blacker, "The Collapse of Soviet Power in Europe," Foreign Affairs 70:1 (1990/91): 88-102; Brown, Surge to Freedom, ch. 2. But if Gorbachev, like western observers, foresaw neither the speed nor the extent of the communist collapse in Eastern Europe, he must have been resigned to the possible loss of Soviet hegemony in the region, so obviously underpinned by the everpresent threat and intermittent use of military intervention.
decided that East European territory, armies, and even military-industrial capacity, which seemed so crucial in the aftermath of World War II, had become superfluous to the Soviet Union's security once it developed a secure, second-strike retaliatory capability. Gorbachev's generation, which had little or no direct experience of World War II and came to power a decade after the Soviet Union achieved nuclear parity, may have concluded that a "mighty nuclear shield" was enough.\textsuperscript{102} Other sovietologists stress that Moscow abandoned Eastern Europe to improve relations with the West, because solving domestic economic problems required greater participation in the world economy and a reduction in military spending.\textsuperscript{103} Finally, the liberalization of the Soviet Union itself may have dictated "freedom of choice" in Eastern Europe. For domestic-political, moral, or international reasons, Gorbachev may have been unwilling to increase repression in Eastern Europe while ending it at home.

\textsuperscript{102}The words of then Chief of the General Staff, Mikhail Moiseyev, defending "minimal sufficiency," in Izvestia, April 5, 1991; Raymond L. Garthoff, Deterrence and the Revolution in Soviet Military Doctrine (Washington: Brookings Institute, 1990), 119-20, 159-60, 192. Garthoff, however, vacillates between saying that a shift in military doctrine led Gorbachev to permit the loss of Eastern Europe, and vice-versa. Despite Khruschev's nuclearization of the Soviet military in the early 1960s, Soviet military doctrine was slow to adopt a "nuclear revolution" view. Khrushchev met stiff resistance from the High Command, and under Brezhnev Soviet doctrine went the other way, towards preparing for non-nuclear or limited nuclear war. See Phillip A. Petersen and John G. Hines, "The Conventional Offensive in Soviet Theater Strategy," Orbis 27:3 (Fall 1983): 695-739; James M. McConnell, "Shifts in Soviet Views on the Proper Focus of Military Development," World Politics 37:3 (April 1985): 317-43; Garthoff, Deterrence, ch. 3.

Explaining Stagnation

If East European economic failure was an inevitable consequence of Soviet domination, this would strengthen the liberal claim that conquered economies wither. It would also turn the "social contract" hypothesis about East European stability into a more general critique of empire. For even if it is true that the Soviets provided subsidies to stabilize Eastern Europe, Bunce and others admit that it was the underlying economic failure which made such a diversion necessary. This implies that dynamic economic performance would have forestalled internal unrest, precluded the need for Soviet subsidies, and left the Soviet bloc intact.

Some scholars have argued that the repression required for Soviet control prevented Eastern Europe as well as the Soviet Union from attaining high-technology-based growth. Bates argues that authoritarian societies could prosper in their smokestack-stage of growth, "when firms that used high proportions of plant and machinery relative to human skill." But they are unable to master "forms of production that require a high level of human capital" because "skilled people are in a strong position to bargain for the devolution of power. For they can refuse to use their skills, leaving governments that have invested in their education with a declining economy, incapable of competing in global markets."104 In other words, further modernization required democratization.

Van Evera also argues that authoritarian rule hobbles post-industrial productivity, but he stresses the role of information exchange rather than recalcitrant technocrats. Authoritarian regimes cannot tolerate open

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discourse and information technologies like photocopiers and computers, which "carry subversive ideas." Yet free-flowing information is essential for advanced forms of production. Thus:

The Soviet economy hit the wall partly because Soviet means of political control now collide with the imperatives of post-industrial economic productivity. The Soviet Union had to institute glasnost and other democratic reforms if it hoped to restart its economy, because the police measures required to sustain the Bolshevik dictatorship would also stifle Soviet efforts to escape the smokestack age.105

Since Soviet hegemony in Eastern Europe also required repression, it inevitably stifled productivity there as well.

Both arguments have a ring of plausibility. But specialized studies on Soviet-type economies lay the blame for their poor performance entirely on their economic rather than their political structure. While able to mobilize economic resources for impressive extensive growth of smokestack industries, centrally planned economies (CPEs) have proven unable to match the intensive growth of the leading market economies. Large advanced economies are simply too complex to be efficiently coordinated by a bureaucracy, no matter how large and clever. In place of market-determined prices, centrally determined prices fail to allocate resources and investments efficiently according to supply and demand. With arbitrary prices in place, efficiency is difficult to measure; and what is difficult to measure is hard to reward. CPEs thus chronically fail to provide enterprises with incentives for efficiency, innovation, and quality. Thus Khruschev's famous complaint: "It has become the tradition to produce not beautiful chandeliers to adorn homes, but the heaviest chandeliers possible. This is because the heavier the chandeliers

produced, the more a factory gets since its output is calculated in tons.\textsuperscript{106} When compounded by incompetence and mismanagement, like that of the Girek regime in the late 1970s, CPEs make economic crises inevitable.

There is further reason to doubt the importance of political factors. First, there is no evidence that Soviet or East European skilled technicians withheld their skills as a means of exerting political pressure. Of course many would have liked to emigrate, but few had the option of "exit."\textsuperscript{107} The problem was that the system was incapable of economically motivating the optimal use of technical knowledge. At the level of the individual worker, the old Soviet-bloc saw, "They pretend to pay us and we pretend to work," sums up nicely the combined effect of inadequate incentives and monitoring inherent in CPEs.

Second, there is also little evidence that productivity was hindered by the repression of information. Most scientific and technical information and technologies are in fact politically neutral--biotechnology journals and industrial microcomputers have marginal subversive potential. The boundary between the political and the scientific has not always been respected by communist regimes, most egregiously in the Lysenko affair, but there is no


\textsuperscript{107}Of course, exit from the economy is not the same as labor mobility among enterprises, which is high in tight but unfettered labor markets, such as the Soviet Union's. A guaranteed employment policy allows a high level of underemployment, which might reflect worker exit or just indolence, but such a policy is independent of a society's repressiveness. See Gordon S. Bergsen and Russell Bova, "Worker Power Under Communism: The Interplay of Exit and Voice," Comparative Economic Studies 32:1 (Spring 1990): 42-72.0
evidence of systematic problems. Personal computers and photocopiers may be somewhat more subversive, with their potential to create home printing-presses. The available evidence suggests that personal computers were scarce because CPEs could not mass-produce them, not because they were illegal.\textsuperscript{108} Photocopiers were more tightly controlled in the Soviet Union. But the extent to which this control has hindered the exchange of technologically and economically important information, as opposed to politically dangerous information, remains unclear.\textsuperscript{109} In fact, it may well be that information technologies make authoritarian political control easier rather than harder. The classic analyses of totalitarianism stressed its reliance on modern technology, not only in weapons and mass communications, but also on "technically enhanced possibilities of supervision and control of the movement of persons."\textsuperscript{110} Bar codes, magnetic stripes, miniature microphones, video cameras, and computerized data banks all have ominous Orwellian implications in the hands of a repressive secret police.

Soviet ideology made it inevitable that the Soviet Union would impose CPEs on the societies it dominated after World War II. But nobody would argue that all empires or authoritarian regimes require the imposition of centrally planned economies. Thus the common argument that Gorbachev needed glasnost to break down the bureaucratically entrenched Soviet CPE and thus improve productivity, even if correct, still does not tell us much about non-CPE


\textsuperscript{110}Carl J. Friedrich and Zbigniew K. Brzezinski, Totalitarian Dictatorship and Autocracy (New York: Praeger, 1956), 11.
societies. The fact that CPEs cannot be reformed without political liberalization does not mean that political liberties are necessary for intensive development in authoritarian market economies. At least a few authoritarian societies, e.g., Singapore and Taiwan, seem to have succeeded in entering the information age without democratization.

One might instead argue that the expense of the repressive apparatus itself drained economic performance. After all, communist rule required policemen, informers, censors, prosecutors, judges, and jailers of dubious productivity, as well as the imprisonment of thousands of (mainly skilled) workers. On the other hand, the political police in Poland and Hungary, who were by far the largest part of the security apparatus, amounted to .2% and .3% of their respective populations.\footnote{112}{Based on numbers cited above in text, not incl. border guards.}

Any simple connection between repression, economic stagnation, and political instability in Eastern Europe belied by the fact that the most economically advanced states were also the most repressive and stable. By all accounts, East Germany and post-1968 Czechoslovakia were more repressive than Poland and Hungary. Yet is was relatively liberal Poland that remained the most economically backward of the four, while the technological wonder of socialism, East Germany, was the least tolerant of dissent.\footnote{113}{Sodaro, "Limits to Dissent in the GDR," 89.} Relatively highly developed East Germany and Czechoslovakia of the 1980s were the most glacially placid countries in Eastern Europe.

\footnote{111}{A pre-Gorbachev Soviet version of this argument is Tatanya Zaslavskaya, "The Novisibirsk Report," \textit{Survey} 28:1 (Spring 1984): 88-108. For a critique, see Judy Bait, \textit{Economic Reform and Political Change in Eastern Europe: A Comparison of the Czechoslovak and Hungarian Experiences} (New York: St. Martin's, 1988), who argues (p. 45) that the "marketisation [of communist societies] is possible without the collapse of one-party rule and democratic revolution; and that the costs of avoiding democratic political transformation need not be intolerably high."}
Conclusions

The decline and fall of the Soviet Empire will be seen by many as demonstration of the futility of conquest. But in fact, this case provides at least some further support for the soft realist view. The Soviet Union was able to maintain political control inexpensively through collaborating regimes; these in turn used atomizing repression to keep industrial, presumably nationalistic societies almost totally passive for forty years. The Soviet Union extracted considerable economic resources from East Germany in the early postwar period, providing further evidence that industrial economies can be intensively exploited. The empire became less profitable, but this was due less to nationalistic resistance than to a fattening strategy. The long postwar peace meant that the Soviet Union did not need to extract East European resources; given the ease of maintaining control, it made more sense to develop these economies in case of war down the road. This strategy failed primarily because the Soviet Union had imposed its own self-obsolescing economic structure on Eastern Europe at the outset.

The main disadvantages of the empire were external to it. Soviet domination over Eastern Europe had led to a massive opposing coalition of far greater strength, resulting in a net decrease in Soviet security. Still, war remained remote, but its very remoteness, and the likelihood of its being nuclear, made the empire still less of an asset. It seems likely, therefore, that the Soviet leadership gave up the empire not because of pressure from below and maintenance expenses, but because the reasons for seizing it in the first place had disappeared.
Chapter 7: Does Conquest Pay?

The Evidence and the Hypotheses

Each of the cases examined in this study provides an important bit of evidence for understanding the profitability of conquest, but taken together they tell us quite a lot. To begin with, they demonstrate that the hard geopolitical assumption that conquest always pays and pays well is mistaken. Germany was unable to squeeze much more than coal and scrap metal from Belgium and Northern France during World War I, and the French and Belgians got even less from the Ruhr during 1923 (though not in 1924). In both cases, nationalistic passive resistance paralyzed occupied economies, making them useless to the occupier (see Table 1).

Table 1. Conquerors' Successes and Failures in Economic Extraction

<table>
<thead>
<tr>
<th>Successes</th>
<th>Failures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxembourg WWI</td>
<td>Belgium, N. France WWI</td>
</tr>
<tr>
<td>Ruhr 1924 (20% of GNP)</td>
<td>Ruhr 1923</td>
</tr>
<tr>
<td>WWII Europe (25-40% GNP)</td>
<td></td>
</tr>
<tr>
<td>GDR 1945-1953 (25-30% GNP)</td>
<td>East Europe 1975-89?</td>
</tr>
<tr>
<td>Taiwan, Korea, Manchukuo</td>
<td>North and Central China</td>
</tr>
</tbody>
</table>
But the liberal view does not hold up under the evidence either. Germany exploited Luxembourg during World War I. The French broke the back of German resistance in the fall of 1923 and heavily exploited the Ruhr-Rhineland over the subsequent nine months. Even more damaging to the liberal case is the Nazi success in mobilizing Western Europe for the German war economy during World War II. Occupied France, Belgium, Netherlands, Norway, and Czechoslovakia, if not all mobilized to the same degree as Germany, became in effect part of a Nazi-run European war economy. The Soviet Union also succeeded in extracting over a quarter of East German GNP in early postwar reparations. The conquest of industrial economies clearly can pay very well in the short term. Each of these examples of success, except perhaps for Luxembourg, featured societies which were highly nationalistic and among the most industrialized of their day (if not by today's standards).

The Japanese and Soviet Empires are more ambiguous cases. Only during brief periods did they try, successfully, to intensively milk their peripheries: Japan during World War II and the Soviet Union in East Germany between 1945-55. The Soviets did much better because they were mobilizing a more highly developed economy; the least modern region examined here, North China, proved the most difficult to mobilize.

Otherwise, Japanese and Soviet "fattening" strategies meant that the Empires do not provide clear examples of attempted resource extraction. Still, the liberal view should not find comforting the fact that both Empires succeeded in achieving high rates of imperially managed industrialization without provoking rebellion. Furthermore, the ultimate failure of Eastern European growth was due mainly to clumsy economic structures, not nationalistic resistance. The Japanese Empire's capitalist economic development succeeded in achieving high rates of growth. It is difficult to
know whether Taiwan, Korea, and Manchukuo could have maintained such high growth -- especially in the absence of Japanese investment -- once they became as industrialized as, say, 1970 Poland. It is also unclear whether Japan could have maintained such a firm grip on its colonies, a grip much tighter than that of the Soviet Union over Eastern Europe. But if trends had continued to progress evenly, and the Allies hadn't interfered, Japan would have enjoyed a wealthy, prosperous empire.

The clear failures of economic extraction, Belgium and Northern France in World War I and the Ruhr in 1923, were due to the external support which materially sustained passive resistance. In both cases, especially in the Ruhr, there was also a high probability of their legitimate governments regaining sovereignty. But this was also the case in the "successes" of the Ruhr 1924 and post-Stalingrad Europe as well. The Ruhr case demonstrates the importance of "strike pay" most clearly. The collapse of the resistance mid-way through the occupation could not have been caused by a change in the degree of nationalism, the level of industrialization, the level of French repression, and the probability of Berlin's resumption of sovereignty, for all these remained constant. What changed in autumn was the value of the Reichsmark, and thus the flow of relief. In World War I Belgium, the effect of approaching famine on willingness to collaborate, and the fact that the Belgians provided coal to the Germans in order to produce some for themselves to keep from freezing, also suggest that it is simply human nature to collaborate to obtain the basic necessities of life.

Physical coercion alone does not appear sufficient to mobilize industrial economies. The threat of imprisonment and forced labor was insufficient to convince patriotic Belgians to serve Germany during World War I; the French in 1923 had no better success with the milder threat of deportation. By
combining coercion and economic compulsion, however, Nazi Germany achieved appalling success with industrial slavery during World War II. Physical coercion did appear sufficient to repress political resistance, even in the relatively highly developed societies of late-Cold-War Eastern Europe. None of the industrial societies examined here opposed foreign control with anything more than irritating harassment. The greatest successes of guerrilla warfare occurred in less developed regions: against the Japanese in North China and against the Nazis in the Balkans and in Russia. This suggests that guerrillas do poorly in densely populated areas, where communication and transport networks facilitate repression. The limited active resistance which emerged in France, for example, was much more successful operating out of the mountains of the Massif Central than out of Paris or Lyons, where the Gestapo and the collaborating French police relentlessly rooted out underground organizations.

Repression was not particularly costly compared with the gains from successful economic extraction. Moreover, the effects of repression on economic performance are not clearly significant. As just mentioned, the declining growth rates in Eastern Europe are largely attributable to the imposition of centrally planned economies; repression might have contributed to sluggish growth, but its effect is hard to demonstrate. One could argue that the imposition of centrally planned economies was necessary for maintaining political control, because private capital would inevitably gain political power and the Soviet-imposed communist regimes would lose the margin of legitimacy afforded by enforced social equality. But the bargaining leverage of private capital, when atomized by political repression, amounted to little in Nazi-occupied Europe. Soviet hegemony over Eastern Europe, which always relied more heavily on repression and coercion than on communist
legitimacy, might have been even more stable if better performing capitalist economies had been imposed.

The evidence, then, best supports the soft geopolitical hypothesis. Nationalism is important. Only World War I Luxembourg and World War II Czechoslovakia performed like loyal provinces, and here one would expect a lower level of nationalism anyway. Where external support was available, passive resistance resulted in significant failures of extraction. The most striking cases of success in economic extraction involved a high degree of atomizing repression. While repression was not always necessary to make conquest pay (e.g., Luxembourg and the Ruhr in 1924), it was obviously instrumental in the maintenance of control. Breakdowns in repression, for example, resulted in immediate rebellions in Eastern Europe. Liberal states are thus unlikely to make effective conquerors; the liberal view of conquest is true for a world of liberal states. But in a world of authoritarian or potentially authoritarian states, balancing against conquerors makes a good deal of sense.

**Containment**

The fact that conquest pays, under certain conditions, has important implications for international relations theory and practice. This study affirms the validity of the geopolitical reasoning behind the U.S. postwar policy of limited containment. Kennan was right: a Soviet Eurasia would be a geopolitical goliath. Geopoliticians' assumption of frictionless transfer of resources was obviously simplistic, but their basic point was not far from the mark.

This study does not justify precise predictions about the effect of nationalistic friction on the performance of conquered industrial nations.
Both the variation in rates of economic extraction and in rates of domestic war mobilization make it difficult to come up with a benchmark for "exploitability." But one can take a stab at it. Occupied Belgium and Netherlands, which were more fully mobilized than France, but less so than Czechoslovakia, contributed an average of 40% of their prewar GNPs to the German war effort. German, Japanese, and U.S. war expenditures in 1943 amounted to 85%, 58%, and 65%, respectively, of their 1940 GNPs.\footnote{Italian spending as a proportion of prewar GNP was far lower, for its GNP fell 15% between 1939 and 1943. Alan S. Milward, \textit{War, Economy & Society 1939-1945} (Berkeley: University of California Press, 1977), 97; cf. Angela Raspin, \textit{The Italian War Economy 1940-1943, with Particular Reference to Italian Relations with Germany} (New York: Garland, 1986).} The Low Countries thus spent over half what they would have as voluntary, committed allies of Germany. Thus for the sake of argument, the assumption that a vassal is worth economically half of a committed ally seems reasonable, although worst-case planners certainly would assume a higher degree of resource transfer.

What would this more conservative assumption have meant for a U.S. policy-maker during the Cold War? In the 1980s, the combined GNP of the United States, Canada, and NATO Europe was more than two and a half times that of the Soviet Union and Eastern Europe, over three times if Japan is included (see Table 2). But if the Soviet Union had conquered Japan and NATO Europe, and gained the equivalent of half their GNPs, NATO North America would have found itself facing a Soviet hegemon with economic resources superior by a third. Such a shift in the balance of power would have made a huge difference to the outcome of another world war, if long and non-nuclear like the first two, both of which were ultimately won by the coalition with greater economic-industrial muscle. The Cold War has ended, and in retrospect it
appears that the Soviet Union never had the slightest interest in conquering Western Europe or Japan. But the geopolitical premise was not a weak reed in the argument for Containment.

Table 2. GNP of Various Countries and Regions, 1986

<table>
<thead>
<tr>
<th>Region</th>
<th>GNP (billions of $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATO, North America</td>
<td>4,607</td>
</tr>
<tr>
<td>United States</td>
<td>4,161</td>
</tr>
<tr>
<td>Canada</td>
<td>446</td>
</tr>
<tr>
<td>NATO, Europe</td>
<td>3,710</td>
</tr>
<tr>
<td>West Germany</td>
<td>908</td>
</tr>
<tr>
<td>France</td>
<td>763</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>720</td>
</tr>
<tr>
<td>Italy</td>
<td>644</td>
</tr>
<tr>
<td>Spain</td>
<td>353</td>
</tr>
<tr>
<td>Netherlands</td>
<td>189</td>
</tr>
<tr>
<td>Belgium</td>
<td>133</td>
</tr>
<tr>
<td>Japan</td>
<td>1,658</td>
</tr>
<tr>
<td>Warsaw Pact</td>
<td>3,231</td>
</tr>
<tr>
<td>Soviet Union</td>
<td>2,357</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>874</td>
</tr>
</tbody>
</table>

Of course, the nuclear revolution may have made such calculations obsolete. If nuclear-armed Davids can deter invasion by geopolitical Goliaths, then the United States had no need to fear a Soviet takeover of France and Britain; or even if they capitulated, the United States could still deter direct attacks on North America. The validity of this argument depends on arguments about the robustness of nuclear deterrence (i.e., the stability-instability paradox) which are beyond the scope of this study. But even if

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nuclear weapons have made geopolitics obsolete, there remain regions of the world without nuclear weapons which may fall outside of great powers' spheres of interest. The lessons drawn here should encourage them to contain would-be regional hegemons.

Porcupine Defenses

This study suggests that porcupine strategies, violent or non-violent, are unlikely to work against repressive conquerors. Only massive external provision of the necessities of life can support a sustained passive resistance campaign. The determined conquerors studied here have had little difficulty suppressing guerrillas and saboteurs. Episodes of East European unrest, even in 1989, must be weighed against nearly a half-century of passivity and subservience.

It is simply unconvincing to point out the notable successes of popular resistance and argue that preparation and training would make "social power" the rule rather than the exception to the rule. Gene Sharp and others argue that judging the potential of popular resistance by the past record of spontaneous efforts involves a double standard, since no one would expect conventional defenses to work without preparation and training. But the reasons for the failure of resistance identified here suggest that preparation and training would make little difference. Preparation cannot overcome the collective action problem because organizations, no matter how well trained, can be dismantled by repressive conquerors. (Indeed, the one resistance organization which predated Nazi occupation, the Czech Obrana Naroda, was rapidly suppressed because of its high level of previous organization.) No amount of training can put food in the mouths of the hungry families of
striking workers. A system that distributed food to cities, or allowed for a mass return to the land, would be a prerequisite for successful resistance, but it is hard to imagine this working in the face of a conqueror's opposition.

Given the vulnerability of societies once occupied, it appears that the best way to prevent resource extraction by an invader is self-sabotage, because neither violent repression nor economic compulsion can prevent self-sabotage before an occupation is complete. Thus Stalin's scorched-earth policy in 1941, like Tsar Alexander's similar strategy against Napoleon, succeeded in reducing Hitler's immediate economic gains from occupied Russia. A declared policy of industrial self-immolation might also deter aggression motivated by greed for economic resources. Sweden actually threatened to blow up its iron-ore mining industry to deter German invasion during World War II, and the Swiss threatened to do the same to its Alpine tunnels upon any serious breach of neutrality.3 Calls in the United States to seize Saudi oil fields (following the 1974 OPEC price hike) were rebutted in a Congressional study that emphasized how the Saudis could cripple production for months by blowing up its wells and refineries (a similar threat, however, failed to deter the United States from evicting Iraq from Kuwait in 1991).4

3Martin Fritz, German Steel and Swedish Iron Ore, 1939-1945 (Göteborg: Institute of Economic History at Göteborg University, 1974); Foot, Resistance, 213.

War and Peace

Nationalism as a Restraint on Expansion

This study also shows that if conquest has become obsolete, it is not because successful conquest is economically futile. Conquest does not pay as a policy, but that is a function of the international system, not the impediments presented by nationalistic societies. It would be a mistake, however, to ignore nationalism as a restraint on territorial disputes (besides those involving national irredenta). This study has examined aims and expectations for only five episodes of conquest or occupation; a broader survey of states' beliefs about conquest is needed to draw any solid conclusions about changing war motives. But the cases examined do suggest that 20th century statesmen, some more than others, do recognize nationalism as an obstacle to expansion.

Wilhelmine Germany sought its colonial "place in the sun," but had few territorial ambitions on the continent for which it was willing to wage or risk war. Once in war German leaders did suddenly become enamored of their neighbors' territory. Even then their motives were strategic and domestic-political as well as economic, and their economic aims focused more on raw material supplies (the Lorraine iron fields) and markets (making Belgium an "economic dependency") than acquiring industrial capacity. German territorial ambitions were at least somewhat tempered by industrialists' uneasiness over the prospect of Belgian competition and politicians' uneasiness about how exactly to incorporate the conquered societies into the German Empire.

French territorial ambitions, prior, during, and after the war appear to have been even more strongly moderated by a lack of interest in acquiring German-speaking citizens. France sought the return of Alsace-Lorraine, and
in victory tried to weaken Germany through the separation of the Left Bank of the Rhine. But no French premier seriously contemplated annexation; even those who believed that Rhinelanders were not fully German had no illusions about their being French. Ruhr coke was highly coveted, but it lay even deeper in Germany, and French politicians recognized that reparations were the only acceptable way to get their hands on it.

Even the German and Japanese pre-World War II expansionisms were not aimed at conquering industrial societies. Hitler was quite sanguine about making conquest pay, but his warped understanding of geopolitics viewed German peasanctdom as the ultimate pillar of national strength. Thus Hitler sought above all stretches of Russian farmland; industrial raw materials held an attraction for him as well, but the importance of foreign industrial capacity does not appear to have occurred to him until the outbreak of the war. Hitler did not exactly dismiss nationalism. He believed that only the supposedly racially-Germanic Northern Europeans could be molded into citizens and soldiers of the thousand-year Reich. Non-Aryan races also posed no obstacle to conquest, but for very different reasons. Hitler planned to enslave, expel, or exterminate all Untermenschen in the path of Germandom, and thought that the rest could be contained in weak dependencies on the German Empire.

The Japanese in the 1930s also believed that "war can maintain war," and they had three decades of economically profitable imperialism to prove it. But the Japanese sought potential materials and markets more than pre-existing productive capacity, and they could better (but not completely) afford to dismiss nationalism because their victims were pre-modern. Indeed, the Japanese believed they could resolve the nationalism problem through the gradual, paternalistic Japanization of conquered Asians, and their success in Taiwan appeared to justify this.
Less is known about the assumptions underlying Soviet postwar expansionism. The Soviet Union expelled some foreign nationalities (e.g., Poles were moved west of the new Soviet-Polish border), and subjected others (e.g., the Baltics) to linguistic and demographic Russianization. Soviet annexation of Eastern Europe was constrained either by Allied opposition, respect for nationalism, or both. But East European nationalism clearly did not deter Soviet leaders from trying to maintain firm political control, through loyal and repressive communist elites, for over forty years.

In sum, nationalism has been recognized as a powerful constraint on expansion, that can be overcome only with severe repression. Those states which are unwilling to engage in such repression, whether because of their liberal ideals or of international pressure, are unlikely conquerors (although the French Third Republic succeeded in extracting resources from a prostrate Germany in 1924). Only those willing to use repression, forced assimilation, or extermination are likely to dismiss the problem of nationalism.

The Costs and Likelihood of War

Still, it is hard to overlook the fact that the 1930s witnessed the most ambitious conquering strategies since Napoleon. Along with the belief that conquest paid, a paranoid expectation of inevitable total wars led Japanese and German leaders in the 1930s to put a high premium on size and autarky, which in turn became a rationale for aggressive expansion. These cases provide historical examples for the paradox raised in Chapter 1: the prospect of long wars may prompt states to start them preventively. If conflict is seen as inevitable, and is likely to require a massive mobilization of resources, expansion becomes a plausible and perhaps even necessary means to security.
War was inevitable in Hitler's Social-Darwinist conception of international politics, which pitted human races against each other in mortal struggles for survival. But Hitler, unlike the leaders of Wilhelmine Germany, also expected war to be catastrophic. As Overy has shown, "one of the most important lessons of the First World War for the German armed forces was [that Germany] should not be caught unprepared for war again, critically short of vital raw materials and war capacity."\textsuperscript{5} It is true that in 1939-40 Hitler held back until the Army came up with a strategy for a quick victory over France.\textsuperscript{6} But he also expected eventually to face a long war of attrition against the British, the Soviet Union, and possibly the United States. Since Hitler believed that conquest paid, expansion became necessary for the German race to prevail in the inevitable conflict.

Japanese leaders in the 1930s also thought war was inevitable and that when it came it would be total. As Barnhart has shown, Japan's military planners drew the same lessons from World War I that Germany's did, and more logically too; Japan had a much less balanced economy and was far more dependent on trade.\textsuperscript{7} Unless Japan expanded, it would have no chance in a prolonged war against Russia or the United States, both of which were seen as likely enemies. Japan was also highly vulnerable to foreign trade barriers, which badly hurt the Japanese economy in the early 1930s.

I would not want to argue that interdependence and perceived defense-dominance were sufficient causes for Japanese and German expansionism.

\textsuperscript{5}Richard J. Overy, "Mobilization for Total War in Germany 1939-1941," \textit{English Historical Review} 103 (July 1988): 614; and the cites in Chapter 5.


Objective international factors were not determining, since France, Britain, and the United States were not expansionist at all, and the Soviet Union was only moderately so. They also doubted that war was inevitable. It is possible that German and Japanese politics and personalities may have motivated rhetoric and beliefs about the inevitability of war as well as the necessity of size and autarky. On the other hand, the so-called "have-not powers" lacked the huge internal or imperial markets which protected the other great powers against wars and tariffs. Moreover, it is clear that beliefs about the need for autarky in case of war were solidly entrenched in both militaries.

To the extent that these beliefs were truly held and politically effective, these cases provide counter-evidence to the standard claim of deterrence theorists that costliness of war reduces the likelihood of war. On the contrary, they suggest that when conquest is thought to pay, the costliness of war has complex effects: it makes foreign resources more desirable to possess while making it harder to grab them. The costliness of war is thus less reassuring than theorists have thought, and in some cases may even increase the net likelihood of war.

It is beyond the scope of this thesis to attempt to correlate the profitability of conquest, expectations of long wars, and expansionism over the course of history. Before leaving this point, however, it is worth pointing out that the lack of land-hunger in Pre-World War I Europe is consistent with this hypothesis. As cavalier as the powers were about war, none entered the war with the intention of annexing each other's territory (except perhaps for France, which was motivated more by nationalism than geopolitics). The difference was not the perceived inevitability of war, for Bethmann-Hollweg was as resigned to war as Hitler was twenty-five years later. But the war that was expected was not four years of grinding trench warfare. On the contrary,
the Kaiser believed in August that his troops would be home by Christmas, and the other great powers agreed that the coming war would be quick and decisive. This short war illusion stemmed in large part from the "cult of the offensive," the widespread misconception that the offense had the advantage in war. But the short war illusion provided no support for arguments for autarky and aggression, for it suggested that when war came, it would be over so fast that only standing forces and existing stockpiles of munitions would matter.

This study also underscores the importance of reducing the perceived risk of protectionism and war in the international system, for these factors increase the value of autarky (and thus expansion) to economic security. In a beggar-thy-neighbor, war-prone environment, expansion brings market efficiencies and geopolitical might when conquest pays. Autarky has no purpose if a state is assured of peace and trade, but under anarchy there is no such guarantee, unless it is provided by one or more dominant powers with a strong interest in free trade or trading blocs. The United States played the main hegemonic role in the postwar era, as did the Soviet Union within its sphere of influence. Neorealists now worry that the end of the Cold War and its bipolar stability will heighten insecurity, raising fears of unequal trading gains (since economic advantages translate into military power), which in turn will stimulate protectionism. The interdependence fostered by the "long

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peace" may then become a liability, tempting powerful states heavily
dependent on foreign trade (like Germany and Japan) to reduce their
dependency by conquest. The weight of evidence examined in this study
suggests that this problem should not be dismissed with the claim that even
successful conquest does not pay. Thus it remains important for scholars to
focus on real solutions to anarchy, whether controlled nuclear proliferation
or enhanced international institutions.

Still, this study does have reassuring implications for the prospects of
peace. Liberal democracies, which make up an increasing number of the
world's great powers, are domestically constrained from applying the
repression and coercion needed to make conquest pay. As Michael Doyle
paraphrases Kant, liberal states "are capable of appreciating the rights of
foreign republics. These international rights of republics derive from the
representation of foreign individuals, who are our moral equals." The fact
that most of the leading industrial states are not willing to do so is an
important foundation for peace.

**Imperial Decline**

This study has ambiguous implications for imperial decline. On the one
hand, it supports the claim that nationalism presents empires with long-term
political difficulties. The Japanese did have considerable success in culturally

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10 Mearsheimer, "Instability in Europe," 42-48; Joseph M. Grieco, "Anarchy and the
Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism,"
*International Organization* 42 (Summer 1988): 485-507; Robert J. Art, "A Defensible
(Spring 1991): 30-42.

11 Mearsheimer, "Instability in Europe;" and Jack Snyder, "Averting Anarchy in the

assimilating the Taiwanese, but the latter were conquered at an early and "impressionable" (i.e., illiterate) stage of development. Nazi efforts to Germanize the supposedly Aryan peoples of northern Europe were ludicrously futile, and the resilience of Baltic and other Soviet nationalities to rigorous denationalization (population transfer, Russian-language training, etc.) shows that nationalism is not easy to eliminate.

On the other hand, the failure of nationalistic resistance in most of the cases examined here suggests that nationalism can be suppressed and co-opted, if not eradicated. Moreover, the extent to which efficiency is sacrificed through repression remains unclear. Repression by the Japanese in their colonies, and by Soviet satellite regimes in Eastern Europe, was not prohibitively costly. The Japanese Empire, moreover, appears to have been quite efficient in its rapid development. The Soviet Empire suffered from centralized planning, but unless this can be shown to be necessary for the maintenance of control, it must be seen as an extraneous independent variable.13 One can conclude only that multinational empires are inherently less stable and strong than equally large and industrialized nation-states, and are likely to perish in wars of mass mobilization. But advantages in size may compensate for a lack of unified nationalism, so it would be hasty to argue that some law of political economy dictated the obsolescence of empire.

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13 It is often suggested that pre-World War I Austria-Hungary was declining economically, but this has been challenged by recent scholarship. See David F. Good, The Economic Rise of the Habsburg Empire, 1750-1914 (Berkeley: University of California Press, 1984).
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