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Imperial Institutions: The Soft Power of German Economic and Cultural Diplomacy in  
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By

Stephen Gerard Gross

A dissertation submitted in partial satisfaction of the

requirements for the degree of

Doctor of Philosophy

in

History

in the

Graduate Division

of the

University of California, Berkeley

Committee in charge:

Professor John Connelly, Chair  
Professor Anthony Adamthwaite  
Professor Jonathan Zatlin  
Professor J. Nicholas Ziegler

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## Abstract

### Imperial Institutions: The Soft Power of German Economic and Cultural Diplomacy in Southeastern Europe 1920–1940

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Doctor of Philosophy in History

University of California, Berkeley

Professor John Connelly, Chair

The two decades following World War I witnessed the collapse of the international trade, capital flows, and migration that had united much of world in the late 19th century. Germany lay at the center of this global economic crisis, which in many ways led to National Socialism and the Second World War. As Adam Tooze has illustrated, rather than meekly accepting its place in a global order dominated by Great Britain and America, the “originality” of Nazi Germany was to mount an epic challenge through the conquest of territory in Eastern Europe and Eurasia.

Formal empire in the east, however, was only one solution to the de-globalizing world that German elites pursued during the 1920s and 1930s. My dissertation shows how a diverse group of German businessmen and academics used the economic crisis to shift their nation’s commercial ties away from America and the West and toward Central and Southeastern Europe. They created a continental economic bloc dominated by Germany, one that in many ways had more in common with the liberal imperialism of Great Britain and France than with the highly racist agenda of National Socialism.

My research helps us re-conceptualize Germany’s place in Europe in two ways. First, it demonstrates how German businessmen used *soft power* to make their nation’s hard, economic preponderance legitimate to the commercial elites of Southeastern Europe. Scholars conventionally use this term to describe the foreign policy of liberal states like America, but I show how authoritarian regimes like Nazi Germany have also deployed soft power. German area studies institutes, trade fairs, and business associations operated through a network of agents in Southeastern Europe to cultivate personal contacts with local elites, train local merchants, lobby local governments, advertise for German products, and ease the flow of information between the commercial centers of Southeastern Europe and Germany. By centering my study of German imperialism on private institutions instead of the state, I argue that imperialism rests as much on webs of co-opted sociability as raw military or political power.

Second, I show how a German-led European economic bloc remained a policy pursued by German leaders until late into the 1930s. Historians usually frame Nazi

Germany's foreign policy as a tense combination of Pan-German Nationalism and the drive for Lebensraum in Eastern Europe. Yet in the 1920s German business elites designed a third path—*Grossraumwirtschaft*, or large area economy—that would bring stability to their industries during this period of crisis. This strategy represents a clear line of continuity between the Weimar Republic and Third Reich, since many business elites in both periods believed a continental bloc offered a better long-term strategy for Germany than either free trade or autarchy and war. And in contrast to Eastern Europe—the heart of Nazi Germany's radical plans for re-population and genocide—these businessmen planned to develop the economies of Southeastern Europe by fashioning them into a complementary economic space that would serve German industry.

I conclude my dissertation by recounting how this alternative imperial vision succumbed to the allure of the Nazi's more radical re-ordering of Europe after 1938. By then Germany's private organizations progressively lost their freedom to maneuver, and tacked with the wind by adopting certain aspects of National Socialist ideology. They helped remove Jewish merchants from German-Balkan commerce, and they eventually used their expertise to use Southeastern Europe for the Nazi war machine.

*To my wife*

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My interest in Germany's economic and cultural relationship with Southeastern Europe stemmed from a paper I wrote for Gerald D. Feldman in the fall of 2005. He guided me through the tangled history of German political economy in the 1920s and 1930s, and opened many doors, intellectually and professionally, that otherwise may have remained closed. I am very thankful to have had such an outstanding mentor at Berkeley. I am also deeply indebted to John Connelly, who graciously advised my dissertation after Gerry's death and who was my sounding board through the difficult stages of this project. My other committee members have also offered invaluable advice. I owe the few moments of concision and brevity in this dissertation to Anthony Adamthwaite, who closely read each chapter as it was written and who gave excellent assistance with the diplomacy of this period. Jonathan Zatlin was a great resource on German political economy, and he helped me work through the sensitive issues of anti-Semitism and "Aryanization" in Nazi Germany. In his seminar on comparative political economy, J. Nicholas Ziegler introduced me to many of the ideas of imperialism and the literature on decentralized industrial orders that inform this dissertation. Jan de Vries, an unofficial committee member, pushed me think critically about Albert Hirschman's ideas of power, and also about the role of banks in international trade.

Many other scholars have read, critiqued, and ultimately improved my work over the past three years. Chief among them are four fellow graduate students at Berkeley who waded through the formative stages of my chapters in our reading group: Mark Sawchuk, Joseph Bohling, Eliah Bures, and Grahame Foreman. Carola Sachse and Carl Freytag, who organized several conferences in Vienna and ultimately an edited collection on *Mitteleuropa und Südosteuropa als Planungsraum*, provided one of my first opportunities to present my research before an extremely informed audience. Ian Innerhofer's hospitality made these conferences and my visits to Vienna a joy. At the German Studies Association in 2009 Pieter Judson and Jessica Gienow-Hecht gave very useful insights into the concept of cultural diplomacy and how it operated among the many nationalities of Central and Southeastern Europe. I also benefited from feedback from my co-fellows at the Berlin Program: Steven Chase Gummer, Mari Webel, and others. The Krouzek group in Berkeley, organized at the time by Mark Keck-Szajbel, gave me a chance to present my broader ideas on informal imperialism. The German Historical Institute's trans-Atlantic Doctoral Seminar, organized by Roger Chickering and David Wetzel, allowed me to discuss cultural diplomacy among graduate students from America and Germany. Other readers who have at various times helped refine my ideas include Margaret Lavinia Anderson, Volker Berghahn, Brad DeLong, Barry Eichengreen, and Robert Nelson. All of the errors in this dissertation are, of course, my own.

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*Berkeley, California*  
*December 2010*

S.G.G.

## Imperial Institutions: The Soft Power of German Economic and Cultural Diplomacy in Southeastern Europe 1920–1940

### Introduction

*A global economic crisis like the present one lets the problems of Central Europe mount to a catastrophic extent. An upswing in the world economy will certainly lead to a temporary improvement of the situation in Central Europe, but the crisis here will always be imminent as long as conflict takes the place of cooperation, the drive for autarchy the place of collaboration, ... and as long as commercial activity remains restricted to small markets, which will never be an adequate basis for an economic system.*<sup>1</sup>

On November 22, 1938 Tilo Freiherr von Wilmowsky—businessman, agronomist, and local politician—stood before a gathering of commercial elites from Germany, Austria, Hungary, Romania, and Yugoslavia to proclaim a new day for Central Europe. Germany’s annexation of Austria and the Sudetenland in 1938 had loosened the “bolt of mistrust, jealousy, and anxiety hitherto locking [Germany’s] gateway” to Southeastern Europe. “Today our old ambition, of stepping beyond individual trade treaties toward an *economic union*, is entering the realm of the politically possible.”<sup>2</sup> Since the 1920s Wilmowsky’s organization, the Mitteleuropäische Wirtschaftstag (Central European Economic Group), had striven to create a German-led economic bloc in Europe that could compete in the global market with the vast, continent-spanning economies of America, the British Empire, and the Soviet Union. As global trade and international investment collapsed during the Great Depression this goal became the highest priority for Wilmowsky and his colleagues. “The formation of economic and political groups in Europe is in full swing. In this we have everything to lose, but also everything to gain.”<sup>3</sup>

By the end of 1938 Wilmowsky’s long-standing goal seemed within reach. German exports dominated the markets of Yugoslavia, Romania, Hungary, and Bulgaria. Commercial treaties channeled the grain, livestock, timber, minerals, and oil of Southeastern Europe to the teeming industrial complexes of Berlin, the Ruhr, Leipzig, Dresden, and Munich. German investment was returning to the region through the universal banks in Berlin.<sup>4</sup> And government officials at both ends of the Danube River were gradually warming up, or at least resigning themselves, to a Central Europe that revolved around the Germany economy. But as Wilmowsky made clear in his speech to the Mitteleuropäische Wirtschaftstag, Germany needed to make its

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<sup>1</sup> Liberal economist Dr. Wilhelm Grotkopp justifying a customs union in Central and Southeastern Europe at the depth of the Great Depression, from Wilhelm Gürge and Wilhelm Grotkopp (eds.), *Der Weg zur europäischen Einheit. Ein Grundriss* (Berlin: Organisation, 1931).

<sup>2</sup> Bundesarchiv Berlin (BA), Deutsche Bank, R8119F, 6142, “Entstehung, Entwicklung und Arbeit des Mitteleuropäische Wirtschaftstag” from Nov. 22, 1938.

<sup>3</sup> Max Hahn, co-director of the Mitteleuropäische Wirtschaftstag. BA, Deutsche Bank, R8119F, 6140, Situational report on Central European Economy from Jan. 14, 1932.

<sup>4</sup> Gerald D. Feldman, Oliver Rathkolb, Theodor Venus, and Ulrike Zimmerl, *Österreichische Banken und Sparkassen im Nationalsozialismus und in der Nachkriegszeit* (München: C. H. Beck, 2006).

hard economic power attractive and legitimate to its smaller neighbors to the Southeast through the soft power of its culture, education, technology, and innovation. Next to “practical economic work.... we believe that the *psychological* atmosphere is likewise a decisive factor in the success of the economy.”<sup>5</sup> Indeed, Germany’s economic preponderance in Southeastern Europe was never a foregone conclusion dictated by geography, resource endowment, or its historical connections with this region. Rather, it took over a decade of work by a variety of non-state organizations cultivating cultural, personal, and professional, as well as commercial contacts to make 1938, for Wilmowsky at least, such a moment of potential.

In 1939 Adolf Hitler would bring war to Europe in his quest to build a vehemently nationalistic and racially ordered empire. Germany’s ultimate solution to the economic and cultural crises of the 1920s and 1930s was National Socialism: formal empire on the European mainland, *Lebensraum* in the east, the subservience of Europe’s nations to the “Aryan” race, and the economic exploitation of the continent through plunder and slave labor.<sup>6</sup> The trauma and violence of the Nazi empire, however, has overshadowed a different impulse to German imperialism that grew from non-state organizations and economic elites, like Tilo Freiherr von Wilmowsky, who wanted to build a German-led European economic bloc based on market exchange and cultural magnetism rather than exploitation.

This dissertation tells the story, first and foremost, of those economic and cultural elites. It traces the activities, projects, and ideas of men like Wilmowsky who worked to ensure Germany’s global competitiveness by building a cooperative bloc in Europe. In many ways these thinkers hearkened back to the liberal imperialists of the Wilhelmine Empire before 1914, businessmen and intellectuals who wanted to modernize their economy and spread their influence through Germany’s industrial prowess and cultural attraction.<sup>7</sup> After World War I German business elites adapted this older tradition to the new geopolitical conditions in Europe, working to assuage the fears of a revanchist Germany and promoting economic cooperation with Germany to the small, fragile states of Southeastern Europe. Why did Southeastern Europe loom so large in the imagination of Germany’s economic elites? When, if ever, did they develop a coherent strategy toward this region? How did the Great Depression, Hitler’s rise to power, and the destruction of Austria and Czechoslovakia change the nature of the goals that German elites pursued in Southeastern Europe?

Second, this is a story of globalization turned into regionalization. Globalization, it is said, has two speeds: forwards and reverse. And neither direction is a given but a choice made by governments, firms, workers, and consumers to work for or against economic openness and integration. In the decades before 1914 international trade, capital flows, and migration had united much of the world in the most intense wave of globalization and convergence besides our

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<sup>5</sup> BA, Deutsche Bank, R8119F, “Entstehung und Entwicklung,” 20.

<sup>6</sup> For an economic interpretation of National Socialism see Adam Tooze, *Wages of Destruction, the Making and Breaking of the German Economy* (London: Allen Lane, 2006); For an alternative view see Götz Aly, *Hitler’s Beneficiaries. Plunder, Racial War, and the Nazi Welfare State*, trans. Jefferson Chase (New York: Metropolitan, 2007).

<sup>7</sup> Jürgen Kloosterhuis, *Friedliche Imperialisten: deutsche Auslandsvereine und auswärtige Kulturpolitik, 1906–1918* (Frankfurt am Main: Lang, 1994); Dirk van Laak, *Über alles in der Welt: deutscher Imperialismus im 19. und 20. Jahrhundert* (Munich: C. H. Beck, 2005); Woodruff D. Smith, *The Ideological Origins of Nazi Imperialism* (New York: Oxford Univ. Press, 1986).

own today. But the First World War destabilized a global system that in retrospect was quite fragile, and the edifice collapsed with the onset of the Great Depression in 1929.<sup>8</sup>

Germany, the largest and most interconnected economy in Europe, lay at the heart of this global economic crisis. Some Germans saw the depression as a small hurdle on the road back to an integrated world market. Others viewed it as their chance to push their nation toward autarchy and a militarized economy. Wilmowsky and his cohort, however, navigated a third path between free trade and autarchy: they looked to regional ties to keep their country afloat. After the First World War many Germans believed the world was evolving away from free trade and towards a system of empires and large economic blocs—*Grossraumwirtschaften*. By one popular estimate almost three-quarters of the earth, four-fifths of its purchasing power, would soon be united into such economic spaces.<sup>9</sup> In comparison with the large “economic empire” of the United States or the colonial empires of Great Britain, France, Belgium and the Netherlands, the German market was seen to be “too cramped, not capacious enough.”<sup>10</sup> Without a continental economy or a colonial empire, many Germans feared their country would be relegated to a second-class status economically as well as geopolitically. Their answer lay in Central and Southeastern Europe, which they wanted to develop into a complementary economic space. Germany would export its consumer goods and capital equipment to Southeastern Europe, and in return it would acquire a reliable supply of agricultural products, raw materials essential for a modern economy, and a protected export market in an era of depression and stagnation in the global market.

De-globalization hit some German regions harder than others. Export-dependent areas saw their foreign contracts disintegrate and unemployment rise higher than most parts of the country. More than any other region, the global crisis derailed Saxony’s economy, the German region most heavily dependent on foreign trade for its livelihood. As a consequence, Saxonian business circles energetically turned toward regionalism. Through its historical ties with Southeastern Europe, Saxony became *the* hub of German-Balkan exchange, a rival to Berlin, Munich, and even Vienna after its incorporation into Greater Germany in 1938. The business elites of Dresden and Leipzig were more active than any others in funding private institutions and finding new ways to promote exports through cultural diplomacy. How did Saxony’s commercial elites reinvent themselves during the global economic crisis of the 1930s? How did their industrial order of small and medium-sized firms navigate the turn toward a regional bloc and the creeping state involvement in the economy? How does this Saxonian perspective recast Germany’s place in Europe in contrast to the older, Prussian-centered narrative of a foreign policy based on militarism and aggression?<sup>11</sup>

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<sup>8</sup> My approach to globalization and its reversal draws on Jeffrey A. Frieden, *Global Capitalism: Its Fall and Rise in the Twentieth Century* (New York: W. W. Norton, 2006); Kevin H. O’Rourke and Jeffrey G. Williamson, *Globalization and History: The Evolution of a Nineteenth-Century Atlantic Economy* (Cambridge, MA: MIT Press, 1999); and Jürgen Osterhammel, *Globalization: A Short History* (Princeton: Princeton Univ. Press, 2009); for the best contemporary appraisal of just how fragile Europe’s economic integration with the rest of the world was before 1914 see John Maynard Keynes, *The Economic Consequences of the Peace* (1919), chapters 1 and 2. Electronic version on Project Gutenberg: <http://www.gutenberg.org/ebooks/15776>.

<sup>9</sup> Max Hahn, “Mitteleuropa als Ziel deutscher Politik,” *Volk und Reich* 10/11 (1931): 563–72, here 564.

<sup>10</sup> BA, R901, 42995 Mitteleuropa Institut, German Group’s Program from Feb. 19, 1929.

<sup>11</sup> Scholarship on Saxony has taken great strides since 1990, and I draw heavily on this. Yet it focuses primarily on Saxony’s domestic affairs, both political and economic, and has had little to say about how the region’s politicians and economic elites shaped foreign policy in Germany. James Retallack (ed.), *Saxony in German History: Culture, Society, and Politics, 1830–1933* (Ann Arbor: Univ. of Michigan Press, 2000); Benjamin Lapp, *Revolution from the Right: Politics, Class, and the Rise of Nazism in Saxony, 1918–1933* (Boston: Humanities Press, 1997); Ulrich Hess and Michael Schäffer (ed.) *Unternehmer in Sachsen. Aufstieg – Krise – Untergang – Neubeginn* (Leipzig: Leipzig

Third, this is the history of an informal empire built by non-state hands. Recent studies of empire have underscored how imperial power rests on networks of private elites, in the center and periphery alike, who share some common interest in upholding their imperial system. In the words of Ronald Hyam, a scholar of British imperialism, the “impetus for empire is not located in one place. Rather it is located in the ‘chaotic pluralism’ of private interests and pragmatic decision-making of prestige-driven high politics.”<sup>12</sup> And while empires ultimately rest on coercive force, the soft power of culture, values, institutions, ideology, and even art and music are needed to provide legitimacy for the existing hierarchy.<sup>13</sup>

This story, then, departs from well-established state-centered narratives to show how Germany’s economic and political relations with Southeastern Europe were decisively shaped by a variety of regionally-based private organizations, including Wilmowsky’s Mitteleuropäische Wirtschaftstag in Berlin and Vienna, the Mitteleuropa-Institut in Dresden, the Leipzig trade fair, the Institut für Mittel- und Südosteuropäische Wirtschaftsforschung in Leipzig, the Südost-Institut in Leipzig, and the German-Romanian Chambers of Commerce in Berlin and Bucharest.<sup>14</sup> These institutions arose in the second half of the 1920s to help German merchants overcome the barriers in information, trust, and cultural understanding that had disrupted German-Balkan commerce in the wake of the First World War. Through a decentralized network of trade representatives, academic experts, and publicists these non-state organizations established an infrastructure of soft power in Southeastern Europe that made economic cooperation with Germany appear attractive and legitimate to the region’s elites. Through economic news reporting, advertising, educational and professional exchange, German language training, and cultural publicity these institutions reinforced Germany’s political prestige in the Balkans with cultural and commercial bonds. How did this system of soft power function? What role did the commercial elites and German minorities of Southeastern Europe play in this imperial hierarchy? How did the conditions of soft power change after the Nazis seized control of Germany’s government in 1933? And what, ultimately, made Wilmowsky so confident that he could stand before his colleagues in 1938 and proclaim a new day for the future of Central Europe?

Finally, this dissertation recounts how conservative businessmen responded to the growing power of National Socialism in Germany’s economic life.<sup>15</sup> After 1933 these private

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Univ. Press, 1998); Werner Bramke and Ulrich Hess (eds.), *Sachsen und Mitteldeutschland: politische, wirtschaftliche und soziale Wandlungen im 20. Jahrhundert* (Weimar: Böhlau Press, 1995).

<sup>12</sup> Ronald Hyam, *Britain’s Imperial Century, 1815–1914. A Study of Empire and Expansion* (New York: Palgrave Macmillan, 2002); see also John Darwin, *The Empire Project: The Rise and Fall of the British World System 1840–1970* (Cambridge: Cambridge Univ. Press, 2009).

<sup>13</sup> For the importance of culture, values, and the cooptation of elites in supporting an imperial hierarchy, see Charles Maier, *Among Empires: American Ascendance and its Predecessors* (Cambridge, MA: Harvard Univ. Press, 2006), 31–36, 61–66.

<sup>14</sup> In English, these translate to the Central European Economic Group; the Central European Institute; the Institute for Economic Research on Central and Southeastern Europe; and the Institute for Southeastern Europe; For a recent collected volume that discusses many of these organizations, see Carola Sachse (ed.) *“Mitteleuropa” und “Südosteuropa” als Planungsraum: Wirtschafts- und kulturpolitische Expertisen im Zeitalter der Weltkriege* (Göttingen: Wallstein Verlag, 2010).

<sup>15</sup> For an excellent overview of the scholarship on how National Socialism radically changed the incentives governing German business see Peter Hayes, “Corporate Freedom of Action in Nazi Germany,” and the response by Christoph Buchheim and Jonas Scherner in the *Bulletin of the German Historical Institute*, 45 (Fall 2009): 29–50; see also Francis R. Nicosia and Jonathan Huener (eds.), *Business and Industry in Nazi Germany* (New York: Berghahn Books, 2004).

institutions had to operate in the illiberal environment of Nazi Germany, which created a radically new set of incentives as race, anti-Semitism, and the preparation for war came to define economic activity. The idea of re-establishing German power through a continental bloc was a crucial bridge connecting the foreign economic policy of the Weimar Republic with the Third Reich, and business elites with Nazi ideologues. Yet there were great differences between elites like Wilmowsky and Nazi economic planners, for Wilmowsky's vision of developing the economies of Southeastern Europe was backed by concrete actions, and was not empty rhetoric. Traditional pan-German nationalism, moreover, played only a minor role in shaping the agenda of organizations like *Mitteuropäische Wirtschaftstag* or the *Mitteuropa-Institut*. And in large part, until the outbreak of war men like Wilmowsky maintained their conviction that exports, if properly managed in a regional bloc, were a more reliable long-term engine of growth for the economy than Hitler's rapid but tumultuous rearmament drive.

Despite these important differences with National Socialism, after the annexation of Austria and the Sudetenland the directors of Germany's private organizations found it increasingly difficult to resist the allure of a more radical re-ordering of Europe. How far did they collaborate in fulfilling National Socialism's more radical goals, like removing Jews from commerce? To what extent did racism guide their interaction with the commercial classes of Southeastern Europe? How did German economists and intellectuals conceptualize Southeastern Europe, a region of Slavic nationalities?<sup>16</sup> Most importantly, to what extent did Germany's private institutions help fulfill the needs of Hitler's war machine?

### *Informal Imperialism: Trade in the Service of National Power*

On September 1, 1939 German armies invaded Poland and started what would become a general European war. But for most of the 1920s and 1930s war was not the primary concern of Germany's economic elites. Instead they worried about economic instability, unemployment at home, protectionism abroad, the costs of modernization, taxes and social insurance, and the myriad other points of social and economic conflict that made post-1918 Germany a cockpit of modern tensions.

For Wilmowsky and his cohort foreign trade was the most important issue of the day, for it offered a path to modernize the German economy. The founding members of the *Mitteuropäische Wirtschaftstag* began their work as ardent free traders who incessantly lobbied the Weimar government to lower barriers to exports and imports. They understood that Germany had become Europe's industrial powerhouse in the nineteenth century because it sold its exports all over the world. Foreign demand for products of the second industrial revolution like steel, chemicals, electrical engineering, and machine tools had enabled German industry to expand in size and scope. Germany, moreover, needed to import food and other raw materials to support its growing industry and its burgeoning cities.<sup>17</sup>

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<sup>16</sup> Wolfgang Wippermann, *Die Deutschen und der Osten. Feinbild und Traumland* (Darmstadt: Primus Verlag, 2007), 62–67.

<sup>17</sup> Georg Gothein, founder of the German Section of the *Mitteuropäische Wirtschaftstag*, was also co-director of the Foreign Trade Association. For his historical understanding of trade see Gothein, "Die aussenpolitischen Aufgaben der Wirtschaft" in *Bundesarchiv Koblenz (BAK), N 1006 Nachlässe George Gothein*, 78; On Germany's reliance on resources from abroad see Werner Sombart, *Die deutsche Volkswirtschaft im neunzehnten Jahrhundert* (Berlin: Georg Bondi, 1913), 379–83; On the recurring problems caused by Germany's continuing dependence on foreign trade see Dietmar Petzina, *Autarkiepolitik im Dritten Reich. Der nationalsozialistische Vierjahresplan* (Stuttgart: Verlagsanstalt Stuttgart, 1968); Hans Erich Volkmann, "Aussenhandel und Aufrüstung in Deutschland 1933 bis

Gustav Stresemann, Weimar's Foreign Minister during much of the 1920s, saw trade as a crucial way to modernize industry at home.<sup>18</sup> Others shared his view. Representatives of Weimar's export sectors proclaimed foreign trade to be the salve that would heal their crisis-ridden economy. Lowering taxes and tariff barriers would spur exports and bring employment to Weimar's chronically underemployed workforce.<sup>19</sup> As for the commercial elites of Saxony, in this era of Fordism, Taylorism, and mass production, foreign trade provided a crucial niche for their traditional industrial order, since Saxony's small and medium firms could flexibly adapt to foreign tastes.<sup>20</sup>

But for German economic thinkers in the 1920s and 1930s, trade as an engine for modernization was inseparable from its role as an instrument of power. Stresemann himself believed Germany's proficiency in commerce would underwrite its rebirth as a great power.<sup>21</sup> His view belonged to a long tradition among German intellectuals who thought economics should be placed in the service of national power. Earlier writers like Friedrich List and Max Weber argued that "processes of economic development are in the final analysis also power struggles, and the ultimate and decisive interests at whose service economic policy must place itself are the interests of national power."<sup>22</sup> In contrast to the Anglo-Saxon tradition, many German economists saw foreign trade as a zero-sum game where one country's gain was another country's loss, particularly in times of crisis.<sup>23</sup>

This line of thinking found its most extreme expression during the two world wars: first when Germany's military used the treaties of Brest-Litovsk and Bucharest in 1917–1918 to create an empire in the East that subordinated the interests of the private economy to those of the state, and again after Hitler's armies swept across Europe in 1939–1941.<sup>24</sup> In between the two

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1939" in Friedrich Forstmeier and Hans-Erich Volkmann (eds.), *Wirtschaft und Rüstung am Vorabend des Zweiten Weltkrieges* (Düsseldorf: Dröste Verlag, 1975).

<sup>18</sup> Peter Krüger, "Zur europäischen Dimension der Aussenpolitik Gustav Stresemanns" in Heinrich Karl Pohl (ed.) *Politiker und Bürger, Gustav Stresemann und seine Zeit* (Göttingen: Vandenhoeck & Ruprecht, 2002).

<sup>19</sup> Politische Archiv des Auswärtigen Amtes (PAAA), Handelsabteilung, 106365 Zentralstelle für den wirtschaftlichen Auslandsnachrichtendienst, report from Feb. 28, 1930; See also the files of the Foreign Trade Association BAK, R 57 Neu, Aussenhandelsverband 1040.

<sup>20</sup> Mary Nolan, *Visions of Modernity: American Business and the Modernization of Germany* (New York: Oxford Univ. Press, 1994); Werner Bramke, "Sachsens Industrie(gesellschaft) vom Ersten Weltkrieg bis zum Ende der Weimarer Republik," in: Werner Bramke and Ulrich Hess (eds.) *Wirtschaft und Gesellschaft in Sachsen im 20. Jahrhundert* (Leipzig: Leipzig Univ. Press, 1998), 27–52.

<sup>21</sup> Gottfried Niedhardt, "Aussenminister Stresemann und die ökonomische Variante deutscher Machtpolitik" in Pohl, *Politiker und Bürger, Gustav Stresemann und seine Zeit*.

<sup>22</sup> Weber's quotation continued: "The science of political economy is a political science ... a servant of politics ... of the lasting political-power interests of the nation. ... [F]or questions of German economic policy ... the ultimate and decisive voice should be that of the economic and political interests of our nation's power, and the vehicle of that power, the German national state." Max Weber, *Die Nationalstaat und die Volkswirtschaftspolitik* (Freiburg/Leipzig: Akademische Verlagsbuchhandlung, 1895); Friedrich List, *The National System of Political Economy* (Kitchener, Ont.: Batoche, 2001).

<sup>23</sup> "For a defeated state like Germany's, which must forgo nearly all its military defenses, trade policy remains almost the only instrument to push back the unjustified interests of foreign countries." Hans Posse, a frequent participant at the Mitteleuropäische Wirtschaftstag's conferences. BAK, Hans Posse Nachlässe, N 1303, 2, Denkschrift zur Handelspolitik der Reichsregierung 1924/25.

<sup>24</sup> For an overview of this argument about Germany's economy serving national power interests, see Adam Tooze's forthcoming chapter in the *Oxford Handbook of Modern German History* (Oxford: Oxford Univ. Press: 2011) Helmut Walser Smith (ed.). In the occupation of Romania during WWI, for example, banking and industrial interests who wanted private control over the country's oil and grain were eclipsed by the Army High Command, which planned to govern Romania's economic by the German state and for the German state. Gerald D. Feldman,



world wars, however, most German thinkers adhered to a more moderate understanding of how economics should serve national power. An economic bloc, they hoped, would augment Germany power both over the smaller states of Central Europe and Southeastern Europe, as well as *vis-à-vis* their rivals to the West: France, Great Britain, and America. Above all, German economic thinkers wanted to use their nation's large domestic market to leverage the states of Southeastern Europe into accepting closer political ties to Germany.<sup>25</sup>

Indeed, Wilmowsky and his associates conceptualized Southeastern Europe as Germany's own informal empire. Imperialism, for contemporaries as well as for scholars today, is a difficult term to define, in particular the concept of informal imperialism. Conventionally informal empire has been described as power wielded by one state over another for its own benefit, but without direct political control. The mechanisms by which a state projects such power, however, are often complex, quite varied, and frequently ill defined in the literature of imperialism. Scholars first used the term informal empire to describe Great Britain's relationship with regions like Latin America where it exercised overwhelming economic influence without formal political control.<sup>26</sup> In the 1970s historians applied this term to Germany's relationship with Southeastern Europe. But they were only trying to classify what many American, British, and French contemporaries had already observed in the late 1930s. For by the late 1930s accusations of a "bloodless invasion," whereby the Third Reich exploited the terms of trade with Southeastern Europe, became common parlance and spawned a wealth of investigations into the nature of German power in Southeastern Europe.<sup>27</sup>

In 1941/42 Albert Hirschman, an economist and a pioneer of development theory, offered a powerful lens to understand the power dynamic between Germany and Southeastern Europe. In *National Power and the Structure of Foreign Trade* Hirschman argued that trade itself was an instrument of national power: it could further the "power of coercion which one nation may bring to bear upon other nations" by two different means.<sup>28</sup> First, through what he terms the "supply effect" of trade, states could acquire goods that enhanced their military power. In Germany's case Southeastern Europe provided food products as well as oil, copper, bauxite, chrome, manganese, and other heavy elements that would fuel the Nazi war machine.

Second, through the "influence effect," Hirschman showed how the gains from trade "can spell dependence of the country that receives the gain on the country that bestows it."<sup>29</sup> When countries trade with one another they benefit by acquiring goods that are relatively more expensive to produce domestically. When a smaller state trades with a much larger one this exchange is asymmetrical, in that it constitutes a larger percentage of the smaller state's overall

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"German Business Interests and Rumanian Oil in the First World War," in Roland Schönfeld (ed.), *Deutschland und Südosteuropa: Aspekte der Beziehungen im Zwanzigsten Jahrhundert* (Munich: Südosteuropa-Gesellschaft, 1997), 24–36.

<sup>25</sup> Holm Sundhaussen, "Die Weltwirtschaftskrise im Donau-Balkan-Raum und ihre Bedeutung für den Wandel der deutschen Außenpolitik unter Brüning," in Wolfgang Benz and Hermann Graml (eds.), *Aspekte deutscher Außenpolitik im 20. Jahrhundert* (Stuttgart: DVA, 1976).

<sup>26</sup> The classic study in this field is John Gallagher and Ronald Robinson, "The Imperialism of Free Trade" *The Economic History Review* 6, no. 1 (1953): 1–15.

<sup>27</sup> Paul Einzig, a British economist, in many ways spearheaded this movement. Paul Einzig, *Bloodless Invasion: German Economic Penetration into Danubian States and the Balkans* (London: Duckworth, 1939); Bernd-Jürgen Wendt, *Economic Appeasement: Handel und Finance in der britischen Deutschland-Politik 1933–1939* (Düsseldorf: Bertelsmann Universitätsverlag, 1971), 132.

<sup>28</sup> Albert Hirschman, *National Power and the Structure of Foreign Trade* (Berkeley: Univ. of California Press, 1945), 13.

<sup>29</sup> Hirschman, *National Power and the Structure of Foreign Trade*, vii.

exports and imports than it does for the larger country. German-Romania trade during the late 1930s, for instance, amounted to two percent of Germany's overall trade in comparison with thirty percent of Romania's. The situation was even greater with Yugoslavia, Hungary, and Bulgaria, where Germany commanded between forty and seventy percent of these states' exports and imports. Relatively speaking, these states gained more from this situation than did Germany, and consequently, were this trade to be disrupted the cost of readjusting would be disproportionately greater for them than for Germany. Germany could exploit this influence effect by threatening to sever its trade with Romania or Yugoslavia, whose vulnerability to such threats was governed by the ease or difficulty of finding alternatives for their exports and imports, the length and the painfulness of the readjustment period, and the strength of local interests that had a vested interest in commerce with Germany. Trade asymmetry, Hirschman argued, could easily lead to dependency when a large state, like Germany, consciously and actively pursued a policy focused on smaller states.<sup>30</sup>

But when do dependency and asymmetry in commerce transform into imperialism? This is a slippery slope, and ultimately coercion by one state over another, rather than just influence, is essential in any definition of empire. For most of the 1920s and 1930s, though, Germany's political and economic leaders were in no position to dictate terms to the states of Southeastern Europe. Following the collapse of the Russian, Austro-Hungarian, and Ottoman Empires in 1917–1918 western European capital moved into the region, reconstruction loans gave France and Great Britain substantial control over the central banks of Southeastern Europe, and Austrian merchants retained their strong presence in the business communities of Southeastern Europe.<sup>31</sup>

Compounding the competition from other European powers was the poor state of Germany's own relationship with Southeastern Europe. In 1920 Germany's network of trade representatives in the Balkans lay in shambles, its investment and banks in the region had been confiscated, its foreign policy instruments were limited by the treaty of Versailles, and its legacy of occupation left an atmosphere of distrust between German leaders and those of Romania and Yugoslavia. Weimar's foreign consuls and correspondents in Southeastern Europe reported that German-Balkan commerce was plagued by "prejudices, ignorance of the business practices," cultural misunderstandings, and an "absence of mutual understanding."<sup>32</sup> And throughout the 1920s Germany's government proved unable to improve these commercial relations. Not until the late 1930s could Germany's relationship with Southeastern Europe be considered imperial, for with the *Anschluss*, the dismemberment of Czechoslovakia, and the British policy of appeasement alternative markets and sources of growth for the Balkan economies closed off. With them went the ability of Yugoslavia and Romania, Hungary and Bulgaria to resist Germany's growing economic leverage.

### *Soft Power: A New Perspective on German Imperialism*

Historians who have studied German imperialism in Southeastern Europe have implicitly drawn on Hirschman's model. In a seminal article from 1975, Hans Jürgen Schröder first employed the term "informal empire" to describe Southeastern Europe's growing economic

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<sup>30</sup> Ibid., 17–34, 92–93.

<sup>31</sup> Alice Teichova, *Kleinstaat im Spannungsfeld der Grossmächte, Wirtschaft und Politik in Mittel- und Südosteuropa in der Zwischenkriegszeit* (Munich: Oldenbourg, 1988); Alice Teichova and P. L. Cottrell (eds.), *International Business and Central Europe, 1918–1919* (Leicester: Leicester Univ. Press, 1983).

<sup>32</sup> BA, R901, 54232, Film 41488, Zagreb Consul Walbeck to the Leipzig Trade fair from Oct. 23, 1925.

dependency on Germany. He shows how the Foreign Office and the Economics Ministry used Germany's large domestic market to undermine the French treaty system in the region.<sup>33</sup> The instruments for this policy were the complex system of bilateral trade treaties and currency agreements that Germany negotiated, beginning in 1931, to preserve its scarce foreign currency. The protagonists are Foreign Office secretaries, ambassadors, and officials of the Economics and Finance ministry. Later accounts by historians have expanded Schröder's account by showing how the representatives of Ruhr and Berlin-based heavy industry spurred on Germany's economic expansion into Southeastern Europe.<sup>34</sup>

Since Schröder's article debate has revolved around the question of exploitation: did Germany gain at the expense of Southeastern Europe by dictating the terms of trade, manipulating currency rates, running up massive debts in the clearing accounts, or imposing unwanted goods on Balkan consumers? In a revision to the classic approach of Hirschman, Alan Milward contends that German trade policy actually benefited the economies of Southeastern Europe. Germany paid prices well above those of the world market for agricultural products from Romania, Yugoslavia, Hungary, and Bulgaria. And the clearing debts accumulated by Romania, Yugoslavia, Hungary, and Bulgaria were not large in comparison to the export balances held in London from other primary producing countries.<sup>35</sup> In response to Milward, diplomatic historians like David Kaiser, Bernd-Jürgen Wendt, and William Grenzebach returned to the archival records to show that German policy-makers during the 1930s intended to use the economies of Southeastern Europe to overcome Germany's frequent foreign currency crises and to supply Hitler's militarized economy.<sup>36</sup>

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<sup>33</sup> Hans Jürgen Schröder, "Südosteuropa als 'Informal Empire' Deutschland 1933–1939. Das Beispiel Jugoslawien," *Jahrbücher für Geschichte Osteuropas* 23 (1975): 61–83; Hans-Jürgen Schröder, "Die deutsche Südosteuropapolitik 1929–1936. Zur Kontinuität deutscher Aussenpolitik in der Weltwirtschaftskrise," *Geschichte und Gesellschaft* 2, no. 1 (1976): 5–32.

<sup>34</sup> William S. Grenzebach, *Germany's Informal Empire in East-Central Europe: German Economic Policy toward Yugoslavia and Rumania 1933–1939* (Stuttgart: Steiner, 1988); Ivan Berend and György Ranki, *Economic Development in East-Central Europe in the 19<sup>th</sup> and 20<sup>th</sup> Centuries* (New York: Columbia Univ. Press, 1974); Dirk Stegmann, "Mitteleuropa 1925–1934: zum Problem der Kontinuität deutscher Aussenhandelpolitik von Stresemann bis Hitler" in Bernd-Jürgen Wendt/Peter-Christian Witt, et al., *Industrielle Gesellschaft und politisches System* (Bonn: Verlag Neue Gesellschaft, 1978), 203–21; Martin Seckendorf, "Entwicklungshilfeorganisation oder Generalstab des deutschen Kapitals? Bedeutung und Grenze des Mitteleuropäischen Wirtschaftstages," *1999 Zeitschrift für Sozialgeschichte des 20 und 21 Jahrhunderts* 8, no. 3 (1993), 10–33; Reinhard Frommelt, *Panuropa oder Mitteleuropa? Einigungsbestrebungen im Kalkül deutscher Wirtschaft und Politik 1925–1933* (Stuttgart: DVA, 1977); Volker Berghahn, *Quest for Economic Empire: European Strategies of German Big Business in the Twentieth Century* (Providence: Berghahn Books, 1996).

<sup>35</sup> Alan Milward, "The Reichsmark Bloc and the International Economy" in Edward N. Peterson, Gerhard Hirschfeld, and Lothar Kettenacker (eds.), *Der "Führerstaat": Mythos und Realität; Studien zur Struktur und Politik des Dritten Reich* (Stuttgart: Klett-Cotta, 1981); For a recent affirmation of Milward's basic conclusions using the most reliable trade statistics see A. O. Ritschl, "Nazi Economic Imperialism and the Exploitation of the Small: Evidence from Germany's Secret Foreign Exchange Balances, 1938–1940," *The Economic History Review* (New Series) 54, no. 2 (May 2001): 324–45; For an excellent overview of this wide-ranging debate see Grenzebach, *Informal Empire*, 219–35;

<sup>36</sup> Grenzebach, *Informal Empire*; David Kaiser, *Economic Diplomacy and the Origins of the Second World War. Germany Britain, France, and Eastern Europe, 1930–39* (Princeton: Princeton Univ. Press, 1980); Bernd-Jürgen Wendt, "England und der deutsche 'Drang nach Südostens'. Kapitalbeziehungen und Warenverkehr in Südeuropa zwischen den Weltkriegen" in Immanuel Geiss and Bernd-Jürgen Wendt (eds.), *Deutschland in der Weltpolitik des 19. und 20. Jahrhunderts* (Düsseldorf: Bertelsmann Universitätsverlag, 1973), 483–512; Paul Hehn, *A Low Dishonest Decade. The Great Powers, Eastern Europe and the Economic Origins of World War II, 1930–41* (New York: Continuum, 2002).

Diplomatic historians, then, have argued that the German state deployed both the “supply effect” and “influence effect” in its trade with Southeastern Europe. Economic historians have evaluated the macro-economic underpinnings of German commerce with Southeastern Europe by studying the terms of trade, resources endowments, and import and export data. Yet neither approach tells the entire story. Trade cannot be fully understood by only examining state-to-state interactions, the intentions of political and business leaders, the terms of trade, or clearing account statistics.

At its core, trade is about private transactions, about buyers finding sellers. International trade in particular has historically been characterized by problems of information, uncertainty, and trust: in a word, high transaction costs. Merchants buying or selling goods in foreign markets need to cope with distance and time and must operate between different legal codes, languages, and cultures. It costs time and money to acquire reliable news from afar and evaluate local business opportunities, and it requires a high level of trust to contract with others where no common legal code exists or where each party comes from a different commercial culture.

During the 1920s and 1930s, differences in language, customs, culture, and legal practices were barriers to commercial exchange that could not be overcome by trade treaties and diplomatic negotiations alone. This was particularly apparent in Germany’s economic relationship with Southeastern Europe, which suffered from a tremendous damage to mutual trust from the First World War, the near total loss of Germany’s investment and trading network in the region, and a significant lack of knowledge among German businessmen about the region’s economies. And although the state, both in Germany and in Southeastern Europe, intervened in ever more extensive swaths of the private economy during the 1930s, the basic building blocs of foreign and domestic trade remained private actors. The state may have dictated the broader goals of the economy, but firms and other private institutions gathered the information, evaluated the price signals, and made the micro decisions that in the aggregate determined the shape and substance of foreign trade.

Over the past three decades economists, political scientists, and sociologists in different ways have shown how sound institutions help lower transaction costs. Some have shown how effective property rights and legal codes have a positive impact on trade and growth.<sup>37</sup> Others have illustrated how international commercial networks, which share the same culture and operate on the basis of reputation, can balance out asymmetrical information, build higher levels of trust, and thereby reduce transaction costs.<sup>38</sup> Still others emphasize how market transactions are embedded in social and cultural relationships, illustrating how “concrete personal relations” and networks are central to “generating trust and discouraging malfeasance.”<sup>39</sup> These different approaches all agree that trade cannot function smoothly where there is a high level of malfeasance and a low level of trust, where reliable information is difficult to find, where there is cultural misunderstanding, and where personal contacts or networks do not exist or have been broken apart.

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<sup>37</sup> For the classic study on institutions see Douglass C. North, *Structure and Change in Economic History* (New York: Norton, 1981), 5, 33–40.

<sup>38</sup> Avner Greif, “Reputation and Coalitions in Medieval Trade: Evidence on the Maghribi Traders,” *Journal of Economic History* 49, no. 4 (December 1989): 857–82; Avner Greif, “Contract Enforceability and Economic Institutions in Early Trade: The Maghribi Traders’ Coalition,” *The American Economic Review* 83, no. 3 (June 1993): 525–48.

<sup>39</sup> Mark Granovetter, “Economic Action and Social Structure: The Problem of Embeddedness,” *The American Journal of Sociology* 91, no. 3 (Nov. 1985): 481–510.

In order, then, to properly understand how Germany expanded its commercial influence in Southeastern Europe against competition from Western Europe, Hirschman's model and the state-centered historiography of German imperialism need to be supplemented with an institutional and a cultural approach to international trade. The non-state organizations that are the subject of this dissertation offer a way to bridge that gap, and a study of them demonstrates how and why lowering transaction costs, building institutions of trade, and promoting cultural understanding were essential for German imperialism in the Balkans. Indeed, Germany's private institutions, cultural diplomacy, and its web of personal and professional connections were such a critical component of its economic influence in Southeastern Europe that they need to be discussed on their own terms as soft power, or what Wilmowsky called the "psychological atmosphere" underpinning German commerce.

Soft power "is the ability to get what you want through attraction rather than through coercion or payments." The term itself was developed in the 1990s to describe the influence America wielded as the defender of human rights and democracy, as well as the world's largest economy and the shaper of global institutions after 1945.<sup>40</sup> American universities attracted thousands of foreign students each year; its brands dominated the world market, its model of business organization spread to Europe and other parts of the globe.<sup>41</sup>

Most scholars reserve the term soft power to describe the foreign policy of liberal states like America, and after 1945 Germany, Japan, and the European Union as well.<sup>42</sup> Yet authoritarian regimes like Nazi Germany have also deployed soft power, as long as the institutions of civil society retained room to operate in the interstices of state power. The building blocks of soft power are a society's ideals and its institutions. Scholars have shown how the values of Nazi Germany—authoritarian government, anti-Semitism, and the cult of the leader—did exert some appeal in Southeastern Europe.<sup>43</sup> But more importantly, Germany wielded soft power through its cultural diplomacy, its universities, as well as through its rapid economic recovery from the Great Depression. And it was Germany's private institutions that energetically promoted this more attractive side of Germany to Southeastern Europe throughout the 1920s and 1930s, to make Germany's hard power palatable.

Embedded in the idea of soft power is the notion that culture and economics are inseparable from one another, and this relationship proved to be a guiding principle for the leaders of Germany's private institutions. They used cultural diplomacy—*auswärtige Kulturpolitik* in the language of contemporaries—to attune German producers to the tastes, fashions, and business opportunities of Southeastern Europe, and vice versa. Cultural diplomacy was first developed before 1914 but after the First World War it became an increasingly popular

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<sup>40</sup> For a discussion of soft power as a concept see Joseph S. Nye, *Soft Power: the Means to Success in World Politics* (New York: Public Affairs, 2004), quotation from preface.

<sup>41</sup> For one of the first usages of the term see Joseph S. Nye, *Bound to Lead: The Changing Nature of American Power* (New York: Basic Books, 1990); for a historical study of America's soft power in the twentieth century see Victoria de Grazia, *Irresistible Empire: America's Advance Through Twentieth-Century Europe* (Cambridge, MA: Harvard Univ. Press, 2005); Volker Berghahn, *The Americanisation of West German Industry, 1945–1973* (New York: Cambridge Univ. Press, 1986).

<sup>42</sup> Nye, *Soft Power*; For other approaches to the idea of soft power see Jan Zielonka, *Europe as Empire: The Nature of the Enlarged European Union* (Oxford: Oxford Univ. Press, 2006); Peter J. Katzenstein, *A World of Regions: Asia and Europe in the American Imperium* (Ithaca, NY: Cornell Univ. Press, 2005).

<sup>43</sup> Andrew Janos, *Eastern-Central Europe in the Modern World* (Stanford: Stanford Univ. Press, 2000), 180–201; Ivan Berend, *Decades of Crisis: Central and Eastern Europe Before World War II* (Berkeley: Univ. of California Press, 1998), 300–41.

policy tool in Germany.<sup>44</sup> Indeed, it was an essential component of German imperialism: German intellectuals used it to lubricate the gears of commerce, and ultimately to legitimize Germany's status as a great nation destined, in their minds, to civilize others and spread its culture across the globe.<sup>45</sup>

### *Chapter Overviews*

Germany's soft power and informal empire in Southeastern Europe began to yield concrete diplomatic returns in the late 1930s, yet it was a process that truly began in the aftermath of the First World War, and its deeper roots reach back to the German empire of Kaiser Wilhelm II. To recount the full arc of this history chapter one gives a brief overview of German imperialism before 1914. It highlights three legacies from the Wilhelmine Empire that would shape the way German business and cultural elites interacted with their counterparts in Southeastern Europe after 1918: Germany's aspirations for economic *Weltpolitik*; its burgeoning interest in cultural diplomacy; and its multitude of private institutions that cultivated relations abroad. But Germany's instruments of soft power were not fully developed before 1914 and they, along with Germany's commercial and cultural reputation in general, suffered serious setbacks during the world war.

Chapters two, three, and four examine the strategies that German businessmen used to reconstruct their trade network and their reputation in Southeastern Europe in the aftermath of the First World War. Whereas France, Austria, and Great Britain had substantial investment in the region and a financial apparatus to support their merchants, Germany did not and consequently had to find alternative institutions to promote its exports. Chapter two discusses the immediate problems that made German exporters and importers less competitive in Southeastern Europe. Rather than focusing on the political aspects of trade, it shows how an extremely poor level of information about the business opportunities in the Balkans, lack of banking support, mistrust, and cultural misunderstanding disrupted economic exchange until the middle of the 1920s. The following two chapters demonstrate how private institutions worked to remove these obstacles. Chapter three shows how commercial institutions like the Leipzig trade fair and the German-Romanian chambers of commerce improved the flow of economic news and did extensive advertising for German goods in Southeastern Europe. Chapter four takes up cultural organizations and area studies programs, like the *Mitteuropa-Institut* and the *Institut für Mittel- und Südosteuropäische Wirtschaftsforschung*, which worked to improve cultural understanding with Southeastern Europe in the hopes of promoting commerce.

Chapter five moves out of the cultural and commercial and into the political and the imperial, illustrating how German thinkers rehabilitated the old idea of *Mitteuropa* with many

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<sup>44</sup> On Weimar's cultural diplomacy see Kurt Düwell, *Deutschlands auswärtige Kulturpolitik: 1918–1933; Grundlinien und Dokumente* (Cologne: Böhlau, 1976) and Volkhard Laitenberger, *Akademischer Austausch und auswärtige Kulturpolitik 1923–1945* (Frankfurt am Main: Musterschmidt, 1976); on cultural diplomacy in the Third Reich see Michael Fahlbusch, "Grundlegung, Kontext und Erfolg der Geo- und Ethnopolitik vor 1933" in Irene Diekmann, Peter Krüger and Julius H. Schoeps (eds.), *Geopolitik. Grenzgänge im Zeigeist. Band 1.1 1890 bis 1945* (Potsdam: Verlag für Berlin-Brandenburg, 2000), 103–46.

<sup>45</sup> For a recent article discussing the complicated history of European's civilizing mission during this period see Eric D. Weitz, "From the Vienna to the Paris System: International Politics and the Entangled Histories of Human Rights, Forced Deportations, and Civilizing Missions," *American Historical Review* 113, no. 5 (2008): 1313–43; Paul Rohrbach, *German World Policies (Der deutsche Gedanke in der Welt)*, Edmund von Mach (ed.), (New York: Macmillan, 1915).

of its imperial connotations in the late 1920s. It shows how the *Mitteleuropäische Wirtschaftstag* and its leaders collaborated with Germany's Foreign Office and Economics Ministry to transform Germany's growing commercial influence in the Balkans into hard political power. Chapter six discusses how the institutions of cultural diplomacy that were founded in the 1920s came to fruition in the mid 1930s and began exercising soft power in the Balkans through educational exchange, among other things. The institutions that pioneered cultural diplomacy in Southeastern Europe at first preserved a large degree of autonomy under the Nazi regime; until 1938 they were able to continue their work relatively free from Nazi ideology and overt racism.

Chapter seven looks at the larger picture of Germany's aspirations for a European Economic in the late 1930s and discusses how the directors of private organizations, government bureaucrats, and economic planners envisioned a new continental economic order. After 1935 the agrarian economies of the Balkans became increasingly dependent on Germany for their markets and for their supply of capital goods, in large part through bilateral treaties. Yet Germany's private institutions were the oil that lubricated this complex, state-regulated trading system, particularly for smaller merchants. Finally, the conclusion shows how Germany's cultural and economic influence in Southeastern Europe began yielding a concrete political and economic payoff after 1938. It concludes by assessing whether Germany's relations with Southeastern Europe during the 1930s truly deserve to be called imperial.

## Wilhelmine Imperialism and its Downfall in the First World War

*The phrase the “United States of Europe”—which must integrate in the face of the United States of America—has been heard with increasing frequency over the years. More than ever, in our times a federation on economic and political grounds is presented as a way out of the challenges stemming from 1.) the predominant position of America as our industrial competitor and 2.) the deficiency of food products that Germany and the other states of central Europe can provide for themselves.*<sup>46</sup>

Before 1914 the empires of Great Britain, France, Germany, Russia, Austria-Hungary, the Netherlands, Belgium, Italy, and Portugal governed nearly two-thirds of the world’s population in one form or another. These empires differed vastly from one another. Britain’s multifaceted imperial system—its dominions, its crown jewel of India, its informal power of investment in Latin America in East Asia, and its financial hub of London—seemed a world apart from Portugal’s small maritime possessions or the vast Eurasian land imperium of Russia. And these empires had changed over the course of the long 19<sup>th</sup> century as Europeans presided over the world’s greatest expansion of trade and international investment to date, and as they became ever more self-assured of their “cultural supremacy.” But several common traits united Europe’s empires: a hierarchy of power and status that favored the imperial core; the co-opting of local elites; a sense of cultural mission or even racial superiority; and the lure of vast markets waiting for those enterprising British, French, Russians, or Germans willing to take the risk.<sup>47</sup>

Before 1914, then, imperial rule of one form or another was the norm rather than the exception throughout much of the world. So it should come as no surprise that economic and cultural thinkers within Germany, one of the most advanced economies in the world, should aspire to revive their empire in a new form after the demise of the Second Reich in November 1918. Within Germany, proponents of an imperial foreign policy in Southeastern Europe drew on three established legacies to help them pursue and justify their activities in the 1920s and 1930s. First, a long tradition of global policy (*Weltpolitik*) from the 19<sup>th</sup> century justified economics as an instrument to further national power and prestige. Second, a new movement in the first decades of the 20<sup>th</sup> century for cultural diplomacy demonstrated the effectiveness of cultural exchange as policy for improving the reputation and soft power of Germany abroad. Finally, a burgeoning number of private associations in Wilhelmine Germany, dedicated to improving cultural and economic exchange with different regions of the world, provided the institutional antecedents for many organizations that arose in the 1920s and that would become Germany’s imperial institutions in the 1930s.

### *Weltpolitik and Mitteleuropa*

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<sup>46</sup> Julius Wolf, Founder of the Mitteleuropäische Wirtschaftsvereine (Central European Economic Association). Bundesarchiv Berlin (BA) R 43, 2254, July 1903.

<sup>47</sup> For a recent interpretation of world history from the perspective of empires see John Darwin, *After Tamerlane: The Global History of Empire Since 1405* (New York: Bloomsbury Press, 2008). On the British Empire in the nineteenth and twentieth centuries see Darwin, *The Empire Project: The Rise and Fall of the British World System, 1830–1970*; For a more theoretical interpretation of empire as concept see Maier, *Among Empires: American Ascendancy and its Predecessors*.



In the second half of the 19<sup>th</sup> century two separate and distinct strands of imperial ideology arose to deal with the problems stemming from Germany's modernization: the idea of living space, or *Lebensraum*, and the idea of *Weltpolitik*.<sup>48</sup> The former was popularized by the geographer Friedrich Ratzel at the turn of the 20<sup>th</sup> century, yet its roots stretched back to the partitions of Poland in the late 18<sup>th</sup> century. *Lebensraum* appealed to many political groups, mostly on the right, and had numerous permutations. At its core lay an agrarian ideology that sought to counteract the social ills of industrialization at home and extend German culture abroad by settling migrants in German colonies and in Eastern Europe. Organizations like the Pan-German League and the Royal Prussian Colonization Commission advocated the inner colonization of Prussia's eastern provinces to offset that region's growing Polish population. Intellectuals like Max Weber, Gustav Freytag, Heinrich Treitschke along with much of the public believed Germany had a historical mission to culturally uplift the Slavs of Eastern Europe. For these thinkers, "settling the East" would be the "great colonial deed of the German people." The Pan-German movement went a step further, lobbying to extend the borders of the Wilhelmine Empire eastward to preserve Germany's agricultural interests and incorporate German minorities in Eastern Europe into the empire.<sup>49</sup>

While Ratzel and the proponents of *Lebensraum* wanted to extend German borders and culture eastwards, their ideas differed fundamentally from the German elites and institutions involved in the Balkans after 1920. Those businessmen, economic thinkers, and intellectuals who were interested in Southeastern Europe drew instead on Germany's imperial tradition of *Weltpolitik*. Politicians and the press often used this term to denote Germany's general claim to be a world power, but for many thinkers *Weltpolitik* had a more specific meaning. Modeled after the British Empire in the 19<sup>th</sup> century, *Weltpolitik* aimed at protecting, expanding, and modernizing Germany's industrial economy by securing export markets and raw materials abroad. For Germany was one of the countries most deeply integrated into the global market, a leader of globalization— "*Globalisierungsvormacht*"—in the words of one historian.<sup>50</sup> Between 1880 and 1912 the value of Germany's imports and exports nearly quadrupled, and as Germany became a net importer of foodstuffs, finding a secure and stable source of food became a pressing need. Instead of expanding cultivation and colonizing the east, German *Weltpolitiker* believed their nation could pay for food imports through its lucrative export of finished and semi-finished goods. The creative force behind German *Weltpolitik*—bureaucrats in the Foreign Office, the Colonial Office, and the large universal banks, along with many publicists and academics—saw Germany's future to lie in industry, commerce, and exports rather than agriculture.<sup>51</sup>

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<sup>48</sup> This broad categorization of the numerous strands of German imperial thought into two—*Lebensraum* and *Weltpolitik*—is drawn from Smith, *The Ideological Origins of Nazi Imperialism*.

<sup>49</sup> Smith, *The Ideological Origins of Nazi Imperialism*; Mark Mazower, *Hitler's Empire, Nazi Rule in Occupied Europe* (New York: Penguin Press, 2008); See also Philipp Ther, "Deutsche Geschichte als imperiale Geschichte. Polen, slawophone Minderheiten und das Kaiserreich als kontinentales Empire" in Sebastian Conrad and Jürgen Osterhammel (eds.), *Kaiserreich Transnational, Deutschland in der Welt 1871–1914* (Göttingen: Vandenhoeck & Ruprecht, 2004), quotation from 133; Wippermann, *Die Deutschen und der Osten. Feindbild und Traumland*, 62–67; Vejas Gabriel Liulevicius, *The German Myth of the East: 1800 to the Present* (New York: Oxford Univ. Press, 2009), 98–129.

<sup>50</sup> Niels P. Petersson, "Das Kaiserreich in Prozessen ökonomischer Globalisierung," in Sebastian Conrad and Jürgen Osterhammel (eds.), *Kaiserreich Transnational, Deutschland in der Welt 1871–1914* (Göttingen: Vandenhoeck & Ruprecht, 2004), 49–67, here 67.

<sup>51</sup> Smith, *Ideological Origins*, 52–64; For the trade statistics see David Blackbourn, *The Long Nineteenth Century: A History of Germany 1780–1918* (New York: Oxford Univ. Press, 1998), 330–31; for an example of the concern

German *Weltpolitik* gained popularity under Chancellor Leo von Caprivi, who governed from 1890 to 1894, but by the first decade of the 20<sup>th</sup> century a new generation that had grown up with *Weltpolitik* came to positions of influence. Men like Albert Ballin, Walter Rathenau, Bernhard Dernberg, Arthur Gewinner, and Karl Helfferich rose through Germany's bureaucracies to become some of the strongest proponents of *Weltpolitik*. These men, many of who joined the National Liberal Party, promoted extensive cooperation between business and government. The career of Karl Helfferich, a member of this younger generation, exemplifies the collaboration between private organizations and the state. Helfferich began his career in Germany's diplomatic corps but left in 1905/6 to work with the Deutsche Bank, becoming one of the bank's directors by 1908. He made his career on Germany's project for the Baghdad Railway, which by 1900 had become the prize project of Germany's *Weltpolitik*. Publicists heralded the railway as "peaceful penetration" rather than overt colonization. They hoped it would open a "highway of world commerce" through the Ottoman Empire, generate contracts for German steel and railway production, become a destination for investment, raise the prestige of the empire, and ultimately open the markets of the Near East and beyond to German commerce. After finishing work on the railroad, during World War I Helfferich returned to the government as Treasury Minister where he engineered Germany's strategy to pay for the costs of war through inflation and the hope of an indemnity.<sup>52</sup>

German *Weltpolitik* and projects like the Baghdad Railway arose in the context of imperial competition among the great European powers, competition that intensified in the 1880s. By the turn of the century many advocates of French and British as well as German colonial expansion justified themselves on economic grounds, and these thinkers came from all walks of the political spectrum.<sup>53</sup> France's Minister of Foreign Affairs Jules Ferry, for instance, in 1890 argued that French colonies in North Africa and Indo-China would be an outlet for surplus capital and over-production. Likewise, some of the most trenchant critics of empire like J.A. Hobson and later V.I. Lenin and Rosa Luxemburg blamed imperialism on finance capitalism and the export of capital. Although these purely economic diagnoses of imperialism fail to explain its entirety, as historians today and many contemporaries at the time recognized, they were deeply ingrained in public debates about empire. The pressure to secure markets and outlets for capital, as often a perception as a reality, contributed to the conviction among French and British politicians that the world was gradually being carved into "quasi-economically self-sufficient" empires. Ferry in France, and Joseph Chamberlain and Robert Salisbury in Great Britain all subscribed to the "doctrine of world empires," whereby America, Russia, Great Britain, and France would eventually become the only first class powers because they had the resources, the markets, and the space to expand.<sup>54</sup>

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among contemporaries to secure a stable source of food see Werner Sombart, *Die Deutsche Volkswirtschaft im neunzehnten Jahrhundert*, 380–89.

<sup>52</sup> On Helfferich see John G. Williamson, *Karl Helfferich, 1872–1924: Economist, Financier, Politician* (Princeton: Princeton Univ. Press, 1971); See also Stephen Gross, "Confidence and Gold: German War Finance 1914–1918," *Central European History* 42, no. 2 (June, 2009): 223–52; on the Baghdad Railway see van Laak, *Über alles in der Welt*, 92–94, and Boris Barth, *Die deutsche Hochfinanz und die Imperialismen. Banken und Aussenpolitik vor 1914* (Stuttgart: Steiner, 1995).

<sup>53</sup> Jennifer Pitts, *A Turn to Empire: The Rise of Imperial Liberalism in Britain and France* (Princeton: Princeton Univ. Press, 2005).

<sup>54</sup> Winfried Baumgart, *Imperialism: The Idea and Reality of British and French Colonial Expansion, 1880–1914* (Oxford: Oxford Univ. Press, 1982), 69–73, 91–134; Hyam, *Britain's Imperial Century*, 204; J. A. Hobson, *Imperialism: a Study* (New York: Gordon Press, 1975); Vladimir I. Lenin, *Imperialism: The Highest Stage of*

In Germany, many influential thinkers responded to the doctrine of world empires by arguing that *Mitteleuropa* should be the focus of German *Weltpolitik*. By 1911–12 influential leaders in the National Liberal and the Progressive Parties, like Gustav Stresemann, Ernst Basserman, and Friedrich Naumann called for a *Mitteleuropa* informally led by Germany that would stretch to the Black Sea, or even Baghdad. Many of these thinkers adopted the Zollverein of 1834 and the ideas of Friedrich List for their inspiration.<sup>55</sup> Indeed, the history of a German-led economic space in Central Europe dates far back into the 19<sup>th</sup> century. In the 1830s List established an august tradition when he argued that the German-speaking lands could only match England's economic development by protecting their manufacturing industries and cultivating a large domestic market. To do this he called for a customs union of the German states, the Habsburg Empire, and regions to the east and west. This large contiguous economic area would provide a protected market for German and Austrian infant industries to develop, while the countries of Eastern and Southeastern Europe would be agricultural producers. List and other economic thinkers, including those at the Frankfurt Assembly of the German nation in 1848, saw this as the first stages of a *Weltpolitik* that would follow the political unification of Germany and remake their nation into a great power.<sup>56</sup>

Although these ideas remained unfulfilled in practice, throughout the late 19<sup>th</sup> and early 20<sup>th</sup> century the idea of a “large region,” or a *Grosswirtschaftsraum* that incorporated both industrial and agricultural regions, became one of the “formative visions for a future world order.”<sup>57</sup> For many Europeans, List among them, the continental-sized economies of America and Russia represented the future of the world even more than the British Empire. By 1900 America already possessed a gigantic domestic market that enabled its industry to develop depth and breadth of production, and led it to become the world's leading producer of many industrial goods, from complex capital machinery to steel, iron, and coal. Anxiety over America led to the formation in Germany of interest groups and associations dedicated to countering the economic power of America. In 1904 Julius Wolf, an economist and professor from Breslau, founded the *Mitteleuropäische Wirtschaftsvereine* to encourage German politicians to think on this larger, continental scale. His organization advocated cooperation among the states of Central Europe in matters of tariffs and customs in order to meet the looming economic power of America.<sup>58</sup>

The vision of a world evolving into large economic blocs, the aspirations for a German-led *Mitteleuropa*, and the anxiety about American economic power did not disappear after World War I, but in certain respects it became more intense in the Weimar Republic. In the 1920s these legacies of *Weltpolitik* would shape the intellectual bearings of organizations like the Leipzig trade fair, and lead to the creation of new institutions dedicated to strengthening the economic bonds in Central and Southeastern Europe.

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*Capitalism, a Popular Outline* (Chicago: Pluto, 1996); Rosa Luxemburg, *The Accumulation of Capital*, trans. Agnes Schwarzschild (New York: Routledge, 2003).

<sup>55</sup> Berghahn, *Quest for Economic Empire*, 8.

<sup>56</sup> Friedrich List, *National System of Political Economy*; van Laak, *Über alles in der Welt*, 54; Henry Cord Meyer, *Mitteleuropa in German Thought and Action* (The Hague: Nijhoff, 1955); Peter M. R. Stirk, (ed.), *Mitteleuropa, History and Prospects* (Edinburgh: Edinburgh Univ. Press, 1994), 5–8; Fritz Fischer, *War of Illusions, German Policies from 1911–1914*, trans. Marian Jackson, (New York: Norton, 1975); Matthew Fitzpatrick, *Liberal Imperialism in Germany: Expansionism and Nationalism, 1848–1884* (New York: Berghahn Books, 2008).

<sup>57</sup> Van Laak, *Über alles in der Welt*.

<sup>58</sup> BA, R 43, 2254 Reichskanzlei, Material concerning a *Mitteleuropäischen Wirtschaftsverein* from Prof. Julius Wolff from July, 1903.

## Cultural Diplomacy

In addition to *Weltpolitik* and designs for *Mitteleuropa*, a nascent movement to employ cultural work in foreign policy also shaped the institutions leading German businessmen into the Balkans after World War I. At the end of the 19<sup>th</sup> century intellectuals and politicians of the Wilhelmine Empire began arguing that Germany should make better use of its achievements as a world leader in science, technology, and philosophy to gain prestige in its foreign policy. Yet there were different approaches to cultural diplomacy. Organizations like the highly conservative Association for Germans Abroad (*Verein der Deutschum im Ausland*—VDA) supported German emigrants in order to preserve their culture and cultivate a base for Germany's export interests. At the VDA's behest, in 1878 the Foreign Office established a fund for German schools that would safeguard the education and cultural life of German minorities living abroad.<sup>59</sup>

In contrast to the approach of the VDA, Karl Lamprecht, a professor of world history at Leipzig and a controversial intellectual figure, argued that an exclusive focus on German minorities was not enough. He saw cultural diplomacy as a way both to win international sympathy for Germany and promote the "mutual understanding of peoples" across the world." By working with other "civilized nations (*Kulturnationen*)" Germany could build a civilization based on international scientific, artistic, and intellectual cooperation that extended across the world. Such a goal, however, demanded a systematic and purposeful policy that had hitherto been absent in Germany.<sup>60</sup>

In the eyes of Lamprecht and his contemporaries France offered the model *par excellence* of effective cultural diplomacy. In its civilizing mission France had a concrete ideology by which it extended citizenship to subjects of the empire who adopted France's language, culture, and republican ideals.<sup>61</sup> France had well funded institutions like the Alliance Francais (founded in 1883), the Amities Francais, and the Mission Laiques to teach French language and culture beyond the borders of the empire. These institutes were pioneers in recognizing that "cultural publicity is first and foremost language publicity," and far surpassed Germany's institutional presence abroad in scope and funding before 1914. French university institutions actively sought out foreign students and conducted academic exchanges, and its government firmly believed that these different approaches to cultural policy would reap concrete rewards.<sup>62</sup>

For many German politicians and bureaucrats, the desire to emulate France and to replace power politics with a less aggressive expression of German prestige reached a tipping point after 1906. Although there clearly remained a strong, stalwart lobby interested in expanding

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<sup>59</sup> Rudiger vom Bruch, *Weltpolitik als Kulturmission: auswärtige Kulturpolitik und Bildungsbürgertum in Deutschland am Vorabend des Ersten Weltkrieges* (Paderborn: F. Schöningh, 1982), 36–37; Düwell, *Deutschlands auswärtige Kulturpolitik: 1918–1933*, 59–60.

<sup>60</sup> Kloosterhuis, *Friedliche Imperialisten*, 35; Düwell, *Deutschlands auswärtige Kulturpolitik: 1918–1933*, 21; Roger Chickering, *Karl Lamprecht, a German Academic Life (1856–1915)* (New Jersey: Humanities Press, 1993), 394–430.

<sup>61</sup> J. P. Daughton has shown how France's civilizing mission was actually contested, contrary to what contemporary Germans may have thought. The secular republican vision to educate, uplift, and improve the livelihood of France's colonial citizens was often brought to the colonies by the only institutions capable of doing so, Catholic missions. J. P. Daughton, *An Empire Divided: Religion, Republicanism, and the Making of French Colonialism, 1880–1914* (Oxford: Oxford Univ. Press, 2006).

<sup>62</sup> Düwell, *Deutschlands auswärtige Kulturpolitik: 1918–1933*, 38–47. For the German view of French cultural work see K. Remme, and M. Esch, *Die französische Kulturpropaganda. Auf der Grundlage französischer Quellenmaterials und eigener Beobachtungen im Ausland* (Berlin: Preussischer Druckerei- und Verlag A.G., 1927).

Germany's borders, militarily if needed, the debacle of the first Moroccan crisis and the recognition that Germany's naval race with Great Britain was counterproductive led many in the government to believe that the power politics of Chancellor Bernhard von Bülow and Admiral Alfred von Tirpitz was bankrupt. What followed was the most intense period of cultural diplomacy in Germany before World War I. In 1907 the Foreign Office began allocating more funding for German schools abroad and in 1908 it initiated an active propaganda campaign in the foreign press, particularly in Turkey and much of South America.<sup>63</sup> Kurt Riezler, an official in the press bureau of the Foreign Office and later the Chancellor's private secretary, was one of the loudest government proponents of this new cultural diplomacy and he strongly criticized the German *Weltpolitik* based on military force. "This battle for opinion will not only be fought out through means of the press, but with all possible measures, through books, professor exchange, lectures, exhibits, and especially through schools." In 1907/8 the German parliament also began demanding a more focused cultural policy. Nearly all of the major parties wanted to increase the number of German schools abroad, improve Germany's publicity work in the foreign press, and develop a more effective system for universities within Germany to study specific world regions.<sup>64</sup>

Simultaneous with the new interest in cultural diplomacy among government circles, in the first decade of the 20<sup>th</sup> century a group of intellectuals, or liberal imperialists, began calling for Germany to transition away from power politics. They advanced the idea of a Greater German Empire based not on the closed territory of a national state, but rather on a national culture that could spread across the globe, one supported by Germany's economic power as well as its cultural prestige. Chief among these intellectuals was Paul Rohrbach, who in his widely read book *Der deutsche Gedanke in der Welt* (1912) called for a "moral conquest" of the leaders and educated classes of other nations. Contained within Rohrbach's strategy of moral and cultural influence was the idea that "economic expansion finds its pace-setter in the export of culture abroad:" the spread of German culture, in other words, would open new sales markets. Germany's press increasingly took up this idea after 1906, replacing the phrase "trade follows the flag" with "trade follows the language." It was this connection between culture and economics, one that justified cultural diplomacy in part by its economic benefits, that institutions like the Mitteleuropa-Institut and the Mitteleuropäische Wirtschaftstag would return to in the 1920s.<sup>65</sup>

Yet the notion of cultural diplomacy propounded by Lamprecht, Rohrbach, and others, remained anchored in a broader imperial mindset and a firm belief in Germany's cultural superiority. Lamprecht himself had started his political advocacy in the 1890s as part of the Pan-German movement. There he warned of the "unchained *Unkultur*" of Slavs in the Habsburg Monarchy, and the threat that a "Slavic storm [*Ansturm*]" posed to German communities in Eastern Europe. Germany's cultural superiority, he believed, "legitimized the nation's claim to world power."<sup>66</sup> And although Lamprecht migrated out of the Pan-German League and into the peace movement in the early 1900s, he continued to believe in the legitimacy of Germany's colonial empire and its claim to cultural hegemony. Germany, he maintained, had a "special"

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<sup>63</sup> Düwell, *Deutschlands auswärtige Kulturpolitik: 1918–1933*, 63; Kloosterhuis, *Friedliche Imperialisten*, 8, 170–72.

<sup>64</sup> Riezler cited in Kloosterhuis, *Friedliche Imperialisten*, 160, see also 106–9.

<sup>65</sup> Van Laak, *Über alles in der Welt*, 89–92; for quote see Kloosterhuis, *Friedliche Imperialisten*, 61–63; Rohrbach, *German World Policies*.

<sup>66</sup> Chickering, *Karl Lamprecht*, 401, 405.

role in the world, ‘national and universal at the same time,’ which corresponded to the nation’s achievement and ‘special endowments.’” Only Germany could lead the world toward the “highest moral human community.”<sup>67</sup> Rohrbach, likewise, believed in a special Germanic national mission for the world, one that would “work out moral perfection, not only for ourselves, but for all mankind.” “The German nation,” he maintained, “is the only one which has sufficiently developed by the side of the Anglo-Saxons, and is, moreover, numerically and inherently strong enough to claim for its national idea the right to participate in the shaping of the world which is to be.” To succeed at its task, Germany had to expand its cultural influence, or it would sink back into insignificance.<sup>68</sup>

Thus confidence in a Germanic cultural superiority, based on nationality and race and driven to improve or develop other peoples, was a central feature of Wilhelmine imperialism; cultural diplomacy was no exception. But nor was Germany exceptional in cultivating an imperial mission. All European empires, above all the British and French, had their own mission to improve the colonized through the “benevolent hand of the enlightened master,” and thereby justify their imperial rule. After the 1880s, Europe’s civilizing mission for the world became a common thread connecting imperial projects.<sup>69</sup>

By 1913 these new ideas about cultural diplomacy had reached the highest level of Germany’s political leadership. In an open letter to Karl Lamprecht published in the *Vossische Zeitung* on December 13, 1913, Chancellor Bethmann Hollweg argued that cultural diplomacy occupied a crucial place among Germany’s other policy instruments. Although Hollweg did not go as far as Lamprecht or Rohrbach in wanting to replace power politics with cultural diplomacy, he conceded that “the development of cultural and economic power abroad” must become a central platform of his foreign policy.<sup>70</sup>

### *The Institutions of Civil Society*

*Weltpolitik*, *Mitteleuropa*, and cultural diplomacy would not have emerged as powerful ideas in Wilhelmine Germany without the institutions to support and publicize them. The Foreign Office, the universal banks, and the colonial ministry were certainly the most important proponents of *Weltpolitik*. But in the decade before 1914 a host of private organizations emerged that melded *Weltpolitik* with the cultural diplomacy of Lamprecht, Riezler, and Rohrbach. The leaders of these organizations strove to make Germany a world power, however, they pursued this without recourse to military means and instead popularized the vision of power based on the strength of Germany’s commerce and culture. German chambers of commerce first began operating abroad in the 1880s and the 1890s. And in the 1880s the Leipzig trade fair became one of the empire’s best means of advertising for Germany’s products beyond the borders of the empire. The fair had its origins in the 12<sup>th</sup> century, but re-invented itself in the second half of the 19<sup>th</sup> century as one of the largest venues where exporters and importers from across the globe could meet each other personally and see exhibition models of Germany’s latest products and technologies.

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<sup>67</sup> Chickering, *Karl Lamprecht*, 407–8, see also 412.

<sup>68</sup> Rohrbach, *German World Policies*, 4, 6.

<sup>69</sup> Sebastian Conrad, “Transnational Germany,” in James Retallack (ed.) *Imperial Germany 1871–1918* (New York: Oxford Univ. Press, 2008), 238. On notions of superiority and racism in German colonial ventures, particularly the drive to “educate” colonial residents into a new work ethic, see Sebastian Conrad, *Globalisierung und Nation im Deutschen Kaiserreich* (Munich: C. H. Beck, 2006), esp. 76–79, 113–17.

<sup>70</sup> Kloosterhuis, *Friedliche Imperialisten*, 164.

Beyond economic institutions like trade fairs and chambers of commerce, a large cohort of private associations dedicated to foreign policy (*Auslandsvereine*) arose during the first two decades of the 20<sup>th</sup> century. These organizations typically focused their work on specific countries or regions, like the German-Bulgarian Society in Munich and Berlin, the East Asian Association in Hamburg, or the German-Turkish Union in Berlin. At their height nearly 200 existed, many of them working in close cooperation with the Foreign Office to improve Germany's image in their particular region, establish lasting personal and professional contacts, and gain expertise about local societies. The overwhelming majority of their members came from Germany's intellectual and economic elites: professors, librarians, and museum directors (17.8 percent); export merchants (14.1 percent); and processing industries (10.9 percent) representing the largest segments.<sup>71</sup>

While most of these foreign associations focused on China, the Near East, and South America, a substantial number had Europe itself as their object. The most influential of these was Julius Wolf's *Mitteleuropäische Wirtschaftsvereine*, which acquired a semi-official stature in 1903 when the Duke of Schleswig-Holstein assumed the presidency.<sup>72</sup> Although its advocacy of trade preferences among the Central European states received luke-warm support from many economists, the organization could still count some of Germany's largest interest groups among its members. From 1903 to 1914 it grew to include 700 hundred economists and businessmen from Germany, Hungary, and Austria who popularized their ideas through conferences, lobbying, and publications.<sup>73</sup> The *Mitteleuropäische Wirtschaftstag*, established in 1924–25 by a cohort of Austrian economists, was the direct successor to Wolf's association, from whence it drew many of its initial participants and its intellectual bearings.

In addition to Central Europe, well over a dozen organizations devoted to the Balkans formed between 1910 and 1918. The German Trade Association for the Balkans and the Orient (*Deutscher Wirtschaftsverband für den Balkan und den Orient*), founded in Dresden in 1911 and led Dr. Alexander Müller wanted to make German businessmen and financiers more aware of the sales opportunities and the resources of Southeastern Europe and Anatolia. Müller and his co-directors shared similar concerns with Julius Wolf, and they looked to the southeast for future markets. They saw the Balkans as a complementary economic space for Germany: investment in the region's agricultural and mineral production would provide Germany with a stable source of foodstuffs and raw materials while simultaneously improving the region's standard of living, building better consumers, and modernizing the local economies. One of the organization's main tasks was gathering information about economic opportunities in the Balkans, distributing this to interested investors, and publishing material in a German, Slavic, and French language journal. Like many of these interstate organizations, this trade association believed proper education about the culture and languages of the Balkans would enable Germany's investors, merchants,

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<sup>71</sup> *Ibid.*, 75–93, esp. 82.

<sup>72</sup> *Ibid.*, 497.

<sup>73</sup> BA, R43 2254 Reichskanzlei, Material concerning a *Mitteleuropäischen Wirtschaftsverein* from Prof. Julius Wolff from July, 1903; Sächsische Staatsarchiv Dresden (SSAD), Auswärtigen Angelegenheiten, 10717, 7073 *Mitteleuropäische Wirtschaftsverein*, From Saxon Ambassador in Berlin, Vitzthum, to Minister for foreign affairs in Berlin, to Graf Hohenthal und Bergen from May 12, 1907; see also the files from BA, R3101, 2310 *Mitteleuropäische Wirtschaftsvereine*; Reinhard Opitz, *Europa-strategien des deutschen Kapitals: 1900–1945* (Bonn: Pahl-Rugenstein Verlag, 1994), 146–59; Kloosterhuis, *Friedliche Imperialisten*, 497–501.

and engineers to succeed in the region, and they planned to organize instructional seminars about the “language and living conditions” of the Balkan states.<sup>74</sup>

The German Trade Association for the Balkans and the Orient wanted to make Saxony the center of expertise about Southeastern Europe, and other organizations in Saxony soon followed its lead. The Saxon Balkan Association (*Sächsische Balkanverein*), formed during World War I, shared the goal of pursuing economic interests through cultural programs and language education, and strove to make Saxony a “hub of attraction for the Balkan peoples.” The institution’s leaders hoped to fend off the centralization of money and connections with the Balkan states that was taking place in Berlin during the war.<sup>75</sup> And when the University of Leipzig founded the Southeastern European and Islam Institute (*Südosteuropa- und Islam-Institut*) in 1917, it reinforced Saxony’s claim to be a center of Balkan studies.<sup>76</sup>

Despite the numerous institutions within Wilhelmine Germany that engaged in the rudiments of cultural diplomacy in Southeastern Europe, and despite the lofty ideas from thinkers like Julius Wolf, to a certain extent the Balkans remained a peripheral strategic region. In the circles of high finance Southeastern Europe was important primarily because it would open a path to the real prize, the Levant and Asia where the Baghdad Railway would connect Germany to the Indian Ocean. In the decade and a half before 1914 Germany was one of the largest markets for agricultural goods from Southeastern Europe, but much of this came through intermediaries in Vienna, Budapest, or Antwerp (*see Tables 1 and 2*). Some German investors pursued high profile investment projects in railroad construction and the Romanian oil fields, but these were the exception rather than the rule. Before 1914 German banks pursued risk-averse strategies in the Balkans. And in general Austrian merchants and banks had closer connections with the region’s business elites than did Germans; they were the only ones willing to venture outside of the larger cities and invest in more risky enterprises. French banking, even more than Austrian, provided the bulk of long-term investment to the Balkan states, accounting for 32 percent, 45 percent, and 79 percent of European loans to Romania, Bulgaria, and Serbia respectively.<sup>77</sup>

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<sup>74</sup> SSAD, *Auswärtigen Angelegenheiten*, 10717, 7081, Working program for the German Trade Association for the Balkans and the Orient from 1912; *ibid.*, history of the German Trade Association from Oct. 14, 1913, 11.

<sup>75</sup> This was taking place under the leadership of the well-established German-Bulgarian Society and the German Turkish Society, SSAD, *Auswärtigen Angelegenheiten*, 10717, 7093, Reasons for the usefulness of the Saxon Balkan Association, 4.

<sup>76</sup> The founding of this institute resulted from a national debate about the role universities should play in the Germany’s foreign cultural policy. Several German intellectuals lobbied for the creation of area studies programs in universities, hoping that cultivating an expertise in regions abroad would help “educate Germans in exchange with other peoples” and give Germany an edge on the plane of “scholarly penetration [*wissenschaftliche Durchdringung*].” Because the university of Leipzig already had scholars of the language and linguistics of Romania and Bulgaria, and the cultures of Southeastern Europe, it made a claim for the Balkan region. Matthias Middell, *Weltgeschichtsschreibung im Zeitalter der Verfachlichung und Professionalisierung Das Leipziger Institut für Kultur- und Universalgeschichte 1890–1990*, 3 vols. (Leipzig: Akademische Verlagsanstalt, 2005), 2:496–501. Quotation from Leipzig Ordinarius für Padagogic, Eduard Spranger, cited in Middell, 497.

<sup>77</sup> Van Laak, *Über alles in der Welt*, 54; For example, the Disconto Gesellschaft–supported Kreditna Banka in Bulgaria had a reputation for “cautious entry into relatively risk-free ventures.” John R. Lampe and Marvin Jackson, *Balkan Economic History 1550–1950: from Imperial Borderlands to Developing Nations* (Bloomington, IN: Indiana Univ. Press, 1982), 227. For the breakdown of long-term European loans to the Balkan states before 1914 see 231.



**Table 1**  
Romanian Prewar Trade  
(in tons, Lei, and as a percentage of total Romanian trade)

Country	Imports			Exports			
	1911	1912	1913	1911	1912	1913	
Germany	Tons	187243	331901	336993	237883	239048	279930
	Lei	183797449	240435129	237819146	33008259	42536432	52407563
	percentage	32.25	37.69	40.31	4.77	6.62	7.81
Austria-Hungary	Tons	250128	319046	456908	582091	749483	776817
	Lei	137040415	138874383	138192076	62873702	94749699	95858235
	percentage	24.05	21.77	23.42	9.09	14.76	14.29
England	Tons	283928	250544	266790	544160	408269	393313
	Lei	85594696	88000450	55737728	55980190	43040824	44840336
	percentage	15.02	13.8	9.45	8.09	6.7	6.69
France	Tons	17974	18343	17836	351870	349794	360255
	Lei	35361902	39062688	34135788	48878667	49947895	63525879
	percentage	6.23	6.13	5.79	7.07	7.78	9.41
Italy	Tons	22012	22920	28632	376989	725914	485704
	Lei	28591518	37074780	21886525	49592099	121066061	71307688
	percentage	5.02	5.82	3.71	7.16	7.78	10.63
Belgium *	Tons	48217	38941	31421	1832133	882444	1162123
	Lei	28113768	20150349	16492788	263467703	152999085	182027916
	percentage	4.93	3.16	2.79	38.09	23.83	27.14

Source: Emil Taubes, "Rumänien's wirtschaftliche Beziehungen zu den Zentralmächten und zum Vierverband," in *Jahrbuch für Nationalökonomie und Statistik* 52, no. 2 (1916): 246–57.

\* a large amount of the exports from Romania to Belgium continued on to Germany via the port of Antwerp.  
So a considerable portion of exports going to Belgium should be counted as exports to Germany

**Table 2**  
Serbian Prewar Trade  
(in millions of Dinar and as a percentage of total Serbian trade)

<i>Country</i>		<i>Imports</i>					
		<i>1900-1905 avg.</i>	<i>1906</i>	<i>1907</i>	<i>1908</i>	<i>1909</i>	<i>1910</i>
Germany	Dinars percentage	8.4 13.24%	9.7 21.90%	20.3 28.75%	21.4 28.31%	28.9 39.32%	35 41.32%
Austrian-Hungary	Dinars percentage	35.82 56.45%	22.2 50.11%	25.6 36.26%	32.2 42.59%	17.8 24.22%	16.1 19.01%
England	Dinars percentage	4.6 7.25%	4.6 10.38%	10.2 14.45%	8.8 11.64%	7.6 10.34%	11.4 13.46%
France	Dinars percentage	1.7 2.68%	1.1 2.48%	2.4 3.40%	1.6 2.12%	3.5 4.76%	3.6 4.25%
Italy	Dinars percentage	0.9 1.42%	0.9 2.03%	2.3 3.26%	2.3 3.04%	2.3 3.13%	3.6 4.25%
Belgium	Dinars percentage	0.4 0.63%	1.4 3.16%	0.8 1.13%	1.6 2.12%	1.6 2.18%	0.9 1.06%
Total	Dinars	63.46	44.3	70.6	75.6	73.5	84.7

Table 2 Continued

Country		Exports							
		1900-1905 avg.	1906	1907	1908	1909	1910		
Germany	Dinars percentage	3.6 4.51%	19.1 26.68%	32.1 39.39%	14 18.02%	16 17.20%	21.9 22.26%		
Austrian-Hungary	Dinars percentage	68.22 85.55%	30 41.90%	12.9 15.83%	21.5 27.67%	29.1 31.29%	17.8 18.09%		
England	Dinars percentage	0.3 0.38%	0.6 0.84%	4.9 6.01%	0.5 0.64%	0.1 0.11%	1.7 1.73%		
France	Dinars percentage	0.3 0.38%	3.4 4.75%	2.7 3.31%	3 3.86%	2.4 2.58%	1.2 1.22%		
Italy	Dinars percentage	0.1 0.13%	0.6 0.84%	4.9 6.01%	3.5 4.50%	3 3.23%	1.1 1.12%		
Belgium	Dinars percentage	0.7 0.88%	6.3 8.80%	13 15.95%	16.1 20.72%	10 10.75%	16.1 16.36%		
Total	Dinars	79.74	71.6	81.5	77.7	93	98.4		

Source: Walter Piner, "Der Volkswirtschaft des bisherigen Königreichs Serbien," *Jahrbuch für Nationalökonomie und Statistik* 52, no. 3 (1916): 742-55.

In cultural policy, before 1914 Germany focused not on Serbia or Romania but on Latin America, China, and above all the lands of the Ottoman Empire. German popular and academic knowledge of the new Balkan states, the history of their peoples, cultures, and economic life remained limited. Before 1914 there were no real institutions devoted to the area studies of Southeastern Europe; these would arise in Munich, Leipzig, and Berlin only during and after World War I.<sup>78</sup> German public opinion, moreover, frequently saw these new Balkan countries as cultural backwaters prone to uncivilized atrocities, which the brutality of the Balkan wars in 1912–1913 only exacerbated.<sup>79</sup>

### *World War I: Dashed Visions*

From the Balkan Peninsula came the spark that ignited Europe's Great War in the summer of 1914. For Germany's *Weltpolitiker*, war offered the opportunity to realize many of their wildest ambitions and secure for Germany a position of hegemony on the European continent.<sup>80</sup> In the September Memorandum, Chancellor Hollweg acquiesced to the plans of German industrialists for annexations in Western and Eastern Europe. Yet this government memorandum was only moderately ambitious in comparison with the designs of the Pan-Germanists and other colonial interest groups. In public discussion plans for Central Europe were no less ambitious and they reached across the political spectrum. The liberal parliamentary deputy Friedrich Naumann penned the most influential work, *Mitteleuropa*, which offered blueprints for a confederation of European states. The strength behind Naumann's Central European super state and its unifying bond would be the economy. Because people now thought in terms of continents, and because "neither small nor moderate sized powers" would play any large part in the future world economy, Naumann hoped his vision would be attractive to the Balkan states and the smaller nations of Europe.<sup>81</sup> His ideas were popular within Germany, and the war spawned a multitude of new foreign associations that promoted economic and cultural cooperation with Austria-Hungary and Bulgaria.<sup>82</sup>

Yet the Central Powers' military victories in Southeastern Europe displayed a much different reality than the dreams of Friedrich Naumann. German military and business leaders quickly made it clear that Romania, Serbia, and even Bulgaria were to become economic vassals of Germany. The conquest of Serbia in 1915 began a punitive occupation and unleashed a scramble for its mines, agricultural surplus, and railroads between the military authorities and businessmen of Germany, Austria-Hungary, and Bulgaria. Although Austria-Hungary and Bulgaria controlled the administration of Serbia, Germany, as the most powerful ally, acquired the lion's share of Serbia's valuable assets and raw materials. The German military leadership requisitioned huge quantities of livestock, wheat, and other foodstuffs. German banks, led by the Deutsche Bank and the Disconto-Gesellschaft, took majority control over the prized Bor copper

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<sup>78</sup> Matthias Beer and Gerhard Seewann (ed.), *Südostforschung im Schatten des Dritten Reich Institutionen – Inhalte – Personen* (Munich: Oldenbourg, 2004).

<sup>79</sup> For a discussion of how Germans viewed the Ottoman Empire and the Balkans before and during the First World War, see Margaret Anderson, "'Down in Turkey, far away': Human Rights, the Armenian Massacres, and Orientalism in Wilhelmine Germany," *The Journal of Modern History* 79 (March 2007): 80–111.

<sup>80</sup> Fischer, *War of Illusions*, 442–51.

<sup>81</sup> Friedrich Naumann, *Mitteleuropa* (Berlin: G. Reimer, 1916), 4.

<sup>82</sup> Kloosterhuis, *Friedliche Imperialisten*; Andrej Mitrovic, *Serbia's Great War 1914–1918* (West Lafayette, IN: Purdue Univ. Press, 2007), 214.

mines, gained a near monopoly on underwriting commercial transactions, established a host of new financial institutions throughout the region, and made plans to acquire and run Serbia's railroad system.<sup>83</sup>

The German military authorities were even more persistent in their drive to acquire control over Romania's assets and surplus products. The treaty of Bucharest in March, 1918 disregarded most of Austria-Hungary's demands and gave the German government control over Romania's agricultural surplus until 1926, established a state-run Central European Oil company to monopolize Romania's oil production and mining royalties, and enforced a military treaty between the two states. German banks opened branches in Bucharest, and from 1917 to 1918 Germany paid for the occupation by placing 1.4 billion Lei worth of paper notes into circulation through the Banca Generala Romana.<sup>84</sup> After a study trip through the Balkans in 1916, one German Parliamentary Deputy reported that Germany was dealing with the states of Southeastern Europe, including their allies, "as if they were 'conquered colonies.'"<sup>85</sup>

For Germany the war not only left a bad legacy for its relations with the Balkan states, it also led many contemporaries to believe that the German state had failed miserably in its efforts to sway public opinion at home and abroad through publicity or cultural diplomacy. Although Lamprecht, Rohrbach, and others had maintained a distinction between press propaganda and cultural diplomacy before 1914, during the war the two concepts became conflated. Both cultural diplomacy and press propaganda sought, albeit in different ways, to influence foreigners' opinion of Germany, but the war reduced opportunities for the former while increasing the need for the latter. Ironically, Germany had been one of the only European states to seriously invest in overseas press propaganda before 1914; its embassies, legations, consular offices, and bank branches disseminated literature favorable to the empire and made periodic efforts to buy off reporters in foreign countries. With the outbreak of hostilities in August 1914 the Foreign Office quickly created a bureau under the guidance of Center Party politician Matthias Erzberger in the hopes of coordinating the multiplicity of German offices that engaged in press propaganda abroad.<sup>86</sup>

Yet from the beginning of the war Germany was on the defensive, since its violation of Belgian neutrality and atrocities in Belgium and northern France gave the Entente press easy targets. For intellectuals in Holland, Switzerland, and other neutral countries the effort of German intellectuals to justify their nation's position in the war came off as misguided at best, arrogant at worst.<sup>87</sup> Germany's attempt to coordinate its propaganda in neutral countries,

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<sup>83</sup> Mitrovic, *Serbia's Great War*, 193–244; Fritz Fischer, *Germany's Aims in the First World War* (New York: W.W. Norton, 1967), 517–33.

<sup>84</sup> The total notes put into circulation by this bank reached 2 billion lei, since the Banca Romana issued notes for Austria-Hungary, Bulgaria, and Turkey as well. Hans Tonch, *Wirtschaft und Politik auf dem Balkan: Untersuchungen zu den deutsch-rumänischen Beziehungen in der Weimarer Republik unter besonderer Berücksichtigung der Weltwirtschaftskrise* (Frankfurt am Main: P. Lang, 1984), 45–46, see especially footnote 39; Fischer, *Germany's Aims*, 517–33; Gerald D. Feldman, "German Business Interests and Rumanian Oil in the First World War," in Schönfeld, *Deutschland und Südosteuropa*.

<sup>85</sup> For an excellent study of the occupation of Serbia during World War I, see Mitrovic, *Serbia's Great War*, 193–244, quotation is from Gustav Stresemann cited in Mitrovic; For Romania, see David Hamlin, "'Dummes Geld': Money, Grain, and the Occupation of Romania in WWI," *Central European History* 42 (2009): 451–71.

<sup>86</sup> David Welch, "Mobilizing the Masses: The Organization of German Propaganda during World War One" in Mark Connelly and Davide Welch (eds.), *War and the Media: Reportage and Propaganda, 1900–2003* (London: I. B. Tauris, 2005), 19–46.

<sup>87</sup> Jürgen von Ungern-Sternberg and Wolfgang von Ungern-Sternberg, *Der Aufruf 'An die Kulturwelt!' Das Manifest der 93 und die Anfänge der Kriegspropaganda im Ersten Weltkrieg* (Stuttgart: Franz Steiner Verlag, 1996), 81–104.

moreover, proved unsuccessful throughout the first half of the war partly because Erzberger's office had to compete with other press agencies in the Prussian Ministry of the Interior, the Imperial Navy, and the Imperial Post Office. Germany did not fully unify its propaganda into a single office until August 1916.<sup>88</sup> More importantly, German propaganda abroad was blunt and "heavy-handed." The primary aim was to give an exaggerated impression of German military victories, to highlight the dissension among the Entente powers, and to stoke revolutionary movements in the British and Russian empires, particularly among Muslim communities in the Middle East. But when the reality of military stalemate and the failure of nationalist or religious rebellion in the British colonies became apparent, German propaganda was left with nothing to fall back upon. Instead, the battle for neutral opinion became a struggle over war aims, the punitive treaties of Bucharest and Brest-Litovsk as well as the clamor among German industrialists and pan-Germanists for outrageous gains in the west doing nothing to help Germany's image.<sup>89</sup>

In addition to the failure of German propaganda abroad, many contemporaries after the war blamed Germany's defeat on its inability to win the propaganda struggle at home. After 1918 Adolf Hitler, General Erich Ludendorff, and commentators from across the political spectrum came to view press publicity as a weapon of war. Many accounts of wartime public opinion held that the victory of the Entente, and particularly Great Britain, rested more on their effective and scruple-less propaganda than their military prowess. By 1918 propaganda had lost its prewar connotation as mere advertising and came to be seen at best as a technique for manipulating public opinion on political issues, at worst as a synonym for demagoguery and government lies.<sup>90</sup> For German intellectuals seeking to resuscitate cultural diplomacy in the 1920s, one of their most pressing challenges would be to prevent their idea of cultural diplomacy from being subsumed into the broader category of propaganda, which now had a tarnished image as a manipulative and politically-motivated endeavor.<sup>91</sup>

### *The Paris Peace Talks and the New Postwar Order*

The sheer destruction of the war, its monumental cost in life and money, and the knowledge of the vast war aims desired by Germany's military leadership led the Entente powers of Great Britain, France, and America to impose a punitive peace on the new German Republic.

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<sup>88</sup> Troy R. E. Paddock, "German Propaganda: the Limits of *Gerechtigkeit*" in Troy R. E. Paddock (ed.), *A Call to Arms. Propaganda, Public Opinion, and Newspapers in the Great War* (Westport, CT: Praeger Press, 2004), 115–60.

<sup>89</sup> Welch, "Mobilizing the Masses," 20–22; on Germany's global strategy see Hew Strachan, *The First World War. Vol. 1: To Arms* (Oxford: Oxford Univ. Press, 2001), 694–814.

<sup>90</sup> Jeffrey Verhey, "Some Lessons of the War: The Discourse on the Propaganda and Public Opinion in Germany in the 1920s" in Bernd Hüppauf (ed.), *War, Violence, and the Modern Condition* (Berlin, New York: de Gruyter, 1997), 99–118. This view of propaganda, although predominant, was by no means the only one. Many of those on the left denounced this explanation for Germany's defeat as false and irresponsible since it only reinforced the stab-in-the-back legend. Recent research, in fact, has highlighted that German propaganda on the homefront was not any less effective than propaganda by the Entente powers. The more pressing problem was the unwillingness of Germany's political and military authorities to "heed the wishes of the German people." David Welch, *Germany, Propaganda and Total War, 1914–1918: The Sins of Omission* (New Brunswick, NJ: Rutgers Univ. Press, 2000), 7.

<sup>91</sup> Kurt Düwell, "Der Gründung der Kulturpolitischen Abteilung Auswärtigen Amt 1919/20 als Neuanfang" in Kurt Düwell (ed.) *Beiträge zur Geschichte der Kulturpolitik seit 1871, Geschichte und Struktur, Referate und Diskussionen eines interdisziplinären Symposiums* (Cologne: Böhlau, 1981), 46–71.

Yet the treaty of Versailles was not a Carthaginian peace as many contemporaries, most notably John Maynard Keynes, believed. The treaty was certainly harsh economically. Germany ceded 27,000 square miles of territory, seven million people, and ten percent of her prewar resources. Nearly 9.5 million Germans now resided outside of the boundaries of the new Weimar Republic. In matters of foreign trade Germany lost control over own trade policy until 1925 as well as its colonies. German companies lost their foreign financial holdings and Germany's merchant marine had to relinquish all ships above 16,000 tons, effectively making the Weimar Republic dependent on foreigners for shipping and insurance. In matters of the domestic economy, in addition to its war debts the Weimar Republic was saddled with a massive reparations bill to be paid out of its own industry and resources, it lost some of its richest coal-producing regions in the Saar, Alsace-Lorraine, and Upper Silesia, and its waterways were internationalized.<sup>92</sup>

But despite these burdens Germany was not crippled as an economic power. It remained the most populous state in Europe, its productive and industrial potential was largely intact, and with the demise of the Austro-Hungarian, Ottoman, and Russian Empires the east was now populated by small, fragile states. While on the surface reparations seemed to impose a massive burden on German industry and its public finances, by many accounts Weimar's inflation and the speculation that came with it led to a substantial net flow of capital into Germany.<sup>93</sup> As one historian has controversially pointed out, the case can be made that Germany left the war and the treaty of Versailles in a sounder position than its main economic rival, Great Britain, where the immediate postwar public debt was larger than Germany's, where the number of labor strikes surpassed those in Weimar, and where the effective loss of southern Ireland meant that Britain proper lost more territory than imperial Germany.<sup>94</sup>

What the treaty did advance, and here John Maynard Keynes was correct, was the disintegration of Central Europe as an economic unit. Before the war Germany had been the throbbing heart of the continent's economy, the largest trading partner for the Habsburg and Russian empires as well as the Netherlands, Belgium, Switzerland, and many of the new Balkan states.<sup>95</sup> With the war and the peace many of those ties were cut, trade was disrupted. The multiplication of states in Central and Eastern Europe in 1919 brought new tariff regimes and thoroughly complicated trans-border commercial transactions as the new states erected their own regulation on railroads, waterways, postal services, and communications. By 1920 shipping goods or payment from Belgrade or Warsaw to Berlin or Vienna became much more difficult than it was a decade earlier.

Just as important, Germany became a state whose primary interest lay in revising the treaty of Versailles. Germany's political leaders found themselves on the wrong end of the three main postwar settlements: reparations; the borders in Eastern Europe; and the League of Nations,

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<sup>92</sup> Zara Steiner, *The Lights that Failed. European International History 1919–1933* (Oxford: Oxford Univ. Press, 2005), 54–70.

<sup>93</sup> Steiner, *Lights that Failed*, 190–93; Stephen A. Schuker, *American Reparations to Germany, 1919–1933* (Princeton: Princeton Univ. Press, 1988); for the debates on whether the inflation was salutary for Germany's economic recovery or not, see Gerald D. Feldman, *The Great Disorder: Politics, Economics, and Society in the German Inflation 1914–1924* (New York: Oxford Univ. Press, 1993); Carl-Ludwig Holtfrerich, *The German Inflation, 1914–1923* (New York: de Gruyter, 1986); Niall Ferguson, *Paper and Iron: Hamburg Business and German Politics in the Era of Inflation, 1897–1927* (Cambridge: Cambridge Univ. Press, 1995); and Niall Ferguson, "How (not) to pay for the war: Traditional finance and total war" in Roger Chickering and Stig Förster (eds.), *Great War, Total War: Combat and Mobilization on the Western Front* (Cambridge: Cambridge Univ. Press, 2000), 409–34.

<sup>94</sup> Niall Ferguson, *The Pity of War* (New York: Penguin Press, 1999), 395–97.

<sup>95</sup> Keynes, *The Economic Consequences of the Peace*, chapters 1 and 2.

from which Germany was excluded until 1925. After 1918, then, Germany became a state that wanted to revise the treaty of Versailles and overturn the postwar order. Even though Weimar's more internationally-minded leaders realized that overturning all aspects of the treaty would be impossible or might even damage the Republic, they were forced by domestic politics to employ highly revisionist and nationalist vocabulary throughout the early 1920s.<sup>96</sup>

Even more than in Germany, for Serbia and Romania the world war represented an economic and social catastrophe of the first order. In the former, the Bulgarian and Austro-Hungarian policies of suppressing Serbian nationalism, eradicating the intelligentsia, interning, exiling, or killing military-aged men, and requisitioning most other able-bodied workers led to a continual state of armed uprisings. In the latter, the occupation itself was more lenient but the economic effects of placing nearly one and half billion Lei into circulation led to inflation and currency fluctuations that persisted as a chronic problem until 1928. And in both countries the years of war, occupation, and famine left a depleted capital stock, a crumbling transportation and infrastructural system, a weak and hungry population, and an agricultural sector decimated by requisitioning, under-cultivation, and poor harvests.<sup>97</sup>

For the leaders of Romania and Serbia, Woodrow Wilson's principle of national self-determination and the Paris Peace talks presented the opportunity to right the wrongs inflicted during the war, and expand their borders to incorporate co-nationals into a greater Romanian or Serbian nation state. Both states sent delegations to Paris under leadership of their most prominent prewar politicians, Ion Bratianu for the Romanians and Nikola Pasic for the Serbs. But in neither case were their expectations for reparations from Germany, Bulgaria, Austria, and Hungary fully met. And although the Romanian and Serbian delegations lobbied incessantly for the satisfaction of their territorial demands, the real decisions on drawing the new postwar borders were made by a series of sub-committees staffed by western European experts, for whom Central and Southeastern Europe was "*terra incognita*."<sup>98</sup>

Yet the Paris committees managed to draw new borders, however artificially conceived, and both Romania and Serbia benefited territorially from the postwar settlement, unlike Germany. Romania more than doubled in size by absorbing all of Transylvania with its large Hungarian and German minorities, along with parts of the Banat in the West and Bessarabia in the East. Serbia merged with Croatia, Slovenia, and Montenegro to become the Kingdom of Serbs, Croats, and Slovenes—Yugoslavia—yet Serbs dominated the bureaucracy and the military of the new state. With their expansion both Romania and Yugoslavia became multinational states with substantial German minorities of 745,000 and 505,000 respectively, out of total populations of 18 million and 12 million.<sup>99</sup>

The Paris commissions completed most of their work in 1919, yet unlike the west "there was no quiet on the Eastern Front." Conflict and tensions continued intermittently until the middle of the 1920s. In the summer of 1919 Romanian forces marched into Budapest to overthrow Hungary's Bolshevik revolution, stripping the region of its agricultural and industrial

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<sup>96</sup> Peter Krüger, *Die Aussenpolitik der Republik von Weimar* (Darmstadt: Wissenschaftliche Buchgesellschaft, 1985), 6–15; Gottfried Niedhardt, *Die Aussenpolitik der Weimarer Republik* (Munich: R. Oldenbourg Verlag, 1999), 1–17; Ferguson, *Pity of War*, 411.

<sup>97</sup> John R. Lampe, *Balkans into Southeastern Europe: A Century of War and Transition* (New York: Palgrave Macmillan, 2006), 75; Teichova, *Kleinstaaten im Spannungsfeld*, 17.

<sup>98</sup> Margaret MacMillan, *Peacemakers: The Paris Conference of 1919 and Its Attempt to End War* (London: John Murray, 2001), 119–45; Steiner, *Lights that Failed*, 80–131, quote from 83.

<sup>99</sup> Figures from Joseph Rothschild, *East-Central Europe between the Two World Wars* (Seattle: Univ. of Washington Press, 1974), 203, 284.



assets. To the west the Italian poet Gabriele d'Annunzio seized the Fiume on the Adriatic coast in September 1919, a city with a mixed population of Croatians and Italians. The fate of the port city would remain a vexing problem until 1924. To the south the Macedonian nationality question generated persistent violence along the Bulgarian–Yugoslavian–Greco border. And between Romania and Serbia the issue of control over the fertile region of the Banat, located Northeast of Belgrade, festered until 1923.<sup>100</sup>

In fact, the Paris peace treaties only served to heighten the differences between the winners and the losers of the war in Southeastern Europe. Like Germany, Bulgaria and Hungary both became revisionist states whose underlying foreign policy goal was the reacquisition of territories their leaders felt belonged to them: Dobrudja and Macedonia for Bulgaria, Transylvania for Hungary. The Soviet Union refused to recognize Romania's absorption of Bessarabia, and Italy contended with Yugoslavia over Albania and the northern Adriatic coast throughout the 1920s.

These persistent territorial disputes created a hostile international environment throughout the better part of the 1920s for both Romania and Yugoslavia. Their over-riding foreign policy objective in the postwar environment thus became the preservation of their territorial gains and the protection of their sovereignty. Most importantly, in contrast to Germany, both states were on the better end of the postwar treaties and both states would become vigorous proponents of the Paris peace settlement, which to them meant, above all, collective security under the League of Nations.<sup>101</sup>

### *Conclusion*

The world war and the postwar treaties placed Germany on the opposite side the new international order from Yugoslavia and Romania. Indeed, the war and its repercussions should be seen as a deep cleavage in Germany's political, economic, and cultural relationship with Southeastern Europe and a setback of monumental proportions for the liberal imperialists' vision of a German-led *Mitteleuropa*.

The war and the treaty of Versailles dismantled the Russian, Austro-Hungarian, and Ottoman empires, creating a host of weak states in Eastern and Southeastern Europe who jealously guarded their fragile sovereignty. That would bode well for German ambitions in the long run, yet in the short run the war and the treaty of Versailles destroyed Germany's ability to pursue an active foreign policy in Southeastern Europe. For much of the 1920s reparations and the occupation of the Rhineland monopolized the attention of German policy-makers. Economically, the war liquidated German assets in Southeastern Europe, reducing its direct financial influence. Germany's foreign chambers of commerce and foreign associations, like the German Trade Association for the Balkans and the Orient or the *Mitteleuropäische Wirtschaftsvereine*, had largely ceased to exist or ceased their activities during the war. Gone were many of the private institutions that the liberal imperialists had hoped would improve goodwill for Germany among foreigners. On the cultural front, the dispute surrounding the issue of war guilt and atrocities, along with the closure of many German schools abroad during the

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<sup>100</sup> For an overview of the continuing conflicts in Eastern Europe see Mark Mazower, *Dark Continent, Europe's Twentieth Century* (New York: Vintage Books, 2000), 41–75; Steiner, *Lights that Failed*, 256–313, quotation on page 70; MacMillan, *Peacemakers: The Paris Conference*, 144.

<sup>101</sup> Keith Hitchens, *Rumania 1866–1947* (Oxford: Clarendon Press, 1994), 427–37; John R. Lampe, *Yugoslavia as History: Twice There Was a Country* (Cambridge: Cambridge Univ. Press, 1996), 150–55.

war, damaged the ideas and the institutions that had underpinned Germany's cultural diplomacy before 1914. And although discussion of *Mitteleuropa* began again shortly after 1919, with Germany's naked wartime economic exploitation firmly imprinted in their memory, the leaders of Romania and Yugoslavia looked on any discussion of *Mitteleuropa* with deep skepticism. More than anything else, the legacy of the war overrode the admiration that Romanian and Yugoslavian elites had held for German economic, cultural, and military prestige before 1914.<sup>102</sup>

The world war, however, did not end the imperial fantasies of Germany's elites, nor their hopes of re-establishing their nation as an economic power. Instead, it forced the businessmen of Weimar to work harder to find new ways of regaining their competitiveness abroad, and it made the proponents of imperialism search for new strategies and found new institutions to realize their dreams.

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<sup>102</sup> Hitchens, *Rumania*, 437; Jürgen Elvert, *Mitteleuropa! Deutsche Pläne zur europäische Neuordnung (1918–1945)* (Stuttgart: F. Steiner, 1999), 44–74; If the leaders of Romania and Yugoslavia were interested in any economic cooperative at all in the immediate postwar years, and many were not, it was some form of Danubian confederation that would be directed against Germany rather than a *Mitteleuropa*. Peter Stirk, "Ideas of Economic Integration in Interwar *Mitteleuropa*," in Stirk, *Mitteleuropa, History and Prospects*.

**The Commercial Legacies of World War I: Problems of Competition, Uncertainty, Trust, and Information in German-Balkan Trade 1920–1926**

*The Germans excel in the sedulous adaptation of their manufactures to local needs, high and low. They are quick to take account of differences in climate, of taste and custom, and even superstition. ... And with equal patience they get to know enough of the business affairs of individual traders to be able to sell with relatively small risk on long credit, where Englishmen sometimes demand prompt payment. In all this they are much aided by their industry in acquiring languages of Eastern Europe, Asia, and South America. Even in markets in which English is spoken they push their way by taking trouble in small things to which the Englishman will not always bend.*<sup>103</sup>

In 1924 Weimar's Economics Minister, Eduard Hamm, in an interview with the Romanian newspaper *Argus* expressed his aspiration that Germany and Romania would share a bright and mutually beneficial economic relationship in the near future. The two countries "complement one another in their economic structure in a very special and fortunate manner." The "rich sources of agricultural production" from enlarged Romania could provide a welcome relief to Germany, which now after the war relied more than ever before on imports of food to feed its people. Likewise, Romania could further modernize its economy by importing capital goods from Weimar like agricultural equipment and petroleum processing machinery.<sup>104</sup> In his interview Hamm vocalized the thoughts of many economic and foreign policy leaders in Germany. Gustav Stresemann, Weimar's Foreign Minister through much of the 1920s, although his foreign policy agenda centered on Western Europe and America, he still saw Southeastern Europe as a "natural market" for German industry. For both Stresemann and Hamm, the Balkan states represented markets of great economic potential.<sup>105</sup>

Some economic leaders in Romania and Yugoslavia came to similar conclusions.<sup>106</sup> For the fledgling states of Southeastern Europe commercial exchange with Weimar was one path toward economic development. In 1918–19 the newly created Yugoslavia and the newly enlarged Romania had become multi-national countries in their own right, the former by joining Croatia and Slovenia to Serbia, the latter with the incorporation of Transylvania and its Hungarian and German minorities. Both countries now had to incorporate minorities into their political systems and face the threat of irredentism from their neighbors. Economic development, if achieved smoothly and rapidly, would ease these tasks of nation and state-building immensely,

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<sup>103</sup> Alfred Marshall on Germany's trade before World War I, from "Industry and Trade," cited in Gary Herrigel, *Industrial Constructions: The Sources of German Industrial Power* (Cambridge: Cambridge Univ. Press, 1996), 42.

<sup>104</sup> PAAA, Handelsabteilung, Rumanien, 89448, *Argus* interview from March 14, 1924, Nr. 3268.

<sup>105</sup> Cited in Hans Paul Hopfner, *Deutsche Südosteuropapolitik in der Weimarer Republik* (Frankfurt am Main: P. Lang, 1983), 119; BA, R901, 54164, Stresemann to Dr. Schlittenbauer from January 1, 1924; for more on this see Elvert, *Mitteleuropa!*.

<sup>106</sup> Yugoslavian Ambassador to London, Joca Jovanovic: Yugoslavia "should conclude not only a trade and a transportation treaty [with Germany], but also a security agreement. ... I am convinced that Russia and the Germany of tomorrow will determine the fate of the European continent. Therefore we must have the best relations with Germany." BA, Schmidlein's report; PAAA, Handelsabteilung Rumanien, 89202, Romanian general Consul in Hamburg to the Berlin Foreign Office from March 3, 1923.

spreading wealth among the poor rural classes who had been promised a better life after the war, and providing the means to defend the new states against foreign incursions.

But here Romania and Yugoslavia faced serious difficulties. In addition to the economic devastation of the war, these two countries entered the 1920s with a predominantly agrarian population, limited development in only a few, traditional industrial sectors, and a relatively uneducated work force.<sup>107</sup> Moreover, the new borders of 1919 had ruptured the former division of labor between regions of the once self-sufficient Austro-Hungarian Empire. For these new, small economies, foreign trade and foreign investment were the overarching challenges that persisted throughout the 1920s and 1930s.<sup>108</sup> As western capital trickled only slowly into Belgrade and Bucharest, and as the antagonism of the World War gradually faded, some Yugoslavian and Romanian economic elites saw the large German market as one of their best hopes for development.<sup>109</sup> Accumulating capital by exporting agricultural goods and raw materials was, some believed, the most effective path to economic development.<sup>110</sup>

The aspiration for a close and productive German-Balkan economic relationship, however, loomed larger in the imagination of economic thinkers than it did in reality. During much of the 1920s Southeastern Europe—Romania, Yugoslavia, Hungary and Bulgaria—accounted for only 2–4 percent of Germany’s total trade, most of which was done with America, Great Britain, and Western Europe. (see *Tables 3 and 4*) Between 1920 and 1927 Germany ranked only 4<sup>th</sup> in exports and imports to Yugoslavia, behind Italy, Austria, and Czechoslovakia.<sup>111</sup> Germany performed better with Romania, but in both cases its share of Yugoslavia and Romania’s trade was far below what it had been before the war with Serbia and a smaller Romania.<sup>112</sup> (see *Table 5*) German investments in the region, never large before 1914, had been confiscated following the treaty of Versailles and German banks ceased their operations in this region. Germany’s trade network in Southeastern Europe lay in ruins and its merchants found themselves relying more than ever on the expertise of commercial intermediaries from Vienna and Budapest.

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<sup>107</sup> By 1922 the gross domestic product of both Romania and Yugoslavia was roughly 70 percent of what it had been in 1911. Industrial production in many sectors of Romania, oil included, had fallen to 50 to 20 percent of 1913 production levels. In Yugoslavia the situation was comparable. Lampe, *Balkans into Southeastern Europe*, 75; Teichova, *Kleinstaaten im Spannungsfeld*, 17.

<sup>108</sup> Lampe and Jackson, *Balkan Economic History*, 330; Berend, *Decades of Crisis*; Teichova, *Kleinstaaten im Spannungsfeld*, 73.

<sup>109</sup> Hopfner, *Südosteuropapolitik*, 151–56; For the pro-German view see the article from the Yugoslavian newspaper *Novosti* in BA, R901, 54164 Handel mit Jugoslawien, film 40726 from July 26, 1929, 173; In Romania, western capital did increase, but it declined as a percentage of total capital investments, from 33 percent to 25 percent between 1923 and 1928. Cristian Bichi, “Foreign Banks in Romania, A Historical Perspective” in Kostas P. Kostis (ed.) *Modern Banking in the Balkans and West-European Capital in the Nineteenth and Twentieth Centuries* (Brookfield, VT: Ashgate, 1999), 40–41; Lampe, *Balkans into Southeastern Europe*, 77–79.

<sup>110</sup> This was only one of many contemporary ideas about how to best develop the economies of Romania and Yugoslavia. The issue polarized between those favoring high tariffs, import substitution, and domestic capital accumulation versus those favoring lower tariffs, export-led growth, and foreign capital participation. In Romania the polarization was most extreme. There the National Liberal Party (PNL) favored the former approach, and the National Peasant Party (PNT) favored the latter. David Turnock, *The Romanian Economy in the Twentieth Century* (London: Croom Helm, 1986), 53–59.

<sup>111</sup> The latter depends on whether reparation deliveries are included in exports, a crucial point. If they are, then German exports to Yugoslavia exceeded those from Czechoslovakia.

<sup>112</sup> In 1925 exports and imports to Austria amounted to 16 percent of Romania’s trade, those to Germany slightly over 12 percent, and those to Great Britain around 9 percent. Richard Crampton and Ben Crampton, *Atlas of Eastern Europe in the Twentieth Century* (New York: Routledge, 1996), 118.

**Table 3**  
 German exports to Southeastern Europe  
 (in millions of RM and as a percentage of total German trade)

<i>Country</i>	<i>1924</i>	<i>1926</i>	<i>1927</i>	<i>1928</i>	<i>1929</i>	<i>1930</i>
Romania	89.3 1.36%	121.3 1.24%	147.6 1.44%	172.7 1.43%	164 1.13%	137.3 1.09%
Yugoslavia	36.4 0.55%	81.4 0.83%	68.1 0.66%	117.6 0.98%	152.6 1.06%	172.1 1.37%
Bulgaria	28 0.43%	29.4 0.30%	31 0.30%	36 0.30%	44.7 0.31%	22.9 0.18%
Hungary	76.8 1.17%	108.1 1.10%	141.7 1.38%	154 1.28%	146.7 1.01%	118.3 0.94%
Southeastern Europe (incl. Hung., Rom. Bulg, and Yugo.)	230.5 3.51%	340.2 3.46%	388.4 3.79%	480.3 3.98%	508 3.51%	450.6 3.58%
USA	509.1 7.75%	744.1 7.58%	776.2 7.58%	795.9 6.60%	991.1 6.86%	685.2 5.45%
Great Britain	611.5 9.31%	1162.5 11.84%	1178.8 11.51%	1182.4 9.81%	1305.2 9.03%	1218.9 9.69%
Netherlands	649.3 9.89%	1126.8 11.48%	1120.8 10.94%	1177.3 9.77%	1355.2 9.37%	1205.8 9.59%
France	101.8 1.55%	237.2 2.42%	113.3 1.11%	934.5 7.75%	934.5 6.46%	1148.6 9.13%
Total German exports	6568.2	9819.5	10242.7	12052.9	14456.5	12579

Source: These figures were compiled from annual reports in *Wirtschaft und Statistik*, titled "Deutsche Aussehenhandel unter besonderer Berücksichtigung Bezugs- und Absatzländer" from 1926–1930.

**Table 4**  
German imports from Southeastern Europe  
(in millions of RM and as a percentage of total German trade)

Country	1924	1926	1927	1928	1929	1930
Romania	59.8 0.64%	153.8 1.45%	243.3 1.60%	188 1.34%	210.8 1.51%	236.9 2.18%
Yugoslavia	29.3 0.31%	81 0.76%	72.3 0.50%	66.6 0.47%	60.9 0.44%	74.8 0.69%
Bulgaria	21.1 0.23%	35 0.33%	48.7 0.34%	49.6 0.35%	51.2 0.37%	58.9 0.54%
Hungary	48.3 0.52%	86.4 0.81%	80.1 0.56%	71.9 0.51%	89.3 0.64%	82.1 0.75%
Southeastern Europe (incl. Hung., Rom. Bulg., and Yugo.)	158.5 1.70%	356.2 3.36%	444.4 3.09%	376.1 2.68%	412.2 2.94%	452.7 4.16%
USA	1754.4 18.83%	1602.9 15.10%	2072.9 14.41%	2026.6 14.43%	1787.8 12.77%	1306.8 12.01%
Great Britain	881 9.46%	576.4 5.43%	937.8 6.52%	893.2 6.36%	865.4 6.18%	639 5.87%
Netherlands	439 4.71%	546.9 5.15%	696.9 4.85%	710.3 5.06%	701 5.01%	560.8 5.15%
France	220.1 2.36%	297.4 2.80%	595.8 4.14%	577.4 4.11%	642 4.59%	518.7 4.77%
Total German Imports	9317.3	10616.7	14381.2	14045.4	13998.4	10884.4

Source: These figures were compiled from annual reports in *Wirtschaft und Statistik*, titled "Deutsche Aussehenhandel unter besonderer Berücksichtigung Bezugs- und Absatzländer" from 1926–1930.

\* the figure for imports from Yugoslavia for the years 1928–1930 might be artificially low. *Wirtschaft und Statistik* claimed that many Yugoslavian goods that ended up in Germany went first through Austria and Czechoslovakia, and therefore were not counted in the total imports from Yugoslavia. *Wirtschaft und Statistik* tried to adjust for that in the years 1926–1927, which is why these numbers are significantly higher than the later years, however it is not clear if they continued this adjustment after 1927.

**Table 5**  
Romanian and Yugoslavian Directions of Foreign Trade  
(average annual percent in current prices)

		Northwestern Europe		Germany		Eastern Europe		Italy		Southeast Eur./Turkey		Other	
		Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports		
Romania	1911-1914	48.7	24	7.1	36.7	16.6	26.1	11.2	4.9	6.4	3.3	10	5
	1921-1925	26.5	25	6.3	17.4	33.8	39.4	6.6	10.4	12.4	4.2	14.4	3.6
Yugoslavia	1912	9	14.4	21.7	29.3	42.9	46.1	4.5	3.2	16.9	5.5	5	1.5
	1921-1925	11.1	14.5	8	7.7	39.1	46.9	27.4	18.7	8.4	6.7	6	5.5

Source: John R. Lampe and Marvin Jackson, *Balkan Economic History 1550-1950: from Imperial Borderlands to Developing Nations* (Bloomington IN: Indiana Univ. Press, 1982), Table 10.13, 366. Data for 1911-14 for Romania and for 1912 for Yugoslavia are for the prewar kingdoms of Romania and Serbia.

Contemporaries recognized the poor situation and found little reason for optimism. According to Germany's consul in Zagreb, Gottfried Walbeck, one of the most astute economic observers of the period, "in my understanding, Germany will not yet for a long time achieve the proportion of trade with the Balkans that should be commensurate with our favorable location to the Balkans and our highly developed industry. Prejudices, ignorance of local business practices, and a sluggishness of German industry, and occasionally trade, in the post-war period are probably the reasons for this."<sup>113</sup> In the 1920s Weimar's economic relations with either Romania or Yugoslavia could hardly be called a paragon of imperialism.

If leaders at both ends of the Danube saw the advantages of economic cooperation between their states, why, then, did German-Balkan commerce remain so underdeveloped during much of the decade? Why did the ideas for a complementary exchange of capital goods for agricultural products and raw materials not succeed as many contemporary enthusiasts suggested should be the case?

Historians have pointed to several explanations for Weimar's underwhelming economic relationship with the Balkan states. At the broadest level, it can be seen as part of a general stagnation Germany experienced in its exports and imports during the first half of the 1920s.<sup>114</sup> The Weimar Republic's poor export performance has been one aspect of the wide-ranging debate over Germany's economic difficulties during the 1920s. The explanations for this are manifold, ranging from Knut Borchardt's idea of domestic distributional conflict between German capital and labor, to Theo Balderston's conclusion that "political discrimination against, and politically inspired aversion from, German goods after the war," were much to blame for Germany's poor export performance.<sup>115</sup>

While informative about Weimar's general trade conditions, these broad accounts do not focus on Southeastern Europe, a region where German trade took longer to recover than elsewhere.<sup>116</sup> For that, scholars have pointed to the extremely competitive commercial

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<sup>113</sup> Bundesarchiv Berlin (BA), R901, 54232, Film 41488, Zagreb Consul Dr. Walbeck to the Leipzig Trade fair from Oct. 23, 1925.

<sup>114</sup> Weimar ran a consistent trade deficit throughout the decade, its exports following a roughly U-shaped curve: declining from 1913, reaching a nadir with the hyperinflation in 1923–24, and slowly recovering in the second half of the decade. By various measures, Great Britain, France, Scandinavia, and the Mediterranean countries all had a comparable or better export performance than Germany, and Germany's share of world exports was lower in 1927 than it was in 1913. Theo Balderston, *The Origins and Course of the German Economic Crisis, November 1923 to May 1932* (Berlin: Haude & Spener, 1993), 86–97; See also Ivan Berend, *Decades of Crisis* and Dietmar Petzina and Werner Abelshäuser, "Zum Problem der relativen Stagnation der deutschen Wirtschaft in den zwanziger Jahren" in Hans Mommsen, Dietmar Petzina, Bernd Weisbrod (eds.), *Industrielles System und politische Entwicklung in der Weimarer Republik* (Düsseldorf: Dröste, 1974), 57–75.

<sup>115</sup> For an introduction into these debates see Albrecht Ritschl, "Reparation transfers, the Borchardt hypothesis and the Great Depression in Germany, 1929–32: A guided tour for hard-headed Keynesians," *European Review of Economic History* 2 (1998): 49–72; Knut Borchardt, "Wachstum und Wechsellagen 1914/1970" in *Handbuch der deutschen Wirtschafts- und Sozialgeschichte*, H. Aubin and W. Zorn (eds.), (Stuttgart: Union Verlag, 1976), 685–740; Robert Mark Spaulding, *Osthandel and Ostpolitik: German Foreign Trade Policies in Eastern Europe from Bismarck to Adenauer* (Providence RI: Berghahn Books, 1997), 106–27; Albrecht Ritschl, *Deutschlands Krise und Konjunktur 1924–1934. Binnenkonjunktur, Auslandsverschuldung und Reparationsproblem zwischen Dawes-Plan und Transfersperre* (Berlin: Akademie Verlag, 2002); Balderston, *Origins and Course of the German Economic Crisis*, 82–128.

<sup>116</sup> For example, by 1925 German exports to Italy, Denmark, the Netherlands, and Switzerland had all almost returned to or surpassed their 1913 levels. In 1925 German exports to Romania, a state now more than double in area and population, were still 50 percent lower than in 1913. See *Wirtschaft und Statistik* (1926), 149.



environment that the Balkans became during the 1920s. These emerging economies fell under the gaze of Western Europe as the governments and financiers of France, Great Britain, Austria, and Italy aspired to expand their ties to the Balkans and stem any resurgence of German influence in the region. As historians have illustrated, military conflict may have ended in 1918, but economic conflict continued among the Great European powers throughout the 1920s.<sup>117</sup>

The highly competitive nature of trade and investment in Southeastern Europe partially explains Germany's persistently poor economic relations with Yugoslavia and Romania. Yet the mere presence of competition does not tell the full story. German trade with the Netherlands, Czechoslovakia, Poland, and Italy—countries that also drew French and British attention—did not stagnate the way it did in Southeastern Europe.<sup>118</sup> Rather, German-Balkan commerce had its own peculiar set of problems in the 1920s that historians have not yet addressed. In explaining why this trade failed to meet contemporary expectations, scholars have problematized primarily the political issues—trade treaties, tariff policies, international conferences—or the financial ones.<sup>119</sup> They have only tangentially discussed the institutional or the day-to-day history of interstate commerce, leaving questions of trust, uncertainty, information, and cultural understanding largely untouched.<sup>120</sup> German trade networks in the Balkans had been disrupted by the war and proved harder to rebuild here than elsewhere.

With Weimar's trade, bank, and consular networks in ruins, before German businessmen could successfully compete in the markets of Southeastern Europe they had to acquire a better general understanding of the commercial cultures of Southeastern Europe, obtain reliable economic information, and rebuild the commercial trust that had been damaged by Germany's ruthless wartime occupation of Serbia and Romania and by Germany's own postwar hyperinflation. The absence of German banks in Southeastern Europe—institutions that conventionally helped manage risk, provide market information, and recommend trustworthy agents—placed German merchants at a serious disadvantage. The high level of competition faced by German merchants from rivals in the other Western European states, Austria in particular, only raised the stakes by making these challenges more urgent and more difficult to surmount. Distrust, poor information, limited cultural understanding, and weak personal networks were chronically pervasive in German-Balkan trade during the 1920s. Only by addressing these challenges could German merchants improve their competitiveness in the markets of Southeastern Europe.

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<sup>117</sup> Teichova, *Kleinstaaten im Spannungsfeld*; György Ranki, *Economy and Foreign Policy. The Struggle of the Great Powers for Hegemony in the Danube Valley, 1919–1939* (New York: Columbia Univ. Press, 1983); Marie-Luise Recker, *England und der Donauraum 1919–1929. Probleme einer europäischen Nachkriegsordnung* (Stuttgart: Klett, 1976).

<sup>118</sup> *Wirtschaft und Statistik* (1926), 149.

<sup>119</sup> For the former see Ranki, *Economy and Foreign Policy*; Tonch, *Wirtschaft und Politik*; Hopfner, *Südosteuropapolitik*; Dirk Stegmann, "Mitteleuropa 1925–1934" in Wendt/ Witt, *Industrielle Gesellschaft und politisches System*, 203–21; For the latter see Berend, *Decades of Crisis*; Turnock, *Romanian Economy*; Teichova, *Kleinstaaten in Spannungsfeld*; Lampe and Jackson, *Balkan Economic History*; and Balderston, *Origins and Course of the German Economic Crisis*; For a recent work that does integrate both the financial and the political aspects see Adam Tooze and Martin Ivanov, "Disciplining the Black Sheep of the Balkans: Financial Supervision and Sovereignty in Bulgaria 1902–1938," *Economic History Review* (2010).

<sup>120</sup> There is a fairly large historiography about multi-national corporations and international finance in Central Europe that deals with these questions. However, this literature focuses on the organization of the multi-national enterprises and pays less attention to how such enterprises affected trade between Germany, Austria, and Southeastern Europe. See, for instance, Teichova and Cottrell, *International Business and Central Europe*.

## *Financial Competition in Southeastern Europe*

In 1918 the economic situation in the new Yugoslavia and the enlarged Romania was grim. Four years of war and occupation had decimated their economies, led to mass migration and resettlement, and brought commerce with other states to a standstill. Between 1919 and 1920 these two states subsisted only with the help of international aid from American organizations and food relief loans from Great Britain and Canada.<sup>121</sup> For both states prospects for a quick recovery were not promising. Grain and livestock from the Americas, where cultivation had vastly expanded during the war, meant low prices for the main exports sectors of Yugoslavia and Romania. And both states lacked the hard currency necessary to import the finished goods and capital equipment that could modernize their economies. The destruction and depreciation of capital goods during the war, the costs of resettlement, and the burden of repaying war and food loans left these two states extremely capital-poor throughout the 1920s. Their low level of income per person, which was between one-third and one-quarter that of Great Britain or Germany, curtailed their ability to quickly accumulate domestic capital.<sup>122</sup> To service their state loans, to cover their large foreign trade deficits, and to finance their land reforms and infrastructure projects, the Romanian and Yugoslavian governments looked to western capital markets for investment. To their dismay, however, funds from New York, Paris, London, Brussels, and Amsterdam were slow in coming: total foreign lending to Southeastern Europe during the 1920s proved to be small in comparison with the prewar period.<sup>123</sup>

Yet some investment did arrive and Vienna, like it was before 1914, remained the hub through which western capital flowed into the Balkans. Before the war Austrian banks had been the largest investors in Southeastern Europe, or at least in those regions that lay within the borders of the empire. The splintering of the empire into new states meant these banks had now become multi-national enterprises at a time when their capital was under massive strain from inflation and war debts. Investors from France, America, Great Britain, the Netherlands, Belgium, and Switzerland saw this as an opportunity to move into Southeastern Europe by working through Vienna's weakened banks. Of the eight great Viennese banks, western investors bought two of them outright.<sup>124</sup> In 1920 the French Banque de Paris et des Pays Bas (BPP) acquired control of the Austrian Länderbank, later renamed the Banque des Pays de l'Europe Centrale. And in 1921 British investors acquired the Anglo-Austrian Bank, primarily as a way to finance new trade opportunities in the Balkans.<sup>125</sup>

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<sup>121</sup> Ranki, *Economy and Foreign Policy*, 19; Teichova and Cottrell, *International Business and Central Europe*, 312.

<sup>122</sup> From 1920 to 1938 their rate of investment ranged between 5 and 8 percent, in comparison the rates in Great Britain and America were 10 to 18 percent, Teichova, *Kleinstaaten im Spannungsfeld*, 71–72.

<sup>123</sup> “Romania had attracted barely \$100 million by 1930. ... And the rest of the region combined only half that amount.” Lampe, *Balkans into Southeastern Europe*, 75–76.

<sup>124</sup> Vesna Aleksic, “The History of the Allgemeiner Jugoslawischer Bankverein AG in Belgrade in the Context of Yugoslav Banking History after 1918” in Oliver Rathkolb, Theodor Venus, and Ulrike Zimmerl (eds.), *Bank Austria Creditanstalt. 150 Jahre österreichische Bankengeschichte im Zentrum Europas* (Vienna: Paul Zsolnay Verlag, 2005), 226–38; Teichova, *Kleinstaaten im Spannungsfeld*, 76–80.

<sup>125</sup> Teichova, *Kleinstaaten im Spannungsfeld*, 76–80, 87–95; Alain Plessis and Olivier Feiertag, “The Position and Role of French Finance in the Balkans from the Late Nineteenth Century until the Second World War” in Kostis, *Modern Banking*, 225; Herbert Matis, “Disintegration and multi-national enterprises in Central Europe during the Post-War Years (1918–1923),” in Teichova and Cottrell, *International Business and Central Europe*, 89; Lampe and Jackson, *Balkan Economic History*, 395.

The flood of investors into Vienna was part of a broader effort by the British and French governments to create a *cordon sanitar* of stable states in Central and Southeastern Europe. Great Britain led the way in 1920 with a series of international conferences designed to stabilize the new economies of Eastern Europe. Both the British Foreign Office and the newly established Department of Overseas Trade (DOT) saw stabilization as an urgent task since persistent food shortages and unemployment might mean a repeat of Bolshevik revolutions like the one in Hungary in 1919. Moreover, the DOT and the Foreign Office wanted to prevent the return of German commercial influence in Southeastern Europe while at the same time carving out a greater market share for British exporters.<sup>126</sup> In 1920–21 the DOT organized an export credit program to finance the sale of British finished goods to Southeastern Europe. In addition, the British Foreign Office tried to expand their interests in Vienna and along the Danube River, the “highway” to the Balkans. In 1920 a British bank syndicate acquired partial control over Danube shipping from German, Austrian, and Hungarian companies.<sup>127</sup> These disparate efforts—the export credit plan, the Danube scheme, the food relief programs, and British private investment—were all part of a “bulwark against the Germany of the future.” If British exporters failed to gain ground in the markets of Southeastern Europe, the Foreign Office feared that “trust in British power to restore order in these countries will turn into disillusionment and bitterness, of which Germany will reap the fruit.”<sup>128</sup>

The French government was similarly inclined to hinder German commercial influence in the Balkans, but the poor state of French state finances and the depreciation of the Franc prevented it from coordinating financial and political policies in the first half of the 1920s. Before 1926 French financial influence in Southeastern Europe remained a “poor man’s imperialism.”<sup>129</sup> Yet following the stabilization of the Franc, in the second half of the decade a new phase began. The Banque Franco-Serbe in Belgrade, founded in 1910 by the Banque de l’Union Parisienne (BUP), became one of Yugoslavia’s largest financial institutions.<sup>130</sup> In Romania the BUP and the Banque de Paris et des Pays-Bas (BPP) expanded their stake in several of Romania’s larger banks and French investors came to have stakes in over twenty Romanian financial institutions. More important than private credit, between 1927 and 1929 France’s central bank stabilized the Romanian currency with a loan of \$100 million and French technical advisors gained extensive regulatory powers over the Romanian national bank. The French government tied its aid to the purchase of military and industrial hardware, and with the conclusion of friendship treaties with Romania and Yugoslavia in 1926 and 1927, France buttressed its financial ties with a military commitment.<sup>131</sup>

British and French investors were not the only ones to harbor designs of financial influence in Southeastern Europe. For the large Viennese banks the influx of Western capital

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<sup>126</sup> Recker, *England und der Donauraum*, 47.

<sup>127</sup> Ranki, *Economy and Foreign Policy*, 11–12.

<sup>128</sup> First quotation, British Foreign Office report from Oct. 15, 1919, second from a British memorandum from Oct. 18, 1919, both cited in Recker, *England und der Donauraum*, 43–44; See also Teichova, *Kleinstaaten im Spannungsfeld*, 76–78.

<sup>129</sup> Plessis and Feiertag, “The Position and Role of French Finance in the Balkans,” 225; G. Soutou, “L’imperialisme du pauvre: la politique économique du gouvernement français en Europe centrale et orientale de 1918 à 1929. Essai d’interprétation,” *Relations internationales*, no. 7 (1976): 219–39.

<sup>130</sup> Andrej Mitrovic, “Foreign Banks in Serbia, 1882–1914” in Kostis, *Modern Banking*; Bichi, “Foreign Banks in Romania,” 36.

<sup>131</sup> See Plessis and Feiertag “The Position and Role of French Finance in the Balkans,” 215–31, quotation from 228; Bichi, “Foreign Banks in Romania”; See also Lampe and Teichova, *Kleinstaaten im Spannungsfeld*.

offered them a “unique occasion to return to the Balkans.”<sup>132</sup> Six of the eight retained independent management and hoped to become multi-national institutions and financial leaders in Southeastern Europe by financing their old clients in the new successor states.<sup>133</sup> This was particularly so for the Credit-Anstalt. As Austria’s largest bank and a massive industrial holding company in its own right, the Credit-Anstalt pursued an “international strategy that would encompass all of the Danube countries.” Yet it was heavily dependent on foreign capital: international creditors held a third of its common stock in the 1920s.<sup>134</sup> Viennese banks, moreover, helped investors from Western Europe establish new subsidiaries in Southeastern Europe. In 1928, for example, a consortium of Western banks led by the Wiener Bankverein of Austria founded the Allgemeiner Jugoslawischer Bankverein (AJB), which became one of Yugoslavia’s largest banks with offices in Belgrade, Zagreb, Novi Sad, and Ljubljana.<sup>135</sup>

German banks received no similar assistance from Paris, Brussels, or London to renew their overseas operations for obvious reasons. Reparations and the hyperinflation left Western European investors wary of long-term investments in Germany. Western European politicians, moreover, saw Germany’s large banks as institutions of imperialism and wanted nothing more than to prevent their re-entry into Central Europe, the Balkans, and the Near East. The war and the treaty of Versailles had completely removed German financial interests from Southeastern Europe. The Serbian decree in August 1915 and the allied economic conference in Paris in October 1916 laid the legal foundation for the sequestration of German assets, which the treaty of Versailles upheld.<sup>136</sup> Germany’s extensive prewar investment in Romanian banks like the Marmorosch Blank & Co. and the Banca Generala Romana passed mostly into French and Romanian hands, while the Deutsche Bank’s prized oil company, Steaua Romana, was taken over by Anglo-American and French investors. Germany’s only financial remnant was a small branch of the Dresdner Bank in Bucharest.<sup>137</sup> German prewar investments in Serbia were confiscated as well, including the holdings of the Berliner Handelsgesellschaft in Belgrade along with various factories, distilleries, and processing plants.<sup>138</sup>

Thus through most of the 1920s Germany had an extremely limited banking presence in Romania and Yugoslavia. But how much did the financial influence of France, Great Britain, and Austria translate into a commercial advantage? Put another way, how much did Germany’s financial weakness hurt its trading relationship with the Balkan states? Trade was, after all, where leaders like Stresemann and Hamm saw Germany’s natural advantage to lie, not finance.

In the first place, Western European banks extended trade credits to support their exporters in Southeastern Europe while German merchants enjoyed no such assistance. This was an advantage since Balkan wholesale merchants found it very difficult to secure short-term credit to finance imports or exports during the 1920s. Interest rates in Yugoslavia and Romania were

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<sup>132</sup> Aleksic, “Allgemeiner Jugoslawischer Bankverein AG,” 226.

<sup>133</sup> Alice Teichova, “Banking and Industry in Central-East Europa in the First Decades of the 20<sup>th</sup> Century,” in Rathkolb, Venus, and Zimmerl, *Bank Austria Creditanstalt*, 148–61.

<sup>134</sup> Gerald D. Feldman, “Die Creditanstalt-Bankverein in der Zeit des Nationalsozialismus, 1938–1945” in Feldman, et al., *Österreichische Banken und Sparkassen im Nationalsozialismus und in der Nachkriegszeit*, 23–27.

<sup>135</sup> Gerald D. Feldman, “Die Länderbank Wien AG in der Zeit des Nationalsozialismus” in Feldman et al., *Österreichische Banken und Sparkassen im Nationalsozialismus und in der Nachkriegszeit*, 424–25; Aleksic, “Allgemeiner Jugoslawischer Bankverein AG,” 226.

<sup>136</sup> Bozidar Jurkovic, *Ausländische Kapital in Jugoslawien* (Stuttgart: W. Kohlhammer, 1938), 134–35.

<sup>137</sup> Bichi, “Foreign Banks in Romania,” 36–39; Plessis and Feiertag, “The Position and Role of French Finance in the Balkans,” 225; Harald Wixforth, *Die Expansion der Dresdner Bank in Europa* (Munich: Oldenbourg, 2006).

<sup>138</sup> Jurkovic, *Ausländische Kapital in Jugoslawien*, 136; Mitrovic, “Foreign Banks in Serbia,” 78.

roughly twice as high in the 1920s as they had been before 1914, the rates for trade, industrial, or agricultural credit hovering around 20 percent in both states.<sup>139</sup> With bank rates so high, Yugoslavian merchants relied on their trade partners abroad to extend them credit, which usually ranged from six to twelve months.<sup>140</sup> Before 1914 such long-term, flexible, and open-ended credit had been common practice in Southeastern Europe.<sup>141</sup> After the war Yugoslavian and Romanian traders turned to British, French, and Austrian merchants, who were supported by their nations' bank branches in Southeastern Europe and consequently were able to extend credit for at least six months, sometimes longer. In the British case, the government even assumed some of the risk when it expanded its export-credit program in 1921, providing 26 million pounds to help its merchants finance short-term trade-related liabilities.<sup>142</sup>

German merchants, in contrast, could normally extend credit for only three months, and even that was often difficult.<sup>143</sup> The dearth of German bank branches in Southeastern Europe, however, was only part of the problem. According to Johannes März, director of the Association of Saxon Industrialists, as late as 1928, within Germany "the system of export banks, which provided excellent information about the credit-worthiness of foreign clients, still does not yet exist again in the postwar years and is today only beginning to be reconstituted."<sup>144</sup> The war and the hyperinflation had severely weakened the balance sheets of all German banks, particularly those larger ones that had traditionally financed German exports. Between 1913 and 1929 the capitalization of German banks in general declined from 22 to 9 percent, and for larger banks from 19 to 7 percent.<sup>145</sup> By one estimate, bank capital in 1924 was only one third of what it had been a decade earlier. This decline in capital made German banks risk averse and less willing to lend long. Consequently, after the war the market for financing Germany's foreign traders like those in Southeastern Europe collapsed, and only slowly recovered after the end of hyperinflation and the stabilization of the currency in 1924.<sup>146</sup>

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<sup>139</sup> Lampe and Jackson, *Balkan Economic History*, 394–97; Daniel Daianu, "The Role of Finance in Romania's Quest for Modernization: Insights from the Interwar Period" in Philip L. Cottrell (ed.), *Rebuilding the Financial System in Central and Eastern Europe, 1918–1994* (Brookfield, VT: Ashgate Pub. Co., 1997), 154; See Lampe on the underdevelopment of the cooperative system of credit in Romania and Yugoslavia: Lampe and Jackson, *Balkan Economic History*, 364–75.

<sup>140</sup> BA, R901, 43085 Economic relations with Yugoslavia, Report from Dr. Schmidlein on the condition of Germany's business in Yugoslavia from April 21, 1927; Other reports corroborate Schmidlein: BA, R901, 54226 Representatives of German Firms in Yugoslavia, film 41404 Bulletin for commerce with Yugoslavia from Jan. 1, 1926; In Romania, the capital scarcity of local firms, the high bank loan rates, the inability of German merchants to lend long, and the French and British competition made the situation remarkably similar to Yugoslavia. PAAA, Handelsabteilung, 89209 Romanian trade relations with Germany, Survey of German sales in Romania by diplomat Gerhard Mutius from April 1, 1927; PAAA, Handelsabteilung, 89209 Romanian trade relations with Germany, C. F. Ploucquet to the chamber of commerce in Heidenheim from Sept. 25, 1924.

<sup>141</sup> PAAA, Handelsabteilung, 89209 Romanian trade relations with Germany, Lawyer Wolfgang Heine to the Commissioner for foreign currency from Dec. 12, 1923;

<sup>142</sup> Recker, *England und der Donaauraum*, 47.

<sup>143</sup> BA, R901, 54163 trade with Yugoslavia, film 40724, Belgrade Mission to Berlin Foreign Office from Dec. 12, 1920.

<sup>144</sup> Johannes März, "Die Einstellung der sächsischen Industrie auf die neuen Formen der Weltwirtschaft," *Jahrbuch Sachsen, Politik und Wirtschaft, Kunst und Wissenschaft im Freistaat Sachsen* (Leipzig 1928): 64–71.

<sup>145</sup> Gerd Hardach, "Banking and Industry in Germany in the Interwar Period 1919–1939," *The Journal of European Economic History* 13, no. 2 [special issue], (Fall 1984): 203–34.

<sup>146</sup> Theo Balderston, "German Banking Between the Wars: the Crisis of the Credit Banks," *Business History Review* 65, no. 3 (1991): 554–605; For example, in 1922 one of Romania's largest import and exporter companies, Agricola, requested credit from the Deutsche Bank to fund the import of German goods. The Deutsche Bank declined the request because it was too risky and costly owing to the complicated transactions required to insure itself against

Germany's Foreign Office found this dearth of capital to be debilitating for its trade network in Southeastern Europe. The German consul in Zagreb, Gottfried Walbeck, was one of the most outspoken proponents for renovating Germany's banking presence in Yugoslavia. As a consul for the Foreign Office since 1914, stationed first in Moscow and then in Switzerland, Walbeck opened Germany's new consulate in Zagreb in October 1920. After five years of learning the region's commercial culture, he argued that Germany's merchants "urgently needed financial support." Financing exports through Vienna, while politically acceptable, was too expensive and insufficient for the volume of trade he hoped Germany would eventually be doing.<sup>147</sup> Without financial support some German merchants were even turning to French institutions for trade credits, like the large Franco-Serbe Bank in Belgrade. For Walbeck this was political suicide: in his mind the Franco-Serbe Bank was a tool of French imperialism and directly "served France's policy of expansion through economic means."<sup>148</sup> A "German bank subsidiary in Yugoslavia," Walbeck maintained, "would be the pace-setter for a more extensive engagement by German industry," and would enable German exporters to compete with their French and British rivals.<sup>149</sup> Walbeck found strong support for his ideas from Germany's diplomat in Belgrade, Franz Olshausen, along with the German Association for Chambers of Industry and Commerce (*Deutscher Industrie und Handelstag—DIHT*), one of Germany's primary business associations for exporters.<sup>150</sup> By underwriting transactions and guaranteeing credit, Walbeck and Olshausen hoped a German bank in Yugoslavia would lower the risk for German exporters. Just as important, bank branches in the major cities could potentially serve as a local agent for German firms, or at the very least ease the consulate's burden of helping firms locate reliable representatives and information about local business opportunities.<sup>151</sup> Weimar's consuls in Romania expressed a similar sentiment, where German banks had maintained a large presence before 1914.<sup>152</sup> Walbeck's efforts, however, remained unfulfilled and German banks would only begin their slow return to Southeastern Europe at the end of the 1920s.<sup>153</sup>

Yet in their reports Walbeck and Olshausen indicated that Germany's commercial problems in Southeastern Europe ran deeper than its financial weakness. Put another way, trade did not depend entirely on finance, and the development of trade in the Balkans bears this out.

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confiscation of its credit under article 18 of the Treaty of Versailles. For more on article 18 see below. PAAA, Handelsabteilung, 89461 Participation of German and foreign capital in Romania, 1922.03.04. See also Tonch, *Wirtschaft und Politik*, 54.

<sup>147</sup> BA, R901, 54164 Trade with Yugoslavia, film 40725, Report by consul Walbeck in Zagreb circulated from Belgrade to Berlin Foreign Office from June 22, 1925

<sup>148</sup> BA, R901, 54226 Representatives of German Firms in Yugoslavia, 41408 film, German consul in Zagreb to Berlin Foreign Office from Oct. 30, 1923.

<sup>149</sup> BA, R901, 54164 Trade with Yugoslavia, film 40725, Report by consul Walbeck in Zagreb circulated by Belgrade to Berlin Foreign Office from June 22, 1925; BA, R901, 54164 Trade with Yugoslavia, film 40725, report circulated by Belgrade to Berlin Foreign Office from June 25, 1925.

<sup>150</sup> BA, R901, 54164 Trade with Yugoslavia, film 40725, Report by consul Walbeck in Zagreb circulated by Belgrade to Berlin Foreign Office from June 22, 1925.

<sup>151</sup> The *Industrie- und Handelszeitung*, press organ of the DIHT, agreed with Walbeck's opinion, arguing in 1927 that the lack of cooperation between German banks and German industry in Yugoslavia was hindering exports. Like Walbeck, they called for a German bank filial to be established in Yugoslavia to underwrite the credit of local buyers, and to help reduce the risk of doing business there. BA, R901, 54164 Trade with Yugoslavia, film 40726, Consul in Zagreb to Berlin Foreign Office, from Apr. 1, 1927.

<sup>152</sup> Germany's diplomat in Bucharest, Gerhard Mutius, was, however, more open to the possibility of cooperating with French capital to exploit the resources of Romania. PAAA, Handelsabteilung, Romania, 89461 participation of German and Foreign Capital in Romania, Mutius to Berlin Foreign Office from June 4, 1929.

<sup>153</sup> Paul Hehn, *A Low Dishonest Decade*; about the Dresdner Bank see Bichi, "Foreign Banks in Romania," 42.

For while Great Britain and France both had extensive financial involvements and bank subsidiaries in Yugoslavia, Romania, or by proxy in Vienna, their trade with Southeastern Europe also remained limited throughout the 1920s. Great Britain purchased only 1–2 percent of Southeastern Europe’s exports; France did little better.<sup>154</sup> And in the late 1930s, when Germany had come to dominate the markets of Southeastern Europe, its financial presence was still quite small. On the eve of the *Anschluss* in 1937 Germany ranked only fifth or sixth among international investors in Southeastern Europe, behind even Switzerland and Czechoslovakia.<sup>155</sup>

Financial influence, therefore, did not translate *directly* into greater trade in this competitive and politicized region. What mattered more were experience with the local business communities, personal relationships with the local merchants, and a reliable source of economic news about the sales opportunities in Southeastern Europe. Banks traditionally provided these services, and as a consequence Austrian merchants had all of advantages that came with personal relationships and reliable information. By the middle of the decade Austrian bank branches existed in most major cities within the borders of the old empire: Ljubljana, Zagreb, Novisad, Cernowitz, and even in Belgrade.<sup>156</sup> Viennese banks and merchants held a distinct advantage over other foreigners, since their history as intermediaries with portions of Romania and Yugoslavia had given them “indispensable experience” and lasting personal contacts with the local business communities. Such experience was necessary to succeed in what one historian has called the “complex and inaccessible market” of Southeastern Europe, a region where many western European investors and businessmen, Germans included, were turned off by the “prevailing uncertainty and lack of information” in the region.<sup>157</sup>

To many contemporary observers it seemed that in the multi-lingual Balkans German merchants should enjoy an advantage over traders from other Western European countries. German was widely used as the region’s “business language,” and the substantial German minority communities—in Transylvania, in the Banat, and in the Danube river basin around Novi Sad—offered a solid foundation for business contacts.<sup>158</sup> Yet these advantages meant little in the face of competition with the Viennese, who often spoke Serbian, Hungarian, Croatian, or Romanian in addition to German. Before the war Viennese and Budapest merchants were some of the only ones willing to venture outside of the larger towns in Southeastern Europe to engage in commerce.<sup>159</sup> Moreover, it was a common grievance that despite the advantage German traders might enjoy from their language, they knew “sincerely little” about the “pulse of the tribes on the other side of the Drina,” seeing Yugoslavia and Romania only through the “eyeglass of Austrian politics.”<sup>160</sup> After the war most German firms who dealt in Southeastern Europe worked through Austrian agents.<sup>161</sup> Weimar’s large electrical and chemical combines, for

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<sup>154</sup> Ranki, *Economy and Foreign Policy*, 36–37.

<sup>155</sup> Teichova, *Kleinstaaten im Spannungsfeld*, 81–82. Before 1914 Germany was the largest long-term creditor of the Austro-Hungarian Empire. P. L. Cottrell, “Aspects of Western Equity Investment in the Banking Systems of East Central Europe” in Teichova and Cottrell, *International Business and Central Europe*, 310.

<sup>156</sup> Matis, “Disintegration” in Teichova and Cottrell, *International Business and Central Europe*, 88.

<sup>157</sup> *Ibid.*, 93; Lampe and Jackson, *Balkan Economic History*, 395.

<sup>158</sup> BA, R901, 48035, Schmidlein’s report.

<sup>159</sup> Lampe and Jackson, *Balkan Economic History*.

<sup>160</sup> BA, R901, 54163 Trade with Yugoslavia, Fach & Schneider GmbH to the Berlin Foreign Office from Nov. 29, 1920; See also the article by Dr. Gerhard Schacher. BA, R901, 54160 Foreign trade with the Balkans, film 40682, article titled “Deutschland und der Balkan Handel” from Feb. 9, 1926, 26.

<sup>161</sup> BA, R901, 54163, film 40724, Trade with Yugoslavia, report from Belgrade to Berlin Foreign Office from Oct. 2, 1920; such was the case for Deutsche Werke AG in Berlin, which worked in Yugoslavia through the International Export and Import AG in Vienna. BA, R901, 54226 Representatives of German firms in Yugoslavia, film 41406,

example, like Siemens AG and IG Farben, conducted their export business through subsidiaries in Vienna.<sup>162</sup> By the middle of the 1920s, then, Austria had become Germany's main commercial competitor in Romania and Yugoslavia, being the largest trading partner with the former and the second largest with the latter.

### *Uncertainty and the Loss of Trust and Reputation*

German exporters and importers remained dependent on Viennese intermediaries because they faced a high degree of uncertainty and because they suffered a poor reputation. In 1920 Weimar's Foreign Trade Association (*Aussenhandelsvereine*) convened their annual meeting in Berlin to discuss the future prospects of Germany's export sector. The outlook was bleak. In one of the keynote lectures the general secretary, Dr. Walter Borgius, expressed the anxiety held by many of the association's members:

The reputation and prestige of German commerce abroad is currently experiencing a strong decline. This is due to the intrusion of untrustworthy elements, which indiscriminately engage in opportunistic business—taking on orders that their firms are unable to satisfy because of the alluring profits to be won from foreign currency, or the sale of war commodities or long accumulated wares—the spoiling of goods as a result of poor transportation conditions and inferior packing materials, the low level of skilled work, and delays and obstacles to deliveries through the foreign trade offices. A general infidelity to contracts, especially because of the sinking currency ... has already led foreign countries, despite the very high demand abroad, to only want to purchase German goods when they are from a tangible and verifiable site and location.<sup>163</sup>

The Foreign Office and the German Association for Chambers of Industry and Commerce echoed Borgius's appraisal that Germany's commercial reputation was at an all time low in the immediate postwar years.<sup>164</sup>

Weimar's hyperinflation was partly to blame. Between the end of the war and December 1923 the German mark fell to 4.2 trillion marks to the dollar. It was a fall marked by rapid fluctuations, and this introduced great uncertainty into international transactions by making it difficult for German merchants to gauge prices in other countries, conduct business in different

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German diplomat in Vienna to Berlin Foreign Office from Dec. 18, 1923; Schmidlein's report; See also the report of German exporters in the Mitteleuropäische Wirtschaftstag, who complained in 1928 of business being routed too much through Vienna. BAK, N 1006 Nachlässe Gothein.

<sup>162</sup> Harm Schröter, "Siemens and Central and South-East Europe between the two world wars" in Teichova and Cottrell, *International Business and Central Europe*, 175–80; Verena Schröter, "IG Farbenindustrie" in Teichova and Cottrell, *International Business and Central Europe*, 145–47; See also Matis, "Disintegration," in Teichova and Cottrell, *International Business and Central Europe*, 93.

<sup>163</sup> BAK, R 57/ Neu – Deutsches Auslandsinstitut, 1040 Aussenhandelsverband (Handelsvertragsverein), report on the AHV's meeting from Nov. 10–13, 1920.

<sup>164</sup> In order to "rigorously eliminate all dishonest members" the AHV began requiring two solid letters of recommendation from those firms who wished to join their organization. BAK, R 57/ Neu – Deutsches Auslandsinstitut, 1040 Aussenhandelsverband (Handelsvertragsverein) report on the AHV's meeting from Nov 10–13; BA, R901, 54164 Trade with Yugoslavia, film 40725, DIHT memo to missions of the Foreign Office about reputation of German trader from Nov. 26, 1923.



currencies, and fulfill foreign contracts.<sup>165</sup> Conditions for German-Balkan trade were made even more unpredictable by the modest inflation experienced by both Yugoslavia and Romania.<sup>166</sup> As a consequence of inflation-induced uncertainty “endless delays in delivery, contract annulments, and retroactively applied surcharges” became common problems for German-Balkan trade in the immediate postwar years.<sup>167</sup> Germany’s consuls and diplomats in Yugoslavia and Romania reported that as a result of this uncertainty German merchants were quickly losing credibility.<sup>168</sup> In October 1922, for example, a wholesaler from Galatz Romania, who had a long history of importing from Germany, traveled to Germany where he ordered two million Marks worth of finished goods to be delivered to Romania several weeks later. Upon returning to Galatz the wholesaler learned that his German counterparty, in clear abridgement of the contract, had levied an additional payment of 10–50% on the various goods ordered and had justified this by the inflation back home. Instead of taking the German dealer to court, the Galatz merchant felt obligated to make other Romanian merchants aware of this infidelity by publishing articles in the Romanian and German press. “German industrialists and exporters” he argued, “should know that their former Romanian customer base is losing trust in them, and little by little will buy these same products from different countries.”<sup>169</sup> The local German consul feared it would be extremely harmful to Weimar’s reputation were such a complaint, from a merchant well known as “friendly to Germans and friendly to German trade,” to be printed in the Romanian press. He succeeded in preventing the wholesaler from publishing in Romania, but only by agreeing to do everything in his power to have the translation appear in the *Berliner Tageblatt* and other German papers as a warning that German merchants in Southeastern Europe should pay more attention to their reputation of reliability.<sup>170</sup>

Such inflation-related problems had become so widespread by 1923 that for German businessmen, “international business had become a currency guessing game.”<sup>171</sup> The problem of unreliable deliveries and failed payments became so entrenched during the years before 1924 that Germany’s diplomat in Belgrade, Franz Olshausen, seriously feared “that the former German reliability is disappearing,” and that French, British, Italian, American, or Czechoslovakian trade would displace German exports to the region.<sup>172</sup> The years of inflation and reconstruction immediately following the war, moreover, saw carpet-baggers, speculators, and profiteers—German as well as local ones—operating in Southeastern Europe and this did

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<sup>165</sup> Feldman, *The Great Disorder*, 5.

<sup>166</sup> Lampe and Jackson, *Balkan Economic History*, 377–94.

<sup>167</sup> BA, R901, 54163 Trade with Yugoslavia, Belgrade mission report to Berlin Foreign Office from Oct. 2, 1920.

<sup>168</sup> One German industrialist admitted that by 1923, because of inflation, international transactions had essentially become speculation. Feldman, *The Great Disorder*, 393; BA, R901, 54160 Foreign Trade with the Balkans, Sent by branch office for foreign trade in Nuremberg to the Foreign Office in Berlin, from April 20, 1922; *Sächsische Industrie, Organ des Verbandes Sächsischer Industrieller, Sächsische Industrie- und Handelszeitung*, article from Jan. 31, 1925.

<sup>169</sup> PAAA, Handelsabteilung, 89209 Romanian trade relations with Germany, German consul in Galatz to Diplomat in Bucharest from Oct. 8, 1922.

<sup>170</sup> For a similar case in Yugoslavia see the reports from BA, R901, 54164 Trade with Yugoslavia, Film 40725 reports from Dec. 15, 1922, Jan. 5, Jan. 25, and Jan. 29, 1923. Here a German manufacturer reneged on its contract with a Sarajevo firm, and the dispute was only resolved at the Leipzig trade fair after German’s Foreign Office in Berlin and Economics Ministry intervened in order to halt the further decline of Germany’s commercial reputation.

<sup>171</sup> Feldman, *The Great Disorder*, 393.

<sup>172</sup> BA, R901, Trade with Yugoslavia, 54164, film 40725, Belgrade legation to Berlin Foreign Office from March 16, 1923.

nothing to aid the reputation of serious businessmen.<sup>173</sup> By November 1923 the chorus of complaints became so loud that the German Association for Chambers of Industry and Commerce found it necessary to issue a public statement defending the reputation of Germany's merchants, which it distributed through the Foreign Office and its consulates abroad.<sup>174</sup>

The stabilization of Germany's currency in 1923–24 solved the immediate problem of currency-related uncertainty, but not before the inflationary years had done lasting damage to the reputation of the German merchant. Complaints from Romanian and Yugoslavian firms about failed deliveries continued well after 1924.<sup>175</sup>

Yet uncertainty ran in both directions and inflation was not the sole cause of it. The Yugoslavian and Romanian authorities frequently mistreated German merchants or targeted them with punitive laws, and their firms often mishandled contracts and reneged on their payments. In Romania the prime culprit were government measures directed against German nationals. In 1921 Germany re-opened its diplomatic missions in Romania and the same year saw regular trade relations and rail transport begin again between the two countries.<sup>176</sup> After just two years of modest exchange, however, German-Romanian trade diminished in 1923 and Germany's share of Romania's imports dwindled from a prewar level of roughly 40 percent to 18–22 percent: Austria, Great Britain, and Poland proving to be the main competitors.<sup>177</sup>

In his interview with *Argus* in 1924 German Economics Minister Hamm pointed to article 18 of the Treaty of Versailles as the obstacle preventing German-Romanian trade from reaching its potential. Article 18 gave the Entente powers the right to impound German assets in their home countries, including any short-term credit extended by German firms to finance trade. While France, Great Britain, Italy, and Yugoslavia relinquished this right, Romania did not. The possibility that the Romanian government might confiscate German property or credit, Hamm concluded, hung like the "sword of Damocles" over the heads of German traders.<sup>178</sup> Article 18, he and other commentators argued, dramatically increased the risk and reduced the willingness of German exporters, importers, and banks to do business in Romania because of the perceived threat that this posed to their wealth.<sup>179</sup>

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<sup>173</sup> Cottrell, "Aspects of Western Equity" in Teichova and Cottrell, *International Business and Central Europe*, 312.

<sup>174</sup> The Association blamed the unreliability of the past three years on the Mark's depreciation, and argued that once this was solved business would return again to normal BA, R901, Trade with Yugoslavia, 54164, film 40725, Foreign Office memorandum sent to all diplomatic and consular representatives from Nov. 26, 1923. This can also be found in PAAA, Handelsabteilung 89209, Romanian trade relations with Germany; see also PAAA, Handelsabteilung, 89209 Romanian trade relations with Germany, Foreign Office Berlin to German Mission in Galatz from Nov. 7, 1922.

<sup>175</sup> BA, R901, 54164 Trade with Yugoslavia, film 40725, Zagreb consul to Berlin Foreign Office from May 13, 1924.

<sup>176</sup> BA, R901, 54160 Foreign trade with the Balkans, report titled: Handel 11 Balkan 40682 from 1921.

<sup>177</sup> Hermann Gross, "Entwicklungsmöglichkeiten der deutsch-rumänischen Wirtschaftsbeziehungen," *Siebenbürgische Handelszeitung. Organ des Verbandes deutscher Handelsgremium Siebenbuergens* 7, no. 3, special volume on the Leipzig trade fair, (Feb. 10, 1930): 9–10.

<sup>178</sup> PAAA, Handelsabteilung, 89448 Romanian economic relations with Germany, translated article from *Argus*, Nr. 3268 interview with German Economics Minister Hamm from March 14, 1924; Hans Wilhelm Freytag, the German Diplomat in Bucharest, confirms Hamm's point, arguing that "the real possibility of [Romania enforcing article 18] alone brings with it a certain insecurity to business exchange with Romania." PAAA, Handelsabteilung, 89209 Romanian trade relations with Germany, Freytag responding to a Munich firm's inquiry from Dec. 11, 1922.

<sup>179</sup> PAAA, Handelsabteilung, 89209 Romanian trade relations with Germany, from consul Waldeck to the Berlin Foreign Office from Sept. 25, 1924; See also commentators in the *Siebenbürgische Handelszeitung*, who in 1930 also argued that article 18, along with the Banca Romana problem, had a severe, adverse impact on German-Romanian trade before 1928. Gross, "Entwicklungsmöglichkeiten der deutsch-rumänischen

The problems caused by article 18 were compounded by another legacy of the war. To pay for the costs of the occupation under the Treaty of Bucharest, the German government had circulated nearly 1.4 billion Lei worth of paper notes in Romania through a German owned bank in Bucharest, the Banca Generala Romana.<sup>180</sup> These notes directly contributed to the inflation that plagued Romania after 1918. By 1923 the Romanian Leu's international value had depreciated to 3 ½ percent its prewar worth and it continued to fluctuate widely until 1928.<sup>181</sup> The Romanian government demanded that Germany recognize its obligation to repay this debt. In a series of negotiations in Bucharest in 1924 and 1925 the German government refused to concede it had any obligation to redeem the notes since the issue lay outside the Versailles framework.<sup>182</sup> In February 1925 the situation deteriorated and the Romanian press, which had become increasingly anti-German since 1923, declared an "economic war." The Romanian government threatened to exercise article 18 as a weapon of confiscation and German firms became increasingly reluctant to ship their goods to, or maintain their property and operations in, Romania.<sup>183</sup> Between 1925 and 1926 German-Romanian relations reached a nadir.

Beyond these exceptional measures, Romanian authorities singled out German goods and German merchants at the border, making it difficult for them to bring wares into the country. According to the German diplomat in Bucharest, the customs authorities did not treat German products the same as those from other countries.<sup>184</sup> German firms complained that their goods could only pass through the border control untroubled if they were under the formal ownership of Romanian importers.<sup>185</sup> German merchants, furthermore, had a difficult time acquiring visas for their representatives to operate for a long stay in Romania. Unlike the representatives of other foreign nations, they were often limited to 20 or 30 day visas, which were difficult to renew and generally too short to conduct business to the satisfaction of their principal merchant.<sup>186</sup>

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Wirtschaftsbeziehungen," 9; To circumvent this threat of impoundment many German firms brought their wares into Romania or sold them at the local trade fairs under the disguise of other countries like Switzerland or the Netherlands. PAAA, Handelsabteilung, 89209 Romanian trade relations with Germany, Bucharest Legation responding to Heidenheim chamber of commerce from July 22, 1924; PAAA, Handelsabteilung, 89284 Romanian trade fairs and markets, German consul in Temesvar to Berlin Foreign Office from Oct. 5, 1923.

<sup>180</sup> The total notes put into circulation by this bank reached 2 billion lei, since the Banca Romana issued notes for Austria-Hungary, Bulgaria, and Turkey as well. Tonch, *Wirtschaft und Politik*, 45–46. See especially footnote 39.

<sup>181</sup> Lampe. *Balkan Economic History*, 379–82

<sup>182</sup> Tonch. *Wirtschaft und Politik*, 44; PAAA, Handelsabteilung, 89449 Romanian trade with Germany, Memo II Rum. 1000 / 24 titled: "Zwischen Deutschland und Rumänien schweben zur Zeit folgende ungelöste Fragen" from 1924.

<sup>183</sup> The Bucharest representative of Bayerische Lloyd recommended that all of their German ships be moved outside of Romania. PAAA, Handelsabteilung, 89449 Romanian trade with Germany, Bayerische Lloyd Schiffahrts AG to Berlin Foreign Office from Feb. 3, 1925; PAAA, Handelsabteilung, 89449 Romanian trade with Germany special report, translated articles from Romanian newspaper Adeverul (12614 v.9.2.) from Feb. 12, 1925; PAAA, Handelsabteilung, 89450 Romanian economic relations with Germany, Bavarian state economic office in Berlin to the Berlin Foreign Office from March 2, 1925; on the anti-German Romanian press see PAAA, Handelsabteilung, 89448 Romanian economic relations with Germany, Diplomat Freytag in Bucharest to Berlin Foreign Office from Feb. 15, 1923.

<sup>184</sup> PAAA, Handelsabteilung, 89209 Romanian trade relations with Germany, Karl Ritter to the Bucharest Legation from Aug. 18, 1926.

<sup>185</sup> PAAA, Handelsabteilung, 89209 Romanian trade relations with Germany, commissioner for registering foreign currency to the Berlin Foreign Office from Nov. 30 1923; PAAA, Handelsabteilung, 89209 Romanian trade relations with Germany, Lawyer Wolfgang Heine to the commissioner for registering foreign currency, from Dec. 12, 1923.

<sup>186</sup> PAAA, Handelsabteilung, 89209 Romanian trade relations with Germany, article from the *Frankfurter Zeitung* from March 2, 1923.

When taken alongside Romania's economic nationalism of the 1920s—tariffs ranging from 30 to 40 percent, the 1925 law prohibiting majority foreign ownership of Romanian minerals, and strict regulations on the level of foreign participation in Romanian firms—it is no surprise that Minister Hamm tempered his optimism with a realism and recognized the great distance still to be covered before German-Romanian trade returned to its prewar levels.<sup>187</sup>

Commercial relations between Germany and Yugoslavia were likewise disrupted by discriminatory policies pursued by the Yugoslav authorities. The German and Yugoslavian governments negotiated a temporary trade treaty in 1921 that regulated only the most rudimentary aspects of inter-state commerce. Although the Yugoslavian government forwent its right both to exercise article 18 and demand most-favored nation status from Germany,<sup>188</sup> and although both sides desired better relations for political reasons, the treaty did not remove many of the underlying obstacles to trade. Even more than in Romania, the border authorities manipulated customs payments or demanded bribes for the entry of German goods. In 1922 the Foreign Office estimated that such bribes routinely amounted to half of the already large, 30 percent toll applied to German products, meaning German firms paid an import fee of 45 percent of the price of their goods.<sup>189</sup> As in Romania, only Yugoslavian merchants could bring goods into their countries without being charged arbitrary fees.<sup>190</sup> Some of the largest German firms bypassed these problems by employing their own Yugoslavian representatives, yet the majority of German exporters either lacked the connections or were too small to maintain local agents.

These problems were compounded by Yugoslavia's legal system, which to outsiders appeared complicated and riddled with corruption. It was extremely difficult for German firms to extract payment from their debtors whenever local merchants reneged on their contract. Although article 9 of the German-Yugoslavian treaty of 1921 permitted Germans to take their claims before Yugoslavian courts and extract payment from their debtors, "here the legal process does not lead to the goal." According to the Zagreb consul, Walbeck, the number of Yugoslavian judges was too small and their pay too poor for them to be able or willing to process trials quickly. As a rule, cases where foreigners tried to extract credit due to them lasted at least a year, often dragging out for two or three before a verdict would be reached.<sup>191</sup> When a foreign creditor finally received the right of enforcement, the local merchant-debtor could often delay the collection process for another year or two. German merchants, moreover, often did not command Serbo-Croatian, were unfamiliar with the court system, and were unable to find reliable lawyers. Many of them requested suggestions from the German consulates for local lawyers who were

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<sup>187</sup> See Berend, *Decades of Crisis*, 234–35, and Turnock, *Romanian Economy*, on the protectionist measures pursued by the Romanian government. The German government shares part of the blame as well, the Bülow tariffs of 1925 levied on agricultural goods targeted the primary export of much of Southeastern Europe.

<sup>188</sup> Hopfner, *Südosteuropapolitik*, 125.

<sup>189</sup> BA, R901, 54160 Foreign trade with the Balkans, Branch office for foreign trade in Nuremberg to the Berlin Foreign Office from April 20, 1922.

<sup>190</sup> BA, R901, 54163 Trade with Yugoslavia, film 40724, German mission in Belgrade to Berlin Foreign Office from Oct. 2, 1920, 63; PAAA, Handelsabteilung, 89209 Romanian trade relations with Germany, Commissioner for foreign currency to the Berlin Foreign Office from Nov. 30, 1923; see also the numerous complaints about the Yugoslavian tariff and border control from 1925 and 1926 in BA, R901, 54223 Trade Propaganda, film 41368 trade with Yugoslavia, 35–62.

<sup>191</sup> BA, R901, 54164 Trade with Yugoslavia, film 40725 German consul in Zagreb to Berlin Foreign Office from Feb. 12, 1923.

affordable and trustworthy, yet the understaffed and overburdened consular offices were frequently unable to come to their assistance.<sup>192</sup>

Walbeck and many of the local Yugoslavian banks found this situation to be “unbearable for trade and business development.”<sup>193</sup> By 1923 most banks and local merchants in Zagreb had concluded an unofficial agreement to submit their complaints to a court of arbitration comprised of the Zagreb bourse and leaders from the local business community.<sup>194</sup> Yet even this was not a full proof way of receiving payments, and the Zagreb consulate advised German firms to exercise particular caution when making contracts with state administrations, or merchants connected with the state, since these were notorious for making late payments. And the consulate highly recommended that German firms demand payment in advance of delivering their goods.<sup>195</sup>

Threat of impoundment under article 18, discrimination by the border authorities, and ineffective court systems meant that German merchants had to conduct their business with great care and exercise perspicuity in finding reliable counterparties in Yugoslavia and Romania. In the years following World War I many firms accrued “considerable losses” because they made serious mistakes in choosing agents to represent them. Despite copious warnings from the diplomat in Bucharest, from 1924–1926 German exporters new to the Romanian commercial world often made deliveries without receiving proper payments. “Whoever exports to Romania does it only until he burns his finger bad enough and decides to discontinue the business.”<sup>196</sup> Even the Romanian press, like the *Siebenburgische Handelszeitung*, the leading German-Romanian commercial newspaper, recognized local merchants had developed a terrible reputation for credit abuses and usury.<sup>197</sup> In Yugoslavia the situation hardly differed. The *Deutscher Wirtschaftsdienst*, a pillar of Germany’s official economic news reporting service,

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<sup>192</sup> BA, R901, 54164 Trade with Yugoslavia, film 40725 German consul in Zagreb to Berlin Foreign Office from Nov. 6, 1925.

<sup>193</sup> BA, R901, 54164 Trade with Yugoslavia, film 40725 German consul in Zagreb to Berlin Foreign Office from Feb. 12, 1923; During the bankruptcy of the Kroatisch-Slavonische Landwirtschaftliche Verein the German consulate in Belgrade reported on the difficulties that the slow and expensive Yugoslavian court system was posing for German exporters and importers. BA, R901, 54164, Trade with Yugoslavia, film 40725, Zagreb Consul to Berlin Foreign Office from Nov. 6, 1925, 230.

<sup>194</sup> These would typically resolve disputes within 3–4 weeks. BA, R901, 54164 Trade with Yugoslavia, film 40725 Nov. 6, 1923.

<sup>195</sup> BA, R901, 54164 Trade with Yugoslavia, film 40725 German consul in Zagreb to Berlin Foreign Office from Feb. 12, 1923.

<sup>196</sup> “For a large number of German firms that are not oriented towards this market, Romanians have succeeded again and again in acquiring considerable quantities of goods from Germany, for which payment is never effected.” PAAA, Handelsabteilung, 89209 Romanian trade relations with Germany, from Dr. Hildebrandt, director of the imperial federation of German importers and exporters, to the Foreign Office in Berlin from Feb. 6, 1925; For more on this see the complaints registered in *Sächsische Industrie*. Saxon exporters who delivered goods to Southeastern Europe frequently found that their would-be purchasers refused to pay for or accept them. The goods would be left standing at the border or in warehouses, and the German firm would have to scramble to find a new buyer, more often than not, one who offered a lower price. *Sächsische Industrie* from Feb. 12, 1927, Jan. 7, 1928; PAAA, Handelsabteilung, 89209 Romanian trade relations with Germany, German consul in Czernowitz to Berlin Foreign Office from Nov. 22, 1928.

<sup>197</sup> “Undeniably, many foreign creditors have lost their money with us. ... Unfortunately effective protective measures against this are lacking.” Gross, “Entwicklungsmöglichkeiten der deutsch-rumänischen Wirtschaftsbeziehungen,” *Siebenbürgische Handelszeitung* 7, no. 3, special edition on Leipziger trade fair (Feb. 10, 1930): 9–12.

reported in 1926 that firms unfamiliar with the local Yugoslavian economy had frequently been burned by making deals with “credit unworthy” local businesses.<sup>198</sup>

Reports from the Foreign Office, the *Wirtschaftsdienst*, and the *Siebenbürgische Handelszeitung* illustrate how uncertainty had come to characterize Germany’s economic relations with both Romania and Yugoslavia. And uncertainty bred mistrust. In 1927 Dr. Schmidlein, Weimar’s consul in Belgrade, authored a detailed report about economic relations with Yugoslavia. Although he was optimistic that Germany was finally improving its reputation for goods and its services, its merchants still “understood Yugoslavia only from the outside.” They saw Balkan merchants to be afflicted with “oriental sloppiness” and prone to “Baksheesh” and bribery. Balkan merchants, in turn, responded with claims of German “arrogance.”<sup>199</sup> The Foreign Office and the Foreign Trade Association urged businessmen to deal only with those Romanian and Yugoslavian importers they knew personally or from experience to be trustworthy, and they highly recommended that merchants visit Southeastern Europe themselves to establish their own connections.<sup>200</sup> As these observers recognized, the inflation-related delays and underpayments, the real instances of fraud and malfeasance, and the discriminatory treatment by state officials had introduced a severe “lack of trust” that created a “sickening” effect on exchange between the merchant communities of Germany and Southeastern Europe.<sup>201</sup>

### *Economic News Reporting and Information Collection*

Establishing an effective system of information collection and analysis would have been one way for German industry to overcome the uncertainty and mistrust that paralyzed trade with Southeastern Europe. Indeed, economic historians have shown how unreliable or asymmetrical information has historically stymied international exchange. But when there are institutions to provide news about prices, business opportunities, the reputation of merchants, and the legal norms governing exchange then trade generally functions smoother.<sup>202</sup> German merchants,

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<sup>198</sup> BA, R901, 54226 Representatives of German Firms in Yugoslavia, film 41404, bulletin about commercial exchange with Yugoslavia from Jan. 9, 1926; reports from *Sächsische Industrie*, the AHV, and the Foreign Office confirm the high degree of malfeasance in German-Balkan trade. *Sächsische Industrie*, article from Feb. 12, 1927; BA, R901, 43085 Economic relations with Yugoslavia, Report from Dr. Schmidlein on the condition of Germany’s business in Yugoslavia from April 21, 1927; For Romania, see PAAA, Handelsabteilung, 89209 Romanian trade relations with Germany, German Diplomat in Bucharest to Berlin Foreign Office from May 2, 1925; *ibid.*, Lawyer Wolfgang Heine to Commissioner for foreign currency from Dec. 12, 1923.

<sup>199</sup> BA, R901, 43085 Economic relations with Yugoslavia, Report from Dr. Schmidlein on the condition of Germany’s business in Yugoslavia from April 21, 1927.

<sup>200</sup> *Sächsische Industrie*, article from Jan. 31, 1925; see also BA, R901, 54164 Trade with Yugoslavia, film 40725, confidential Bulletin for trade with the Kingdom of Serbs, Croats, and Slovenes from 1926; PAAA, Handelsabteilung, 89209 Romanian trade relations with Germany, Bucharest Diplomat to Berlin Foreign Office from April 1, 1927; The query sent by Grün & Bilfinger AG Mannheim to the Foreign Office in Berlin about working in Yugoslavia is typical. “We would not like to work further with any firms that are unknown to us, without first learning, whether they are reliable enough to conduct business with.”

BA, R901, 54226 representatives of German firms in Yugoslavia, film 41406, Grün & Bilfinger AG to Berlin AA from Sept. 16, 1927.

<sup>201</sup> BA, R901, 54232 Leipzig trade fair, film 41484, comments by Yugoslavia’s trade representative in Munich circulated by the branch office of foreign trade to the Berlin Foreign Office from Feb. 4, 1922; According to Kurt Stahl, the representative for the Association of Saxon Industrialists in Belgrade, “the absence of mutual understanding (*gegenseitigen Verständnis*) is the cause of much of the mischief that still exists today [between Germany and Yugoslavia].” *Sächsische Industrie*, article from Jan. 31, 1925.

<sup>202</sup> See North, *Structure and Change*; Greif, “Reputation and Coalitions,” and Greif, “Contract Enforceability.”

however, enjoyed few of those advantages in Southeastern Europe during the 1920s. German “commerce,” according to Weimar’s diplomat in Belgrade, was “aggravated by scarce information about the local circumstances. As a result of the difficult travel conditions scores of German profiteers are coming to Belgrade, but very few legitimate merchants. It is difficult to conduct proper business here through correspondence alone.”<sup>203</sup> The news journal *Sächsische Industrie*, which maintained its own liaison in Belgrade, reported that “the ignorance about conditions in Yugoslavia, which is also found among the educated circles of Germany, and the dissemination of incorrect claims has unfortunately caused damage to Germany’s export trade that will be very difficult to overcome.”<sup>204</sup>

The problem of information was not unique to Southeastern Europe, but stemmed from the fact that Germany’s overseas trade network had been largely dismantled during the world war. At their annual meeting in 1918 the Foreign Trade Association voiced its concern that Germany would find it difficult to retake its place among the leading export nations of the world. Too few business representatives, they worried, would return to their overseas posts after the war because of the hostility Germans faced in their former host countries.<sup>205</sup> These anxieties were not misplaced. It took most of the 1920s for Germany’s larger firms, like the electrical giants Siemens AG and AEG Electric, along with the new chemical combine IG Farben, to reconstitute or create anew their sales networks in Central and Southeastern Europe “from scratch after the war.”<sup>206</sup> Germany’s smaller and medium-sized firms, which were unable to support their own agents, relied entirely on the Weimar’s consular network or other semi-public news reporting agencies for their economic information. In 1926 Germany’s Foreign Office circulated a report to parliament describing the situation in detail. After the war, the report recounts, the task of collecting commercial news had gained new importance “because Germany’s economic circles were often still not in the position to support their own representatives abroad, and therefore are relying more than before the war on news coverage from our foreign missions. ... Many of the sources from which our commerce and industry could draw their information before the war are still closed to them today.”<sup>207</sup>

In its initial attempt to improve the situation, in 1919 the Foreign Office and a council of Weimar’s commercial elites formed a new government agency with branch offices for collecting economic news from abroad. A lack of federal funding forced the agency to dissolve in 1921, but the administrative council remained intact while the agency was itself partitioned into three separate, semi-public news providers—the *Eildienst*, the *Deutscher Wirtschaftsdienst*, and the *Industrie- und Handelszeitung*.<sup>208</sup> Throughout the 1920s this multi-layered system became the

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<sup>203</sup> BA, R901, 54163 Trade with Yugoslavia, film 40724, German Diplomat in Belgrade to Berlin Foreign Office from Oct. 2, 1920.

<sup>204</sup> *Sächsische Industrie*, article from Nov. 14, 1925.

<sup>205</sup> Bundesarchiv Koblenz (BAK), R 57/ Neu – Deutsches Auslandsinstitut, 1040 Aussenhandelsverband (Handelsvertragsverein), report from August, 1918;

<sup>206</sup> IG Farben, for instance, established a news reporting system in Southeastern Europe between 1929 and 1934, prior to which they relied largely on local agent firms or Austrian banks for their news and representation. Schröter, “The IG Farbenindustrie” in Teichova and Cottrell, *International Business and Central Europe*, 141–44; Harm Schröter, “Europe in the Strategies of Germany’s Electrical Engineering and Chemical Trusts 1919–1939” in Berghahn, *Quest for Economic Empire*, 41–42; See also Balderston, *Origins and Course of the German Economic Crisis*, 95.

<sup>207</sup> PAAA, Handelsabteilung, Foreign news service and the promotion of foreign trade, 106582, Confidential report about establishing a Foreign service for the promotion of German foreign trade, from 1926.

<sup>208</sup> PAAA, Handelsabteilung, Foreign news service and the promotion of foreign trade, 106365, Report about the official economic and news reporting information service from Feb. 28, 1929, Reichsrat Nr. 33.

primary source of foreign news for many German firms. It collected information from a wide variety of sources, the most important being Germany's consular system. In addition, industrial organizations like the German Association for Chambers of Industry and Commerce, and regional ones like the Association of Saxon Industrialists, maintained correspondents who fed news to their own publications as well as to the *Eildienst*, the *Deutscher Wirtschaftsdienst*, and the *Industrie- und Handelszeitung*.<sup>209</sup> Newspapers correspondents further supplemented the consulate system's work. Weimar's news agencies, however, had also suffered financially from the war, particularly the one most heavily involved abroad, Wolff's Telegraph Bureau. New agencies, moreover, typically focused on political rather than economic news.<sup>210</sup>

The system, however, functioned poorly. The primary difficulty lay with Germany's consular system, which carried the burden of collecting information. Within Europe, Germany managed to re-open the majority of its larger missions by 1926.<sup>211</sup> Before 1914, however, Germany's 141 full missions were supplemented by 614 consular agents (*Wahlkonsulate*), of which less than half had been re-commissioned by 1926.<sup>212</sup> These positions were normally staffed by honorary officials, preferably German merchants or notables with good local contacts. After 1918 it proved difficult in formerly hostile countries, like Romania and Yugoslavia, to find suitable officials since so many Germans never returned to their prewar host countries, and the availability of German personnel with a genuine understanding of local economic conditions was limited. The Foreign Office had to turn to local businessmen who often did not speak German: of the 340 consular agents in operation in 1926, 145 were non-Germans.<sup>213</sup> The Foreign Office worried that the private interest of these foreigners would prevent them from fulfilling their consular responsibilities, in particular reporting news that would be useful to German exporters. Coordination between the various consular agents, moreover, was disorganized and in many instances they operated without the oversight of a general consulate or embassy. In a parliamentary report the Foreign Office concluded, that "under such circumstances there can be no discussion at all about reliable and objective economic news coverage and information distribution, upon which the domestic economy can build their export and import business."<sup>214</sup> Until 1926 the Foreign Office devoted merely 50,000 RM annually to its news collection services. This was expanded the following year but the Foreign Office admitted that more would still be needed to fund the consular network that German industry required. As a result, many

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<sup>209</sup> For instance, in the Balkans the Verband der Sächsischer Industrieller [VSI] had their own representative operating in Belgrade, Kurt Stahl, who reported news to the local organ of the VSI, *Sächsische Industrie*, as well as to national newspapers and economic journals. *Sächsische Industrie*, article from April 18, 1925.

<sup>210</sup> Dieter Basse, *Wolff's Telegraphisches Bureau 1849–1933: Agenturpublizistik zwischen Politik und Wirtschaft* (Munich: K. G. Saur, 1991), 217–21. Wolff's came increasingly under the control of the Foreign Office immediately after the war because of its financial difficulties.

<sup>211</sup> Germany's network of diplomatic representation abroad consisted of a hierarchy of missions: at the highest level were embassies (*Botschaften*) in Constantinople; followed by legations (*Gesandtschaften*) in Belgrade, Bucharest, Budapest, Sofia, and Vienna; general consulates (*Generalkonsulate*); consulates (*Konsulate*) in Zagreb, Temesvar; and finally honorary officials (*Wahlkonsulate*) who generally saw their affiliation with the German Foreign Office as a way to improve their standing in the local business community.

<sup>212</sup> PAAA, Handelsabteilung, Foreign news service and the promotion of foreign trade, 106582, Confidential report about establishing a Foreign service for the promotion of German foreign trade, from 1926.

<sup>213</sup> PAAA, Handelsabteilung, Foreign news service and the promotion of foreign trade, 106582, Confidential report about establishing a Foreign service for the promotion of German foreign trade, from 1926. In England, for instance, 23 of the 24 were filled by local residents who could not speak German, likewise in America 11 of the 19 positions were filled with Americans. The situation was similar in Southeastern Europe.

<sup>214</sup> PAAA, Handelsabteilung, Foreign news service and the promotion of foreign trade, 106582, Confidential report about establishing a Foreign service for the promotion of German foreign trade, from 1926.



German missions lacked the resources to gather economic information. Only the largest possessed a library with the newspapers, journals, statistical yearbooks, and export handbooks that would enable their officials to paint a clear picture of the economic structure and development of the local country.<sup>215</sup>

While Germany's economic news reporting system suffered from a scarcity of resources, personnel, and expertise in general, the problem was particularly acute in Southeastern Europe. Here Weimar's consuls operated with minimal financial resources. In 1928 the Foreign Office had an annual budget of only 10,900 RM to fund all of its consular activities in Southeastern Europe, including Hungary. (see Table 6) Before 1926 the Bucharest office had no press fund at its disposal, in 1926 it received just 600 RM. This was a paltry amount at a time when commissioning a single article in a respectable newspaper in Romania could cost several hundred Reichsmarks.<sup>216</sup> The situation was better in Yugoslavia, but still did not meet the desires of the German officials there.<sup>217</sup> Furthermore, the missions in both Bucharest and Belgrade were too understaffed to answer the numerous inquiries from German exporters and frequently had to respond inadequately or point them towards other sources.<sup>218</sup> The task of collecting information was not made easier by the lack of statistical information available in Yugoslavia, where it took several years after the war for Belgrade's Ministry of Trade to establish a "functioning statistical service."<sup>219</sup> In addition to the consular problems there were no German banks in Southeastern Europe, institutions that traditionally had assisted German firms in acquiring economic news in foreign countries, nor any journals devoted to economic news from this region before 1929. German exporters had to rely on the general overview provided by the *Deutscher Wirtschaftsdienst*, the *Industrie- und Handelszeitung*, or other local news organs like *Sächsische Industrie* or *Ruhr und Rhein*, which, as many contemporaries attested, proved to be inadequate to the task at hand.

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<sup>215</sup> Ibid.

<sup>216</sup> The press fund was used for collecting and translating local news as well as disseminating German propaganda. PAAA, Presseabteilung, 121023 Bucharest Press and News Service, German Mission to Berlin Foreign Office from Dec. 20, 1926.

<sup>217</sup> PAAA, Presseabteilung, 121023 Bucharest Press and News Service, German Mission in Bucharest to Berlin Foreign Office from Dec. 20, 1926; PAAA, Presseabteilung, 121018 Belgrade Press and News Service, correspondence from 1925–27.

<sup>218</sup> PAAA, Handelsabteilung, 89278 Romanian sales opportunities, Bucharest diplomat to the Firm Birnstiel & CO from April 9, 1926; BA, R901, 54160 Foreign Trade with the Balkans, Brothers Eberhardt firm to the Berlin Foreign Office from June 1, 1924; BA, R901, 54226 representatives of German firms in Yugoslavia, film 41401, Chamber of commerce in Leipzig to German legation in Belgrade from Aug. 14, 1926.

<sup>219</sup> Marie-Janine Calic, "The Socio-Economic Development of Yugoslavia during the Inter-war Period: A Regional Point of View" in Jean Batou and Thomas David (eds.), *Uneven Development in Europe 1918–1939* (Geneva: Droz, 1998), 332.

**Table 6**  
 Funds Requested and Received for Foreign Office  
 Missions in Southeastern Europe in 1928.  
 (in RM)

<i>City</i>	<i>Funds Requested</i>	<i>Funds Received</i>
Belgrade	2,000	4,500
Bucharest	4,000	1,500
Budapest	5,000	2,500
Sofia	2,000	1,200
Temesvar	1,000	600
Zagreb	1,000	600
Total	15,000	10,900

Source: Politische Archiv des Auswärtigen Amts (PAAA), Handelsabteilung, Auslandsnachrichtendienst, 106582, Abschrift I B 3901 from June 17, 1927 and Abschrift zu I B 388 Allg. 4/28 In comparison, the funding awarded to New York, London, and Constantinople was 40,000 RM, 10,000 RM, and 10,000 RM respectively.

When Germany's consuls collected economic information, because its distribution system was so layered there was no guarantee it would reach those firms that had a stake in receiving it. The experience of the Brothers Eberhardt illustrates the system's general dysfunction. After the stabilization of Germany's currency in 1924 Brothers Eberhardt, a manufacturer of agricultural machinery and equipment from Ulm whose livelihood depended on sales to the Balkan states, registered serious complaints with the Foreign Office. After a journey of several months through the Balkans to assess the region's economic conditions, Rudolf Eberhardt returned to Ulm deeply dismayed by what he saw: the creeping domination of the sales and capital markets of Southeastern Europe by Britain, France, and Italy. As a merchant who relied on the information provided by Germany's consular system, the *Industrie- und Handelszeitung*, and the *Deutscher Wirtschaftsdienst*, he maintained that these sources had left him entirely unaware of how dire the situation had become before taking his trip. Nor could he imagine that "any other [German] industrialist interested in the Balkans" could possibly be better informed than he by relying solely on the official material and without taking a comparable study trip. According to Eberhardt, the local consuls actually did realize that Germany's economic position and reputation in the Balkans was deteriorating. They had written reports on the matter but these simply filled the "filing cabinets" of the Foreign Office in Berlin "without being furnished to the German industrial and commercial enterprises that could utilize them."<sup>220</sup> In response to the Foreign Office's mild reply suggesting that Eberhardt consult the usual news organs, Eberhardt pointed out that these were entirely inadequate. Neither his own industrial association, nor the *Industrie- und Handelszeitung*, nor the local branch office in Stuttgart had supplied any useful information about the Balkans.

The problems Eberhardt faced were common. By many accounts Germany's multi-tiered system of economic news reporting was characterized by disorganization, "inconsistency and fragmentation" on a national level, and it never met the expectations of German industry.<sup>221</sup> The *Industrie- und Handelszeitung* became increasingly politicized with time, and the Association for Chambers of Industry and Commerce and the Foreign Trade Association doubted that government-sponsored news provision was effective. They confirmed Eberhardt's opinion that the consuls were often not sufficiently versed in business practices and their reports lost costly time winding their way through the numerous layers of the administration.<sup>222</sup>

In direct response to the failure of this semi-public system, a large number of private initiatives arose during the 1920s that sought to improve economic news reporting from Southeastern Europe. As early as 1921–22 Dr. F.W. Otto and John Wiener hatched plans for a German-Romanian Economic Institute and a German-Yugoslavian Chamber of Commerce to conduct economic publicity and collect news. Although neither succeeded, their efforts anticipated a groundswell among German exporters between 1926 and 1929 to overcome the paucity of economic information about and personal connections in Southeastern Europe. In

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<sup>220</sup> BA, R901, 54160 Foreign Trade with the Balkans, Brothers Eberhardt firm to Berlin Foreign Office from May 10, 1924.

<sup>221</sup> PAAA, Handelsabteilung, Foreign news service and the promotion of foreign trade, 106582, Confidential report about establishing a Foreign service for the promotion of German foreign trade, from 1926.

<sup>222</sup> BAK, R 57/ Neu – Deutsches Auslandsinstitut, 1040, Aussenhandelsverband (Handelsvertragsverein), Business report of AHV for year 1926–27; BAK, R 57/ Neu – Deutsches Auslandsinstitut, 1040, Auswärtiges Amt, report from the Foreign Office branch office for foreign trade and imperial news reporting from July, 15, 1925; PAAA, Handelsabteilung, Foreign news service and the promotion of foreign trade, 106582, Confidential report about establishing a Foreign service for the promotion of German foreign trade, from 1926.

1926 the consul of the branch office for foreign trade in Munich and former consul in Nicaragua, Dr. Wilhelm Schmidhuber, lobbied the Yugoslav and German central authorities to establish a German news agency in Belgrade. He hoped this would function like a chamber of commerce and fill what he argued was a serious gap in Germany's news coverage by collecting detailed information about sales opportunities as well as legal, cultural, political, financial, and currency issues.<sup>223</sup> Following Schmidhuber's effort were nearly a dozen other private initiatives, which ranged from plans for a Museum of Yugoslavian Trade in Berlin, to a wandering Romanian fair that would snake its way through Germany, and a German Trade Association for the Balkans and the Orient in Dresden. Only a handful of these initiatives, however, materialized. The rest faded for want of support from their local business circles or the German state.<sup>224</sup>

### *Conclusion: A Way Forward?*

The Foreign Office saw these private initiatives as redundant, competition even, with their own news system.<sup>225</sup> Yet by the second half of the 1920s numerous informed observers, from the foreign officers in Belgrade, Zagreb, and Bucharest down to Dr. Schmidhuber, realized something needed to be done to improve the competitiveness of German industry in Southeastern Europe. Without banks, without investment, and with the dice loaded against German merchants from the world war, commentators like Walbeck and Schmidlein argued that German merchants must establish better commercial contacts and improve their general "expertise and experience" in the business culture of Southeastern Europe.<sup>226</sup> "If Germany's business community, through their representatives here in this country, were more in the position to get to know [*kennen zu lernen*] their clientele," Schmidlein maintained, then they would be able to overcome the deficit

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<sup>223</sup> "A series of unfavorable factors have created an atmosphere of mistrust between the economic circles of both countries. For this reason it would doubtless be a good idea to form such a neutral economic office." Schmidhuber to the Berlin Foreign Office from Dec. 22, 1926 in BA, R901, 43085 Economic relations with Yugoslavia; *ibid.*, report from the chamber of commerce in Munich to the German Association of Chambers of Commerce and Industry in Berlin from Jan. 10, 1927, 10, 21–24.

<sup>224</sup> BA, R901, 43085 Economic relations with Yugoslavia, Report from Min. Dir. Köpke from Feb. 9, 1927; BA, R901, 54223 Trade propaganda, correspondence between the Belgrade Diplomat and Berlin Foreign Office concerning a trade museum from Oct. 1926, 30–36; PAAA, Handelsabteilung, 89284 Romania fairs and markets, report from German Association of Chambers of Commerce and Industry to Berlin Foreign Office from Feb. 17, 1927; PAAA, Handelsabteilung, 89284 Romania fairs and markets, Office of Exhibitions and Fairs for German Industry to Berlin Foreign Office from Jan. 31, 1927 and Windel of Foreign Office to Kurt Hottmann of Stuttgart from Apr. 19, 1927; Alexander Mueller was trying to reestablish his organization from before and during the World War. BA, R901, 43085 Economic relations with Yugoslavia, Memo from Oct. 2, 1927, 142; BA, R901, 54160 Foreign Trade with the Balkans, from the AHV to the Berlin Foreign Office from June 29, 1928.

<sup>225</sup> BA, R901, 43085 Economic relations with Yugoslavia, German Association of Chambers of Commerce and Industry to the Berlin Foreign Office from Jan. 20, 1927; PAAA, Handelsabteilung, 89284 Romanian Fairs and Markets, German Association of Chambers of Commerce and Industry to Berlin Foreign Office from Feb. 17, 1927; PAAA, Handelsabteilung, 89448 Romanian economic relations with Germany, Report about Schiffer's Southeastern European Economic Association from Feb. 9, 1927; BA, R901, 48035 Economic relations with Yugoslavia, Economics Ministry to the Berlin Foreign Office from April 27, 1927.

<sup>226</sup> PAAA, Handelsabteilung, 89448 German trade relations with Romania, Temesvar consulate to Berlin Foreign Office from Aug. 23, 1926; See also PAAA, Handelsabteilung, Foreign news service and the promotion of foreign trade, 106582, Confidential report about establishing a Foreign service for the promotion of German foreign trade, from 1926; and BA, R901, 54164 Trade with Yugoslavia, film 40725. Bulletin for commercial exchange with from the Kingdom of Serbs, Croats, and Slovenes from 1926.

of trust and reduce the uncertainty in commercial transactions.<sup>227</sup> In the estimation of Kurt Stahl, foreign correspondent in Belgrade for the Association of Saxon Industrialists and a reporter held in high regard by the Foreign Office,

The (pre)conditions for a further improvement in the present commercial relationship between both countries [Germany and Yugoslavia] is the establishment of close personal contacts between merchants. Too few of them travel here. Germans too often use the services of Budapest or Viennese intermediaries to handle their business in the Balkans instead of getting into direct contact with their Yugoslavian customers. ... It would be easy to prove statistically that the flow of people between Yugoslavia on the one hand and Austria and Hungary on the other surpasses many times over that between Germany and Yugoslavia. "Getting to know one another personally" is the key to mutual understanding, and this is the second precondition for extending reciprocal economic relations.<sup>228</sup>

Indeed, to overcome commercial difficulties arising from uncertainty or poor information in long distance trade, merchants have historically relied on the expertise of local agents, business coalitions, family associates, or banks. Merchants operate in a world where people know and have past experience with one another; in commerce, "people cannot operate without people."<sup>229</sup>

Yet these were precisely the institutions and connections that German firms did not have in Southeastern Europe through most of the 1920s, and this was particularly egregious in a region where local businessmen placed a high value on doing repeat business with counterparties they knew personally.<sup>230</sup> In 1927 the German diplomat in Bucharest conducted a survey of approximately 100 firms engaged in German-Romanian trade. The report concluded that only the largest firms, especially those in the metal or electrical-engineering sectors, had the means to employ their own permanent representatives or establish local branches.<sup>231</sup> Most firms did not maintain "permanent purchasing houses or agents" in the other country. By and large the situation was similar in Yugoslavia, where reliable agents or "good houses" were in equally high demand.<sup>232</sup> In both states German firms turned to Weimar's consular network for recommendations. The missions in Belgrade and Bucharest tried to supply references since their

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<sup>227</sup> BA, R901, 43085 Economic relations with Yugoslavia, Yugoslavia, Report from Dr. Schmidlein on the condition of Germany's business in Yugoslavia from April 21, 1927.

<sup>228</sup> *Sächsische Industrie*, article from Jan. 31, 1925; On the Foreign Office's estimation of Stahl, see BA, R901, 54164 Trade with Yugoslavia, film 40725, Belgrade Diplomat to the Trade and Commerce Association in Halle from March 13, 1926.

<sup>229</sup> Citation from Greif, "Reputation and Coalitions," 864; Granovetter, "Economic Action."

<sup>230</sup> According to the Lawyer, Wolfgang Heine, "There is a large number of Romanian purchasing agents (most of them are Romanian Jews), who are accustomed to older trade and exchange forms and will only bargain with someone, who they know personally as a man of confidence [*Vertrauensmann*]. Such people buy not from catalogues, but rather on the basis of personal, oral negotiation." PAAA, Handelsabteilung, 89209 Romanian trade relations with Germany, Wolfgang Heine to Commissioner for Foreign Currency from Dec. 12, 1923.

<sup>231</sup> PAAA, Handelsabteilung, 89209 Romanian trade relations with Germany, Survey of German sales in Romania by Diplomat Gerhard Mutius from April 1, 1927.

<sup>232</sup> BA, R901, 54164 Trade with Yugoslavia, film 40725, Zagreb Consul to Berlin Foreign Office from Nov. 6, 1925; BA, R901, 43085 Economic relations with Yugoslavia, Report from Dr. Schmidlein on the condition of Germany's business in Yugoslavia from April 21, 1927.

directors recognized the danger posed by unreliable agents, yet their tight budgets and understaffed workforce made it impossible to respond to all inquiries.<sup>233</sup>

Despite these problems, by the middle of the 1920s there was reason to hope that German merchants would again compete with their rivals from France, Great Britain, and especially Austria. With the stabilization of the mark in 1923–24 one of the underlying reasons for the poor reputation of German exporters was resolved. In Yugoslavia, many among the business elite now wanted “to break away from [the Austrian intermediaries] with every available means” and deal directly with Germany.<sup>234</sup> And by the end of 1926 the cold economic war between German and Romania passed as their governments began negotiations for a more comprehensive trade treaty.

Yet the German state could only do so much to facilitate trade, and it was never enough. The inefficiency of its news reporting system and the overburdening of its consular network left Germany’s merchants looking elsewhere for assistance in negotiating the competitive and risky commercial environment of the Balkans. With German banks almost entirely absent from Yugoslavia and Romania, Weimar’s merchants needed to find the appropriate institutions that could build trust and personal connections, reduce uncertainty, and provide them with reliable information. As the next two chapters illustrate, between 1925 and 1930 a series of private organizations came onto the scene as a clear and distinct response to these problems. The Leipzig trade fair, the German-Romanian Chambers of Commerce, the Mitteleuropa-Institut in Dresden, and the Institut für Mittel- und Südosteuropäische Wirtschaftsforschung in Leipzig in different ways would help Germany’s exporters and importers circumvent the commercial hub of Vienna, establish direct and personal contacts with local merchants, and begin carving out a greater share in the markets of Southeastern Europe.

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<sup>233</sup> The archival trade files are filled with such requests. See for example BA, R901, 54226 representatives of German firms in Yugoslavia, film 41404 letters from May 27 and July 19, 1922; BA, R901, 54226 representatives of German firms in Yugoslavia, film 41406, letter from July 20, 1927; BA, R901, 54164 Trade with Yugoslavia, film 40725, confidential Bulletin for trade with the Kingdom of Serbs, Croats, and Slovenes from 1926, 254; PAAA, Handelsabteilung, 89276 Romanian sales opportunities in Germany, letter from Feb. 21, 1923; PAAA, Handelsabteilung, 89209 Romanian trade relations with Germany, Bucharest Diplomat to Berlin Foreign Office from April 1, 1927.

<sup>234</sup> BA, R901, 54163 Trade with Yugoslavia, film 40724, article from *Agramer Tageblatt*, sent by German Diplomat in Belgrade to Berlin Foreign Office from Oct. 2, 1920; see also Schmitlein’s report; BA, R901, 54232 Leipziger Messe, film 41488, Walbeck to Olshausen from Nov. 16, 1925.

### **The Economics of Trade: the Leipzig Trade Fair and Saxony's Stake in Southeastern Europe, 1925–1930**

*A direct export of products is not only warranted, but it is absolutely necessary to maintain, or rather, re-conquer foreign markets. That goes not only for the great industrial firms, but also for the small and medium businesses.*<sup>235</sup>

In the fall of 1926 Paul Voss, a young director of the Leipzig trade fair, traveled through Yugoslavia, Bulgaria, Romania, Greece, and Turkey to find a suitable location for the fair's new business office for Southeastern Europe. Voss was formerly an aspiring academic who, after the war, had worked for the Leipzig chamber of commerce and then later the Leipzig fair's advertising service where he developed a talent for publicity work.<sup>236</sup> He and the other directors of the Leipzig fair, Europe's largest fair during the inter war years, hoped that an office in the Balkans would allow them to "develop and pursue more intensive and more successful publicity" in a region they thought would offer great potential for future business and for future fair visitors.<sup>237</sup> Three sites entered their consideration—Belgrade, Sofia, and Vienna—and to ascertain the best location Voss worked closely with Weimar's diplomat in Belgrade, Franz Olshausen, and Weimar's consul in Zagreb, Gottfried Walbeck. Olshausen lobbied against Sofia because "in Serbia, everything that comes from Bulgaria is received with mistrust and animosity." Walbeck lobbied against Vienna. "Yugoslavian consumers," he maintained, "want to do business directly with German producers and not go through Viennese intermediaries." At the beginning of 1926, then, Voss settled on Belgrade, with its access to the valued markets of Croatia, Slavonia, Slovenia, and the Banat, and in doing so he ushered in an era of improvement in German-Balkan trade.

The fair's new office was but one of several private initiatives in the second half of the 1920s that sought to improve trade between Germany and Southeastern Europe. Four years after Voss's trip through the Balkans a German-Romanian chamber of commerce in Romania and one in Berlin emerged to manage the commercial problems created by the uncertainty, poor information, and dearth of personal contacts that Germany's consuls and publicists had reported so frequently in the first half of the decade. Between 1925 and 1931 the fair and the chambers of commerce would begin removing the obstacles that had paralyzed trade in this part of Europe since the end of the world war. Together these institutions built a network of representatives that, while still in its infancy in the 1920s, would promote German exports, cultivate commercial contacts between Germany and Southeastern Europe, and help German merchants compete with their rivals from Austria, France, Great Britain and elsewhere. Voss and his colleagues in Leipzig and Romania justified their activities in the name of export-led growth. For Germany, foreign trade would bring jobs to a workforce that suffered from chronically high unemployment. For Romania and Yugoslavia trade, they argued, would modernize their economies by giving

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<sup>235</sup> Raimund Köhler, president of the Leipzig trade fair, discussing the need to place more German business representatives abroad. Sächsische Staatsarchiv Leipzig (SSAL), LMA, DS, 903, *Das Probleme der Export-Förderung* (1926)

<sup>236</sup> Sächsische Staatsarchiv Leipzig (SSAL), Leipzig Messeamt (LMA), GA, 1592 Personalakte Paul Voss.

<sup>237</sup> For the extensive discussion that went into selecting the site of this business office see BA, R901, 54232 Leipzig Trade Fair, film 41488, correspondence from Oct. 23 and Nov. 2, 7, 13, 16, and 19, 1925, 179–88.

them access to some of the world's most advanced capital equipment produced in Germany. At the same time, foreign trade would particularly benefit the local regions—Saxony and Transylvania—that sustained transnational institutions like the Leipzig fair and the chambers of commerce.

As institutions of export promotion, however, the Leipzig fair and the German-Romanian chambers of commerce faced serious challenges throughout the 1920s. Slow economic growth in the Weimar Republic left the German state with little funding to support exports. Germany's trade-dependent regions like Saxony struggled to find markets abroad against fierce competition from new production in North America, South America, and Japan. The postwar years, furthermore, saw a proliferation of trade fairs across Europe that would compete with one another for prestige, funding, and visitors. Finally, the chambers of commerce faced stiff resistance at times from some of Germany's own leading industrial organizations, like the Imperial Federation for German Industry and the German Association for Chambers of Industry and Trade. These industrial organizations saw private institutions partly as competitors and partly as superfluous, and they were not inclined to succor the smaller, less capital-intensive firms that were the mainstay of the Leipzig fair and the German-Romanian Chamber of Commerce.

Scholars have conventionally approached the topic of German economic relations with Southeastern Europe from the perspective of politics. Hans Jürgen Schröder, Holm Sundhaussen, Hans-Paul Hopfner, and Jürgen Elvert, among others, show how the Foreign Office, first under Gustav Stresemann and then more so after his death in 1929 under Julius Curtius, strove to use Germany's large domestic market to gain leverage over the smaller economies to the Southeast.<sup>238</sup> Yet their narratives do not explain Germany's rise to commercial influence in Southeastern Europe in the first place, rather they start from the pretense that it already existed. They use commercial treaties, diplomatic negotiations, and the intentions expressed by Germany's foreign policy leaders to tell their story. They devote little attention to *how* German merchants overcame postwar problems to increase trade with the Balkans, *how* Germans, German minorities, Romanians, and Yugoslavians collaborated to expand commercial links, *how* specific institutions and regions within Germany drove this entire process, *how* these organizations reinforced the traditional division of labor between German industry and Balkan agriculture, and ultimately *how* they advanced the economic dependency of Yugoslavia and Romania on Germany.

Those historians of Weimar who have grappled with these questions point to the large, heavy industrial and chemical concerns of Berlin and the Ruhr as the engine driving German trade in the Balkans.<sup>239</sup> These studies, however, neglect other regions that had as large a stake in expanding trade in Central and Southeastern Europe, and they pass over a dynamic sector of small, less capital-intensive firms that were an integral part of Germany's export economy. Furthermore, by focusing on the political aspects of trade, previous studies underemphasize the

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<sup>238</sup> Schröder, "Die deutsche Südosteuropapolitik 1929–1936," 5–32; Sundhaussen, "Die Weltwirtschaftskrise im Donau-Balkan-Raum," in Benz and Graml, *Aspekte deutscher Außenpolitik*, 121–64; Hopfner, *Südosteuropapolitik*; Elvert, *Mittleuropa!*.

<sup>239</sup> Frommelt, *Panuropa oder Mitteleuropa?*; Stegmann, "Mitteleuropa 1925–1934," in Wendt/Witt, *Industrielle Gesellschaft und politisches System*, 203–21; Martin Seckendorf, "Südostkonzeptionen des deutschen Imperialismus in der Zeit von 1919–1933/34 unter besonderer Berücksichtigung der nach dem Scheitern der deutsch-österreichischen Zollunion von 1931 entwickelten Konzeption" (PhD diss., Humboldt Universität, Berlin [GDR], 1980); Hayes, *Industry and Ideology*.



extent to which regional elites in Saxony, Transylvania, and elsewhere used trade to modernize and bring employment to their export-dependent regions.

It is only by looking at the institutions surrounding the “decentralized industrial order,” of Saxony that a complete picture of German-Balkan commercial relations emerges.<sup>240</sup> Chapter 3 shows how the Leipzig fair promoted exports and advanced the interests of Saxony’s regional economy.<sup>241</sup> In doing so its broad network of trade representatives, alongside the German-Romanian chambers of commerce, overcame many of the challenges to trust, reliable, information, and personal contacts of the early 1920s, and laid the foundation for Germany’s economic influence in the 1930s.

### *Saxony and the Leipzig Trade Fair—Export or Perish*

Fernand Braudel has called the fairs of “yesterday’s world, the essential tools of long-distance trade,” and Leipzig’s fair was one of the largest in early modern Europe.<sup>242</sup> Dating back to the 12<sup>th</sup> century, Leipzig ascended into the ranks of the great European fairs in 1497 upon receiving a grant of privileges from Emperor Maximilian I. Leipzig lay at the crossroads of the *Via Regia* and the *Via Imperii*, two of Europe’s main trading routes, and its fair became a center of East-West commerce in the 16<sup>th</sup> century as merchants from France, Amsterdam, Burgundy, and the Western German lands traveled to Leipzig to trade with people from Eastern Europe, the Balkans, and Venice, along with Greek, Armenian, and Jewish merchants from the Levant. By many accounts the fair reached a heyday from 1820 to 1830, but along with other fairs suffered a reversal of its fortunes in the middle of the 19<sup>th</sup> century as the railroad, the steamship, improved communications technology, mass production, and the tearing down of legal barriers to cross-border trade eroded fairs’ traditional commercial advantages. To reinvent itself, in the late 19<sup>th</sup> century Leipzig pioneered the concept of the model trade fair as a way to take advantage of the improvement in transportation and communication technologies. It encouraged visiting merchants to display models of their products at the fair, complete with informational material, rather than freighting large stocks of goods to sell in Leipzig. Business visitors would examine the multitude of models on display and place orders for them, many of which would be fulfilled at a later date.<sup>243</sup>

Although Leipzig could claim to be the first model fair in the world, its re-emergence after four years of war in Europe began in difficult circumstances. During the world war other European cities established model fairs of their own, and in the immediate postwar years trade fairs exploded across Europe. German observers characterized the first half of the 1920s as a period of “trade fair fever;” “anarchic conditions” reigned as the traditional institutions of

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<sup>240</sup> Herrigel, *Industrial Constructions*.

<sup>241</sup> Little work to date has been done on the Leipzig fair’s network of representatives in the interwar period. See Hartmut Zwahr, Thomas Topfstedt, and Günter Bentele (eds.), *Leipzigs Messen 1497–1997* (Cologne: Böhlau, 1999); and Jochen Geyer’s dissertation on the Fair.

<sup>242</sup> Fernand Braudel, *The Wheels of Commerce*, trans. Siân Reynolds, (London: Fontana Press, 1985), 81, 156–59, 189.

<sup>243</sup> Braudel, *Wheels of Commerce*, 93; Raimund Kohler, *Messe und Weltwirtschaft, Vortrag gehalten in der Deutschen Weltwirtschaftlichen Gesellschaft in Berlin am 27. April 1928* and Paul Voss, *Die Entwicklung der Leipziger Messe und ihre Bedeutung für die Volkswirtschaft. Auszug aus einem Vortrage, gelegentlich der Leipziger Frühjahresmesse 1929*, in SSAL, LMA, Druckschriften (DS), 900 and LMA, DS, 905; See also Zwahr, Topfstedt, and Bentele, *Leipzigs Messen*; de Grazia, *Irresistible Empire*.

transnational trade and the old commercial contacts were only slowly rebuilt in Europe.<sup>244</sup> From 1920 onward fairs in London, Paris, Lyon, Milan, Utrecht, Zagreb, Ljubljana, and elsewhere either opened for the first time or now adopted the model fair concept. The postwar “hunger for goods” in Central Europe proved a boon to these institutions and fair attendance grew dramatically year after year in the early 1920s despite the monetary inflation that gripped so many countries in Europe. These fairs attracted thousands of people, Paris and Lyon routinely bringing 7,000 and 3,000 business exhibitors to their respective fairs along with tens of thousands of casual observers.<sup>245</sup> Leipzig drew roughly 10,000 official business exhibitors annually to its spring fair, slightly less than that in the fall, roughly a tenth of which were foreign merchants.<sup>246</sup>

For Leipzig the proliferation of fairs meant competition. Within Germany Breslau, Königsberg, Cologne, and Frankfurt proffered their own claim to support international fairs that would promote exports by attracting foreign visitors. Each of these cities received federal funding in the immediate postwar years to advertise and to build their infrastructure. Contemporaries, however, saw this competition to be detrimental to the German economy, complaining that it led to “disputes between fairs” and arguing that the fair system needed to be rationalized.<sup>247</sup> Germany’s two largest fairs in Frankfurt and Leipzig, for instance, frequently occurred during the same month making it impossible for exhibitors to attend both.<sup>248</sup> And in their quest to attract foreigners each fair drew participants away from the others in Germany. The directors of Leipzig, who prided themselves on the synergy generated by attracting businessmen from across the world, consistently opposed the international aspirations of Frankfurt, Breslau, Königsberg, and Cologne and argued that Germany should concentrate its energy into a single international fair.<sup>249</sup> In the first half of the decade their efforts received some recognition: in 1924 Germany’s president Friedrich Ebert and Economics Minister Eduard Hamm declared “that the Leipzig trade fair is accorded a special and unique significance among Germany’s fairs, which is to be maintained by all means in the interest of Germany’s overall economy.”<sup>250</sup> In 1926 Leipzig received another important endorsement from the Imperial Federation of Germany Industry, which recognized the drawbacks of the fragmented system of fairs and declared Leipzig to be the only “general German and international great model fair” for their organization. In their view, it was too costly for firms to visit the plethora of fairs. Instead, concentration in Leipzig would enable a “complete overview” of Germany’s economy.<sup>251</sup>

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<sup>244</sup> Klaus Metscher and Walter Fellmann, *Lipsia und Merkur. Leipzig und seine Messen* (Leipzig: F. A. Brockhaus, 1989), 159–65; PAAA, Sonderreferat Wirtschaft, 117071 Trade Fairs, General, Article from the Office of Exhibitions and Fairs for German Industry about proliferation of trade fairs from Feb. 1, 1925.

<sup>245</sup> PAAA, Sonderreferat Wirtschaft, 117902 Fairs and Markets, Leipzig, Paris Embassy to Berlin Foreign Office from Aug. 16, 1928.

<sup>246</sup> In comparison, 2500 exhibitors visited all of Germany’s other fairs combined. SSAL, LMA, DS, 923, 7; *ibid.*, 907, 4.

<sup>247</sup> Karl-Ursus Marhenke, “Zwischen Konkurrenz und Innovation. Die Werbung der Leipziger Messe in den 1920er Jahren” in Zwahr, Topfstedt, and Bentele, *Leipzigs Messen*, 483–96.

<sup>248</sup> PAAA, Sonderreferat Wirtschaft, 117071 Trade Fairs, General, Article from the Office of Exhibitions and Fairs for German Industry about proliferation of trade fairs from Feb. 1, 1925.

<sup>249</sup> PAAA, Sonderreferat Wirtschaft, 117071 Trade Fairs, General, Leipzig Messeamt to the Milan Trade Fair Congress from March 29, 1925.

<sup>250</sup> PAAA, Sonderreferat Wirtschaft, 117071 Trade Fairs, General, Letter from Ebert to Min. Pres. for the Free State of Saxony from Dec. 12, 1924.

<sup>251</sup> SSAL, LMA, DS, 907, 10–11.

Endorsements by leading politicians and industrial associations, while welcome, were not enough for Leipzig to best its rivals in Frankfurt, Cologne, Breslau, and Königsberg. Here its success came more from the support of Saxony's own business and government elites, who believed a robust fair was critically important for their region. According to Saxony's economics minister, because of the "impoverishment of Germany" from war and inflation, "in the postwar period foreign markets have become increasingly important" for Germany and for Saxony. The fair could be a "powerful factor of the greatest significance" for the region's exporters.<sup>252</sup> Indeed, the fair desperately needed support from its region. In 1917 it had received a federal subsidy of 700,000 RM, but after 1918 it had to compete for these funds with the other German fairs. In 1920 Leipzig was allotted 5 million RM, while Königsberg received 8 million. After 1923 financial assistance from the Weimar government all but ceased due to the state's chronic budget problems and the fair had to turn elsewhere for funding.<sup>253</sup>

The solution came in the form of a new institution, the Leipzig Messeamt (Central Office of the Trade Fair), led by Dr. Raimund Köhler.<sup>254</sup> During the war the city of Leipzig, the Leipzig chamber of commerce, and the Central Office for the Leipzig Model Trade Fair had founded the Messeamt as an organization charged with financing and promoting the fair in Germany and abroad.<sup>255</sup> Raimund Köhler soon became the leading personality in this office. Educated in law and economics at Leipzig and Heidelberg, Köhler had gained valuable experience before the war as a syndic for the Central Association of German Industrialists and during the war with the Commission of German Industry. In 1917 the fair called him back from military service to assume leadership of the newly founded Messeamt.<sup>256</sup> Köhler maintained close connections not only with Saxony's business elites, but also with elites at the national level like the leaders of the Imperial Federation for German Industry and the German Association for Chambers of Industry and Trade. He persistently lobbied the federal government and Saxony's business and governmental elites to fund the fair. In the lean years of the 1920s annual contributions from Saxony (200,000 RM), the city of Leipzig (200,000 RM) and the Leipzig chamber of commerce (c. 30,000 RM) sustained the Messeamt's publicity services and the fair's infrastructure.<sup>257</sup>

What made Saxony's business circles so supportive of the fair was the structure of their regional economy, which was extremely dependent on exports. In 1931 Paul Bramstedt, in a study commissioned by the Association of Saxon Industrialists (*Verband der Sächsischer Industrieller*—VSI), estimated that exports accounted for 40 percent of Saxony's overall GDP, well above the German average that ranged between 19 and 25 percent.<sup>258</sup> Saxony's largest industry, for example, were the textile factories of Leipzig and Chemnitz, which before the war

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<sup>252</sup> Dr. Florey, "Leipziger Messe und Dresdner Jahresschau im Dienste des wirtschaftlichen Wiederaufbaues," *Jahrbuch für Sachsen. Politik und Wirtschaft, Kunst und Wissenschaft im Freistaat Sachsen* (1925): 58–64.

<sup>253</sup> SSAL, LMA, DS, 901, 12.

<sup>254</sup> Both spellings—Messamt and Messeamt—are used in the documents from this organization. I use the latter, Messeamt, throughout this dissertation.

<sup>255</sup> The Messeamt was an association by private law [*privatrechtliche Verein*] composed of the municipality of Leipzig, the Leipzig Chamber of Commerce, and the central office for interested parties of the Leipzig Trade Fair, the latter having the most influence. On the founding of the Messeamt, see Jochen Geyer, "Die selbstverwaltete Messe. Der Messestandort zwischen 1916 und 1945," in Zwahr, Topfstedt, and Bentele, *Leipzigs Messen*.

<sup>256</sup> SSA Leipzig, LMA, GA, 1544 Personalakten Raimund Köhler.

<sup>257</sup> The rest of the total budget, some 1.75 to 3 million RM, was made up of fees paid by official business participants at the fair and other membership contributions. These figures are for 1927–28. SSAD, Auswärtigen Angelegenheiten, 10717, 7843 Leipzig Trade Fair, Memorandum about about the activities of the Leipzig Messeamt abroad from Sept. 20, 1928; SSAL, LMA DS, 901 "Wer soll die Kosten der Leipziger Messe-Proaganda tragen?"

<sup>258</sup> Paul Bramstedt, *Krisen der Sächsischen Industriewirtschaft* (Dresden, 1932), 13.

had been export-oriented, had driven the region's industrialization, and had generated much of Saxony's employment. After 1918 textile exports did not return to their prewar levels as newly industrializing states, like those in the Balkans and in Latin America, established textile sectors of their own. For Germany's most densely populated and most heavily industrialized region, the decline of its primary sector meant high unemployment and economic instability throughout the 1920s.

In many ways the decline of textiles was characteristic of Saxony's larger economic problems. After 1918 Saxony suffered more than any other German region from the disruption of foreign trade following the war, proving to be more vulnerable to international economic shocks and more susceptible to the loss of markets in Eastern Europe that followed the revolution in Russia.<sup>259</sup> Many observers traced these problems to the predominance of the consumer goods industries in Saxony, which like neighboring Thuringia, was well-known for certain high quality finished products like textiles, musical instruments, toys, clocks, glassware, ceramics, and housewares. These were some of Germany's most exported goods with over 30 percent of their total production going abroad.<sup>260</sup> Bramstedt and other researchers thought Saxony's economy was so stable before the war because foreign demand for consumer articles like textiles had been high during the late 19<sup>th</sup> and early 20<sup>th</sup> century.<sup>261</sup> This changed with the war, and the export of consumer goods by most industrialized states like Germany, America, and Great Britain declined or returned to prewar levels much slower than their export of production goods as other regions of the world developed their own light manufacturing sectors.<sup>262</sup>

This trend led many Saxon businessmen to believe their old and once stable industrial region had now become vulnerable and anemic. They saw themselves as the "weathervane of the business cycle" or the problem child of an ailing German economy,<sup>263</sup> and many feared that Saxony would suffer from de-industrialization.<sup>264</sup> The export-taxes enacted by Weimar fell heavily on this region and unemployment rose quicker in Saxony after the 1919 revolution and again in 1923–24 than elsewhere.<sup>265</sup>

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<sup>259</sup> Hess and Schäffer, *Unternehmer in Sachsen*, 10–11.

<sup>260</sup> SSAL, LMA, DS, 911, 15; Rolf Wagenführ, *Die Bedeutung des Aussenmärktes für die deutsche Industriewirtschaft: die Exportquote der deutschen Industrie von 1870 bis 1936* (Berlin: Hanseatische Verlagsanstalt, 1936), 11.

<sup>261</sup> Contemporary estimates suggest that 63 percent of Saxony's employment came from consumer goods industries, more than any other German region, the next highest being neighboring Thuringia, which also sent many participants to the fair. In comparison, only 38 percent of the Rhineland's industry was based on consumer wares, and Germany's average hovered around 50 percent. See Paul Bramstedt's detailed study on Saxony's economy conducted for the VSI in 1932, where he observed that "overall, for the prewar era one can speak of a certain stability in the face of crises [*Krisenfestigkeit*] for Saxony's industry. In contrast, presently the operating level of Saxony's economy fluctuates in extremes." In Bramstedt, *Krisis der Sächsischen Industriewirtschaft*, 3–4, 12–13; Kurt Moeckel, "Die Bedeutung der Ausfuhr für die Sächsische Industrie" (PhD diss., Leipzig Universität, 1938).

<sup>262</sup> SSAL, LMA, DS, 915, "Export und Inlandabsatz, Die verarbeitende Industrie auf der Leipziger Frühjahrsmesse 1930," 8–12; See also Wagenführ, *Die Bedeutung des Aussenmärktes*.

<sup>263</sup> Bramke, "Sachsens Industrie (Gesellschaft)" in Bramke and Hess, *Wirtschaft und Gesellschaft*, 28; For a contemporary pessimistic outlook, see Johannes März, "Die Bedeutung und Entwicklung der sächsischen Industrie nach dem Krieg," *Jahrbuch für Sachsen. Politik und Wirtschaft, Kunst und Wissenschaft im Freistaat Sachsen* (1925): 50–56.

<sup>264</sup> Bramke, "Sachsens Industrie (Gesellschaft)," in Bramke and Hess *Wirtschaft und Gesellschaft*, 41. These fears triggered an intense debate at the end of the 1920s and early 1930s about how the structure of the Saxon economy could or should be redirected. Michael Rudloff, "Die Strukturpolitik in den Debatten des sächsischen Landtags zur Zeit der Weltwirtschaftskrise," in Bramke and Hess, *Sachsen und Mitteleuropa*, 242.

<sup>265</sup> Bramke, "Sachsens Industrie (Gesellschaft)," in Bramke and Hess, *Wirtschaft und Gesellschaft*, 40–41.

Two paths out Saxony's economic quandary presented themselves. Some economic thinkers in the Association of Saxon Industrialists, like the chairman and the leader of its largest firm, Wilhelm Wittke, placed the blame squarely on Weimar's new welfare state, arguing that high taxes, high wages, and strong unions prevented business from operating at their full capacity. A member of the German People's Party (*Deutsche Volkspartei*—DVP), Wittke harbored deep-seated opposition to the Weimar Republic as was common among his milieu of conservative elites in Saxony. Indeed, the region was known as the “test case of reaction” because its bourgeois parties stood in such militant opposition against labor and social democracy.<sup>266</sup> Change the domestic economic priorities of Weimar, reduce taxes, and suppress the unions and the Social Democratic Party and Saxony's economy would rebound, Wittke argued.<sup>267</sup> Other directors of the Association for Saxon Industrialists, like Johannes März, thought a better solution could be found in a coordinated drive to promote exports. The hyperinflation, he argued, had impoverished Germany's middle class and severely damaged Germany's domestic purchasing power.<sup>268</sup> März and others in Saxony's Economics Ministry encouraged the Association of Saxon Industrialists, with its 4,000 members, and the Leipzig chamber of commerce to turn to the fair with renewed vigor in the 1920s because it offered their producers access to foreign buyers and international markets. Their calls did not go unheard, and by the mid to late 1920s roughly one quarter of the 9,000 exhibitors at the annual spring fair were from Saxony, while a further 10 percent came from neighboring Thuringia and the Prussian province of Saxony.<sup>269</sup>

The Messeamt's directors responded to the call for exports by expanding the fair's export promotion programs. Köhler justified these expenses by arguing that Weimar's unemployment problems could only be solved through exports. In its appeals to the federal government for subsidies, the Messeamt generated a wealth of literature trying to document how the state, either federal or local, could better fight unemployment by spending money on “foreign advertising” rather than unemployment benefits.<sup>270</sup> Much of the statistical data the Messeamt collected and the pamphlets it published were dedicated to ascertaining and publicizing to Weimar's authorities how many working hours, and therefore how much employment, was attributable to

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<sup>266</sup> This was partly as a result of the political victory of the left wing in Saxony during the hyperinflation, which instilled anxiety in the region's middle classes and which induced a military intervention by the Weimar government to reinstate a more conservative governing coalition in Saxony in 1923. Claus-Christian Szejnmann, “Sächsische Unternehmer und die Weimarer Demokratie. Zur Rolle der Sächsischen Unternehmer in der Zeit der Weltwirtschaftskrise und des Aufstiegs des Nationalsozialismus” in Hess and Schäffer, *Unternehmer in Sachsen*, 165–79; Benajmin Lapp, “Remembering the Year 1923 in Saxon History” in Retallack, *Saxony in German History. Culture, Society, Politics, 1830–1933*.

<sup>267</sup> Jens Adolph, “Der VSI-Vorsitzenden Wilhelm Wittke” in Hess and Schaeffer, *Unternehmer in Sachsen*; Jens Adolph, “Die Wirtschaftspolitik des Verbandes Sächsischer Industrieller 1928–1934” in Bramke and Hess (eds.) *Wirtschaft und Gesellschaft*.

<sup>268</sup> März, “Die Bedeutung und Entwicklung der sächsischen Industrie nach dem Krieg,” 50–56.

<sup>269</sup> Dr. Florey, “Leipziger Messe und Dresdner Jahresschau im Dienste des wirtschaftlichen Wiederaufbaues,” *Jahrbuch Sachsens Politik und Wirtschaft, Kunst und Wissenschaft im Freistaat Sachsen* (1925): 58–64; these statistics are for 1928, but they are nearly the same for 1927 and 1929. SSAL, LMA, DS, 926 “Zahlen von der Leipziger Messe” 1929.

<sup>270</sup> SSAL, LMA, DS, 900; The Messeamt strongly lobbied for the German government to use some of the 630 million RM made available for work creation in 1927 for export propaganda. SSAL, LMA, DS, 907. See also the pamphlet sent to Germany's economics ministry titled “Betr. Produktive Erwerbslosenfürsorge durch Auslandspropaganda” in SSAL, LMA, DS, 906.

export business done at the fair.<sup>271</sup> “Today,” Köhler remarked, “when we have become a relatively capital poor country, we must try that much harder to export products which contain a high level of wage-remuneration.”<sup>272</sup> Improving exports would be particularly beneficial for Saxony since many of its firms, in particular those producing luxury items, fine mechanical equipment, or machine tools, were labor-intensive enterprises employing skilled labor in place of capital equipment. Fifty to sixty percent of the value of such goods, the Messeamt estimated, consisted of wage payments.<sup>273</sup>

Parallel to the drive for exports, many of Saxony’s economists like Bramstedt saw a need to shift toward the production of capital or producer goods. Despite its heavy reliance on exporting high-end consumer products, in the 1920s Saxony also led Germany’s other regions in exporting certain types of capital goods that were highly demanded by the developing countries of Southeastern Europe. Saxony became Weimar’s largest producer and exporter of machine tools, employing more workers than any other German region and accounting for 20 percent of Germany’s total machine tool exports. It led Weimar in the export of textile machinery, paper working machinery, office machinery, milling machinery, and food processing machinery and was near the top in agricultural equipment—all categories of equipment that were in high demand in Southeastern Europe. Saxony also exported a higher percentage of its production of iron, steel, and other metal products than any other region in Germany. And by the 1920s Dresden had become a center of manufacturing for precision engineering, optical equipment, and low-current electrical instruments.<sup>274</sup>

Saxony’s expansion of machine production was part of a more general improvement in the competitiveness of German machine tool exports. After having lost its reputation for quality production in the years of inflation, during the second half of the decade Germany re-emerged as the main rival to America in machinery exports, and by the late 1920s one-third of this sector’s output was sold abroad. The majority of this was still produced by small and medium-sized workshops, which emphasized quality work and which, with the exception of the electro-technical industry, did not turn to mass production since adaptability and flexibility were so important to their product lines.<sup>275</sup>

The fair tapped into this secular shift toward production goods. Under Köhler’s lead, in 1918 the Messeamt organized Leipzig’s first technical exhibition. Over the course of the 1920s this evolved into its own fair, with new grounds on the outskirts of Leipzig that housed some of the largest exhibition spaces in Germany. It became the most popular attraction for foreign businessmen by showcasing the technical and productive innovations of large firms like AEG electric and Krupp Metalworks as well as the equipment produced by small manufacturers from the region.<sup>276</sup>

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<sup>271</sup> Figures from SSAL, LMA, DS, 247 “Urteile, Berichte, und Zahlen über Messeverlauf” 95; see also “Der Umsätze auf den Leipziger Frühjahrsmesse seit 1928” in SSAL, LMA, DS, 248; SSAL, LMA, DS, 907, “Denkschrift zur Frage eines Reichszuschuss fuer die Leipziger Messe.”

<sup>272</sup> SSAL, LMA, DS, 903, “Probleme der Export-Förderung” by Raimund Köhler.

<sup>273</sup> SSAL, LMA, DS, 907, “Denkschrift zur Frage eines Reichszuschusses für die Leipziger Messe,” 6.

<sup>274</sup> Wagenführ, *Bedeutung des Ausßenmärktes*, 16; Bramke, “Sachsens Industrie (Gesellschaft)” in Bramke and Hess, *Wirtschaft und Gesellschaft*, 45–47; Kurt Möckel, “Die Bedeutung der Ausfuhr für die Sächsische Industrie” from series Hans-Jürgen Seraphim, Eugen H. Sieber, Karl. C. Thalheim (ed.), *Der sächsische Wirtschaftsraum, Leipziger Beiträge zur Raumsforschung* (Leipzig: Buske, 1938), 82.

<sup>275</sup> Nolan, *Visions of Modernity*, 149–53; Balderston, *Origins and Course of the German Economic Crisis*, 114–16.

<sup>276</sup> Metscher and Fellmann, *Lipsia und Merkur. Leipzig und seine Messen*, 191–201.

The support from Saxony's local business community and the emphasis on production goods at the technical fair enabled Leipzig to solidify its status as Germany's premier international fair and center for export promotion by late 1920s. In 1928 the spring fair attracted 185,000 registered business visitors annually, 29,500 of which came from abroad. When counting both the spring and fall exhibitions foreign business visitors totaled 42,000, 25 times as many as all other German fairs combined.<sup>277</sup> In 1927 the Institute for Economic Research (*Institut für Konjunkturforschung*—IfK) concluded that for nearly half (45%) of the firms participating at the fair in 1927 export orders accounted for over one-third of their total sales. From 1928–1930 the IfK estimated that between 31 and 34 percent of all sales at the fair were export-related, which lay well above the German average.<sup>278</sup> From the same survey in 1927, the IfK estimated that between ½ and 1 billion RM worth of export orders were made at Leipzig's fairs annually. In comparison, total German exports for 1927 were 10 billion RM.<sup>279</sup> These figures, however, are probably exaggerated. A more conservative value drawn from later studies conducted by the IfK, the fair, and the Institute for Economic Monitoring in Nuremberg suggests that the total export trade connected with the fair amounted to just under 200 million RM annually.<sup>280</sup>

### *The Trade Fair Abroad*

The fair became a marketing center for German exports in large part because of its network of overseas representatives. It was during the difficult economic conditions of the mid 1920s—intense competition between fairs, a stagnant regional economy, and slow growth in German exports—that the Messeamt constructed an extensive infrastructure for overseas advertising, publicity, and information collection and dissemination. The justification for this, according to Köhler and Voss, lay in the industrial structure of Saxony: its small and medium-sized firms could easily adapt to foreign tastes but were unable to support their own sales force abroad. Saxony's industry, Köhler argued, differed from the modern mass production of America idolized by so many contemporaries in Weimar, and therein lay its strength.

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<sup>277</sup> SSAL, LMA, DS, 905 “Die Entwicklung der Leipziger Messe und ihre Bedeutung für die Volkswirtschaft.”

<sup>278</sup> Quoted in SSAL, LMA, DS, 248, 92. This refers to the *Vierteljahreshefte zur Konjunkturforschung* 3, no. 3, (1928), 42.

<sup>279</sup> PAAA, Sonderreferat Wirtschaft, 117904 Fairs and Markets, Leipzig, Business year report for 1931 from Dec. 31, 1931.

<sup>280</sup> From 1928–1930 the fair conducted regular surveys, the results of which indicate a lower figure for its export business. These surveys concluded that in the late 1920s total direct sales amounted to roughly 220 million RM per year at the spring fair and 80–90 RM at the fall fair. But according to the a study conducted in 1930 by the Institute for Economic Monitoring in Nuremberg, only 57 percent of the business connected with the Leipzig fair was completed directly at the fair itself, 43 percent were “indirect” sales, or orders made after the fair that were still attributable to contacts made in Leipzig. If the fair's direct sales, spring and fall combined, averaged 300 million RM annually, total sales attributable to the fair would have run in the neighborhood of 525 million RM. Using the IfK's estimate that roughly one-third of all sales at the fair were exports, then the fair's total export-related business would have been roughly 173.25 million RM. For some discussion of the difficulty of estimating total export sales, see SSA, Leipzig, LMA, DS, 900 Messen und Weltwirtschaft, 21; SSAL, LMA, DS, 908; Sächsische Staatsarchiv Dresden (SSAD), Auswärtigen Angelegenheiten 10717, 7843 Leipzig Trade Fair, Saxon Legate in Berlin to Dresden Foreign Office from March 3, 1931; see also SSAL, LMA, DS, 911 report by Institut für Konjunkturforschung; See the report about these polls in SSAL, LMA, GA, 247, 95, 101, 133; SSAL, LMA, GA, 248; SSAL, LMA, GA, 247, 97.

According to the last common census from 1907 Germany had approximately ten times as many industrial firms as England did in 1901 and America in 1909. The Number of workers was, however, not yet twice as large as in the United States. It would, of course, be totally wrong to deplore the existence of so many intermediary and small firms, with their prodigious diversification of production, as backwards. ... The ability of Germany's individual firms to adapt to the needs of diverse foreign countries before the war helped German goods conquer the world market.<sup>281</sup>

Köhler noted how Saxony's industrial order contrasted with the large, vertically integrated, bureaucratically organized conglomerates found in the Ruhr and Berlin. And his confidence in the viability of smaller firms contradicted the vision held by much of Weimar's managerial elite that the future of German industry was mass production and standardization.<sup>282</sup> Indeed, scholars have demonstrated how smaller firms, or a "decentralized industrial order," could compete internationally at a very high level in production as well as consumer goods.<sup>283</sup> "Producers in many of these industries were able to remain constantly competitive, absorb new technologies, and bring out new generations of their specialty products, all within their traditional 'backward' structures."<sup>284</sup>

The problem, however, was that the small companies and family enterprises of Saxony were often unable to reach international customers since they could not afford their own foreign sales network or trade agents, or because information about sales opportunities abroad was limited.<sup>285</sup> According to Germany's diplomat in Bucharest, Gerhard Mutius, an astute observer of the Romania's economy, "it cannot be denied that the entry of Germany's export industry into the local market is marked by certain disadvantages ... until now small and medium German firms have only to a relatively small extent engaged in business here. I am thinking primarily of firms in the consumer and luxury goods industries. ... In these fields one sees in the inventory of

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<sup>281</sup> SSAL Leipzig, LMA, DS, 903 "Probleme der Exportförderung."

<sup>282</sup> Many of Germany's larger manufacturing firms were in the throes of rationalization, at least rhetorically, in an attempt to mimic American-style mass production. Nolan, *Visions of Modernity*.

<sup>283</sup> For a discussion of Germany's decentralized industrial order, see Gary Herrigel, who has helped introduce a new perspective on the history of Germany's industrial organization. He argues that there have historically been two different industrial orders in Germany: the large, vertically integrated, conglomerate firms of the Ruhr and Berlin, which have attracted much more scholarly attention, and the small-scale, decentralized and flexible industrial order of Saxony, Württemberg, and central Germany. He builds on a large body of regional economic research carried out in the late 1980s and early 1990s, by Hubert Kiesewetter, Werner Bramke, Ulrich Hess, and others. Herrigel challenges the traditional school of thought, which holds that the large, bureaucratic model was the only "modern" one and that smaller firms filled in left-over niches, would eventually pass away, or would evolve into larger conglomerates. Herrigel maintains that the decentralized industrial order is a modern and innovate model in its own right. Herrigel, *Industrial Constructions*; See also Bramke, "Sachsens Industrie (Gesellschaft)" in Bramke and Hess, *Wirtschaft und Gesellschaft*, 34.

<sup>284</sup> Herrigel, *Industrial Constructions*, 18–19. This point about the importance of smaller firms was not without controversy among contemporaries. See for instance the work done in the 1930s by Paul Bramstedt, Kurt Möckel, and Rolf Wagenführ that tried to determine, among other things, the amount of exports attributable to certain German regions and to firm sizes.

<sup>285</sup> Larger firms like IG Farben or Siemens were able to support such a network. On the overseas network of IG Farben, see Hans Radandt, "Die IG Farbenindustrie AG und Südosteuropa bis 1938," *Jahrbuch für Wirtschaftsgeschichte* (1966/3): 146–195; and Hans Radandt, "Die IG Farbenindustrie und Südosteuropa 1938 bis zum Ende des zweiten Weltkrieges," *Jahrbuch für Wirtschaftsgeschichte* (1967/1): 77–146.



businesses here still only goods from France, England, America, and the Czech Republic.”<sup>286</sup> To take full advantage of the adaptability of small firms and to maximize their contribution to employment, Köhler argued that Germany needed a better method to gain access to foreign markets. Weimar’s Economics Ministry and consular system were clearly not connecting small firms with foreign merchants; the Messeamt would have to fill the breach.<sup>287</sup> At a meeting with the Imperial Federation of Germany Industry in Dresden in 1926 Köhler outlined his strategy. German merchants must bypass the middlemen, go directly to the foreign market and learn their tastes and their customs.<sup>288</sup>

Köhler expanded the fair’s network of representatives abroad, increased its funding, and made it more accessible to smaller businesses. In the immediate postwar years the Messeamt’s network was quite small, but by 1926 it had grown to include 199 representatives in 86 countries with eleven business offices beyond Germany.<sup>289</sup> The Messeamt’s annual budget by the late 1920s ranged between three and five million RM, two million of which were spent on overseas advertising.<sup>290</sup> The Foreign Office, the industrial associations, and even rival export organizations like the Hamburg chamber of commerce came to recognize that the fair’s overseas network was one of Germany’s most useful tools for export promotion.<sup>291</sup> And these representatives proved a boon to Saxony’s smaller firms. By the end of the 1920s the Messeamt estimated that nearly 95 percent of the firms participating at the fair depended on exports for their business, the vast majority of which were small and medium-sized.<sup>292</sup> According to contemporary estimates, the portion of export-related contracts of Saxon firms at the fair was higher than the German average.<sup>293</sup>

The fair’s network of representatives, however, was not concentrated in any one region of the world; its agents engaged in advertising and information collection from Latin America and East Asia to Western and Southeastern Europe. Köhler, Voss, and the other directors saw themselves as advocates of a world-wide economy and they had little positive to say about the economic bloc-building ideas that would become common parlance within other German business institutions toward the end of the decade. The number of business visitors from different parts of the globe attest to this fact: only 6–8 percent during the 1920s came from Southeastern Europe, the majority were from Western and Northern Europe. (*see Table 7*).

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<sup>286</sup> PA Handelsabteilung Rumanien, 89210 Mutius to Berlin Dec. 28, 1929.

<sup>287</sup> SSAL, LMA, DS, 903 “Probleme der Export-Förderung.”

<sup>288</sup> Ibid.

<sup>289</sup> Marhenke, “Zwischen Konkurrenz und Innovation,” in Zwahr, Topfstedt, and Bentele, *Leipzigs Messen*; SSAL, LMA, DS, 903 “Probleme der Export-Förderung.”

<sup>290</sup> In 1926 the Messeamt allocated 1,186,900 RM towards advertising abroad, a decline from the previous year where they used approximately 3 Million RM, much of which came from the central government, which discontinued its support in 1925. The Reichstag reinstated funding for commercial advertising abroad in 1928, granting 1.2 million RM for the purposes of export promotion, of which 800,000 RM went to the Leipzig Messeamt. But this lasted for just one year; in 1929 as the world economic depression began to affect the central government’s budget, it eliminated contributions to foreign economic propaganda. SSAL, LMA, DS, 906 “Produktive Erwerbslosenfürsorge durch Auslandspropaganda”; PAAA, Sonderreferat Wirtschaft, 117902 Fairs and Markets, Leipzig, Edict sent to all German missions abroad from May 11, 1928.

<sup>291</sup> See the lecture by Rud. H. Petersen at the Hamburger Export-Tagung in 1929. PAAA, Sonderreferat Wirtschaft, 117902 Fairs and Markets, Leipzig, Notice from the Hamburg chamber of Commerce from July 15, 1929.

<sup>292</sup> PAAA, Sonderreferat Wirtschaft, 117904 Fairs and Markets, Leipzig, Business report for 1931 from Dec. 31, 1931.

<sup>293</sup> Möckel, “Die Bedeutung der Ausfuhr für die sächsische Industrie,” 116.

**Table 7**  
Participation of Foreign Merchants at Leipzig's spring trade fair  
(in number of registered merchants)

<i>Country</i>	1925	1926	1927	1928	1929	1931
Yugoslavia	200	280	370	460	460	498
Romania	260	320	420	730	640	466
Hungary	550	890	990	1280	1190	1063
Bulgaria	120	100	110	140	150	112
<b>Southeastern Europe (SE)</b> (incl. Bulg, Hung, Rom, Yugo)	<b>1130</b>	<b>1590</b>	<b>1890</b>	<b>2610</b>	<b>2440</b>	<b>2139</b>
Czechoslovakia	3450	3690	4200	5600	4660	4765
Austria	2500	2450	2360	2700	2760	2546
<b>Europe</b>	<b>16223</b>	<b>17300</b>	<b>20700</b>	<b>26680</b>	<b>25600</b>	<b>25059</b>
SE as a percentage of Europe	7.0%	9.2%	9.1%	9.8%	9.5%	8.5%
<b>Total</b>	<b>17200</b>	<b>19610</b>	<b>23130</b>	<b>29590</b>	<b>28660</b>	<b>27486</b>
SE as a percentage of Total:	6.57%	8.1%	8.2%	8.8%	8.5%	7.8%

Source: Sächsisches Staatsarchiv Leipzig (SSAL), LMA, Druckschriften 923–26: "Zahlen von der Leipziger Messe."

In Köhler's opinion the fair's greatest strength was its "appeal to the farthest consumer circles of the entire world." The future, he hoped, would not yield protectionism but rather greater international cooperation and an even deeper international division of labor.<sup>294</sup>

Yet despite its international orientation, the Messeamt's network proved to be particularly important for Germany's economic relations with Southeastern Europe, since here more than elsewhere the German merchant suffered from the postwar problems of uncertainty, information, trust, and a lack of solid business contacts. The Messeamt built a sales network in Southeastern Europe that numbered some twenty-five representatives spread from Austria to Bulgaria. This, along with Germany's larger enterprises like IG Farben and Siemens, came to form the commercial backbone of Germany's trade network in the region.<sup>295</sup>

### *Yugoslavia*

In Yugoslavia, the new business office established by Paul Voss in Belgrade represented one of Germany's first direct commercial engagements in the new country. After considering Kurt Stahl, a news correspondent for the Association of Saxon Industrialists, to lead the new offices Paul Voss instead selected Hans Schuster upon the recommendation of Germany's diplomat in Belgrade. Schuster seemed to be the perfect fit. As a prominent businessman and member of the German national community in Belgrade he had extensive contacts to local politicians and business elites, and commanded a solid understanding of Yugoslavia's commercial culture.

In 1926 Schuster's office in Belgrade had a budget of 45,100 RM, which increased to 70,600 in the coming years, to carry out the three basic goals of the Messeamt: assisting German firms, collecting information, and advertising.<sup>296</sup> Schuster, along with the fair's representatives in Skoplje, Sarajevo, Split, Zagreb, Maribor, Ljubljana, Osijek, and Novi Sad, helped German firms operate in the very uncertain business climate of Yugoslavia. The fair itself in Leipzig offered an informal court of arbitration where merchants could resolve commercial disputes.<sup>297</sup> This was a boon to German firms exporting to Yugoslavia, where the courts were slow, intransparent, and often corrupt. In addition, Schuster and his fellow agents made it a priority to work with Germany's consulates to find experienced local lawyers willing to assist German exporters with their legal issues. With their local contacts the fair's representatives advised Weimar merchants about prospective agents in Yugoslavia who were reliable and eager to engage with Germans. In this manner Schuster and his colleagues supplemented Germany's understaffed and overworked consular network.

Second, Schuster coordinated the collection and analysis of information about local market conditions in Yugoslavia.<sup>298</sup> While Germany's foreign consular service engaged in a similar task, it focused on the general economic structure of local countries and paid less

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<sup>294</sup> SSAL, LMA, DS, 900, 27.

<sup>295</sup> On IG Farben's network see Radandt, "Die IG Farbenindustrie und Südosteuropa 1938 bis zum Ende des zweiten Weltkrieges."

<sup>296</sup> In comparison, the Messeamt's budget for their work in Italy in 1926 was 31,000 RM, SSAL, LMA, DS, 906; SSAL, LMA, GA, 1000, from the Messeamt to Dr. Borota, their new agent in Novisad from April 29, 1925.

<sup>297</sup> For an example of this see the case of Moise I. Katan from 1922 and 1923 in BA, R901, Trade with Yugoslavia 54164, Film 40725 reports from Dec. 15, 1922, and Jan. 5, 25, 29, 1923.

<sup>298</sup> SSAL, LMA, DS, 913; See also Paul Voss on "Das Problem der Exportförderung," who saw the one of the Messeamt's primary tasks to lie in finding good "information about exports and schooling for exporters." SSAL, LMA, DS, 902.

attention to export opportunities for specific industrial branches. Paul Voss argued that such sectoral-level information would be better left to the fair's representatives, who had commercial experience and connections. The fair's business office in Belgrade would send notice about sales opportunities to the Messeamt in Leipzig. Here the Messeamt had established eighteen subcommittees, each working with a particular branch of Germany's finished goods industries. News from Belgrade, and elsewhere, would be passed along to the subcommittees or published in its weekly journal *Wirtschafts- und Export Zeitung*.<sup>299</sup> In collecting its news the Messeamt also collaborated with the Imperial Federation of German Industry and the *Deutschen Wirtschaftsdienst*, allowing the former to use its information offices in Belgrade, as well as London, and New York City, to collect market data.<sup>300</sup> This was German corporatism at work in foreign trade.

Indeed, Schuster believed that the key to improving economic relations with Yugoslavia was an effective collection and distribution of economic information. On his own initiative in the summer of 1926 he opened negotiations with the Imperial Federation of German Industrialists along with business circles in Belgrade and Zagreb to organize a German-Yugoslavian Committee for Industry and Trade. He envisioned this institution to be the forerunner to a German-Yugoslavian chamber of commerce, one that would expand the operation of his Belgrade office by collecting economic news and statistics from the local chambers of commerce.<sup>301</sup> Germany's diplomat in Belgrade, Franz Olshausen, supported this idea insofar as it would lighten the burden on his own office. Yet he also wanted to ensure that German interests be guaranteed priority in the committee and not be overwhelmed by Yugoslavian merchants.<sup>302</sup> To achieve this, Schuster enlisted the formal participation of the Messeamt, the Leipzig chamber of commerce, a delegate from the German mission in Belgrade, and the German Association for Chambers of Industry and Trade to represent the Weimar Republic. Throughout the winter and spring of 1927 Schuster negotiated with the Central Association of Yugoslavian Industrialists, the offices for trade (*Gewerbekammer*) in Belgrade, and the chambers of commerce in Ljubljana, Osijek, Belgrade, and Zagreb. In the fall of 1927 he formally opened the Germany-Yugoslavian Committee for Industry and Trade.<sup>303</sup>

Finally, Schuster and his colleagues were charged with attracting business visitors to Leipzig and advertising for German products. In contrast to the industrial associations, which

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<sup>299</sup> SSAL, LMA, DS, 905, "Die Entwicklung der Leipziger Messe und ihre Bedeutung für die Volkswirtschaft" by Paul Voss, 4.

<sup>300</sup> On the role of the Information Offices see SSAL, LMA, DS, 902, "Das Problem der Exportförderung" by Paul Voss, 7; SSAL, LMA, DS, 903, "Probleme der Export-Förderung"; See also PAAA, Sonderreferat Wirtschaft, 117902, Summary of a meeting between the Messeamt leadership and the Imperial Federation of German Industry from Oct. 10, 1928.

<sup>301</sup> BA, R901, 54232 Leipzig Trade Fair, film 41488, German legate in Belgrade to Berlin Foreign Office from Aug. 21, 1926, 202 and from March 8, 1927, 219; On the RdI's contract to use the Messeamt's information offices see SSAL, LMA, DS, 903, "Probleme der Export-Förderung"; on the purposes of the information offices see SSAL, LMA, DS, 908, "Aus der Praxis der Exportpropaganda."

<sup>302</sup> BA, R901, 54232 Leipzig Trade Fair, film 41488, Belgrade legate to Berlin Foreign Office from Aug. 21, 1926 and from March 8, 1927; BA R901, 43085 Economic relations with Yugoslavia, Economics Ministry to the Berlin Foreign Office from April 27, 1927.

<sup>303</sup> In Zagreb Schuster encountered difficulties, as the Croatian business elites resisted anything that might subordinate their commercial interests to Belgrade. Schuster, however, pressed ahead, excluded the Zagreb chamber in the belief that their federalist inclinations were bad for business, and garnered the participation of the remaining Yugoslavian institutions to formally establish his new organization. BA, R901, 54232 Leipzig Trade Fair, film 41488, Belgrade legate to Berlin Foreign Office, March 8, 1927.

focused almost exclusively on working the press, the Messeamt and its representatives branched out during the 1920s to use a variety of promotional techniques.<sup>304</sup> The head offices in Leipzig gave their agents wide latitude to decide which techniques best suited the local business culture, and to coordinate their efforts they worked closely with the eighteen subcommittees in Leipzig. These committees would recommend what type of publicity to use and keep the Messeamt and its agents abreast of new products and technologies.<sup>305</sup> Posters, films, brochures, ads in specialized journals, and radio increasingly became important components of the fair's advertising. Schuster and his colleagues plastered the bulletin boards of local chambers of commerce, travel offices, rail stations, hotels, and local clubs and associations with posters and photographs of the fair. In 1928 the Messeamt's representatives held over 1,750 film viewings abroad, which showcased the fair and its special exhibitions.<sup>306</sup> In that year the Messeamt paid for 5,603 advertisements and articles in over one thousand newspapers within Europe, excluding Germany, and mailed out over 8 million postcards in both German and local languages. Although the Messeamt printed the bulk of these brochures in German, English, French, and Spanish, roughly 6,000 thousand of them appeared annually in Serbian or Croatian. This was in addition to the 5–8,000 fair invitations that Schuster and the other agents distributed in Yugoslavia twice a year for the fall and the spring fairs.<sup>307</sup> The most important avenue for attracting local businessmen, however, was the use of personal contacts. The Messeamt had a list of over 300,000 firms, two-thirds of which were in Europe. Schuster and his colleagues drew on this list, personally visiting local firms and chambers of commerce to encourage them to visit the fair.<sup>308</sup>

In advertising for the fair Schuster and his colleagues frequently collaborated with ethnic German organizations in Yugoslavia. The Messeamt's agents in Maribor and Novi Sad, for instance, worked with the Political Association of Germans in Slovenia and the German Foundation (*Deutsche Stiftung*) to organize a collective trip of Slovenian Germans to visit Leipzig in 1927.<sup>309</sup> The Political Association was dedicated to maintaining the cultural heritage and economic viability of the German minority in Slovenia, but according to their reports only a small minority of German businessmen in Slovenia “knew and valued their German motherland and its business life through their own experience there.” Other accounts reinforced the observation that German firms from Slovenia relied almost exclusively on Yugoslavian or Viennese rather than German agents.<sup>310</sup> To remedy this the association hoped to organize a study

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<sup>304</sup> PAAA, Sonderreferat Wirtschaft, 118078 Political and Cultural Propaganda, German Association for Chambers of Commerce and Industry to its members from Jan. 14, 1924.

<sup>305</sup> Through the interaction between the subcommittees and the local representatives Köhler claimed that “in each country” the Messeamt was able “to design its advertising efforts according to the distinct culture, habits, and economic conditions of its target population.” SSAL, LMA, DS, 908 “Aus der Praxis der Exportpropaganda” (Leipzig 1929).

<sup>306</sup> They had over 14,900 meters of original film of the fair, divided into 35 different segments and 119 copies of this in their archive. These were in German, French, English, Chinese, Russian, Spanish, Portuguese, and Italian. Unfortunately no figures for the frequency of film use in Yugoslavia exist. PAAA, Sonderreferat Wirtschaft, 117903 Fairs and Markets – Leipzig “Aus der Praxis der Exportpropaganda” (Leipzig 1929).

<sup>307</sup> SSAL, LMA, DS, 908 “Aus der Praxis der Exportpropaganda”; In comparison, the fair distributed 40–50,000 in English and over 100,000 of these in French for each fair.

<sup>308</sup> SSAL, LMA, DS, 913 “Die Lage der verarbeitenden Industrie im Lichte der Leipziger Frühjahrsmesse.”

<sup>309</sup> SSAL, LMA, GA, 1000, 154.

<sup>310</sup> BA, R8043, 978 Yugoslavia, Dr. Carl Georg Bruns to councilor Kraemer-Möllenberg from Nov. 2, 1926.

trip of thirty German merchants and artisans to visit the spring fair in 1927.<sup>311</sup> By obtaining and distributing visas, arranging group travel and rail discounts, negotiating a reduced fair entry fee, and getting a contribution from the German mission in Belgrade, the Maribor representative reduced the financial burden of visiting the fair well below the normal cost.<sup>312</sup>

Schuster supplemented his advertising with an extended lobbying campaign to encourage Yugoslavia's government to organize an official exhibition of goods in Leipzig. The Messeamt intended such collective exhibitions for countries like Yugoslavia and Romania that were on the cusp of sending a larger contingent of private merchants to the fair. As a "calling card for the economy of a country," they would display that nation's general "economic capabilities." For Yugoslavia this meant its raw materials like tobacco, food products, and semi-finished wares.<sup>313</sup> In the summer of 1926 Schuster opened negotiations with the Belgrade chamber of commerce, along with the Yugoslavian ministries of trade, forestry, and agriculture, to arrange an official display of Yugoslavian goods at the fall fair.<sup>314</sup> He hoped to build on Belgrade's state tobacco display in 1925 by bringing raw materials and artisanal products, in particular the carpet wares from Sarajevo.<sup>315</sup> All three government ministries initially expressed a strong interest in Schuster's idea. But the high cost of renting space in Leipzig and the short planning period—Schuster only began his efforts two months before the fall fair—precluded an extensive exhibition in 1926. The ministry of trade only managed to organize a small display for handicrafts and tourism.

For the next two years securing official participation at the fair became a Sisyphean feat for Schuster. The Ministry of Trade's small exhibition in 1926 had sparked interest in the press and among government circles to expand Yugoslavia's official participation in the future. The press wanted to keep pace with Bulgaria, Turkey, and Greece, which had consistently organized exhibitions for the past several years.<sup>316</sup> The government ministries concurred, planning to rent space for the forest and mining, agricultural, and textile sectors, and to organize special exhibits for Bosnian artwork, plums, and eggs in the spring of 1927.<sup>317</sup> Throughout 1927 and into 1928 Schuster lobbied the Ministry of Trade and worked the press to soften the ground. He found a willing supporter in the director of one of Belgrade's most influential newspapers, *Politika*, to expand the Messeamt's presence in print.<sup>318</sup> His frequent articles in *Politika*, as well as *Privredni Pregled* and the *Zagreber Morgenblatt*, promoted the fair as the best avenue for Yugoslavian businessmen to find international customers, and a venue where foreign merchants could deal

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<sup>311</sup> BA, R8043, 978 Yugoslavia, Hubert Kolletnig of Marburg to councilor Kraemer-Möllenberg from Feb. 24, 1927; *ibid.*, Mathies to the Economics Ministry from Oct. 20, 1926.

<sup>312</sup> Although this idea for a study trip found strong vocal support from the German diplomat in Belgrade, neither the foreign office nor the RWM were able to support the trip financially, and it is difficult to ascertain from the sources whether such a trip eventually occurred or not. BA, R8043, 978 Yugoslavia, 217–20.

<sup>313</sup> Erich Dittrich, *Südosteuropa und die Reichsmesse Leipzig* (Stuttgart/Berlin: Kohlhammer, 1941); SSAL, LMA, GA, 146, 16.

<sup>314</sup> SSAL, LMA, GA, 146, Business office in Belgrade to Messeamt from July 14, 1926; *ibid.*, Business office in Belgrade to Messeamt from July 19, 1926.

<sup>315</sup> SSAL, LMA, GA, 146, Messeamt to the Ministry for Trade and Industry in Belgrade from June 2, 1926.

<sup>316</sup> SSAL, LMA, GA, 146, article about Yugoslavian participation in the fall fair from May 23, 1927 121; *ibid.*, article about Yugoslavian tobacco in the German market from April 11, 1930, 228.

<sup>317</sup> SSAL, LMA, GA, 146, Yugoslavian Ministry for trade and industry to Messeamt's business offices in Belgrade from Sept. 12, 1926; *ibid.*, Business office in Belgrade to Messeamt from Oct. 2, 1926, 61.

<sup>318</sup> SSAL, LMA, GA, 146, Business office in Belgrade to Messeamt from May 26, 1927; *ibid.*, 149.

with one another directly and avoid intermediaries.<sup>319</sup> Yet Schuster's efforts were trumped by political events. The death of the radical party leader in Yugoslavia, leader Nikola Pasic, in December 1926 and the subsequent resignation of the government threw Yugoslavia's political life into turmoil and left the trade ministry unoccupied during the crucial planning stages for the fair in early 1927. The foreign policy conflict that erupted between Yugoslavia and Italy over Albania in 1927 further diverted attention away from the fair.<sup>320</sup> Schuster, moreover, had to vie for the Ministry of Trade's limited funding for official exhibitions with representatives from Europe's other fairs like Lyon, Frankfurt, Salonika, and Paris. For the fiscal year 1927–28 the ministry could only afford a single exhibition, which it decided to send to Paris.<sup>321</sup>

Indeed, participation by the Yugoslavian Ministry of Trade in exhibitions carried with it a distinct political undertone in the late 1920s. After the stabilization of its currency in 1926 France had begun pursuing a more active financial and economic diplomacy in Southeastern Europe with stabilization loans to Bulgaria and Romania in 1928 and 1929. Yet loans alone could not solve the underlying problem of these agrarian economies, which needed markets for their exports.<sup>322</sup> Yugoslavia's decision to display in Paris should be seen in this broader political context. The Ministry of Trade arguably decided on Paris over Leipzig in 1927 in the hopes of buttressing its diplomatic and financial ties to France with commercial ones. The Ministry also sent an exhibition to Salonika in 1928 to improve its political relations with neighboring Greece against the backdrop of efforts to deepen regional commercial ties within Southeastern Europe.<sup>323</sup> Even after Germany displayed a benevolent neutrality toward Yugoslavia in diplomatic confrontation with Italy, and even after Yugoslavia and Germany negotiated a trade treaty in the fall 1927, Belgrade still prioritized good relations with France over Germany.<sup>324</sup> Schuster's inability to organize anything more than small official exhibitions before 1927, then, was less an indication of disinterest among Yugoslavian merchants in the fair and much more a product of the politicization of trade in Southeastern Europe.

Despite the absence of a large state exhibition, the fair's directors and Germany's diplomat in Belgrade were pleased with Schuster's work. The number of Yugoslavian participants at the Leipzig fair rose under his tenure in Belgrade and he attracted influential Yugoslavian leaders to work with the Messeamt.<sup>325</sup> Thus it came as a shock for the Messeamt and Germany's diplomat to learn that throughout 1927 Schuster had been embezzling money from the Belgrade office to pay off his large personal debt.<sup>326</sup> Finding suitable people to represent the fair abroad was one of Köhler's highest priorities, and Schuster, although he had displayed initiative and creative energy, had violated the most important principal of upholding

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<sup>319</sup> SSAL, LMA, GA, 146, Business office in Belgrade to Messeamt from May 6, 1927, 124; SSAL, LMA, GA, 152, 93–100.

<sup>320</sup> SSAL, LMA, GA, 146, Business office in Belgrade to Messeamt from Dec. 10, 1926; Ibid., Messeamt to its honorary representative in Zagreb from Dec. 27, 1926; Ibid., Business office in Belgrade to Messeamt from March 22, 1927.

<sup>321</sup> SSAL, LMA, GA, 146, Business office in Belgrade to Messeamt from Jan. 31, 1927; Ibid., Business office in Belgrade to Messeamt from March 22, 1927.

<sup>322</sup> Plessis and Feiertag, "The Position and Role of French Finance in the Balkans," 226–29.

<sup>323</sup> SSAL, LMA, GA, 146, Business office in Belgrade to Messeamt from Aug. 10, 1928, 179.

<sup>324</sup> SSAL, LMA, GA, 146, Schuster's report on his discussion with Dr. Spaho from the Yugoslavian Trade Ministry from July 7, 1927.

<sup>325</sup> These included Yugoslavia's general consul in Berlin Dr. Barckhausen, the director of *Politika* Dr. Tanovic, and the Yugoslavian Trade Minister Dr. Spaho. SSAL, LMA, GA, 146, Business office in Belgrade to Messeamt from June 21, 1927, 128–29, July 7, 1927, 138 and from Aug. 23, 1927, 152.

<sup>326</sup> BA, R901, 54232, 41488, Aug. 7, 1928 and Aug. 10 1928, 241–42.

the fair's trust.<sup>327</sup> The Messeamt retained him until the end of 1928, but only to avoid disrupting business and damaging the reputation of their Belgrade office. They kept news of this affair "strictly confidential," and discretely discarded him at the end of the year.<sup>328</sup>

The Messeamt began searching for a new agent in August 1928, working with the Belgrade mission to screen potential candidates. The Foreign Office strongly urged the Messeamt to select a German citizen from Belgrade because, "within the local mercantile community the Leipzig trade fair was gaining an ever growing significance and ... because economic contacts between Germany and Yugoslavia in the last few years had been continually improving."<sup>329</sup> Despite this political pressure, the Messeamt settled on Milan Lujanovitz to be Schuster's successor. Lujanovitz had been one of the Messeamt's honorary representatives in Serbia since 1922 and was a leading personality on the newly established German-Yugoslavian Committee for Industry and Trade. As a Belgrade Serb with connections to the Economics Ministry, the Yugoslavian national chamber of commerce, and as a director of one of Belgrade's largest banks, Lujanovitz was well situated within the commercial circles of Belgrade to advocate for the Leipzig fair and to help German merchants find reliable local counterparties.<sup>330</sup>

As a result of Schuster and Lujanovitz's lobbying, advertising, and other activities, from 1925–1929 the number of Yugoslavian business visitors at the Leipzig fair more than doubled, rising faster than the overall rate of participation for foreign visitors. (*see Table 7*) This was in spite of, rather than because of, government assistance from either Yugoslavia or Germany. The former used its scarce resources to fund exhibits in Paris and Salonika and the latter gave only meager and inconsistent funding to the Messeamt in the late 1920s. German-Yugoslavian trade paralleled the rise of Yugoslavian attendance at the fair. German exports to Yugoslavia increased from 36.4 million RM in 1924 to 171.1 million in 1930, in those same years imports from Yugoslavia rose from 29.3 million RM to 74.8 million. (*see Tables 3 and 4*)

It is difficult, however, to determine the direction of causality: did the fair drive the improvement in trade or vice versa. Several pieces of evidence suggest that the fair was indeed an engine for commerce. German-Yugoslavian trade improved more in 1925 and 1926, when the fair opened its Belgrade business office, than it did with the signing of the German-Yugoslavian trade treaty at the end of 1927. Furthermore, as a point of comparison Yugoslavia's trade with Switzerland grew substantially slower during the 1920s than it did with Germany. Switzerland had a roughly comparable level of industrial development as Germany, and a similar incentive to exchange manufactured goods and capital equipment for agricultural products. Its traders commanded the German language, the business *lingua franca* throughout much of Yugoslavia. And like Germany its merchants were not the traditional intermediaries in the Balkans, like those from Vienna. Swiss merchants even enjoyed the added advantage of capital: their banks invested more in Yugoslavia than did those of Germany.

The main *institutional* difference between Germany and Switzerland, in this respect, was that the former had the Leipzig fair and its accompanying network of representatives while the latter did not. The statistics reflect this: Yugoslavian exports to Switzerland were actually lower in 1928 and than they were in 1923 while those from Germany doubled. It is more difficult to

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<sup>327</sup> SSAL, LMA, DS, 903, "Probleme der Exportförderung."

<sup>328</sup> BA, R901, 54232 Leipzig Trade Fair, film 41488, Messeamt to Belgrade legat from Aug. 11, 1928, 245.

<sup>329</sup> BA, R901, 54232 Leipzig Trade Fair, film 41488, Belgrade legat to Messeamt from Aug. 10, 1928, 242; *Ibid.*, Berlin Foreign Office to Economics Ministry from Aug. 25, 1928, 244; *Ibid.*, Belgrade legat to Messeamt from Aug. 17, 1928, 247.

<sup>330</sup> BA, R901, 54232 Leipzig Trade Fair, film 41488, Messeamt to Belgrade legat from Aug. 7, 1928.



evaluate the performance of Yugoslavian imports. According to the figures produced by the Yugoslavian government, imports from Switzerland and Germany both doubled between 1923 and 1928, whereas according to German figures Yugoslavian imports from Germany more than quadrupled in the same period.<sup>331</sup> (*see Table 8*).

Finally, the technical fair proved to be extremely popular among Yugoslavian merchants. It offered a venue for them to learn about new technology that could modernize their industry, with displays of advanced textile machinery, machine tools, agricultural equipment, iron wares, motor vehicles, as well as chemical products.

Contemporary Yugoslavian commentators recognized that the technical fair was one of their “main centers of sales and supplies,” and the fair’s principal of “equal opportunity” for foreign as well as German merchants gave Yugoslavian traders one of their most effective methods of tapping into the world market.<sup>332</sup> Yet these were the very sectors—iron and steel products, non-electrical machinery, and electrical machinery—among Yugoslavia’s imports from Germany that expanded the most rapidly in the 1920s. (*see Tables 9a and 9b*) Already in 1926, before the dramatic expansion of Germany’s non-electrical machinery and electrical machinery exports, Weimar supplied Yugoslavia with respectively one-third and one-quarter of these goods. It was in precisely these producer goods that Saxony was a leader among Germany’s regions.

### *The Leipzig Trade Fair and Romania*

In Romania, where Leipzig had an extensive history of commercial exchange, the Messeamt surprisingly did not have as a large an institutional presence. Since the 17<sup>th</sup> century Romanian wool, horse, and cattle traders had regularly visited the fair, and Leipzig had established a particularly close connection with the Transylvanian German communities in cities like Brasov–Kronstadt and Sibiu–Hermannstadt.<sup>333</sup> Yet the fair lacked a central business office like the one in Belgrade, which meant less coordinated advertising campaigns and information collection. Its network of representatives was also smaller, consisting of agents in Bucharest, Timișoara–Temesvar, Brasov–Kronstadt, Sibiu–Hermannstadt, and off and on at Cernauti–Czernowitz, Cluj–Klausenberg, Iași–Jassy, Chișinău–Kischinev, and Oradea-Mare.

There were good reasons for the fair’s less active promotional efforts in Romania. The Banca Generala Romana issue, the economic cold war, the poor image of Germany in the press, and the threat of impounding German property under article 18 all made Germans wary of doing business in Romania into the late 1920s. According to the Messeamt’s agent in Bucharest, even in 1926 it was not worth his time or his social capital to encourage local merchants to visit the fair.<sup>334</sup>

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<sup>331</sup> German figures drawn from *Wirtschaft und Statistik*; Yugoslavian figures drawn from *Statisticki Godisnjak/Annuaire Statistique*, vol. 1, (1929), produced by the Kraljevina Jugoslavija/Royaume de Yougoslavie (Belgrade 1932).

<sup>332</sup> SSAL, LMA, GA, 146, Articles from *Jutarnji List*, translated from Croatian into German by the Messeamt’s business offices in Belgrade, 79–80.

<sup>333</sup> By 1830 fifty officially sanctioned Romanian merchants participated at the fair, in addition to a number of artisans. Romanian merchants frequently educated their sons in Leipzig, and in 1858 they established a Romanian orthodox chapel in the city. In Bucharest one of the largest business avenues of the 1920s and 1930s was named the Strada Lipsani, or Leipzig Street, after the local merchants who bought their wares from fair. SSAL, LMA, DS, 898 “Leipzig als Mittler der rumänisch-deutschen Handels-Beziehungen,” by Dr. Ioan Alex. Roceric; see also comments by German legate in Bucharest, Gerhard Mutius, from PAAA, Sonderreferat Wirtschaft, 117903 Fairs and Markets – Leipzig, from Feb. 11, 1930.

<sup>334</sup> SSAL, LMA, GA, 152, Tenhof in Bucharest to Messeamt from Nov. 2, 1926.

**Table 8**  
Yugoslavian Exports to Switzerland and Germany  
(in Millions of Dinar and RM)

	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929
Switzerland (Yugosl. estimates) Dinar	48	169	281	527	389	364	296	216	199	175
Germany (Yugosl. estimates) Dinar	99	397	311	339	388	636	724	678	779	675
Germany (German estimates) RM	-	-	17.7	15.3	29.3	45.6	53.7	50.3	66.6	60.9

Yugoslavian Imports from Switzerland and Germany  
(in Millions of Dinar and RM)

	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929
Switzerland (Yugosl. estimates) Dinar	34	38	26	54	63	84	85	102	99	112
Germany (Yugosl. estimates) Dinar	50	174	462	724	682	866	918	898	1066	1188
Germany (German estimates) RM	-	-	26.3	32.6	36.4	62	68.1	66.5	117.6	152.6

Sources: *Statistički Godisnjak*, Kraljevina Jugoslavija (1929); *Wirtschaft und Statistik*, annual reports "Deutsche Aussehenhandel unter besonderer Berücksichtigung Bezugs- und Absatzländer" from 1926–1930.

**Table 9a**  
Yugoslavian Imports from German by Sector  
(in millions of RM)

<i>Type of Good</i>	1926	1928	1929	1930	1931
Iron wares	11.3	22.2	38.3	35.7	20.2
Textiles	12.3	14.5	15.1	14.7	9.8
Dyes and Chemicals	6.9	9.8	10.3	9.4	7.3
Non-electrical machinery	9.5	20.3	25.4	37.7	15.1
Electrical machinery	2.6	7.1	6.2	5.9	7.3
Non-iron metal wares	3.4	5	6.6	4.8	4.7
Total imports from Germany	81.4	117.6	152.6	172.1	95.1

**Table 9b**

Total Yugoslavian imports from all countries by sector  
(in millions of RM)

<i>Type of Good</i>	1925	1926	1927
Metal wares (including iron and other metals)	70.2	66.3	66.5
Textiles	237.6	205.6	194.2
Non-electrical machinery	26.4	28.5	25.7
Electrical machinery	7.8	9.5	10

Source: annual reports "Deutsche Aussenhandel unter besonderer Berücksichtigung Bezugs- und Absatzländer" from 1926–1930 in *Wirtschaft und Statistik*; "Die Stellung Deutschlands im Aussenhandel Jugoslawiens," in *Wirtschaft und Statistik* 8 (1928:) 539–40.

\* In Table 11a *Wirtschaft und Statistik* does not have figures for 1925 or 1927

Despite repeated attempts to lobby the government for a collective exhibition, Romania coordinated just a single one during the 1920s—a tobacco and cigarette display in 1927—the least of any Southeastern European state.<sup>335</sup> And none of the Romanian chambers of commerce expressed an interest in organizing an official exhibit.<sup>336</sup>

In the winter of 1928 the trade fair acquired a new agent in Bucharest, Cornelio Früh, who breathed fresh air into the fair's activities. Früh was a native of Germany and the general director of the local firm Romanil AG, the representative of IG Farben in Bucharest. He employed over twenty assistants, enjoyed a solid reputation among the Bucharest business community, and thus was well placed to be the fair's leading agent. The Messeamt found Früh through the German mission in Bucharest, which wanted to ensure that the leading Leipzig representative would be a native German.<sup>337</sup> Früh was more willing than his predecessor to expend his firm's social capital, and with a 60,000 Lei budget for each fair he began a more vigorous campaign to promote the Leipzig fair, advertising in the local *Bucharest Tageblatt* and carrying out publicity through posters, postcards, and individual canvassing. In addition to advertising, Früh also acted as a surrogate consular officer for those German merchants connected with the fair. He kept the fair updated about which economic sectors were underexploited, where in Romania particular markets were not saturated, and which German industries might have the opportunity to expand.<sup>338</sup>

Früh, moreover, expanded the fair's publicity into new media like film and radio. In the spring of 1930 he began collaborating with a local engineer and salesman of industrial products in Bucharest to show film footage to the local business community of Germany's industrial products exhibited at the technical fair. They showed these reels as special screenings in some of the largest cinemas in Bucharest.<sup>339</sup> In the winter of 1931 Früh moved into radio, ordering short advertisements to be broadcast in Romanian every Sunday for the three weeks leading up to the spring fair, and requesting more funding for expanding this work in the future.<sup>340</sup>

Despite Früh's energetic publicity in Bucharest, his failure to negotiate a government-sponsored exhibition meant that much of the effort to improve Romanian involvement in the fair came from the provinces, in contrast to Yugoslavia. Outside Bucharest the German minority in

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<sup>335</sup> SSAL, LMA, GA, 152, Kronstadt agent to Messeamt from Sept. 8, 1926, 30; Dittrich, *Reichsmesse*, 44–46.

<sup>336</sup> SSAL, LMA, GA, 152, Tenhof in Bucharest to Messeamt from Nov. 25, 1926, 51 and from Nov. 27, 1926, 62; And some of the Messeamt's agents thought an exhibit could only be organized by employing the "usual system of bribery," something they seemed reluctant to do. SSAL, LMA, GA, 152, Sept. 8, 1926, 30.

<sup>337</sup> SSAL, LMA, GA, 807, German legate in Bucharest to Messeamt from Feb. 9, 1928, 371; *Ibid.*, Messeamt to Cornelius Früh from Feb. 23, 1928, 368.

<sup>338</sup> He suggested local businessmen and lawyers that German firms could use as their agents in Bucharest, gave credit reports about local businesses, and helped collect outstanding debts due to German merchants, something that proved difficult for German traders to enforce in Romania during the 1920s. See for example Früh's reports on the competition in the ceramics sector in Romania, where he suggests that the provinces are under-marketed. SSAL, LMA, GA, 808, Cornelius Früh to Messeamt from March 3, 1929, 14; Germany's diplomat in Bucharest from 1926–31 Gerhard von Mutius, a keen observer of the Romanian economy, found the Früh to be of "crucial value" for the fair and for German industry in Romania. PAAA, Sonderreferat Wirtschaft, 117903 Fairs and Markets, Leipzig, Bucharest legate to Berlin Foreign Office from Feb. 11, 1930.

<sup>339</sup> SSAL, LMA, GA, 808, Messeamt to Cornelius Früh from March 29, 1930, 149 and Harry Stein to Messeamt from March 21, 1930, 154–59.

<sup>340</sup> The Messeamt was initially reluctant to do so; instead of short ads they suggested buying time to air longer, informative lectures. But by the fall of 1931 they agreed to support Früh and gave him 1,700 RM for the 1932 spring fair. SSAL, LMA, GA, 808, Cornelius Früh to Messeamt from Jan. 27, 1931, 290 and Messeamt to Cornelius Früh from Feb. 2, 1931, 291; SSAL, LMA, GA, 809, Messeamt to Cornelius Früh from Oct. 26, 1931, 18 and Cornelius Früh to Messeamt from Nov. 9, 1931, 31.

Transylvania, a fairly urban community with a long history of commerce with Germany, was the most important advocate for and participant in the Leipzig fair. Their local business organization, the German Mercantile Board for the Siebenbürgen Region (*Verbandes Deutscher Handelsgremium Siebenbürgen*), was one of the Messeamt's honorary representatives in Romania and drew members from across Transylvania. From Brasov–Kronstadt and Sibiu–Hermannstadt in the South to Cernauti–Czernowitz in the North its total membership in 1930 numbered over 600.

Like Früh, the Mercantile Board had lobbied the Romanian government to organize a collective exhibit, but this effort met with little success.<sup>341</sup> After meeting with Walther Lörch—a professor in Brasov–Kronstadt and later Bucharest and an associate of the Mercantile Board—in 1929 the Messeamt agreed to place more emphasis on promoting the fair to the individual merchants of Romania.<sup>342</sup> By the late 1920s the Mercantile Board was sending over 100 Transylvanian German businessmen to nearly every Leipzig fair, and the *Siebenbürgische Handelszeitung*, the official organ of the board, became one of the primary sources of publicity for the fair and for German-Romanian trade in general. By 1930 the Transylvanian German community was even entertaining ambitions of opening their own business office for the trade fair in Brasov–Kronstadt, like the one in Belgrade.<sup>343</sup>

The Mercantile Board's collaboration with the Leipzig fair made it a breeding ground for economists who would go on to become leading figures in Germany's area studies of Southeastern Europe—*Südostforschung*—during the 1930s. Walter Lörch would become the director of the Mitteleuropa-Institut in Dresden in 1933, an organization that was devoted to establishing a German economic bloc in Central and Southeastern Europe. Hermann Gross, a frequent writer for the *Siebenbürgische Handelszeitung*, became a privat Dozent with the Institut für Mittel- und Südosteuropäische Wirtschaftsforschung in Leipzig in 1930, a director of the Südost-Institut in Leipzig after 1936, and a leader of IG Farben's Southeast research division in 1938–39.

Through the writings of Gross and others, the Mercantile Board advocated export-led economic development for Romania. This ran counter to the industrial policies of Romania's governing liberal party, which pursued domestic industrialization through high tariffs and import-substitution. In the opinion of the Mercantile Board, this principal of development “on our own” had scared off foreign capital, displaced skilled foreign workers and “thereby pushed the economic life of the state into a serious crises. ... It is just as impossible to train an indigenous, skilled labor force overnight as it is to create a modern working tradition. Even less possible is the accumulation of domestic capital.”<sup>344</sup> In contrast to import substitution, the Mercantile Board argued that Transylvania could lead Romania to a more “organic” economic development. The recently acquired Transylvania contained extensive natural resources—minerals, forestry, water-power, and fertile land—that could be harnessed both for industrial development as well as for exports. Since the 1880s the Transylvanian German community had

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<sup>341</sup> SSAL, LMA, GA, 152, President of the Union of German Siebenbürgen Trade Committees to the Messeamt from June 5, 1926, 11 and Messeamt agent in Kronstadt to Messeamt from July 7, 1926, 15.

<sup>342</sup> SSAL, LMA, GA, 152, Messeamt to the Union of German Siebenbürgen Trade Committees from April 11, 1929, 118.

<sup>343</sup> This paper showcased the industrial branches at the fair that were most pertinent to Romanian exporters and importers—above all capital machinery from the technical fair—and provided a complete fair schedule and information about how to acquire travel visas, fair passes, and special travel deals. See, *Siebenbürgische Handelszeitung* 7, no. 3, special edition about the Leipzig fair (Feb. 10, 1930).

<sup>344</sup> Gross, “Entwicklungsmöglichkeiten der deutsch-rumänischen Wirtschaftsbeziehungen,” 9–11.

modernized their agricultural cultivation by importing new machinery. After 1919 they became one of Romania's most efficient farming regions, contributing disproportionately to the state's agricultural exports.<sup>345</sup> Extending this efficiency in farming to the rest of Romania would boost agricultural exports—Romania's largest export after oil—raise income and employment, and allow Romania to import machinery, so the Mercantile Board argued. The latter could be used to develop Romania's transportation infrastructure as well as its already well-established craft industries, which had their highest concentration in the German parts of Transylvania.<sup>346</sup> The Mercantile Board thought this mixture of primary product exports and small-scale domestic industry would provide a "natural" route to industrialization instead of the "artificial, forced" one pursued by the Bucharest government in heavy industry.<sup>347</sup>

Germany, as Europe's largest producer of capital equipment, occupied a special place in the Mercantile Board's vision of export-led economic development. Romania needed capital equipment to develop its agriculture as well as its industry, so the Board argued, and it could purchase some of the most advanced farm equipment and machinery in Germany.<sup>348</sup> Indeed, by the end of the 1920s Weimar had again become Romania's largest source of imports, and machinery was a large and growing proportion of this.<sup>349</sup> Of the 172.9 million RM of goods that Romania imported from Germany in 1928, 95.5 million RM was capital equipment, machinery, or high quality finished metal products. The largest categories were iron wares (31.6 million RM) and non-electrical machinery (25.6 million RM).<sup>350</sup> And like Yugoslavia, Romania's imports of German metal wares, non-electrical machinery, and electrical machinery grew dramatically in the second half of the 1920s. (*see Table 10*) For the Mercantile Board this was a good thing: "above all we must improve our primitive technical capabilities. And we can do this most effectively with the support of German industry." The mechanization of Romanian agriculture and the development in sectors like textiles and food processing, they maintained, would not displace German exporters, but rather would provide new sales opportunities for German machinery, "replacement parts," and "intermediary goods" to a gradually industrializing Romania.<sup>351</sup> Moreover, because they shared language and culture with Germany, the Transylvanian German community occupied a strategic link in this trade.

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<sup>345</sup> Walter König, "Die Deutschen in Rumänien seit 1918" in Gerhard Grimm and Krista Zach (eds.) *Die Deutschen in Ostmittel- und Südosteuropa* (Munich: Verlag Südostdeutsches Kulturwerk, 1995), 255–56; Konrad Gündisch, *Siebenbürgen und die Siebenbürger Sachsen* (Munich: Langen Müller, 1998).

<sup>346</sup> "Die volkswirtschaftliche Bedeutung der Siebenbürger Sachsen für Rumänien" in *Siebenbürgische Handelszeitung* 7 (Nov. 10, 1930): 6; see also Bundesministerium für Vertriebene, Flüchtlinge und Kriegsgeschädigte. *Das Schicksal der Deutschen in Rumänien*. (Augsburg: Weltbild Verlag, 1994), 20; Alfred Csallner, *Zur wirtschaftlichen und Sozialen Lage der Siebenbürger Sachsen 1910–1950* (Cologne: Böhlau, 1989).

<sup>347</sup> Gross, "Entwicklungsmöglichkeiten der deutsch-rumänischen Wirtschaftsbeziehungen," 9.

<sup>348</sup> Hermann Gross, "Deutschlands Gütertausch mit Rumänien 1925–1929 und die deutsche-rumänische Handelsvertragsverhandlungen" in *Siebenbürgische Handelszeitung* 7, no. 10, (May 25, 1930): 3–5; see also Hermann Gross, *Mittel- und Südost-Europäische Wirtschaftsfragen. Wirtschaftsstruktur und Wirtschaftsbeziehungen* (Leipzig: Böttger, 1931).

<sup>349</sup> Gross, "Deutschlands Gütertausch mit Rumänien 1925–1929"; see also Gross, *Mittel- und Südost-Europäische Wirtschaftsfragen*.

<sup>350</sup> Gross, "Deutschlands Gütertausch mit Rumänien 1925–1929."

<sup>351</sup> Gross, "Entwicklungsmöglichkeiten der deutsch-rumänischen Wirtschaftsbeziehungen," 9–12.

**Table 10**  
Romanian Imports from Germany by Sector  
(in millions of RM)

<i>Type of Good</i>	1924	1926	1928	1929	1930	1931
Iron wares	17.4	29	31.6	40.6	26.8	30.7
Textiles	25.1	24.8	28.2	21.7	16.7	9.7
Dyes and Chemicals	6.9	8.8	12.5	10.5	10.2	9.3
Non-electrical machinery	8.6	16.5	25.6	22.6	30.5	8.8
Electrical machinery	4	4.4	10.7	13.2	7.8	4.7
Non-iron metal wares	4.4	5.1	8.4	7.6	6.5	4.2
Total imports from Germany	89.3	121.3	172.7	164.1	137.3	92.5

Source: annual reports "Deutsche Aussehenhandel unter besonderer Berücksichtigung Bezugs- und Absatzländer" from 1926–1932 in *Wirtschaft und Statistik*.

The Mercantile Board touted themselves as the “natural representative” for German traders and hoped that by steering commerce toward Weimar they would benefit by becoming the new commercial intermediaries.<sup>352</sup> In their effort to navigate a new path of economic development for Romania, the Mercantile Board maintained that the economic complementariness of Germany and Romania would benefit their region and their particular industrial order of craftsmen and efficient farmers.

The Leipzig trade fair represented a crucial pillar in the Mercantile Board’s strategy of export-driven economic development. The fair met the needs of the small craft firms and merchants that prevailed in Transylvania. Romanian participation at the fair, much of which stemmed from the German community in Transylvania, had doubled between 1925 and 1929, like Yugoslavia increasing faster than the overall rate of foreign participation. (see Table 7) By the late 1920s, moreover, the Messeamt devoted greater attention to the sale and promotion of production-oriented goods like machine tools and farming equipment. The technical exhibition was extremely popular with the Transylvanian German merchants and it dovetailed with the Mercantile Board’s emphasis on importing capital goods from Germany. In 1929 it had grown to hold 10,171 exhibitors.<sup>353</sup>

### *The German-Romanian Chambers of Commerce*

By 1929, however, the directors of the Mercantile Board felt that the Messeamt was still not doing enough to promote German commerce with Southeastern Europe. In 1928 Germany and Romania had negotiated a commercial treaty that lowered tariffs and resolved the Banca Generala Romana and article 18 disputes, ostensibly clearing the way for an improvement in trade. And with the new treaty German capital began its slow and tentative return to Romania.<sup>354</sup> Yet these diplomatic and financial improvements coincided with the first effects of the Great Depression in Central Europe, as agricultural prices declined and western credit to Romanian business contracted. Now more than ever the Mercantile Board wanted to attract German attention. After failing to establish a Leipzig fair business office in Transylvania, the directors began planning other institutions that would organize study trips, arrange informative conferences and meetings, and assuage German anxiety about Romanian creditworthiness.<sup>355</sup>

With this goal in mind, business elites in the German Transylvanian community began lobbying for a German-Romanian chamber of commerce. This idea dated back to the early 1900s, when one briefly came into existence but was extinguished during the war.<sup>356</sup> While there had been some attempts to re-establish a bilateral chamber of commerce in the 1920s, these came to naught partly because Germany’s Foreign Office would not officially sanction one in Romania

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<sup>352</sup> “Die Deutschen in Rumänien und die reichsdeutsche Wirtschaft” in *Siebenbürgische Handelszeitung*, from March 25, 1930.

<sup>353</sup> 720 in machine tools, 524 in electrical engineering, 283 in construction and gas engineering, 277 in iron and steel wares, 171 in power machines and engines, and 120 in motor vehicles and materials handling equipment.

<sup>354</sup> In connection with the stabilization loan to the Romanian state organized by France, the Reichskreditgesellschaft and the Dresdner Bank offered credits of 125,000,000 and 20,000,000 RM respectively. Hopfner, *Südosteuropapolitik*, 151–56; Tonch, *Wirtschaft und Politik*, 52, 69.

<sup>355</sup> Gross, “Entwicklungsmöglichkeiten der deutsch-rumänischen Wirtschaftsbeziehungen,” 9.

<sup>356</sup> Helmut Klein, “Die deutschen Handelskammern im Auslande,” *Zeitschrift des Instituts für Weltwirtschaft und Seeverkehr* 31, no. 1 [Universität Kiel, Weltwirtschaftliches Archiv] (January 1930), in PAAA, Bucharest Legation, 95.



or Yugoslavia lest it reawaken fears of a German “drive to the East.”<sup>357</sup> As long as the Banca Romana Generala problems and article 19 remained, moreover, there was little interest among German businessmen in a joint chamber. They preferred to keep a low profile on their “German-ness” since the public attitude in Romania was still ill disposed to them. Consequently, an attempt to organize a chamber in 1926 failed for lack of interest, and until 1929 Sofia remained the only city in the Balkans with a German chamber of commerce.<sup>358</sup>

Once the German-Romanian trade treaty of 1928 was signed, however, the path toward a German-Romanian chamber of commerce appeared to be open.<sup>359</sup> In the late summer and early fall of 1929 a consortium of Romanians, Transylvanian Germans, and German citizens gathered in Bucharest to organize such an institution. The initial impulse came from Rudolf Brandsch and Walter Stetten. The former was a Transylvanian German deputy in the Romanian parliament from Sibiu–Hermannstadt, the latter a former trade attaché to Germany’s mission in Bucharest. Their efforts, however, ran into immediate difficulties. A German chamber of commerce required official recognition from the German Association for Chambers of Industry and Trade (DIHT) and the German Economics Ministry, both of which refused to sanction a chamber in Romania unless it was able to guarantee “preponderant German influence” by having a majority membership of German citizens.<sup>360</sup> The Economics Ministry and the DIHT, moreover, expressed concern that such an institution would only duplicate the work done by Germany’s industrial associations, that the cost would be too high, and that German economic circles, which were already suffering from “overexposure to trade associations,” would not support it financially.<sup>361</sup>

A breakthrough in the negotiations only came when Brandsch and Stetten gained the crucial endorsement of Gerhard Mutius, Germany’s diplomat in Bucharest. After some initial hesitation, by October 1929 Mutius became convinced that the chamber’s goal of collecting and distributing economic information would be extremely beneficial for the smaller German firms that exported to Romania. Exports from Germany, he explained in a letter to the Foreign Office, were frequently of an “extremely specialized” nature that required “detailed information that is naturally best collected here” in Romania. Mutius thought a joint chamber would remedy these problems by providing economic news to the smaller firms that could not support their own agents, and help sustain their competitiveness with French, Austrian, British, and Czechoslovakian firms.<sup>362</sup> With Mutius’s support, Brandsch and Stetten overrode the resistance

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<sup>357</sup> On the German office’s view on chambers of commerce in Southeastern Europe see BA, R901, 54222 German chamber of commerce in Yugoslavia, film 41336, Berlin Foreign Office to Belgrade legation from Feb. 11, 1922.

<sup>358</sup> PAAA, Handelsabteilung, 89265 Romanian-German chamber of commerce, Bucharest legate to Berlin Foreign Office from Jan. 4, 1926; BA, 54232 Leipzig Trade Fair, film 41488, Zagreb consul to Messeamt from Oct. 23, 1925.

<sup>359</sup> There already existed Anglo-Romanian, Italian-Romanian, French-Romanian, Greek-Romanian, Polish-Romanian (Warsaw), and Swiss-Romanian (Switzerland) chambers of commerce, which leading Romanian economic figures like Mihail Manoilescu judged to be a success. *Monatshefte der Deutsch-Rumänischen Handelskammer* 1, no. 9 (Dec. 25, 1930).

<sup>360</sup> PAAA, Handelsabteilung, 89266 Foreign chambers of commerce in Romania, Economics ministry to the Berlin Foreign Office from July 18, 1929.

<sup>361</sup> PAAA, Handelsabteilung, 89266 Foreign chambers of commerce in Romania, minutes from a confidential meeting between the Economics Ministry, the German industrial associations, and representatives from the DRHK from Oct. 1, 1929; *Ibid.*, report from the German Association for Chambers of Commerce and Industry from Oct. 8, 1929, and German Association for Chambers of Commerce and Industry to the Economics Ministry from Nov. 16, 1929.

<sup>362</sup> Indeed, the DRHK in Bucharest aimed “to curb the strong French influence in Romania as well as to ... cement the economic and political connection between Germany and Romania”; PAAA, Handelsabteilung, 89266 Foreign

of Germany's Economics Ministry and DIHT, and founded the German-Romanian chamber of commerce (*Deutsche-Romänische Handelskammer*—DRHK) on Oct 17, 1929 to wide acclaim from the Romanian, Transylvanian, and German press.<sup>363</sup> Although neither the DRHK's membership nor its board of directors were dominated by Germans, there was a large German presence and the leadership was decidedly German-friendly in the figures of Stetten and Brandsch.<sup>364</sup>

One month later, in a turn of events that was surprising to Brandsch and Stetten, a parallel German-Romanian chamber of commerce opened its doors in Berlin. It was the brainchild of Romania's Ambassador to Germany, Nicolae Petrescu-Comnen, who had opened negotiations with German businessmen also in the fall of 1929. Petrescu-Comnen bypassed Germany's industrial associations and went directly to the big banks and the industrial firms of Berlin. There he acquired the support of Friedrich Krupp, Otto Wolf, the Deutsche Bank, the Dresdner Bank, the Därmstadter Bank, and the Reichskreditgesellschaft along with 120,000 RM to found a joint chamber in Berlin.<sup>365</sup> Thus in contrast to the DRHK in Bucharest, the Berlin chamber consisted of some of Germany's largest industry and banking houses.

These two institutions, which only slowly worked out a *modus vivendi* of cooperation, helped both small and large German firms in Romania by systematically providing them with economic information, resolving legal issues, and increasing Germany's advertising presence in Romania. The Bucharest DRHK functioned primarily as an information-clearing center for smaller firms, where Germans and Romanians could use its publications for market information. It also helped small German firms assess the credit worthiness of their local trading partners, since despite the commercial treaty of 1928 Romanian foreign traders were still known to renege on their payments.<sup>366</sup> In 1931 Stetten organized the chamber's first large promotional event, a year-long exhibition in Bucharest that quickly became a "publicity and advertising center for German products."<sup>367</sup> The DRHK also resolved outstanding legal and commercial disputes by presiding over a court of arbitration. Their legal offices in Bucharest advised German and

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chambers of commerce in Romania, Raumer to Oscar Kaufmann, from March 17, 1930; PAAA Handelsabteilung, 89210 Romanian trade relations with Germany, legate Mutius to Berlin Foreign Office from Dec. 28, 1929.

<sup>363</sup> PAAA, Romania, 89266 Foreign chambers of Commerce in Romania, Bucharest legate to Berlin Foreign Office, Aug. 20, 1929.

<sup>364</sup> Some of the more prominent members supporting the chamber financially included representatives from IG Farben's Romanian agent, Romanil, and AEG. PAAA, Romania, 89266 Foreign chambers of commerce in Romania, report from Bucharest legate to Berlin Foreign Office from Nov. 11, 1929 and Protocol of first meeting of DRHK from Nov. 13, 1929; PAAA, Handelsabteilung, 89266 Foreign chambers of Commerce in Romania from, Windel to Berlin Foreign Office from Nov. 3, 1929.

<sup>365</sup> Apparently Mutius authorized the formation of the Berlin chamber of commerce without first consulting the Economics ministry for the go-ahead, causing some confusion about Germany's official stance, which was divided between supporters, like Mutius, and opponents, like the DIHT, the RdI, and the Economics Ministry. PAAA, Handelsabteilung, 89266 Foreign chambers of commerce in Romania, Economics ministry to the industrial associations from Dec. 20, 1929 and report from Eisenlohr from Oct. 26, 1929; PAAA, Handelsabteilung, 89266 Foreign chambers of commerce in Romania, Economics minister to Min. Hamm from Nov. 14, 1929 and DRHK to Berlin Foreign Office from Jan. 4, 1930; *Ibid.*, article in *Deutsche Zeitung* from Nov. 19, 1929; Hans Raumer, in *Monatshefte der Deutsch-Rumänischen Handelskammer* 1, no. 1, (April 25, 1930).

<sup>366</sup> See for example, the creation of the Creditor Association in 1929 in the Siebenbürgen region to address just this concern. "Die Gründung eines Gläubigerschutzvereines in Rumänien Gegenseitigkeit mit den Kreditschutzorganen des Auslandes" in *Siebenbürgische Handelszeitung* 7, no. 3, special edition on Leipzig trade fair (Feb. 10, 1930); Kurt Ullrich, "Die Deutschen in Rumänien und die reichsdeutsche Wirtschaft," in *Siebenbürgische Handelszeitung* (March 25, 1930).

<sup>367</sup> PAAA, Handelsabteilung Romania, 89448, April 9, 1931 and April 27, 1931.

Romanian firms on inter-state issues and maintained connections with trusted lawyers throughout Romania.<sup>368</sup> The Berlin chamber of commerce had a smaller range of activities but published one of the most detailed, German-language informational bulletins about the Romanian economy, the *Monatshefte der Deutsch Rumänische Handelskammer*. Alongside articles from leading economic thinkers like Hjalmar Schacht, the *Monatshefte* provided detailed monthly information about state finances, trade treaties, and German-Romanian commerce on a sector-by-sector basis. In sum it contained nearly every type of macro-economic indicator of interest to German businessmen involved in Romania.

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<sup>368</sup> “Recht und Wirtschaft, Die Pflege der Rechtsbeziehungen zwischen Deutschland und Rumänien,” *Siebenbürgische Handelszeitung* 7, no. 23 (Dec. 10, 1930); PAAA, Handelsabteilung, 89266 Foreign chambers of commerce in Romania, and Bucharest legat to Berlin Foreign Office from Aug. 20, Nov. 11, and Nov. 13, 1929.

**Table 11**  
Yugoslavian Exports by Destination  
(in millions of Dinar)

Country	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930
Italy	358	633	1126	2424	2757	2249	1960	1590	1680	1971	1919
Austria	563	882	884	2328	2333	1652	1610	1449	1154	1238	1199
Czechoslovakia	68	101	299	629	944	834	939	727	580	426	556
Germany	99	397	311	339	389	637	724	679	779	675	791
UK	3	18	70	172	132	86	68	84	102	107	104
USA	5	5	17	29	51	77	50	48	60	126	58

Yugoslavian Imports by Source Country  
(in millions of Dinar)

Country	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930
Italy	1271	864	1005	1488	1688	1644	1054	940	939	823	783
Austria	714	1161	1861	2238	1626	1604	1533	1424	1355	1324	1171
Czechoslovakia	322	843	1278	1538	1650	1559	1427	1399	1402	1329	1225
Germany	50	174	462	724	682	866	918	899	1067	1188	1221
UK	244	246	459	823	847	713	439	511	447	426	412
USA	82	99	225	306	321	342	309	255	385	360	285

Source: B. R. Mitchell, *International Historical Statistics: Europa 1750-2005*, 6th ed. (New York: Palgrave Macmillan, 2007).

**Table 12**  
Romanian Exports by Destination  
(in millions Lei)

Country	1920	1921	1922	1923	1924	1925	1926*	1927	1928*	1929	1930
Austria	254	392	995	2569	3913	4347	4686	5025	3879	2733	2589
Germany	41	353	822	1788	1615	2462	4779	7096	7550.5	8005	5364
France	138	929	1355	2613	1778	1665	1514.5	1364	1330	1296	1959
Czechoslovakia	142	407	1124	1082	2630	2742	2386.5	2031	1910	1789	1985
UK	224	994	332	1174	1645	2369	2300.5	2232	2049.5	1867	3230

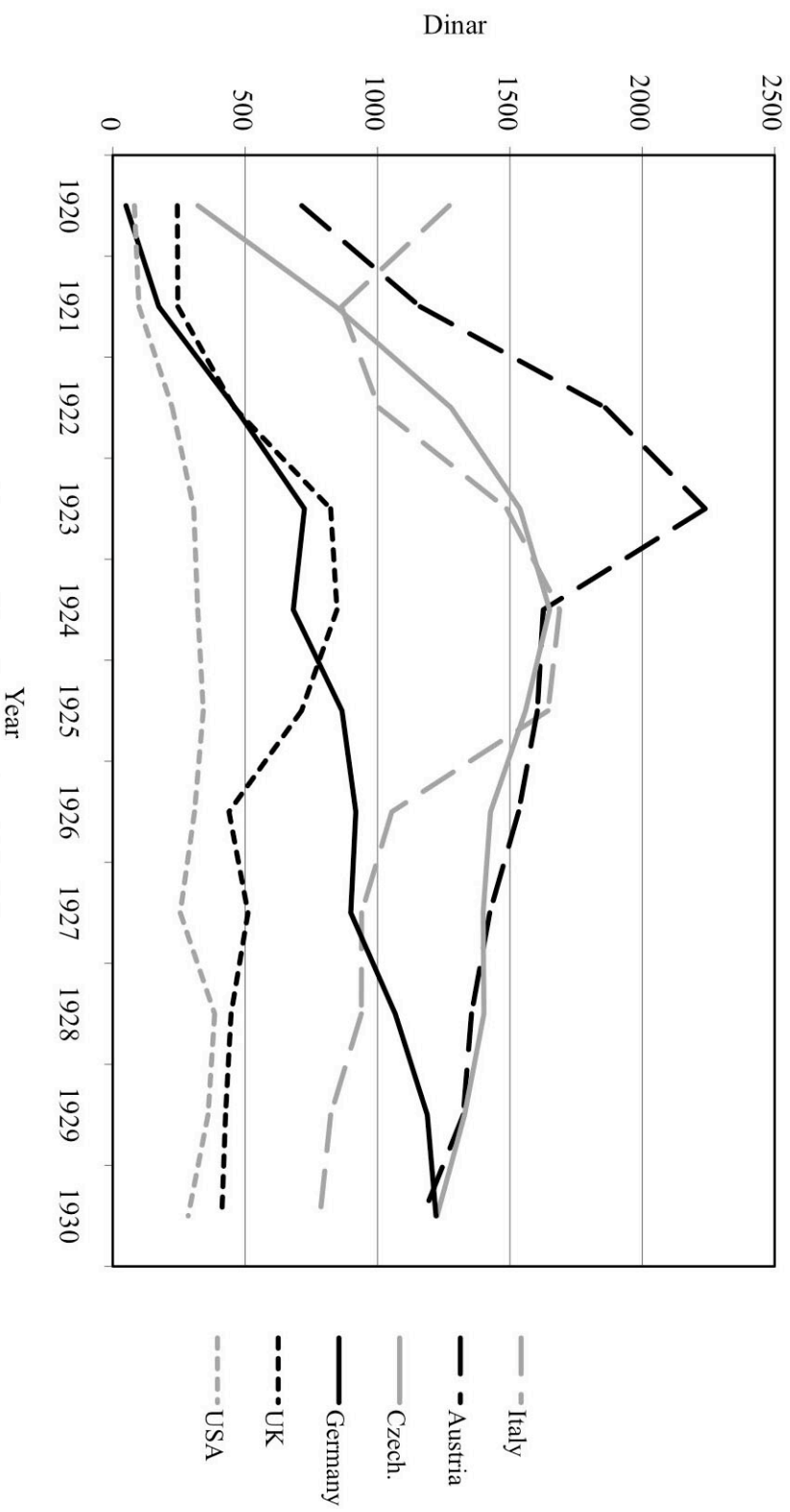
Romanian Imports by Source Country  
(in millions of Lei)

Country	1920	1921	1922	1923	1924	1925	1926*	1927	1928*	1929	1930
Austria	770	2050	1968	3057	4421	4948	4724	4500	4107.5	3715	2679
Germany	134	1087	2422	4429	5051	4996	6320.5	7645	7390	7135	5777
France	971	1653	728	1292	2123	2333	2475.5	2618	2129.5	1641	1707
Czechoslovakia	250	1065	1156	1619	3028	4273	4494.5	4716	4368	4020	1370
UK	1394	1681	1096	1801	2583	3152	2996.5	2841	2500.5	2160	1874

Source: B.R. Mitchell, *International Historical Statistics: Europa 1750–2005*. 6th ed. (New York: Palgrave Macmillan, 2007).

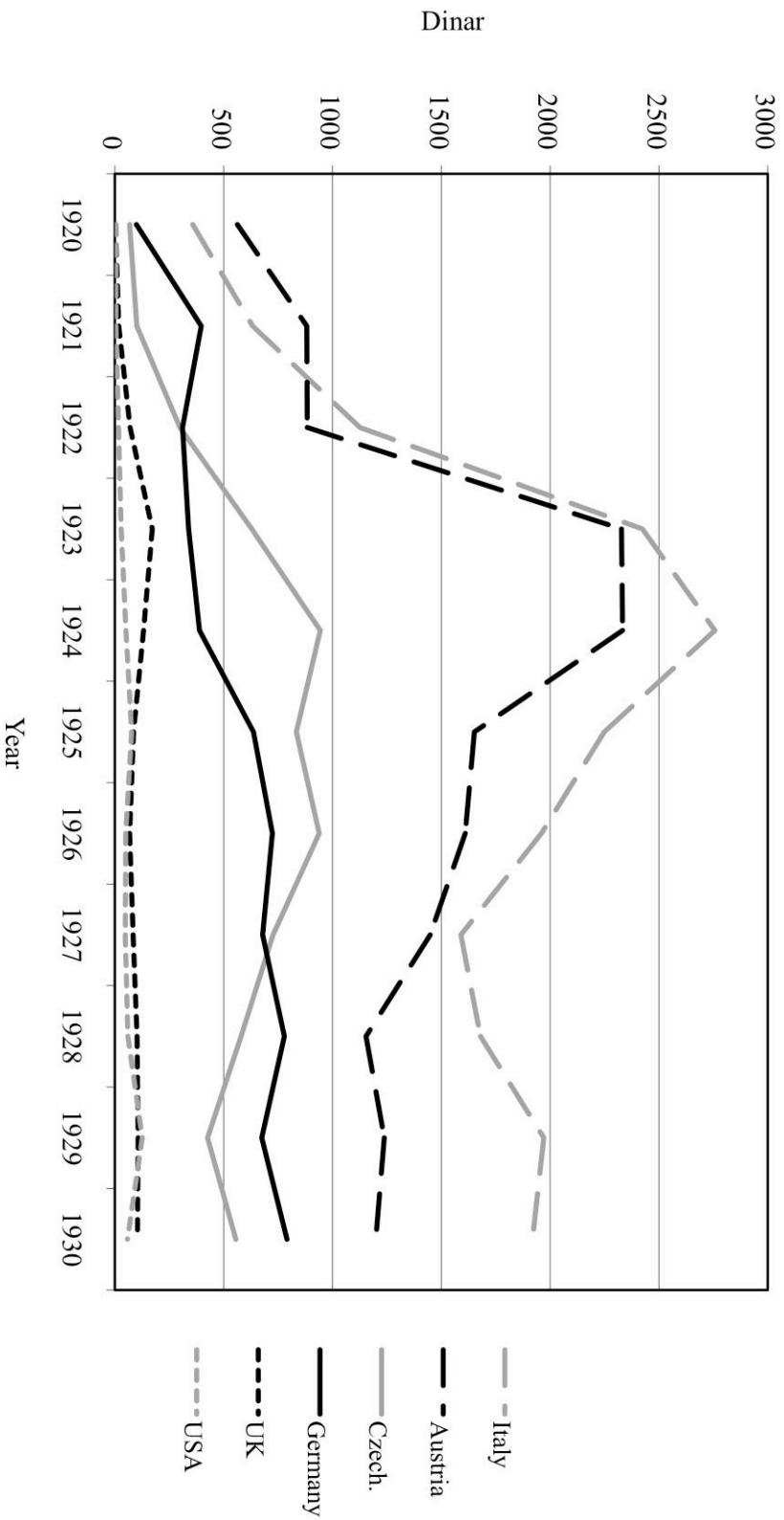
\* the date for these years are lacking and the figures here are calculated based on trend

Figure 1  
Yugoslavian Imports by Destination



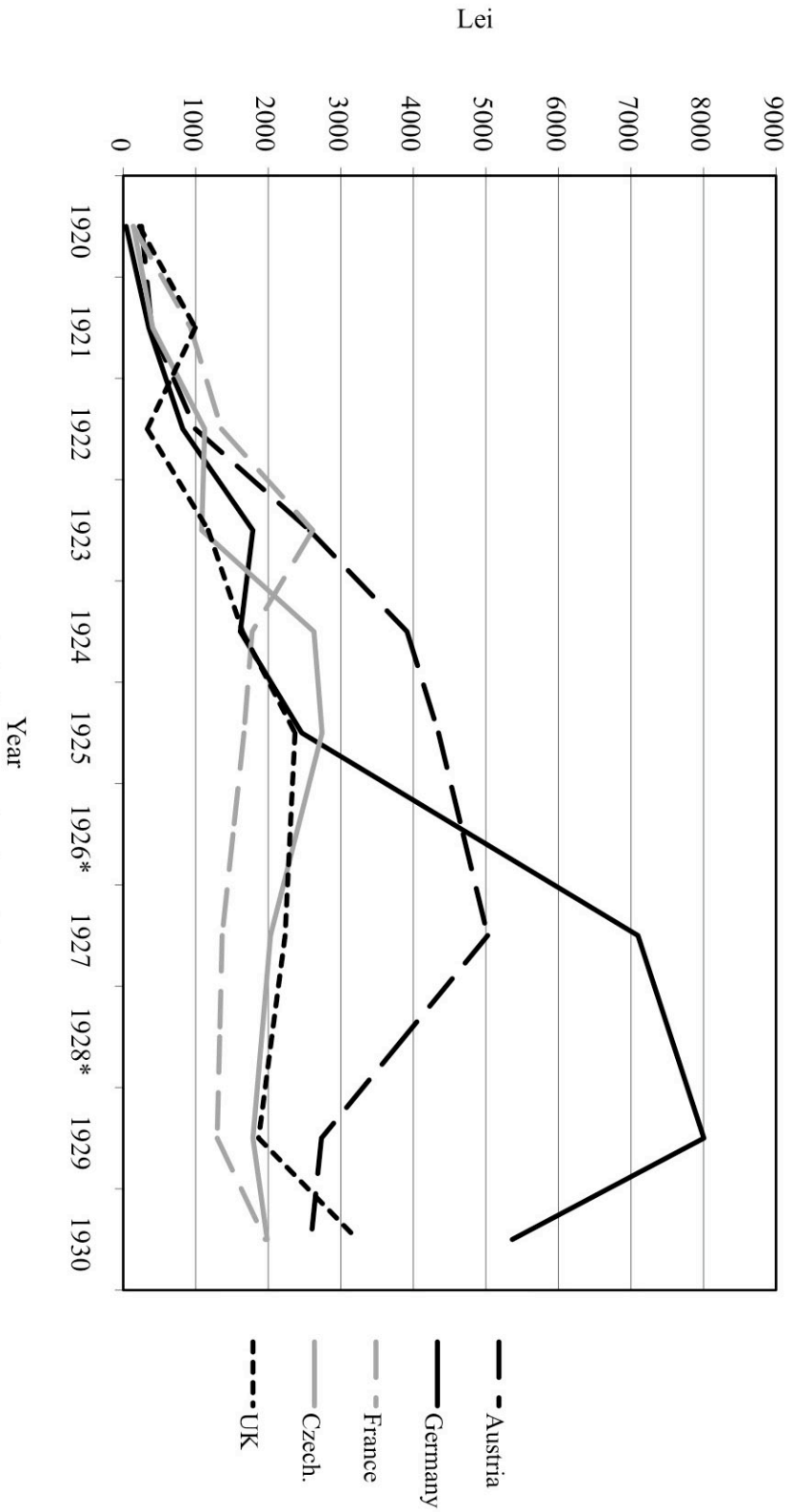
Source: Mitchell, International Statistics

Figure 2  
Yugoslavian Exports by Destination



Source: Mitchell, International Statistics

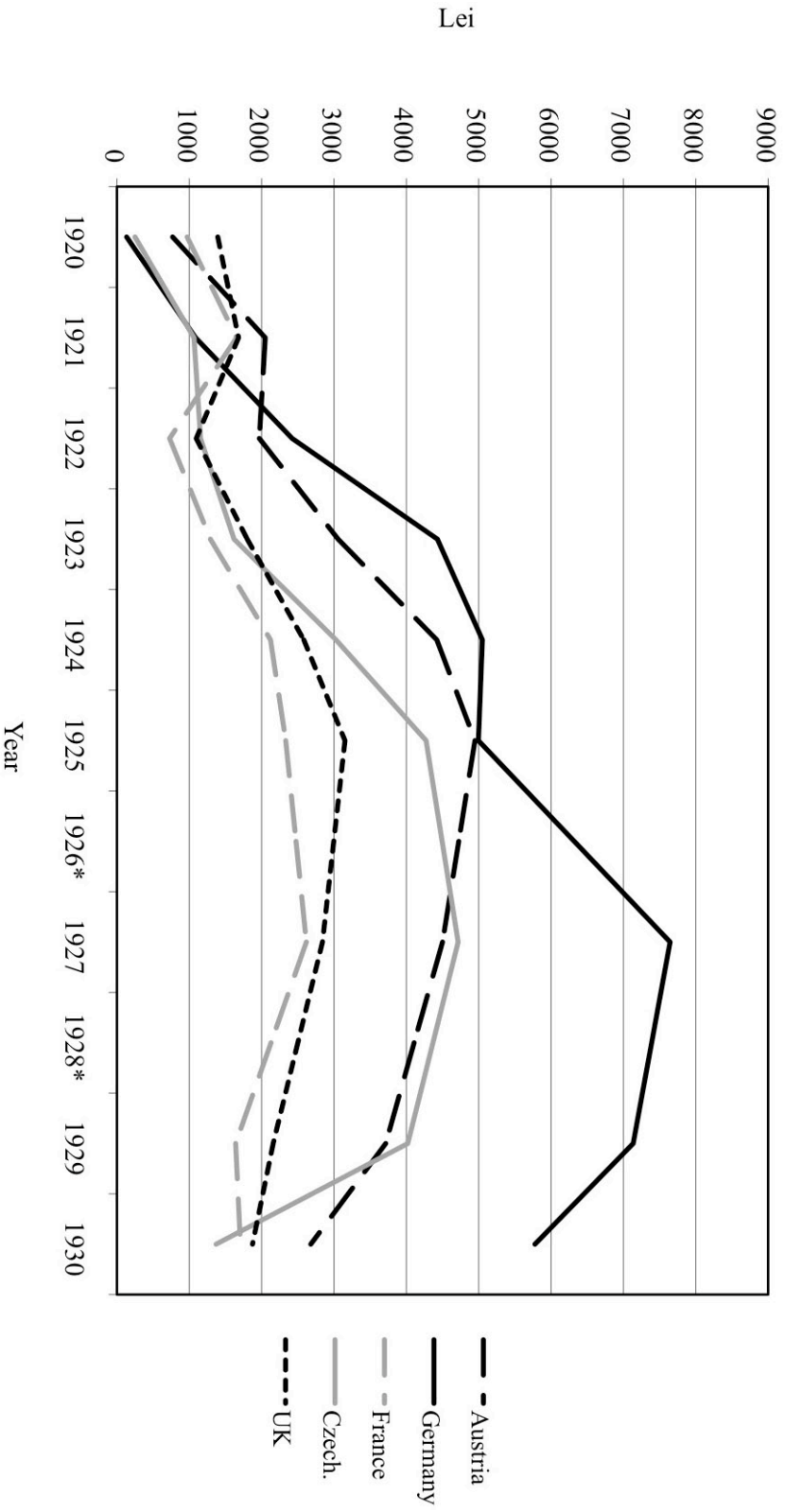
Figure 3  
Romanian Exports by Destination



Source: Mitchell, International Statistics



Figure 4  
Romanian Imports by Source



Source: Mitchell, International Statistics

## *Conclusion*

Economic turmoil, never far away, reached Central and Southeastern Europe in earnest at the end of 1929. Thus just as the Leipzig fair's Belgrade office acquired reliable leadership in Milan Lujanovitz, just as the German-Romanian chambers of commerce began their operations in Berlin and Bucharest, and just as Cornelio Früh and the Mercantile Board began a more energetic campaign in Romania, the precarious economic stability of the late 1920s started to crumble around them.

Yet these institutions had managed to solve many of the underlying problems of trust, uncertainty, and information that had paralyzed German-Balkan commerce in the first half of the 1920s, and laid the groundwork for German and Balkan traders to pick up where they left off as their countries emerged from the Great Depression in the middle of the 1930s. By 1929 the Leipzig fair and its network of representatives had evolved into one of Germany's most effective organizations for promoting exports and establishing international contacts. By providing valuable information about sales opportunities in Yugoslavia and Romania, using innovative and flexible advertising techniques from film and radio to personal contacts, and by offering a place for face-to-face exchange, the fair helped lower the transaction costs that had debilitated German-Balkan commerce in the early 1920s. For the merchants of Yugoslavia and Romania, the fair offered a way to tap into Germany's large domestic market, make their wares available to an international clientele, and gain access to new capital equipment and technology.

The impact of the fair, moreover, went beyond the exhibitions in Leipzig itself: its network of representatives was a multiplier, a "Machtfaktor," that brought knowledge of German products to Southeastern Europe. The fair succeeded where the German state failed, supplementing Germany's understaffed and under-funded consular system, and pursuing activities that Germany's industrial organizations were unwilling or unable to perform. By the late 1920s the fair had helped open the markets of Southeastern Europe to German merchants to an extent many would have thought impossible in the first half of the decade. In a similar way, the German-Romanian Chambers of Commerce in Berlin and Bucharest began to resolve the problems of economic news, credit-worthiness, and uncertainty that in the middle of the decade had prevented German merchants from doing business in Romania.

Both institutions, but particularly the fair, enabled German merchants to carve out an ever-larger market share and compete in a region of the world where they lacked the banks and the financial power commanded by their rivals from France, Austria, and Great Britain. By 1930 Germany had once again become Southeastern Europe's largest trading partner. (*see Tables 11 and 12 and Figures 1–4*) The fair and the joint chamber in Bucharest drew on something that the other Western European nations lacked, a sizeable and active minority of ethnic kinsmen who were enthusiastic about working with German merchants to enmesh the economies of Southeastern Europe with Germany. The German minorities of Yugoslavia, and even more so in Romania, saw themselves as the preferred representatives of the German economy. This paralleled the preferences of Germany's foreign policy establishment, which consistently urged the fair to use German citizens or German minorities as their representatives because the Balkan trade was becoming so politically important.<sup>369</sup>

The transnational orientation of the fair and the German-Romanian chamber of commerce belie the fact that they were very much regional institutions that promoted the

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<sup>369</sup> On the growing politicization trade with Southeastern Europe see chapter 5.

interests of their regional business elites. The Berlin chamber aside, these institutions grew out of a particular industrial order that privileged smaller-sized producers over larger ones. In contrast to the narratives that place the heavy industry of the Ruhr or the universal banks of Berlin at the center of Germany's commercial influence in Southeastern Europe, the Leipzig fair shows how the "decentralized industrial order" of Saxony was able to participate in and even drive Germany's commercial exchange with Southeastern Europe.<sup>370</sup>

Trade, moreover, was an agent of economic development for particular regions within Germany and Romania. The cohort of businessmen who laid this institutional groundwork—Raimund Köhler, Paul Voss, Hans Schuster, Cornelio Früh, Rudolf Brandsch, and Walter Stetten—believed commerce would be the panacea for their problems. For the directors of the fair, exports would bring employment and stability to the German economy. What was good for the fair, Köhler maintained, was good for Germany. More specifically, the fair would support the industrial order in Saxony. Through its technical exhibition it would help Saxony transition away from consumer and toward producer goods, and through its network of representatives it would help small firms find buyers for their products abroad.

For the German minorities in Yugoslavia and Romania, trade with Germany offered a path to economic modernization. The most outspoken proponents for a special, complementary relationship between Germany and Southeastern Europe came not from the fair's directors but from the periphery: its agents in Southeastern Europe and the German minorities there. For Hans Schuster in Yugoslavia and the German business community in Transylvania, Germany offered the largest market for their goods and the best source of capital equipment and technology that could develop their local economies. "Germany is not merely a state with which Romania today has an extensive exchange of goods," so argued the lead correspondent for the Brasov–Kronstadt newspaper. "Rather, because of the worldwide division of labor, economic geography, and geopolitical conditions it is the inevitable partner in Romania's economic development."<sup>371</sup>

By 1930 Germany's preponderance in commerce with the states of Southeastern Europe was a collective enterprise driven by Germans, Romanians, and Yugoslavians, who frequently had regional as much as national interests at heart. Economic complementarity, however, had its risks. These would become very apparent following the Great Depression and the collapse of international trade, when the economies of Yugoslavia and Romania became much more dependent on Germany. But the indicators were there already in the late 1920s that dependency was something Yugoslavia and Romania's political leaders should be, and in fact were, concerned about. In 1929 Mihail Manoilescu, Romania's on and off again Economics Minister, published *The Theory of Protectionism and International Trade* where he argued that trade between industrial and agrarian countries was inherently unequal, and could lead to the domination of the former over the latter.<sup>372</sup> Dependency is clearest when looking at Southeastern Europe's importation of strategically important capital goods and machinery from Germany, which had more than doubled, tripled in some instances, between 1926 and 1929. By 1928 Yugoslavia, for instance, imported roughly one-third of its metal wares, four-fifths of its non-electrical machinery, and seven-tenths of its electrical machinery from Germany. (*see Tables 9a, 9b, and 10*)

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<sup>370</sup> For instance, Stegmann, "Mitteleuropa 1925–1934," or Seckendorff "Entwicklungshilfeorganisation oder Generalstab des deutschen Kapitals?"

<sup>371</sup> Alfred Hönig of the *Kronstädter Zeitung* quoted in Gross, "Entwicklungsmöglichkeiten der deutsch-Rumänischen Wirtschaftsbeziehungen," 12–13.

<sup>372</sup> Mihail Manoilescu, *The Theory of Protection and International Trade* (London: P.S. King & Son, 1931).

The Leipzig trade fair and the German-Romanian Chamber of Commerce contributed to the economic dependence of Yugoslavia and Romania on Germany. In touting either an international division of labor, like Raimund Köhler and Paul Voss, or a continental one, like the Transylvanian Mercantile Board, the leaders of these institutions promoted and legitimized the exchange of agricultural goods or low-level artisan work for capital equipment and machinery. This, the Mercantile Board argued, would benefit all parties involved. Yet this particular model of export-led growth precluded any substantial domestic industrialization in Southeastern Europe and assumed a continued economic hierarchy with industrialized Germany at the top. In their effort to bring German traders and products to other regions of Europe, in their cooperation with the Foreign Office to enhance Germany's commercial influence, and in their rhetoric of economic development, the fair and the chambers of commerce continued Germany's prewar tradition of *Weltpolitik* and laid the foundation for future imperialism.

Yet during the 1920s the fair and the chambers of commerce should be understood less as overt tools of economic imperialism; that would come later. Neither Köhler, Voss, Schuster, nor even Gross spoke in terms of imperialism during the 1920s. Rather, during the 1920s the fair and the chamber of commerce should be seen as institutions that enhanced the competitiveness of German merchants against their Western European rivals, and in doing so tried to bring employment, stability, and economic development to regions like Saxony and Transylvania. In this sense they continued the involvement of privately organized, transnational institutions in Germany's foreign policy, which had begun during the Wilhelmine Empire and which continued during the Weimar Republic in the fields of commerce as well as culture.

## The Culture of Trade: Weimar's Cultural Diplomacy and Area Studies in Southeastern Europe

*In many cases foreign students can be culture bearers [Kulturträger] with a high economic impact, and it is advantageous to stay in continuous contact with foreign students who have graduated from German universities long after they leave Germany.*<sup>373</sup>

In the fall of 1927 Walther Hoffmann, a professor at the Mining Academy of Freiburg, Saxony and a member of the German People's Party, embarked on a study trip through Southeastern Europe where he hoped to learn more about the local economic conditions. After traveling through Hungary, Romania, Yugoslavia, and Bulgaria he returned to Berlin where he spoke before the German section of the Mitteleuropäische Wirtschaftstag, a transnational organization dedicated to furthering the economic integration of Central Europe. Hoffmann was guardedly optimistic about what had seen: German exports to Southeastern Europe had risen since 1926 and the agricultural commodities and raw materials of Southeastern Europe were finding their way to German markets like never before.<sup>374</sup> The aspiration of many of Weimar's economists, including Hoffmann, for a single, Central European economic market open to German products seemed within reach.

Hoffmann, however, expressed concern about two sources of competition with Germany. First, France now exerted more influence than ever over the economies and the cultures of Southeastern Europe. Parisian financial institutions were some of the most active lenders in the region, and the French national bank closely monitored the state finances of Romania and Bulgaria. Yet even more worrisome than financial leverage was the influence of French culture in the Balkans. French books were cheaper, the French language was more aggressively promoted, French universities attracted more of the region's students, and "French clubs with members from the local national communities existed in every important city across all of Southeastern Europe."<sup>375</sup> As a consequence, the business and cultural elites of Southeastern Europe were looking ever more to Paris for their fashion and products. Second, Hoffmann reported that too many of Germany's economic contacts with Southeastern Europe and too much of its trade were still being routed through Vienna and Budapest. For German firms, he reported, "Vienna and Hungary ... are no longer the desired intermediary points [*Vermittlungsplätze*]" for the Balkans that they were before the World War.<sup>376</sup>

To fend off competition from Paris and Vienna, Hoffmann promoted a new strategy to Germany's business circles: the use of cultural diplomacy for export promotion. In doing so he tapped into a chorus of intellectuals who were calling on the Weimar government to use foreign cultural policy—*auswärtige Kulturpolitik*—to overcome the lingering antagonism of the world

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<sup>373</sup> Walther Hoffmann and the Association of Saxon Industrialists on the importance of culture for foreign trade. Sächsische Staatsarchiv Dresden (SSAD), Min. des Kultus 11125, Mitteleuropa-Institut 15675, June 4, 1929.

<sup>374</sup> Bundesarchiv Koblenz (BAK), N 1006 Nachlässe Gothein, 49 Mitteleuropäische Wirtschaftstag, Dr. Strencioch confidential report on Hoffmann's study trip from Oct. 27, 1927 147; Politisches Archiv der Auswärtigen Amt (PAAA) Kulturabteilung, 61195 Jugoslawien, Hoffmann to the Foreign Office from Oct. 24, 1927.

<sup>375</sup> PAAA, Kulturabteilung, 61139 Kulturpropaganda in Bulgarien, Hoffmann to the Foreign Office from Jan. 9, 1928.

<sup>376</sup> BAK, N 1006 Nachlässe Gothein, 49 Mitteleuropäische Wirtschaftstag (MEWT), Minutes from the MEWT board meeting on Nov. 29, 1927.

war. Yet Hoffmann had a different goal in mind for his own work: economic gain rather than political reconciliation. He found willing supporters in the Mitteleuropäische Wirtschaftstag and among the commercial elites of Saxony, Germany's most export-dependent region. Through his efforts and through the initiative of others in Saxony, two new institutions dedicated to improving Germany's economic relations with Southeastern Europe were founded in 1928 and 1929—the Institut für Mittel- und Südosteuropäische Wirtschaftsforschung in Leipzig and the Mitteleuropa-Institut in Dresden.

These institutions pioneered the use of cultural diplomacy for economic purposes and also established the area studies of Southeastern Europe as a discipline. The history of their formation and activities illustrates how cultural diplomacy and area studies were intimately connected with Germany's economic expansion. The directors of the Mitteleuropa-Institut and the Institut für Mittel- und Südosteuropäische Wirtschaftsforschung (IMSW) firmly believed that spreading German culture, establishing personal connections, building a better image of Germany abroad, and studying the economies of Southeastern Europe would help open the region's markets to German exports.<sup>377</sup> By looking beyond the role of the Foreign Office, which has been the traditional focus of studies on cultural diplomacy, this chapter demonstrates how private organizations took the initiative, building contacts and institutions in a region that was strategically important for the Weimar Republic and eventually the Third Reich. This chapter also moves the narrative away from the state to the regional level, showing how Saxony's governmental and commercial elites shaped German foreign relations with the Balkans in the hopes of bringing stability to their crisis-ridden regional economy.

Cultural diplomacy and area studies have not featured prominently in general histories of German interwar foreign policy, yet a substantial body of literature discusses them either in the context of Germany's minority policies or as a way to improve Germany's *political* relations with other European nations. On the one hand, the Weimar Republic supported organizations like the German Foreign Institute in Stuttgart (*Deutsche Auslands-Institut*), the German Academy (*Deutsche Akademie*), and the Association for Germans Abroad (*Verein für das Deutschtum im Ausland*) to preserve the cultural identity and the rights of German minorities that were dispersed across Central Europe following the treaty of Versailles.<sup>378</sup> On the other hand, the Foreign Office and the Education Ministry simultaneously supported new organizations like the German Academic Exchange Service (*Deutsche akademische Austauschdienst*—DAAD) and the Humboldt Foundation in the 1920s to improve political relations with France, England, and America through student exchange.<sup>379</sup> Historians of Weimar argue that at the most basic level cultural diplomacy was an instrument Germany used to mediate between its own political interests and the need to cooperate with other states.<sup>380</sup> Kurt Düwell, who authored the classic

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<sup>377</sup> Neither of these institutes have received detailed historical studies. For a brief history of the Mitteleuropa-Institut in the context of Saxony's university system see Middell, *Weltgeschichtsschreibung*, 2:496–501. For a discussion of the IMSW in the context of Leipzig's Südosteuropa-Institut see Hermann Gross, "Zur Geschichte der wirtschaftswissenschaftliche Südosteuropa-Forschung in Deutschland," *Osteuropa-Wirtschaft* 24 (1979): 123–30.

<sup>378</sup> Anthony Komjathy and Rebecca Stockwell, *German Minorities and the Third Reich: Ethnic Germans in East Central Europe Between the Wars* (New York: Holmes and Meier Publishers, 1980); Ernst Ritter, *Das Deutsche Auslands-Institut in Stuttgart 1917–1945. Ein Beispiel deutscher Volkstumarbeit zwischen den Weltkriegen* (Wiesbaden: Steiner, 1976); Stefan Wolff, *German Minorities in Europe: Ethnic Identity and Cultural Belonging* (New York: Berghahn, 2000).

<sup>379</sup> Düwell, "Der Gründung der Kulturpolitischen Abteilung," 46–71.

<sup>380</sup> Düwell offers the conventional Weimar narrative, which shows how cultural policy increasingly came to be seen as an alternative to power politics by intellectuals and some officials in the Foreign Office. Düwell, *Deutschlands auswärtige Kulturpolitik: 1918–1933*; Dahlhaus offers an alternative perspective, arguing that cultural policy was a

account of Weimar's foreign cultural policies, argues that the goal of acquiring political prestige and returning Germany to the status as a world leader of culture—a *Kulturnation*—remained an enduring feature of Weimar's cultural diplomacy, despite efforts by some intellectuals to move beyond this and use it as a basis for cooperative and reciprocal exchange.<sup>381</sup>

With a few important exceptions, however, this Weimar narrative concentrates primarily on the political aims of cultural diplomacy and area studies, overlooking the economic motives of an entire milieu of commercial elites who saw culture as a tool for export promotion.<sup>382</sup> The scholarship has focused primarily on activities directed at Germans living abroad, understating the extensive effort to improve the image of Germany among non-Germans. The accounts of Düwell and others, consequently, remain relatively disconnected from the extensive historiography of Germany's quest to build an economic bloc in Central and Southeastern Europe.<sup>383</sup> The history of these two Saxon institutes will help bridge this gap, showing how Saxony's business circles continued the Wilhelmine tradition of *Weltpolitik* in a new guise, enhancing the competitiveness of German industry and using trade and culture to expand German influence beyond the borders of the Weimar Republic. These institutes and their leaders employed cultural diplomacy and area studies to reach out to non-Germans, improve trade links with the Balkans, and ultimately lay the cultural foundation that would support a German-led *Grossraumwirtschaft* in the late 1930s.

### *The Evolution of Cultural Diplomacy in the Weimar Republic*

In the decades before 1914 many of Germany's political leaders and intellectuals began see cultural diplomacy as an alternative to the power politics pursued by Kaiser Wilhelm, Admiral Tirpitz, and the military establishment. Germany should use its achievements as a world leader in science, technology, and scholarship rather than force of arms to gain prestige. These years saw some of Germany's first overseas scholarly institutes and an explosion of private organizations dedicated to promoting a better image of Germany abroad, like the German-Chinese Association and the Mitteleuropäische Verein.<sup>384</sup> At the turn of the 20<sup>th</sup> century Karl

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tool of power politics, intended to give policy-makers greater room for diplomatic maneuvering. Friedrich Dahlhaus, *Möglichkeiten und Grenzen auswärtiger Kultur- und Pressepolitik. Dargestellt am Beispiel der deutsch-türkischen Beziehungen, 1914–1928* (Frankfurt am Main: Lang, 1990), 240–48; See also Hans Arnold, *Auswärtige Kulturpolitik, ein Überblick aus deutscher Sicht* (Munich: Hanser, 1980).

<sup>381</sup> Düwell, *Deutschlands auswärtige Kulturpolitik: 1918–1933*, 244; Arnold, *Auswärtige Kulturpolitik, ein Überblick aus deutscher Sicht*, 13; For a study of how the policies of the German Academic Exchange Service (Deutsche Akademische Austauschdienst) were shaped by inter-governmental rivalries, see Laitenberger, *Akademischer Austausch und auswärtige Kulturpolitik 1923–1945*; on the ancestor of the Goethe-Institut see Eckard Michels, *Von der Deutschen Akademie zum Goethe-Institut. Sprach- und auswärtige Kulturpolitik 1923–1960* (Munich: Oldenbourg, 2005).

<sup>382</sup> The major exception is Eckard Michels's excellent study of the German Academy (Deutsche Akademie) in Munich, the largest semi-private cultural organization in the interwar period. He illustrates the dynamics of a regionally based institution and does justice to the continued importance of economic motives, and illustrates how the institute also targeted non-Germans. Michels, *Von der Deutschen Akademie*, 45.

<sup>383</sup> The literature on German economic imperialism and *Grossraumwirtschaft* is vast, for some important studies see Hans Erich Volkmann, *Ökonomie und Expansion. Grundzüge der NS-Wirtschaftspolitik. Ausgewählte Schriften* (Munich: R. Oldenbourg, 2003); Elvert, *Mitteleuropa!*; Bernd-Jürgen Wendt, "Machtpolitik und Ökonomie. Zur nationalsozialistischen Aussenpolitik im Jahre 1938" in Franz Knipping/Klaus-Jürgen Müller (eds.) *Machtbewusstsein in Deutschland am Vorabend des Zweiten Weltkrieges* (Paderborn: Schöningh, 1984).

<sup>384</sup> Kloosterhuis, *Friedliche Imperialisten*; On the Central European Economic Union see Berghahn, *Quest for Economic Empire*.

Lamprecht, a historian at the University of Leipzig, brought attention to this nascent movement when he argued that a coherent foreign cultural policy would win prestige for the German empire and promote mutual understanding among peoples.<sup>385</sup>

The World War was a dramatic reversal for Germany's emerging interest in cultural diplomacy, as both the Entente and the Central Powers tried to discredit the political aims and the cultural achievements of their opponents. The acrimonious question of war guilt, compounded with imagery of huns and barbarians used to demonize the Wilhelmine Empire, left Germany a cultural pariah in the immediate postwar years.<sup>386</sup> Despite this inauspicious foundation for Weimar's cultural diplomacy, however, Germany's other foreign policy instruments were even worse off. In the words of General Wilhelm Groener, the Chief Deputy of Germany's General Staff, "foreign policy consists of power, armies, navies, and money; all of this we no longer have."<sup>387</sup> Key public figures, moreover, claimed to have learned lessons from the war. After 1919 a group of intellectuals led by Prussian Culture Minister Carl Heinrich Becker called for a revitalization of cultural diplomacy. By neglecting this before 1914, Becker and others forcefully argued, Germany had wrought havoc on its standing abroad during and after the war.<sup>388</sup> Germany's loss of the propaganda campaign over atrocities, its inability to persuade other nations of the justness of its war aims, and its lack of a unifying cultural objective like France's "Civilizing Mission," led it to fail in generating sympathy among neutral powers. To move forward, these intellectuals maintained, Germany must jettison the concept that cultural diplomacy was mere propaganda in the press, which had characterized its usage in the Wilhelmine Empire. Rather, cultural diplomacy should be a way to enhance mutual understanding between nations. It would be Germany's best way to ease the tense postwar climate. German scholars who had been barred from international conferences following the war needed to be readmitted; German overseas schools that had closed should be reopened; and British, French, and American students, who encountered significant bureaucratic obstacles to study in Germany after the war, should be encouraged to return to the universities of Berlin, Munich, and Leipzig.<sup>389</sup>

The momentum to revamp Germany's cultural diplomacy spread beyond the confines of the Prussian Culture Ministry and the ivory tower. In 1919–20 the Foreign Office founded a new department dedicated to cultural work that adopted many of Becker's ideas. The cultural department combined the pre-1914 offices managing German scholarship and German schools abroad with sections for art, music, theater, and literature.<sup>390</sup> And when the Dawes Plan, the treaty of Locarno, and Germany's entry into the League of Nations opened a more conciliatory period in European relations after 1924, there came an optimism that cultural diplomacy could be

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<sup>385</sup> Kloosterhuis, *Friedliche Imperialisten*, 35; vom Bruch, *Weltpolitik als Kulturmission*, 36–37.

<sup>386</sup> On the intensity of the debate about war atrocities see John Horne and Alan Kramer, *German Atrocities, 1914: A History of Denial* (New Haven, CT: Yale Univ. Press, 2001).

<sup>387</sup> Cited in Düwell, "Der Gründung der Kulturpolitischen Abteilung," 46.

<sup>388</sup> See for instance the article by Dr. Anna Selig from February 25, 1928 "Auswärtige Kulturpolitik/ Gedanken zur Neuorientierung" in PAAA, Kulturabteilung, 61124 Kulturpolitik Allgemein, from Feb. 25, 1928; On Becker see Düwell, "Der Gründung der Kulturpolitischen Abteilung."

<sup>389</sup> Immediately after the war, for foreign students to study in Germany they had to receive approval from the German mission in their country as well as a certificate of friendliness to Germany [*Deutschfreundlichkeits Bescheinigung*], Volkhard Laitenberger, "Organisations- und Strukturprobleme der Auswärtigen Kulturpolitik und des Akademischen Austauschs in den Zwanziger und Dreißiger Jahren" in Düwell, *Kulturpolitik seit 1871*, 1–28, 73–74.

<sup>390</sup> Düwell, "Der Gründung der Kulturpolitischen Abteilung," 52.



a legitimate alternative to power politics, something as an end in itself.<sup>391</sup> By the second half of the decade, then, cultural diplomacy attracted the attention of Germany's highest echelon of political leaders. Germany's Foreign Minister, Gustav Stresemann, became an avid proponent of the new cultural department, seeing it as a complement to his strategy of rapprochement with the states of Western Europe. In a series of memos circulated to Germany's missions, he emphasized that cultural activities should be given a higher priority than they had in the past. He and the director of the new department, Hans Freytag, hoped that by conducting a systematic appraisal of the cultural activities of Germany's individual missions, which was first completed in 1928, the Foreign Office could more efficiently allocate its limited funding.<sup>392</sup>

For Stresemann and Freytag, maintaining Germany's schools abroad, and thereby the cultural and intellectual life of German minorities, was the "root" of their "entire cultural policy."<sup>393</sup> These schools were particularly important in Central and Southeastern Europe, where German minorities struggled to preserve their rights in the face of nationalization policies by the new successor states.<sup>394</sup> By funding German schools, Freytag and Stresemann hoped to preserve the linguistic and cultural identity of Germans living in Transylvania in Romania, the Danube basin in Yugoslavia, Alsace in France, the Sudetenland in Czechoslovakia, and the Western and Baltic regions in Poland. The war had closed many of these schools, but by the late 1920s the cultural department had made significant headway in re-building them not just in Central Europe, but across the world.<sup>395</sup> To supplement its school policy, the Foreign Office also gave generous financial support to the German Foreign Institute and the Association for Germans Abroad, two semi-private organizations charged with maintaining the cultural heritage of German citizens and German minorities living abroad. Both organizations had strong conservative elements within them who sought to use German minorities to destabilize the new states of Central Europe. In order to avoid international incidents the Foreign Office had to closely monitor their work during the 1920s.<sup>396</sup>

For the Foreign Office and for many intellectuals the other main goal of cultural policy was to raise Germany's standing (*Weltgeltung*) in the eyes of other nations. The German parliamentary deputy and professor George Schreiber, one of Weimar's most prolific proponents

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<sup>391</sup> Düwell maintains that foreign cultural policy in the mid 1920s moved away from propaganda for either power-political or economic purposes, and towards the idea of cooperative and reciprocal cultural exchange. Düwell, *Deutschlands auswärtige Kulturpolitik: 1918–1933*, 371–76; Arnold, *Auswärtige Kulturpolitik, ein Überblick aus deutscher Sicht*, 12–13.

<sup>392</sup> For the circulated memos see PAAA, Büro des Staatssekretär, 70163, Akten von Bülow—Kulturpropaganda, Circular to all Missions from Stresemann from Jan. 31, 1928. See also Stresemann's documents in the appendix of Düwell, *Deutschlands auswärtige Kulturpolitik: 1918–1933*.

<sup>393</sup> Hans Freytag, "Über deutsche Kulturpolitik im Ausland," *Deutsche Rundschau* 55, no. 11, found in PAAA, Kulturabteilung, 61124 Kulturpolitik Allgemein; see also Düwell, "Der Gründung der Kulturpolitischen Abteilung," 51; PAAA, Büro of Staatssekretär, 70163 Akten von Bülow—Kulturpropaganda, Circular to all Missions from Stresemann from Jan. 31, 1928.

<sup>394</sup> In Romania, for instance, financial support for German schools deteriorated after 1918 when the land reforms adversely affected the Transylvanian German community and removed the traditional source of communal funding. The situation was better for Germans living in the Vojvodina and Banat regions Yugoslavia, less so in Slovenia. Zeljko Sevic, "The Unfortunate Minority Group-Yugoslavia's Banat Germans" in Stefan Wolff (ed.) *German Minorities in Europe. Ethnic Identity and Cultural Belonging*; König, "Die Deutschen In Rumänien seit 1918" in Grimm and Zach, *Die Deutschen in Ostmittel- und Südosteuropa*, 251–63. See also Komjathy and Stockwell, *German Minorities and the Third Reich*.

<sup>395</sup> Among Germany's most prized overseas schools was the Tung-Chi University in Shanghai. Düwell, *auswärtige Kulturpolitik*, 124–52, 160–90; Düwell, "Der Gründung der Kulturpolitischen Abteilung," 59.

<sup>396</sup> Komjathy and Stockwell, *German Minorities and the Third Reich*.

of cultural diplomacy, argued that Germany needed to do more than simply “secure its share on the cultural world market, rather it must re-conquer what it has lost” since 1914. Since the war, he warned, “protectionism” against German ideas and values had prevented Germany from reclaiming its rightful recognition as a world leader in cultural and intellectual production. Germany needed a pro-active policy to reclaim its lost prestige.<sup>397</sup> Toward this end the Foreign Office promoted scholarly organizations abroad like the Archeological Institute in Rome and various branches of the Kaiser Wilhelm Gesellschaft for science.<sup>398</sup> And in conjunction with Adolf Morsbach from the Prussian Ministry for Science, Art, and Education, the Foreign Office established organizations like the German Academic Exchange Service (DAAD) and the Humboldt Foundation to facilitate academic exchange with the countries of Western Europe and North America.<sup>399</sup> While these two institutions advertised themselves as agents of international cooperation, the latter had a distinctly political undertone as it sought out students who were “friendly to Germany,” and who they could expect to be “politically” useful upon returning to their home country.<sup>400</sup>

What intellectuals like Becker, Schreiber, and Morsbach downplayed, however, were the economic benefits that would accrue from cultural diplomacy. Becker hoped to move beyond the conception that he thought had characterized cultural diplomacy before 1914, namely, that it was merely a “graceful embellishment on mercantile exchange.”<sup>401</sup> Indeed, before the war one of the driving motivations for cultural policy had been its economic utility. Paul Rohrbach and his circle of liberal imperialists, along with Chancellor Hollweg’s close advisor Kurt Riezler, were attracted to cultural diplomacy because they believed the spread of German culture would open new sales markets in foreign lands. For them it was an important component of Germany’s emerging *Weltpolitik*: the Wilhelmine Empire would exercise global influence not through the political occupation of colonies but through the export of its culture and its products.<sup>402</sup> By making German industry more competitive abroad, this style of *Weltpolitik* would help modernize the German economy at home.

By the end of the 1920s a growing number of businessmen and intellectuals returned to this ideal and fastened onto cultural policy as an instrument for export promotion. Yet there was also an underlying imperial bent to their notion of cultural diplomacy: Germany produced a superior culture that it was obliged to share with the world, particularly in Eastern Europe. Spreading German culture around the globe would augment Germany’s prestige in the manner appropriate for a rising world power.

Saxony proved to be one of the main centers of this economic brand of cultural diplomacy. Its heavy dependence on foreign trade made the region’s commercial elites more open to untried strategies of export promotion. In 1927 the Association of Saxon Industrialists (*Verband der Sächsischer Industrieller*—VSI), the region’s leading industrial organization, took a new look at cultural diplomacy. In various articles from 1927–1930 *Sächsische Industrie*, the VSI’s journalistic mouthpiece, argued that next to a “strong and clever business advertising that

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<sup>397</sup> Georg Schreiber, “Internationale Kulturarbeit: Deutschlands Aufgaben,” *Germania* No. 295 (June 28, 1928), found in PAAA Kulturabteilung, 61124 Kulturpolitik Allgemein.

<sup>398</sup> Freytag, “deutsche Kulturpolitik”; Adolf Morsbach, “Gliederung der Auswärtigen Kulturpolitik,” *Hochschule und Ausland. Monatschrift für Wissenschaft und kulturelles Leben* 10 (1932).

<sup>399</sup> Laitenberger, *Akademischer Austausch und auswärtige Kulturpolitik 1923–1945*; DAAD-Forum 7, *Der Deutsche Akademische Austauschdienst 1925 bis 1975* (Bonn-Bad Godesberg: DAAD, 1975).

<sup>400</sup> Laitenberger, “Strukturprobleme der auswärtigen Kulturpolitik,” 77.

<sup>401</sup> Düwell, “Der Gründung der Kulturpolitischen Abteilung,” 47.

<sup>402</sup> Kloosterhuis, *Friedliche Imperialisten*. These intellectuals are discussed in greater detail in the introduction.

was adapted to foreign tastes,” Germany needed an “extensive cultural publicity” to improve its sales abroad. German books, press, and especially the new medium of film could present foreigners with a “proper image” of Germany, overcome lingering hostility from the war, and ultimately make people receptive for purchasing German products.<sup>403</sup> They also stressed the importance of educating future merchants and businessmen in foreign languages and cultures. Merchants who could thoroughly understand the languages, customs, tastes, and economic conditions of their local market were surprisingly scarce. In looking to the future, the VSI argued that, “in many cases, students studying abroad can become cultural messengers of the highest economic value.”<sup>404</sup> In 1929, with the help of Walther Hoffmann, the VSI formed an eighteen-person “committee for cultural understanding” that outlined concrete steps they thought should be the basis of Germany’s cultural policy. These included holding lectures abroad about German cultural and economic achievements; providing information to the foreign press about German technology; organizing cultural and artistic exhibits; facilitating more study trips between Germany and foreign states; and supporting German cultural centers and scholarly institutions abroad.<sup>405</sup> And in a circular in 1930 outlining the VSI’s policy ideas to Saxony’s regional government, next to a reduction in taxes the VSI’s representatives demanded a more active cultural publicity as an important way to raise exports.<sup>406</sup> Hoffmann himself became the public figurehead for this movement, publishing articles in Saxonian newspapers and other regional business journals like *Ruhr und Rhein*.

Although the VSI did not want to focus its cultural work exclusively on any one region, it publicized the fact that there was insufficient publicity and “inadequate advertising in the Balkans.”<sup>407</sup> In the late 1920s Southeastern Europe was gradually becoming a more important destination for Saxony’s capital goods and machinery as countries like Yugoslavia and Romania slowly industrialized.<sup>408</sup> Yet with virtually no German banking presence in the Balkans, Saxony’s exporters needed to find alternative institutions and ways to support their competition for market shares in Yugoslavia, Romania, and Bulgaria, hence their interest in cultural diplomacy.<sup>409</sup> According to a view common at the time in conservative as well as commercial circles, the Balkans already possessed an “inescapable cultural bond of fate (*Schicksalverbundenheit*)” with Germany because of its geographical proximity and its large

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<sup>403</sup> See for example the articles from *Sächsische Industrie* from January 1, 1927 “Kulturpropaganda und Wirtschaftspropaganda”; from May 19, 1928 “Die weltwirtschaftliche Durchbildung der künftigen deutschen Wirtschaftsführer”; from March 2, 1929 “Die Kulturpropaganda der Vereinigten Staaten”; from March 23, 1929 “Kulturpropaganda als Grundlage der Wirtschaftspropaganda.”

<sup>404</sup> *Sächsische Industrie*, May 19, 1928 “Die weltwirtschaftliche Durchbildung der künftigen deutschen Wirtschaftsführer.”

<sup>405</sup> Sächsische Staatsarchiv Dresden (SSAD) Min. des Kultus 11125, 15675 Mitteleuropa Institut, Hoffmann to Uhlich of Min. des Kultus from June 4, 1929; Chapter 2 discusses the lack of Germany’s commercial expertise in Southeastern Europe and shows how German merchants relied heavily on Austrian and Hungarian middlemen.

<sup>406</sup> *Sächsische Industrie* from Jan. 4, 1930, Report of meeting between VSI and the Saxon Economics Ministry.

<sup>407</sup> “Unzureichende Werbung auf dem Balkan,” *Sächsische Industrie* (Nov. 24, 1928) and “Die Industrialisierung auf dem Balkan,” *Sächsische Industrie* (May 26, 1928).

<sup>408</sup> Bramstedt, *Krisen der Sächsischen Industriewirtschaft* (1932), 56, table 23.

<sup>409</sup> German banks and German export merchants had historically had a close relationship, whereby the former would provide the latter with credit as well as economic information and news about to the local economic conditions. Following the First World War, however, German banks in Romania and Yugoslavia were nationalized, and consequently German exports had to manage without its usual banking support. See chapter 2 and Bundesarchiv Berlin (BA), R901, 43085 Economic relations with Yugoslavia, Report from Dr. Schmidlein on the condition of Germany’s business in Yugoslavia in response to the Enquete Ausschuss, circulated by Belgrade diplomat Franz Olshausen to the Foreign Office in Berlin, from April 21, 1927.

number of German minorities.<sup>410</sup> The widespread use of German as the business language led economists like Hoffmann to believe that this region would be receptive to German cultural publicity and advertising. Saxonian intellectuals, moreover, argued that their own region's relationship with the Balkans was a special one given the magnetism of the Leipzig trade fair, which annually attracted hundreds of merchants from Romania, Yugoslavia, Hungary and Bulgaria.

### *The French Threat*

The desire for a more active and coherent cultural diplomacy in Southeastern Europe was not unique to Saxony. Since 1927 at the latest there was a growing anxiety in the Foreign Office and among its missions in the Balkans that France was vastly outperforming Germany in cultural work.<sup>411</sup> Although the Foreign Office during these years was pushing for closer economic ties with France, in the form of a trade treaty and in discussions about a customs union, Franco-German relations were a delicate balance and Weimar's leaders wanted to prevent France from gaining any advantage in Southeastern Europe.<sup>412</sup> Leading journalists and the directors of Germany's industrial associations, moreover, worried that French cultural predominance could potentially damage Germany's economic relations in the region.<sup>413</sup> Southeastern Europe had become a cultural "*Kraftfeld*" as well as an economic and political one.<sup>414</sup> More than any other Western European power, France pursued cultural work to actively reinforce its diplomatic and financial relations with Yugoslavia and Romania. The press, education, and language promotion were the three primary fields where Germany's foreign officers and intellectuals feared French advances.

In the first half of the 1920s one foreign press agency controlled the flow of most economic and political news into Yugoslavia, Avala. As a subsidiary of the French wire service Havas, Avas had acquired concessions to provide Yugoslavia's official news service with almost all of its wire-fed information.<sup>415</sup> Although Wolff's Telegraph Bureau, the largest wire-service in Germany, made several efforts to break into this market, these and other attempts to provide

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<sup>410</sup> Richard Mai, "Südosteuropa und die deutsche Kultur. Ein Beitrag zur internationalen Kulturpolitik" in Konen, H. and J.P. Steffes (eds.), *Volkstum und Kulturpolitik, Eine Sammlung von Aufsätzen Gewidmet Georg Schreiber zum Fünfundzwanzigsten Geburtstag*. (Cologne: Gild-Verlag, 1932).

<sup>411</sup> PAAA, Kulturabteilung, 61187 Französische Auslandskulturpropaganda, Paris Embassy to Berlin Foreign Office from April 11, 1930; PAAA, Kulturabteilung, 61152 Kulturpolitik Jugoslawien, Köster to the Berlin Foreign Office from Aug. 30, 1929; PAAA, Kulturabteilung, 61139 Kulturpropaganda Bulgarien, Bulgarian Ambassador to the Foreign Office from Nov. 28, 1927.

<sup>412</sup> On the discussion of a Franco-German customs union see chapter 5.

<sup>413</sup> PAAA, Kulturabteilung, 65830 Mitteleuropa-Institut, film 7964, Mitteleuropa-Institut to the Berlin Foreign Office from Jan. 25, 1930; PAAA, Kulturabteilung, 61124 Kulturpolitik Allgemein, article by Anna Selig from Feb. 25, 1928; see the numerous other articles from 1928–29 collected in this same folder. For a contemporary discussion of French foreign cultural policy see Remme and Esch, *Französische Kulturpropaganda*, and Konen and Steffes, *Volkstum und Kulturpolitik*.

<sup>414</sup> Franz Thierfelder, *Der Balkan als kulturpolitisches Kraftfeld, zwischenstaatliche Propaganda und geistiger Austausch in Südosteuropa* (Berlin: H. Stubenrauch, 1940).

<sup>415</sup> PAAA, Politisches Abteilung, 73189 Jugoslawien, German Legate in Belgrade to Berlin Foreign Office from Aug. 6, 1923; *Ibid.*, article clippings from Yugoslavian paper *Politika* from March 29, 1923; *Ibid.*, telegram from Belgrade Legate to Berlin Foreign Office from Sept. 9, 1924.

news directly from Germany remained largely unsuccessful before 1927.<sup>416</sup> As Germany's consul in Zagreb reported, "the news material for Yugoslavia's press comes predominantly from French sources."<sup>417</sup> This began to change in 1927, when Yugoslavia entered into a political conflict with Italy that threatened to degenerate into war. When Havas did not portray the conflict as the Yugoslavian government would have liked, Belgrade's press office realized the benefit of having sources other than French wire services for its news. They opened room for more outlets and within the year ZETA, a new German-friendly wire service, was founded. Havas-Avala, however, remained Yugoslavia's primary provider.<sup>418</sup>

Press problems, however, were not confined to the wire service. In both Romania and Yugoslavia the circulation of German newspapers in the capital cities was quite low. A significant German-language newspaper only became a regular feature of the press landscape in Bucharest in 1929.<sup>419</sup> Before that year German papers circulated by and large only in the provinces: Transylvania in Romania and the region around Novi Sad in Yugoslavia.<sup>420</sup> And for information flowing in the other direction, before 1929 there were no publications in Germany devoted to economic or cultural news in Southeastern Europe. German merchants with an interest in the Balkans had either to rely on the more general economic news outlets like *Industrie- und Handelszeitung* or *Das Nachrichtenblatt für Ausfuhr und Einfuhr*, which rarely covered the Balkans in depth, or on regional newspapers from Yugoslavia and Romania, like the *Zagreber Morgenblatt* or the *Siebenbürgische Handelszeitung*.<sup>421</sup>

The press was not the Foreign Office's only concern, German diplomats and many publicists worried that Weimar was losing its attraction for students from Southeastern Europe. Students represented the next generation of leaders, particularly among the developing economies of Southeastern Europe where university attendance, while growing, was still quite small as a proportion of over all population in comparison with Western Europe.<sup>422</sup> Educating 100 Yugoslavian students in Germany would have a much greater relative impact than educating 100 from America, where far more men and women enrolled in universities.

During the 1920s more students studied abroad than ever before and student exchange became one of the flagship programs of cultural diplomacy among all the Western European states and America. On the eve of the World War nearly 30,000 students in Europe and North America studied outside their home country. Germany was the leading destination, attracting some 7,500 students in 1913–14. France and Switzerland followed with 6,187 and 4,750 foreign

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<sup>416</sup> PAAA, Sonderreferat Wirtschaft, 73189 Pressewesen in Jugoslawien, German Legate in Belgrade to Berlin Foreign Office from Aug. 6, 1923; *Ibid.*, letter from Max Kandt, founder of ZETA, to Zagreb Consulate from Oct. 11, 1927; see also Basse, *Wolff's Telegraphisches Bureau 1849 bis 1933*.

<sup>417</sup> PAAA, Sonderreferat Wirtschaft, 73189 Pressewesen in Jugoslawien, report from Zagreb Consulate to Berlin Foreign Office from Oct. 22, 1927.

<sup>418</sup> PAAA, Sonderreferat Wirtschaft, 73189 Pressewesen in Jugoslawien, letter from Max Kandt, founder of ZETA, to Zagreb Consulate from Oct. 11, 1927; *Ibid.*, Zagreb consul to Berlin Foreign Office from Oct. 22, 1927.

<sup>419</sup> PAAA, Politisches Abteilung, 73670 Pressewesen in Rumänien, German Legate in Bucharest to Berlin Foreign Office from Dec. 26, 1922; German Legate in Bucharest to Berlin Foreign Office from Oct. 22, 1929; on German papers in Yugoslavia see PAAA, Belgrade Legation, 40/3, German Legate in Belgrade to Berlin Foreign Office from April 16, 1923; *ibid.*, 41/1 Ullstein company to Belgrade Legation from Oct. 27, 1924.

<sup>420</sup> PAAA, Belgrade legation, 40/4 German Legation in Belgrade to Augsburg Chamber of Commerce from June 1, 1926.

<sup>421</sup> For more on the problems of information acquisition and distribution in Southeastern Europe, and how it affected German merchants, see chapter 2.

<sup>422</sup> Lampe, *Balkans into Southeastern Europe*, 97–104.

students respectively.<sup>423</sup> These figures for Germany had more than tripled since 1871, and by 1914 some 200 students from Romania and 75 from Serbia annually enrolled at German universities.<sup>424</sup> Yet this positive trend did not persist for Germany through the 1920s. Despite the imposition of fees and regulations for foreign students, Weimar at first experienced an inflow of students from Southeastern Europe during the years of inflation, which lowered the cost of living and the tuition for foreigners. But following the currency stabilization their numbers stagnated. Foreign student enrollment peaked in 1926 and declined thereafter as German universities became too expensive in comparison with those of England, France, and Italy.<sup>425</sup> By 1930–31 roughly 70,000 students studied abroad, more than double the prewar figure, and France was the primary destination with over 17,000 foreign students enrolled in its universities. In 1913 one in seven students in France were foreigners, in 1928 that had risen to almost one in four.<sup>426</sup> In Germany there were only 8,485 foreign students, only 1,000 more than in 1913.<sup>427</sup> In the estimation of German contemporaries, moreover, the French university system was more effective at inculcating an appreciation of French culture and values. German universities were highly competitive in training students in specific disciplines, especially the sciences. But all too often foreign students returned to their country, whether in Southeastern Europe or Africa, drinking German beer, ranting about the treaty of Versailles, and blaming the war on the Jews rather than extolling the work of Schiller, Goethe, or Humboldt.<sup>428</sup>

Germany's relative decline as a scholarly destination during the 1920s was even more dramatic in the case of students from Southeastern Europeans. Indeed, the most notable rise in foreign students attending French universities came from the countries of Eastern Europe with which France had some form of political alliance: Yugoslavia, Romania, Poland, and Czechoslovakia.<sup>429</sup> While Germany and France had comparable numbers of students from Romania and Yugoslavia in their universities at the end of the German inflation, by 1931 the situation had shifted dramatically in France's favor. 2,722 Romanians studied in France along with 475 Yugoslavians, up from 645 and 423 in 1924.<sup>430</sup> Over one half of all Romanian students going abroad went to France. In contrast, in 1931 only 661 Romanian students, most of which were ethnic Germans, and 179 Yugoslavian students attended German universities.<sup>431</sup>

One reason for France's success was its own inflation and devaluation of the franc, which cheapened the cost to foreigners of attending French universities. Yet France also devoted more energy and funding to attract students from Eastern Europe than did Germany. The cultural treaties signed between France and Romania and Yugoslavia in 1919 and 1920 provided the legal framework for French teachers and professors to work at institutions in Southeastern Europe and recognized diplomas granted in both countries.<sup>432</sup> In conjunction with the

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<sup>423</sup> Herbert Scuria, "Umfang und Richtung der zwischenstaatlichen Studentenwanderung" (PhD diss., Universität Leipzig, 1933), 123.

<sup>424</sup> Scuria, *Umfang und Richtung der zwischenstaatlichen Studentenwanderung*, 38.

<sup>425</sup> Düwell, *Deutschlands auswärtige Kulturpolitik: 1918–1933*, 170–80.

<sup>426</sup> PAAA, Kulturabteilung, 61187 Französische Auslandskulturpropaganda, Paris Embassy to Berlin Foreign Office from April 30, 1930.

<sup>427</sup> Scuria, *Umfang und Richtung der zwischenstaatlichen Studentenwanderung*, 125.

<sup>428</sup> PAAA, Kulturabteilung, 61124 Kulturpolitik allgemein, article in *Die Literarische Welt* 5, no. 46 (Nov. 15, 1929).

<sup>429</sup> PAAA, Kulturabteilung, 61187 Französische Auslandskulturpropaganda, Paris Embassy to Berlin Foreign Office from April 30, 1930.

<sup>430</sup> Scuria, *Umfang und Richtung der zwischenstaatlichen Studentenwanderung*, 88–90.

<sup>431</sup> *Ibid.*, 125.

<sup>432</sup> Remme and Esch, *Französische Kulturpropaganda*, 74.

Yugoslavian government, France financially assisted roughly 400 Yugoslav students to study at French universities each year, annually spending over half a million Francs on this by the mid 1920s.<sup>433</sup> In addition, those students returning from study in France were well supported by a network of cultural clubs that encouraged their continued interest in French culture and language.<sup>434</sup> In contrast, Weimar's diplomat in Belgrade, Adolf Köster, reported only "after great effort" did he "succeed in raising the number of Yugoslavian fellows of the Humboldt Foundation from 1 to 4."<sup>435</sup> In Romania the situation differed, the Foreign Office having lower expectations given the linguistic and historical connections between France and Romania. Although more Romanian than Yugoslavian students came to study in Germany, the vast majority of them were German minorities from Transylvania. As in Yugoslavia, France outspent Germany, giving roughly 700,000 francs out annually to help Romanians attend French universities.<sup>436</sup>

In the field of language promotion French institutions, especially private ones like the Alliance Française, were equally proactive. After 1918 language instruction had become a heated topic in both Romania and Yugoslavia, as these states sought to strengthen their national community against minorities with their own identities and potentially separatist inclinations. Both governments regulated language instruction in primary schools: since 1915 French was the only foreign language made mandatory in middle and high schools in Romania. In Yugoslavia the degree of regulation depended on the region, in Slovenia it was harsher for Germans than in the Vojvodina.<sup>437</sup> The French cultural treaties permitted France to send French teachers to schools throughout Yugoslavia and Romania. The latter boasted France's largest "mission," encompassing some 30–40 teachers and eight professors who conducted language courses that instructed over a thousand students in fourteen cities.<sup>438</sup> The teaching of French went beyond the local school systems. In 1929 the Alliance Française spent over 5,000,000 francs on its programs, the bulk of which supported their branches outside of France. In Southeastern Europe it maintained French cultural and language institutes in Skoplje, Split, Belgrade, Zagreb, Sarajevo, Bucharest, Temesvar, Jassy, Sofia, Bourgas, and Stara-Sagora.<sup>439</sup>

The Foreign Office and German intellectuals saw this steady march of French cultural work as nothing less than a battle for the orientation of the future generation of Southeastern Europeans. In a widely read study from 1927, Karl Remme and M. Esch maintained there was an overt connection between French cultural and diplomatic policies: France's treaties explicitly sought "to divest the Serbian youth from the influence of German universities and allow the

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<sup>433</sup> Remme and Esch, *Französische Kulturpropaganda*, 64; PAAA, Kulturabteilung, 61187 Französische Auslandskulturpropaganda, Paris Embassy to Berlin Foreign Office from April 30, 1930; PAAA, Kulturpropaganda, 61152 Kulturpolitik Jugoslawien, Ischboldin's report to the Paris Embassy from Nov. 28, 1929.

<sup>434</sup> For instance, the "Verband ehemaliger Angehöriger französischer höherer Schulen und Universitäten." See PAAA, Kulturabteilung, 61152 Kulturpolitik Jugoslawien, German Legation in Belgrade to Berlin Foreign Office from Aug. 30, 1929.

<sup>435</sup> PAAA, Kulturabteilung, 61152 Kulturpolitik in Jugoslawien, Köster in Belgrade to Berlin Foreign Office from Aug. 30, 1929.

<sup>436</sup> Remme and Esch, *Französische Kulturpropaganda*, 64; Scuria, *Umfang und Richtung der zwischenstaatlichen Studentenwanderung*, 88–105.

<sup>437</sup> President Jorga changed the Romanian law in 1931, adding English and German language instruction. PAAA, Kulturabteilung, 65831 Mitteleuropa-Institut, Film 7968, lecture given by Prof. Bondescu at the Congress of Romanian Germanistics in Bucharest from June 19, 1934; See also Hopfner, *Südosteuropapolitik*, 311–29.

<sup>438</sup> Remme and Esch, *Französische Kulturpropaganda*, 75.

<sup>439</sup> PAAA, Kulturabteilung, 61187 Französische Auslandskulturpropaganda, "Rapports due Secretaire general et du Tresorier general sur la situation morale et financiere" from the Alliance Française from March 26, 1930.

military alliance to live on in a cultural-political understanding.”<sup>440</sup> Their views on French cultural diplomacy were alarmist, and should be read accordingly, yet these two authors were not outliers. Germany’s diplomat in Belgrade, Köster, feared that “more and more French was displacing German” as the language of merchants and artisans as well as students, especially among the Serbs.<sup>441</sup> And leaders of the German Academy, an organization in Germany that paralleled the work of the Alliance Francaise, expressed similar anxieties: “France has at its disposal state and private propaganda organizations, the equivalent of which Germany has nothing remotely comparable.”<sup>442</sup>

Germany’s foreign officers and intellectuals also saw a commercial dimension to French cultural policy. In their work, Remme and Esch highlighted the mission statement of the Alliance Francaise, which aspired for “all of the clients of the French language to become a client of French products.”<sup>443</sup> And by 1929 experts both within and outside the Foreign Office believed that Germany’s lackluster cultural work was hurting its exports to Southeastern Europe. The Yugoslavians and Romanians studying in France, the proliferation of French book stores, and the spread of the French language, so they worried, fostered a keen interest in the fashion and the finished goods of Paris.<sup>444</sup> Cultural and economic competition were becoming intertwined in the quest by German business to carve out market shares in Southeastern Europe.

### *The Formation of the Mitteleuropa-Institut and the Institut für Mittel- und Südosteuropäische Wirtschaftsforschung*

To catch France in the cultural race, in 1929 Köster suggested that the Foreign Office organize a zeppelin trip through Southeastern Europe. Just weeks before a French pilot had completed a transatlantic flight in the *Yellow Bird*, which would subsequently be taking a triumphal tour from Paris through Yugoslavia, Czechoslovakia, and Poland. A Zeppelin trip, Köster hoped, would not only draw publicity away from the *Yellow Bird*, it would impress the local populace with Germany’s technological and scientific achievements, most of whom had never before seen a flying hydrogen aircraft. Köster was convinced that this trip “would be able to create a considerable positive value that we would tangibly notice in our politics and economics more than any of the series of activities we have done until now.”<sup>445</sup> The risk a flaming conflagration may have been too high, or the payoff too low. Whatever the case, more

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<sup>440</sup> Remme and Esch, *Französische Kulturpropaganda*, 3.

<sup>441</sup> PAAA, Kulturabteilung, 61195 Jugoslawien, German Legate in Belgrade to Berlin Foreign Office from Nov. 23, 1928.

<sup>442</sup> Comment by Major Fehn, director of the German Academy, “Mittel und Wege französische Kulturpropaganda” from *Frankfurter Kurier*, no. 112, (April 3, 1929).

<sup>443</sup> “Tout client de la langue française devient un client des produits français.” Remme and Esch, *Französische Kulturpropaganda*, 3.

<sup>444</sup> BA, R901, 43085 Economic relations with Yugoslavia, Report from Dr. Schmidlein from April 21, 1927; See also the report sent by Dr. Boris Ischboldin to the Prussian Ministry of Science, Art, and Education. From Ischboldin’s extensive travels in France and Southeastern Europe he concluded, “Much too little cultural propaganda is done by Germany. While the French have established scholarly institutes in Warsaw, Prague, and Belgrade, and while Italy recently established an Italian institute, German scholarship remains unrepresented in all of the Slavic states, which will cause German industry great losses.” From PAAA, Kulturabteilung, 61152 Kulturpropaganda Jugoslawien, Ischboldin’s report from Nov. 27, 1929.

<sup>445</sup> PAAA, Kulturabteilung, 61152 Kulturpropaganda Jugoslawien, Köster to the Berlin Foreign Office from Aug. 30, 1929.



practical minds prevailed and instead of the state, private organizations took the lead in promoting German culture in Southeastern Europe.

The effort had begun two years earlier. Upon returning from his study trip to Southeastern Europe, on December 3, 1927 Walther Hoffmann met with Georg Gothein of the *Mitteleuropäische Wirtschaftstag*, the Mayor of Dresden Dr. Bernhard Blüher, and representatives from Saxony's Cultural and Economics Ministries, the Association of Saxon Industrialists (VSI), and the Dresden Chamber of Commerce to discuss the creation of an institute that would study the economies of Central and Southeastern Europe.<sup>446</sup> At the meeting Hoffmann expressed his dismay over the creeping influence of French culture and finance, yet he remained optimistic that Germany could reclaim the initiative through a new institute, and that this would be particularly beneficial to the exporters of Saxony.<sup>447</sup>

The interest for such an institute came from outside of Saxony as well. The directors of the *Mitteleuropäische Wirtschaftstag*'s German Section in Berlin were concerned that their own organization did not have reliable connections with the economic elites of Southeastern Europe. As one of their directors pointed out at a board meeting in early 1928, contacts were governed exclusively by their organization's head offices in Vienna. "Only they can take up direct contact with the individual sections. The only remaining possibility ... of direct contact with the business community in Southeastern Europe ... therefore, is the foundation of the institute."<sup>448</sup> Moreover, tensions among the national constituencies of the *Mitteleuropäische Wirtschaftstag* were increasing in 1927 and 1928. The organization had originated as a cooperative, transnational think tank and lobby group to promote the economic integration of Central Europe, but by 1927 a contingent under the leadership of Elemer Hantos, former Hungarian State Secretary of Finance, began campaigning to exclude Germany from Central European economic agreements and institutions. Hantos wanted to define Central Europe, *Mitteleuropa*, as the successor states to the Austro-Hungarian Empire. Beginning in 1928 he founded Central European Institutes first in Vienna, and then later in Brunn and Budapest to research and promote his vision for a successor state union.<sup>449</sup> The German Section, led by Georg Gothein, a deputy of the liberal-leaning German Democratic Party and former minister of the German Treasury, believed the best method to thwart Hantos's ambitions would be to found a *Mitteleuropa* institute on German soil.

Despite Gothein's connections to German industrialists in Berlin, Breslau, and the Ruhr area, along with Hoffmann's contacts with Saxonian exporters, their effort to form a *Mitteleuropa*-Institut in Germany encountered serious obstacles at first. The initial design, drafted by the co-director of the German Section Dr. Herbert Strencioch, envisioned a scholarly institute that would study the economic problems of Central Europe. These ranged from

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<sup>446</sup> Dr. Georg Gothein (1857–1940) was the German Treasury Minister in 1919, member of the Reichstag from 1920–1924 with the German Democratic Party, and presidential member of the Foreign Trade Association; Dr. Walter Alex Karl Hoffmann (1891–1972) was Prof. of Political Economy Mining Academy in Freiberg and member of the German People's Party; Dr. Bernhard Blüher (1864–1938) was a member of the German People's Party and Mayor of Dresden from 1915–1931; BA, R901, 42995 *Mitteleuropa* Institut, Meeting protocol from Dec. 3, 1927.

<sup>447</sup> PAAA Kulturabteilung, 61161 Kulturpolitik in Rumänien, Hoffmann to Foreign Office from Oct. 24, 1927.

<sup>448</sup> BAK, N 1006 Nachlässe Gothein, 49 *Mitteleuropäische Wirtschaftstag*, memorandum from Dr. Strencioch to German Section from Oct. 27, 1927; *ibid*, report from German Section board meeting from Nov. 29, 1927; report from German Section board meeting from June 22, 1928, quotation from the last document.

<sup>449</sup> Gothein and Hantos engaged in a series of published debates about who should be included in the rubric "Central Europe." Gothein 1929, found in BA, R901, 42995 and 42996; BAK, N 1006 Nachlässe Gothein, 50 *Mitteleuropäische Wirtschaftstag*, letter from German Section from May 7, 1929, 63; For more on Hantos see Stirck, "Ideas of Economic Integration in Interwar *Mitteleuropa*," 92–97.

transportation restrictions along the Danube to discriminatory trade practices between states.<sup>450</sup> The Foreign Office and the Interior Ministry, however, were concerned that a scholarly institute for Central and Southeastern Europe would duplicate work already done by the *Ostforschung* institutes in Breslau and Berlin. Furthermore, the Foreign Office was reluctant to endorse private initiatives because they feared these would burden German industry with their frequent requests for financial contributions.<sup>451</sup> Although the Foreign Office found Hantos to be potentially dangerous, its Central European experts argued that the Germany could better confront him by securing a stronger presence in his newly founded Vienna institute.<sup>452</sup>

These were serious obstacles, yet Hoffmann and Gothein lost further momentum for their proposed scholarly institute from another quarter. In the spring of 1928 Kurt Wiedenfeld, a professor of political economy at the University of Leipzig, began working to open his own institute to study the economies of Central and Southeastern Europe.<sup>453</sup> Wiedenfeld, who had trained as an economist under Gustav Schmoller, came to Leipzig in 1923 to take over the chair for political economy and he became quite active in Saxony's local business and government circles.<sup>454</sup> As a prolific and well-respected academic he enjoyed high standing among his colleagues and within the Foreign Office, where he had served as Germany's special envoy to Russia in 1921.<sup>455</sup> In April 1928 Wiedenfeld wrote to Saxony's Education Ministry detailing his plans for an institute to study the economies of Southeastern Europe using federal funds earmarked for border regions and border issues—*Grenzlandsfonds*. He wanted to make Leipzig the center of area studies for Southeastern Europe. Leipzig, he argued, with its historical connections to the Balkans was the most suitable location for such an institute.<sup>456</sup> Not only had the university been founded by émigrés from Prague University in the early 15<sup>th</sup> century, as one of Germany's largest institutions of higher education, Leipzig University already attracted many students from Austria, Czechoslovakia, Hungary, and the Balkans.<sup>457</sup>

Leipzig, moreover, possessed a prior claim to be a center for Balkan studies. During the World War a group of intellectuals, including Leipzig's own Eduard Spranger, had started a movement to found area studies programs at various universities across Germany. At the time few programs existed in Germany that brought together a cross-disciplinary mixture of academics to study a particular region of the globe. Spranger, Carl Heinrich Becker, and the

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<sup>450</sup> From the beginning Strencioch wanted "to make the results of the [institute's] research and scholarship accessible to the government authorities and business communities." BA, R901 42994, Mitteleuropa-Institut; Memorandum from Strencioch, 77.

<sup>451</sup> Frommelt, *Panuropa oder Mitteleuropa?*; See also chapter 2 of this dissertation on the large number of private initiatives that failed to materialize, partly due to the lack of funding and support from the Foreign Office and the industrial associations.

<sup>452</sup> BA, R901, 42994 Mitteleuropa Institute, German Legate in Vienna, Lerchenfeld, to Berlin Foreign Office from March 16, 1928; *Ibid.*, an internal foreign office memo from March 30, 1928; *Ibid.*, Lerchenfeld to Berlin Foreign Office from May 3, 1928.

<sup>453</sup> Sächsische Staatsarchiv Dresden (SSAD), Min. des Kultus, 10273/34, IMSW, Wiedenfeld to Saxony's Education Ministry from April 2, 1928; BA, R901, 42995 Mitteleuropa, internal Foreign Office report to the State Secretary and Foreign Minister from Feb. 13, 1929, 101–4.

<sup>454</sup> University Archiv Leipzig (UAL), Personal Akten 1062; SSAD, 11125 Min. des Kultus, 10281/311 Wiedenfeld's dossier, Univ. Faculty to the Cultural Ministry from Aug. 5, 1922, and Education Ministry to the Economics Ministry from June 18, 1931.

<sup>455</sup> SSAD, 11125 Min. des Kultus, 10281/311 Wiedenfeld. Report from Phil. Fakultät of Leipzig on Wiedenfeld from May 11, 1933.

<sup>456</sup> SSAD, 11125 Min. des Kultus, 10273/34 IMSW, Wiedenfeld to Saxony's Education Ministry from April 2, 1928; *Ibid.*, report sent by Wiedenfeld to Saxony's Education Ministry from Dec. 11, 1933, 148–53.

<sup>457</sup> Scuria, *Umfang und Richtung der zwischenstaatlichen Studentenwanderung*, 64–72.

other academics who led this push hoped they would facilitate the “education of Germans in intercourse with other peoples,” and give Germany an edge in the “scholarly penetration (*Durchdringung*)” of different regions of the world. Munich would be the center for Southern Europe, Cologne for France, Hamburg for South America, Breslau for Eastern Europe, Königsberg for the Baltic. Leipzig, already home to scholars of the languages and cultures of Romania and Bulgaria, was allocated Southeastern Europe as its special focus, and in 1917 established the short-lived Südosteuropa- und Islam-Institut.<sup>458</sup>

The competition between Dresden and Leipzig to house a new scholarly institute led to tension at first as both groups struggled to secure financial assistance from Saxony’s economics and education ministries as well as from Germany’s Foreign Office, Economics Ministry, and Interior Ministry. Yet after several meetings, by the summer of 1929 the initial rivalry passed as Wiedenfeld, Hoffmann, and Gothein clarified the goals of their respective organizations. Wiedenfeld would pursue “pure scholarly work” while Gothein and Hoffmann’s focus would lie elsewhere in the field of cultural publicity.<sup>459</sup> With 150,000 RM in federal funding and support from Saxony’s education ministry, Wiedenfeld purchased a building for his institute and began constructing its library of both scholarly publications as well as statistical information about the Balkan states.<sup>460</sup> In the fall of 1928 the Institut für Mittel- und Südosteuropäische Wirtschaftsforschung (IMSW) opened its doors to its first class, which included some eight students, a mixture of German citizens along with German minorities and citizens of Southeastern Europe.<sup>461</sup>

By early 1929, then, Hoffmann and Gothein had discarded their initial idea for a scholarly institute and instead proposed forming a publicity organization that would focus on economic issues rather than German minorities. In a co-drafted document to the Foreign Office, Hoffmann appealed to the recent wave of interest in cultural policy, arguing that many Germans were gradually becoming convinced that only “systematic and effective” cultural diplomacy abroad could open the markets of Southeastern Europe. Germany was falling behind the other leading nations of the world in cultural diplomacy because it lacked the means and the funding, and because “until now, this question had not received its due consideration.”<sup>462</sup>

With this new, focused agenda Hoffmann and Gothein reinvigorated their negotiations with the Foreign Office and the Economics Ministry for financial, or at the very least moral, support. Their new proposal fell on fertile ground among Germany’s government ministries, where the growing anxiety over French cultural influence in the Balkans had struck a deep chord. Economic-driven cultural diplomacy, moreover, overlapped with Foreign Minister Gustav Stresemann’s larger project of re-establishing Germany’s place in Europe through economic integration and intra-European cooperation.<sup>463</sup> Hoffmann, in his meetings with officials from the

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<sup>458</sup> Middell, *Weltgeschichtsschreibung*, 2:496–501; Hans A. Münster, “Das neue Leipziger Südost-Institut,” *Leipziger Vierteljahresschrift für Südosteuropa* 1, no. 1 (1937): 76–87; Gross, “Zur Geschichte der wirtschaftswissenschaftliche Südosteuropa-Forschung in Deutschland.”

<sup>459</sup> SSAD, 11125 Min. des. Kultus, 15675 Mitteleuropa Institut, Report from Ulich on meeting with Interior Ministry from July 31, 1929; *ibid.*, report on discussion between Wiedenfeld and Hoffmann from Aug. 5, 1929; BA, R8119F Deutsche Bank, 6.139, Minutes from Mitteleuropäische Wirtschaftstag meeting from Oct. 4, 1928, 21.

<sup>460</sup> SSAD, 11125 Min. Kultus, 10273/34 IMSW, report from Wiedenfeld from Nov. 18, 1930, 141.

<sup>461</sup> SSAD, 11125 Min. Kultus, 10273/34 IMSW, Wiedenfeld to Saxony’s Education Ministry from April 2, 1928.

<sup>462</sup> BA, R901, 42995 Mitteleuropa-Institut, German Section to Windel of Foreign Office from Dec. 21, 1928, 75.

<sup>463</sup> Niedhardt, “Aussenminister Stresemann” in Pohl, *Politiker und Bürger, Gustav Stresemann und seine Zeit*; Krüger, “Zur europäischen Dimension der Aussenpolitik Gustav Stresemanns” also in Pohl, *Politiker und Bürger, Gustav Stresemann und seine Zeit*.

Foreign Office, highlighted how his study trips had generated support for the institute in Southeastern Europe as well as in Germany. The economic elites in the Balkan states, he argued, “saw the establishment of an institute that served the purposes of cultural understanding as urgently needed and would welcome it.”<sup>464</sup> With help from the VSI and the Mayor of Dresden, who both directly lobbied Stresemann to support Hoffmann, the institute was formally established in July 1929.<sup>465</sup> Although the Foreign Office provided only limited financial contributions, it agreed that its consular network in Southeastern Europe would collaborate with the new institute and help fund Hoffmann’s periodic research trips.<sup>466</sup>

Despite the involvement of Berlin-based economists from the German Section, the *Mitteleuropa-Institut*, like Wiedenfeld’s one in Leipzig, was primarily a Saxon organization. The composition of its board of directors and its funding sources reflected the keen interest that Saxon business circles had in cultural diplomacy. The German Section held a few of the 15 board positions in 1929, but Saxon notables dominated. The VSI, the director of the Leipzig trade fair Raimund Köhler, the Dresden Chamber of Commerce, Mayor Blüher from Dresden, the University of Leipzig, and both Saxony’s Cultural and Economics Ministries occupied the majority of posts on the board and provided much of the initial funding, which quickly grew to 40–50,000 RM annually. As one of the leading figures for economic research in Eastern and Southeastern Europe, Wiedenfeld himself came to occupy a position on the Dresden Institute’s board by late 1929. His contacts with the German Academy in Munich, and his membership on the directorate of the German Foreign Institute in Stuttgart gave him an intimate knowledge of what Weimar’s other cultural diplomacy institutes were doing in Southeastern Europe, and how the Dresden institute could collaborate with them.<sup>467</sup>

### *The Economics of Foreign Cultural Policy and Area Studies*

Hoffmann soon proved to be the driving force behind the *Mitteleuropa-Institut*’s vision of cultural diplomacy. By the end of 1929 he laid out a theory justifying the institute’s work, one based on the inherent connection between culture and economics. In a speech before the *Mitteleuropäische Wirtschaftstag* in Berlin he argued that the best method of strengthening ties between businesses and their customers was to forge close personal and cultural connections.

Our economy and its revival would have been unthinkable without the development of our culture. This forms, in a way, the foundation on which the economy is built and can be further developed. .... The foreign business associate already has a certain understanding for Germany, its products, and its character. And if we ask where he acquired this appreciation so we will find, perhaps, that he studied in Germany, perhaps, that he attended a German school abroad,

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<sup>464</sup> BA, R901, 42995 *Mitteleuropa-Institut*; German Section to Windel of the Foreign Office from Dec. 21, 1928, 75.

<sup>465</sup> Blüher received Stresemann’s whole-hearted endorsement of the MEI in August of 1929, SSAD, 11125 Min. des Kultus, 15675, see the exchange of letters from July 20 and Aug. 8, 1929, 111–13, and office of the state capital, Dresden, to Saxon Education Ministry from July 22, 1929; BA, R901, 42995 *Mitteleuropa-Institut*, letter from VSI to Stresemann from Dec. 21, 1928, 96.

<sup>466</sup> BA, R901 *Mitteleuropa* 42995, report on meeting between representatives of the Foreign Office and the MEI from Feb. 23, 1929.

<sup>467</sup> SSAD, 11125 Min. des Kultus 11125, 10273/34 IMSW, Saxon Education Ministry to Saxony Economics Ministry from Sept. 22, 1928; *Ibid.*, 15675 *Mitteleuropa Institut*, Report on meeting with Wiedenfeld from Oct. 3, 1929, 150.

perhaps, that he reads German newspapers and books, in short, contingencies of varied nature, but facts which are always built on a foundation that has nothing directly to do with the economy or with economic matters.<sup>468</sup>

These ideas built upon Hoffmann's earlier studies of Southeastern Europe, where he became convinced that only a close, intimate knowledge of the populations in Southeastern Europe would make a fine-tuned, effective publicity and advertisement possible.<sup>469</sup>

Hoffmann departed from the Foreign Office's previous focus on German minorities abroad and appropriated the French method, arguing that France achieved its success by targeting citizens of Balkan states who were not already immersed in French culture or language. French cultural diplomacy, through organizations like the Alliance Française and its student exchange, reached out to new target-groups, appealing to the entire population whereas until now Weimar's had focused "almost exclusively on the closed," relatively small groups of Germans who had settled in the Balkans.<sup>470</sup> In the fall of 1929 Hoffmann embarked on a promotional trip through Romania, Bulgaria, Yugoslavia, Hungary, and Czechoslovakia to promote this style of cultural diplomacy and the new institute to government officials, journalists, professors, and businessmen across Southeastern Europe.<sup>471</sup>

Over the next two years Hoffmann's initial contacts solidified into an institutional network that would help overcome what he saw to be the most urgent problem affecting German-Balkan trade: the very poor quality and limited exchange of economic and cultural news. In this he was responding directly to the challenges of collecting and disseminating reliable economic information that had hindered German-Balkan trade since the early 1920s. The small number of German daily newspapers and specialized business journals in Southeastern Europe, along with the slow and ineffective functioning of Germany's own news service put German merchants at a disadvantage.<sup>472</sup> With the help of his network, in 1930 Hoffmann founded the *Mitteleuropäische Pressespiegel* to translate and collect economic articles in newspapers from across the Balkans into a single weekly, German-language publication.<sup>473</sup> The institute's representatives in Romania, Bulgaria, Turkey, Hungary, and Yugoslavia supplied the *Pressespiegel* with weekly updates. These men were often editors of German-language newspapers, like Dr. Würzinger of the *Bulgarian Tageblatt*, or foreign correspondents for

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<sup>468</sup> BA, R901, 42995 Mitteleuropa-Institut, German Section Vortragstee from Feb. 19, 1929, 133–42.

<sup>469</sup> PAAA, Kulturabteilung, 61139 Kulturpropaganda in Bulgarien, Hoffmann to the Foreign Office from Oct. 4, 1927.

<sup>470</sup> Hoffmann: "the Mitteleuropa-Institut will appeal, according to the French method, directly to the foreigners of non-German cultural groups." From SSAD, 11125 Min. des Kultus, 15675 Mitteleuropa-Institut, 199.SSAD, Min. für Volksbildung, 15675, Denkschrift, confidential memo from MEI to Saxon ministries from Nov, 1929, 199; Franz Thierfelder of the German Academy also criticized the Foreign Office for focusing too much on Germans abroad, Michels, *Von der Deutschen Akademie*, 50.

<sup>471</sup> PAAA, Kulturabteilung, 65830 Mitteleuropa Institut, film 7963 Interior Ministry report from Oct 3, 1929; SSAD, 11125 Min. des Kultus, 15675 Mitteleuropa-Institut, report on Hoffmann's trip from Aug. 17, 1929, 126–45, 196; PAAA, Bucharest Embassy, 179, Report from Hoffmann's Study trip from Sept. 1929.

<sup>472</sup> For more on this see chapter 2. SSAD, 11125 Min. des Kultus, 15675 Mitteleuropa-Institut, 196–99; PAAA, Bucharest Embassy, 179, Report on Hoffmann's Study trip from Sept. 1929; PAAA, Kulturabteilung, 65830 Mitteleuropa-Institut, film 7966, Hoffmann to Min. Terdenge from June 30, 1930; PAAA, Bucharest Legation, 179 Legation report on founding of the MEI from May 30, 1930.

<sup>473</sup> SSAD, 11125 Min. des Kultus, 15676 Mitteleuropa-Institut, discussion between representatives of the MEI and the Leipzig Trade Fair from Marcy 11, 1930, 53; SSAD, Auswärtigen Angelegenheiten, 10717, 8871 Mitteleuropa-Institut, *Mitteleuropa Pressespiegel* from March 13, 1930.

newspapers in Germany, like Otto Müller-Neudorf of the *Deutsche Tageszeitung* in Berlin and Egon Heymann of the *Münchener Neuesten Nachrichten* and the *Berliner Börsen-Zeitung*.<sup>474</sup> The institute distributed the *Pressespiegel* to individual firms, industrial associations, and the Foreign Office in Berlin along with its missions in Romania, Bulgaria, and Yugoslavia. Hoffmann claimed that it acquired and delivered its information earlier than the other general news sources used by German industry, like the *Industrie- und Handelszeitung*.<sup>475</sup> To supplement the *Pressespiegel*, Hoffmann formed a press archive containing 95 newspapers and specialized journals from Southeastern Europe, which firms and researchers alike could access in Dresden.<sup>476</sup>

In addition to news reporting, the Mitteleuropa-Institut entered the field of direct export promotion, offering to assist German merchants and even whole industrial associations in their advertising and their search for reliable agents in Southeastern Europe.<sup>477</sup> To sell himself as an innovative advertiser, Hoffmann developed an approach that he argued would be most suited to the variety of consumers in Southeastern Europe, which ranged from rural peasants to urban elites and workers.

Every advertisement must be adapted to suit the psychology of the target people, to accommodate their own tendencies, and to adjust to understand their ideas and comprehend all of their idiosyncrasies. Only precise knowledge and long experience in the country and with the people can guarantee rigorous advertising in this sense. Following from these general principles, advertising can be further specialized. From here it must be ascertained which individual institutions (press, associations, organizations, schools, etc....) suit the general tastes of the people. ... In this way, each advertisement abroad is more valuable and effective the more it is conducted on an individual basis, because here schematization achieves nothing.<sup>478</sup>

His guidelines were remarkably suited to the small and medium-sized firms that characterized Saxony's economy. Such smaller producers could more easily modify their production to meet the local tastes and fashions than could mass manufacturers of the Ruhr region or Berlin. As Raimund Köhler, the director of the Leipzig trade fair and a board member of the Mitteleuropa-Institut, pointed out, flexibility in production was the strength of Saxony's smaller firms.<sup>479</sup> Throughout 1930 Hoffmann put these principals to work, collaborating with a cinema company

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<sup>474</sup> PAAA, Kulturabteilung, 65830 Mitteleuropa-Institut, film 7966, MEI to Terdenge from Nov. 11, 1931; SSAD, 11125 Min. des Kultus, 15675 Mitteleuropa Institut, MEI report about Müller Neudorf from Jan. 28, 1930, 276; PAAA, Belgrad Embassy, 41/2 MEI to German Legate in Belgrad from July 2, 1931; SSAD, Auswärtigen Angelegenheiten, 10717, Mitteleuropa-Institut 8870, report from Belgrade rep. of MEI from Feb. 25, 1932, 20.

<sup>475</sup> PAAA, Kulturabteilung, 65830, film 7966, Hoffmann to Min. Terdenge from June 30, 1930; The *Pressespiegel* encountered some difficulty at first with its reporting in Romania because its original correspondent was ineffective. PAAA, Kulturabteilung, 65830 Mitteleuropa-Institut, film 7965, Report from German legate in Bucharest from June 18, 1930.

<sup>476</sup> PAAA Kulturabteilung, 65831 Mitteleuropa-Institut, film 7967 MEI to the Foreign Office from July 14, 1932; SSAD, 11125 Min. des Kultus, 15676 Mitteleuropa-Institut, report of activities of MEI from June 17, 1931, 220, 226, 243.

<sup>477</sup> SSAD, 11125 Min. des Kultus, 15675 Mitteleuropa-Institut, Hoffmann to the Society of Friends of the Mitteleuropa-Institut from Aug. 17, 1929, 126; *Ibid.*, 15676, 30

<sup>478</sup> PAAA, Kulturabteilung, 61139 Kulturpropaganda in Bulgarien, Hoffmann's report from Oct. 4, 1927.

<sup>479</sup> See chapter 3 for more details on the exact nature of Saxony's industrial order.

in Temesvar to show German cultural films and ads at over 300 theaters across Romania.<sup>480</sup> In addition, the institute's representatives used a variety of mediums to improve the image of German products among the Balkan public, holding lectures about German culture, showing films about Germany's countryside, customs, and technology, and publishing favorable articles in local newspapers.

The institute received its warmest reception in Romania, where a group of university professors formed a Society of Romanian Friends for the Mitteleuropa-Institut. Dr. Valcovici, Rector of the Technical University in Temesvar, along with Dr. Madgearu, a professor at Bucharest and Romania's finance minister in 1929/30, became the institute's lead contacts in Romania. They were supported by local chambers of commerce, including leaders from the new German-Romanian Chamber of Commerce like Walter Stetten. To market the institute to the Romanian government, Hoffmann emphasized that it was dedicated to the problems of "Pan-European understanding." Through this rather disingenuous framing, and because he explicitly disavowed a focus on German minorities, still a hot issue in Romania, he came under the good graces of Romania's new political leadership.<sup>481</sup> Valcovici and Madgearu soon formed the nucleus of the institute's international board of trustees, which drew roughly 25 of its 50 members from the Balkan states and included other high-ranking government officials like the President of Romania (1931–32) Prof. Nicolas Jorga and Bulgaria's Ambassador to Germany, Dr. Popoff, along with other leading businessmen and academics.<sup>482</sup> The board advised the institute, but it also enabled the Mitteleuropa-Institut to uphold its claim of being a transnational institution rather than merely the German publicity organ that it actually was.<sup>483</sup>

In Yugoslavia the institute received a cooler reception, largely because the new royal dictatorship in 1929 and the accompanying political turmoil prevented Hoffmann from making the types of contacts that he could in Romania. As in Romania, he emphasized that his organization was not concerned with German minorities, yet he made little headway in creating similar supportive institutions at first. While some Croatian and Slovenians cooperated with him, like the rector of Zagreb's business university and the president of Ljubljana's chamber of commerce, the government in Belgrade remained aloof for the first several years of the institute.<sup>484</sup>

Throughout his cultivation of the Mitteleuropa-Institut's network, Hoffmann remained keenly aware of the French competition in Southeastern Europe, particularly in the field of educational exchange. He shared with the VSI the idea that students could be valuable economic representatives, and that they represented the future generation of import-export merchants.<sup>485</sup>

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<sup>480</sup> SSAD, 11125 Min. des Kultus, 15675 Mitteleuropa-Institut, Hoffmann to Ulich of Saxony's Education Ministry from Sept. 21, 1929, 139.

<sup>481</sup> PAAA, Kulturabteilung, 65830 Mitteleuropa-Institut, film 7963 Report on Hoffmann's study trip from Dec. 17, 1929.

<sup>482</sup> PAAA, Kulturabteilung, 65830 Mitteleuropa-Institut, film 7966 MEI circular to its members from Feb. 12 1932; SSAD, 11125, Min. des Kultus, 15675 Mitteleuropa-Institut, Hoffmann to Society of Friends of the MEI from Aug 15 and 17, 1929, 124–26; *Ibid.*, Hoffmann's report to Ulich of Saxon Education Ministry from Sept. 21, 1929, 139, 196–99; PAAA, Belgrade Gesandtschaft, 41/2 MEI to German Legate in Belgrade from July 2, 1931; PAAA, Bucharest Gesandtschaft, 179 suggestions from Bucharest Legation for MEI board of advisors, from May 30, 1930.

<sup>483</sup> Hoffmann cultivated this line outside of Germany by maintaining the façade that the institute was an academic one. SSAD, 11125 Min. des Kultus, 15675 Mitteleuropa-Institut, 190–9; PAAA, Kulturabteilung, 65830 Mitteleuropa-Institut, film 7966 MEI to its members from Feb. 12, 1932; *Ibid.*, film 7964 MEI to Foreign Office from March 11; PAAA, Bucharest Embassy, 179, Belgrade to the Foreign Office, from May 30, 1930.

<sup>484</sup> PAAA Kulturabteilung, 65830 Mitteleuropa-Institut, film 7963, Report on Hoffmann's study trip Dec. 17, 1929.

<sup>485</sup> SSAD, 11125 Min. des Kultus, 15675 Mitteleuropa-Institut, Hoffmann to Ulich from June 4, 1929; See also Prof.

The large number of Romanian and Yugoslavian students studying in France concerned him, and he wanted to prevent study in Paris from becoming even more popular than it already was. Consequently, his institute entered the field of educational exchange with several different programs in mind. In 1930 the Mitteleuropa-Institut brought a dozen Bulgarian agricultural specialists to study at Saxon universities.<sup>486</sup> In the summer and fall of 1931 it led small study trips composed of German professors to the Balkans.<sup>487</sup> Finally, the institute tried to organize a Central European University Week that would bring together professors and teachers from Southeastern Europe in Dresden, yet for want of funding this never transpired.<sup>488</sup>

Despite Hoffmann's hopes, these separate efforts never consolidated into a coherent program for educational exchange. With the focus of the DAAD and Humboldt foundation firmly anchored in Western Europe and America, Germany's educational exchange presence in Southeastern Europe would have to wait until 1935, when new leadership at the Mitteleuropa-Institut found better sources of funding.

The scholarly study of Southeastern Europe, however, something that before 1914 had not been a consolidated branch in German academia, advanced in leaps and bounds in the late 1920s with the formation of several area studies programs. Munich quickly became a leading center with two new institutes founded in 1925 and 1929: the German Academy and the South East Institute (*Institut zur Erforschung des Volksbodens im Süden und Südosten*). Although the former, under the lead of Franz Thierfelder, moved increasingly into cultural diplomacy and language promotion after 1927, it retained a very strong presence in the academic study of German minorities in the Balkans.<sup>489</sup> The latter, directed by the Historian Alexander von Müller, focused much more on the study of German minorities, part of its underlying agenda to demonstrate that Southeastern Europe owed its cultural development to the presence of German settlers since the middle ages.<sup>490</sup>

Although the Thierfelder saw an urgent need to understand the economies of Southeastern Europe, the German Academy's scholarship remained firmly anchored in the cultural study of German minorities, and the Balkan economies became the preserve of Wiedenfeld's new IMSW in Leipzig. As an economist who had been trained in the principles of free trade, Wiedenfeld believed that the study of foreign economies would directly benefit Germany's commercial interests.<sup>491</sup> Saxony in particular needed foreign trade to employ its workforce, and Wiedenfeld hoped that a better understanding of the economic structures of

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Dr. Ernst Schultze, "Die weltwirtschaftliche Durchbildung der künftigen deutschen Wirtschaftsführer," *Sächsische Industrie* (May 19, 1928): 499–500.

<sup>486</sup> PAAA, Kulturabteilung, 65830 Mitteleuropa-Institut, film 7963, MEI to Terdenge from Dec. 27, 1929; SSAD, 11125 Min. des Kultus, 15676 Mitteleuropa-Institut, Report of MEI's activities from June 17, 1931, 220, 226, 243.

<sup>487</sup> PAAA, Kulturabteilung, 65830 Mitteleuropa-Institut, film 7966, Report about of MEI's activities from Sept. 1930 to April 1931

<sup>488</sup> PAAA, Kulturabteilung, 65830 Mitteleuropa-Institut, film 7966, report on discussion of Central European University Week from Nov. 7, 1931.

<sup>489</sup> There was something of a struggle between Thierfelder, who wanted the academy to become Germany's center for cultural diplomacy directed at non-Germans, and Paul Rohrbach, who wanted to ensure that the study of German minorities remained a central component of the academy's work. The two compromised, although initially in 1928 Rohrbach's focus on the academic study of German minorities received more funding. Michels, *Von der Deutschen Akademie*, 48–54.

<sup>490</sup> The South East Institute was a new incarnation of the *Stiftung für deutsche Volks- und Kulturbodenforschung* in Leipzig. Gerhard Seewann, "Das Südost-Institut 1930–1960" in Beer and Seewann, *Südostforschung im Schatten des Dritten Reich*.

<sup>491</sup> On Wiedenfeld's general economic views, see his personal dossier in SSAD, 11125 Min. des Kultus 10281/311.



Germany's trade partners, like the Balkan states, would lend itself to this. "For our supply of foodstuffs and industrial raw materials as well as for the sale of our industrial production," Wiedenfeld pointed out in a memorandum to Saxony's Ministry of Education, "it is of lasting value that we keep ourselves informed and updated through rigorous scholarly research about opportunities in every country for the reciprocal exchange of goods."<sup>492</sup> And while Germany had academic institutes for international commerce in general, like the World Economic Institute in Kiel and the World Economic Archive in Hamburg, until 1928 scholarship devoted specifically to the economies of the Balkans had been absent.

For these new, "little known Southeastern European countries," Wiedenfeld proposed conducting "research into the fundamentals of their economic structure and their economic relations using the linguistic and country-specific expertise" that he would cultivate in his students. In the foreground of the IMSW's work lay the question of how Southeastern Europe complemented Germany "in the exchange of goods and in investment," and how Germany measured up in economic competition in the region with the western European nations.<sup>493</sup> Under Wiedenfeld's lead, the institute began publishing studies on Romania, Bulgaria, Yugoslavia, Albania, Turkey, Greece, and even Afghanistan and Persia.<sup>494</sup> These appeared regularly in several different series including his own *Moderne Wirtschaftsgestaltungen*. In addition to providing statistical information on foreign and domestic investment, economic growth and employment by sector, and the natural resource endowments in these countries, the IMSW's publications also addressed specialized topics like the cooperative systems in the German communities of Transylvania and the foreign economic policies of the Balkan states. Wiedenfeld built up one of Germany's largest collection of official and semi-official statistical publications from Southeastern Europe, along with scholarly work on this region in numerous languages. Altogether the new library contained some 3000 works and 200 periodicals.<sup>495</sup>

Hermann Gross, an ethnic German from Transylvania and frequent writer for the *Siebenbürgische Handelszeitung*, quickly became the star pupil with his studies on German-Romanian trade and his collected edition on the economic networks in Central and Southeastern Europe, published in German and Turkish.<sup>496</sup> His works exemplified the IMSW's underlying agenda of researching and publicizing the ways in which the economies of Southeastern Europe could be useful to Germany. In his earlier works for the institute Gross elaborated on some of the arguments he had first published in the *Siebenbürgische Handelszeitung*, namely, that the German and Romanian economies could help one another modernize. Oil, copper, bauxite, manganese, and other heavy elements from Southeastern Europe were needed by Germany's heavy industry, while grain and livestock from Romania and Yugoslavia would help feed Germany's urban populations. For Romania, its export surplus with Germany would enable it to

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<sup>492</sup> SSAD, 11125 Min. des Kultus, 10273/34, Wiedenfeld to Saxony's Education Ministry from April 2, 1928.

<sup>493</sup> SSAD, 11125 Min. des Kultus, 10273/34, summary of IMSW's activities 1929–1933 from Dec. 11, 1933; Ibid., Wiedenfeld to the Saxon Education Ministry from Jan. 31, 1935.

<sup>494</sup> The institute also published its work regularly in a series produced by the German Foreign Institute in Stuttgart. SSAD, 11125 Min. des Kultus, 10273/34, list of publications from Nov. 11, 1931, 146; For a complete list of publications by 1931 see *ibid.*, 154–55.

<sup>495</sup> SSAD, 11125 Min. des Kultus, 10273/34, summary of IMSW activities sent to Saxony's Education Ministry from Dec. 11, 1931; The figures for the library are from 1935, data for earlier years do not exist. Ibid., Wiedenfeld to Saxony's Education Ministry from Jan. 31, 1935. The IMSW shared its collection of material with the sociology institute, the agricultural institute, the geography seminar at the university of Leipzig, along with the business school in Leipzig, which enrolled ethnic German students from Southeastern Europe.

<sup>496</sup> Gross, "Deutschlands Gütertausch mit Rumänien 1925–1929"; see also Gross, *Mittel- und Südost-Europäische Wirtschaftsfragen*.

buy the capital equipment and machinery needed for industrialization. Gross saw this as a positive development; in order for “its labor force to develop a productive foundation, Romania needs these finished goods,” i.e. the high quality capital goods exported by Germany. “Because of the dearth of capital and the absence of a skilled workforce in the country,” he argued, “these goods either cannot be produced domestically in sufficient quantities, or they are disproportionately expensive.”<sup>497</sup>

In focusing on the economic development of Southeastern Europe and in outlining the region’s usefulness for Germany, the researchers at the IMSW anticipated, and in fact provided much of the statistical foundation for, a wave of German publications dedicated to the Balkans by both conservative and liberal thinkers that appeared in the 1930s.<sup>498</sup> This discourse on Southeastern Europe that the IMSW pioneered highlighted the region’s mutual complementariness with the German economy. Just as important, it argued that the way forward was to improve the productivity of Southeastern Europe’s agriculture and mining sectors, raise the region’s purchasing power, and thereby enhance Germany’s ability to sell goods in Yugoslavia, Romania, Bulgaria, and Hungary. All of this portrayed German-Balkan commerce in a positive, reciprocal light. Despite an agenda that sought to promote closer economic ties between Germany and the Balkans, in contrast to the Mitteleuropa-Institut, before 1933 the IMSW remained an academic organization with little pretense to publicity, although this would change with time.

### *Conclusion*

Between 1928 and 1931 the IMSW and the Mitteleuropa-Institut in Dresden, if no longer in their infancy, were still in their first stages of development. In these years the former established its library, began publishing on a regular basis, and educated its first classes of German and Balkan students. The latter created Germany’s first journal dedicated exclusively to economic and cultural news from Southeastern Europe to redress the deficit of information that had paralyzed German-Balkan trade in the 1920s. And alongside its other export promotion the institute began Germany’s first tentative efforts at academic and student exchange with Southeastern Europe.

It remains difficult to evaluate the extent to which such cultural programs and area studies improved goodwill and facilitated German exports in the Balkans. The Mitteleuropa-Institut’s directors believed that general exposure to German culture and contact with German business, cultural, and academic leaders would indirectly induce the population, or the elites at the very least, to buy more German products. The institute aimed its activities at those states that offered the greatest potential for commerce with Germany.<sup>499</sup> Various Yugoslavian newspapers in 1931 and 1932 reported a significantly higher German cultural presence than in the 1920s, and some even expressed the opinion that Yugoslavia needed to orient itself economically toward

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<sup>497</sup> Gross, “Deutschlands Gütertausch mit Rumänien 1925–1929”; Gross would expand on this view in his *Habilitationsschrift, Südosteuropa: Bau und Entwicklung der Wirtschaft* (Leipzig: Noske, 1937).

<sup>498</sup> The more influential of these include Giselher Wirsing, *Zwischeneuropa und die Deutsche Zukunft* (Jena: Diederichs, 1932); Ernst Wagemann, *Der neue Balkan: altes Land—junge Wirtschaft* (Hamburg: Hanseatische Verlagsanstalt, 1939).

<sup>499</sup> In the planning stages of the University Week Saxon officials strongly urged the institute to draw as many teachers as possible from Yugoslavia and Romania precisely because their trade with Germany was larger than that of Bulgaria or Greece. PAAA, Kulturabteilung, 65830 Mitteleuropa-Institut, film 7966, MEI to Berlin Foreign Office from Nov. 7, 1931.

Germany now more than ever before.<sup>500</sup> The response in Romania, measured by the many local economic elites that joined the “Society of Friends for the Mitteleuropa-Institut,” indicates that Hoffmann’s institute enjoyed a positive reception at the very least.

The effort by Gothein, Hoffmann, and Wiedenfeld to fend off French cultural influence and turn Saxony into Europe’s gateway to the Balkans, however, should be judged only a limited success before 1931. The Mitteleuropa-Institut’s planned Central European University Week, which would have been one of its largest events, never materialized. And as Germany slid into economic depression, especially after the banking crises of 1931, state and local funding dried up causing severe budgetary problems for the Dresden institute. The IMSW in Leipzig did not encounter the same financial difficulties, yet it remained a small endeavor for the first six years of existence.

Walther Hoffmann and Georg Gothein, however, did change how cultural diplomacy was pursued in the Weimar Republic. It became not simply a way for Germany to achieve political prestige or mutual understanding with other nations, as Georg Schreiber or Carl Becker espoused.<sup>501</sup> By the end of the 1920s it had become an economic tool. Hoffmann and Gothein drew on the ideas of the liberal imperialists from Wilhelmine Germany, placing economic considerations at the heart of cultural diplomacy. Along with Wiedenfeld, they argued that trade was embedded in social and cultural relationships. Any improvement in commercial exchange with Southeastern Europe required better cultural exchange and a more detailed knowledge of the region. Promoting German culture through student exchanges, lectures, films, and books, it was hoped, would foster an appreciation for German products. By studying the cultures, societies, and tastes in the Balkans, German producers would be better situated to find and exploit business opportunities. Finally, collecting detailed economic news and establishing contacts with dignitaries and businessmen in the Balkans lowered the barriers to information and the transaction costs that had obstructed trade in the first half of the decade. By approaching economics not from a materialist perspective, but from the perspective of culture, ideas, and information, Gothein, Hoffmann, and Wiedenfeld created two of Weimar’s most innovative cultural and academic organizations.

Both organizations, moreover, created an institutional presence and a reputation in Southeastern Europe that would lay the basis for a more effective cultural diplomacy in the 1930s. When Nazi Germany’s foreign economic policy shifted toward Southeastern Europe after 1934, the Mitteleuropa-Institut and the IMSW would experience a dramatic expansion of their resources. The former’s international board of directors and its network of representatives would provide the platform from which its leaders could recruit Romanian and Yugoslavia students for a new educational exchange program. Meanwhile, the latter became the kernel of an enlarged, multidisciplinary Southeast-Institute in Leipzig, one that opened its own student exchange program in 1936. Thus the Mitteleuropa-Institut and the IMSW, when taken alongside the broader array of private institutions like the Leipzig trade fair and the German-Romanian chambers of commerce, offered alternative ways for Germany’s capital-scarce industry to remain

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<sup>500</sup> BA, R901, 43085 Economic Relations with Yugoslavia, article from *Novosti* from June 20, 1931; *ibid*, 54164 Handel mit Jugoslawien, film 40726, Belgrade Legation to Berlin Foreign Office from June 21, 1932, 291; BA, R3101, 2717 Handels- und Zollpolitik, article by Otto Franges from Oct. 22, 1932, 148–49.

<sup>501</sup> Düwell, *Deutschlands auswärtige Kulturpolitik: 1918–1933*, 28–38. Guido Müller, *Weltpolitische Bildung und Akademische Reform, Carl Heinrich Beckers Wissenschafts- und Hochschulpolitik 1908–1930* (Cologne: Böhlau, 1991).

competitive in Southeastern Europe against their rivals from France, Austria, and other Western European states.

In their quest to drive out French and Austrian competition from Southeastern Europe, Hoffmann, Gothein, and to a lesser extent Wiedenfeld, were a new breed of liberal imperialists who carried two core elements from the Wilhelmine tradition of *Weltpolitik* into the Weimar Republic. First, in helping German industry remain competitive abroad they hoped to modernize the German economy at home. Better contacts in and better information about the markets of Southeastern Europe would increase trade. More exports would bring employment to Germany, while imports from Yugoslavia and Romania provided many of the raw materials necessary for a modern, industrial economy. Yet modernization was not their only concern. By enabling German industry to carve out a larger share among the markets of Southeastern Europe, the Mitteleuropa-Institut, the IMSW, and the Leipzig trade began orienting the economies of Yugoslavia and Romania toward Germany. Hoffmann, Gothein, Wiedenfeld, and Köhler of the Leipzig trade fair began to shift the weight of economic contacts between the Balkans and the rest of Europe to run more and more through Germany, Saxony in particular, rather than through Vienna. Indeed, on the eve of the Great Depression in 1929 over 40 percent of Yugoslavian and Romanian exports and over 50 percent of their imports were with Germany.

As Albert Hirschman made so clear in his book *National Power and the Structure of Foreign Trade*, in international relations trade is an avenue for political influence as much as it is a strategy for economic growth and development.<sup>502</sup> As the next chapter will show, Weimar's statesmen did indeed harbor political ambitions in Southeastern Europe, and trade was the tool by which they hoped to achieve them. As the Great Depression heightened the competition for markets in Europe, Weimar's leaders like Economics Minister Hermann Dietrich and Chancellors Hermann Müller and Heinrich Brüning, began to see Germany's "relations to the states of Eastern and Southeastern Europe" as the "most urgent and perhaps the most important task of Germany's economic and trade policy."<sup>503</sup>

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<sup>502</sup> Hirschman, *National Power and the Structure of Foreign Trade*.

<sup>503</sup> Schröder, "Die deutsche Südosteuropapolitik 1929–1936," 5–32.

### **The Politics of Trade: *Paneuropa*, *Mittleuropa*, and the Great Depression**

*In the era of the global economy Europe is not large enough to be divided into more than twenty economic regions that are closed to one another from tariffs. What before the war was still tolerable, has now become unbearable after the effects of war have given the United States such an enormous economic preponderance. For Europe there is only one salvation: to end the fragmentation of the European economy and form a unified European Economic region, in other words, to dismantle the tariffs within Europe and create a single European customs union.*<sup>504</sup>

In late October and early November 1929 the New York stock market crashed, the Dow Jones Industrial Average losing a third of its value in less than four weeks. During the coming months and years the panic spread across the Atlantic, sending America and Europe tumbling into a deep depression. The economic downturn, however, reached Central Europe even before the fall of 1929. A steep decline in prices had afflicted the region's large agrarian sector since 1926. In the fall of 1928 western capital had already started retreating from Central Europe as America's Federal Reserve Board raised interest rates and as American banks ceased long-term lending to Germany. Over the course of 1929 capital inflows to Germany declined by over forty percent, and Germany's nominal national income fell by five percent. Over the next four years Germany's capital imports and national income would continue to plummet and exports, the motor of economic growth for the Weimar Republic, would decline by over sixty percent as America, the British and French Empires, and the states of Europe retreated behind tariff walls, quota systems, and foreign currency controls.<sup>505</sup>

German policy-makers, like policy-makers everywhere, responded to the onset of depression with a desperate application of orthodox economic principals alongside a search for new solutions. Germany's new Chancellor in March 1930, Heinrich Brüning, infamously pursued a policy of rigid austerity, balancing the budget, deflating the German economy, and raising interest rates in an attempt to maintain Germany's financial credibility and attract international capital.<sup>506</sup> Simultaneously, however, he and leading officials in the Foreign Office and the Economics Ministry formulated a new foreign economic policy after 1930 which they hoped would bolster Germany's declining trade and solve Weimar's economic troubles: they turned their attention to the markets of Central and Southeastern Europe.

Since 1924 Weimar's foreign economic policy under Gustav Stresemann had been oriented toward the west, designed to attract American capital, cooperate with France in managing border issues, and cultivate the export markets of Western Europe.<sup>507</sup> The sectors that depended on foreign trade the most, the electrical and chemical engineering and the machine tool

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<sup>504</sup> The German Peace Society "Panneuropa" in *Sächsische Industrie* from Oct. 24, 1925.

<sup>505</sup> Barry Eichengreen, *Golden Fetters. The Gold Standard and the Great Depression 1919–1939* (New York: Oxford Univ. Press, 1995), 226, 241–43; Ritschl, *Deutschlands Krise und Konjunktur 1924–1934*, Table B.4; on tariff levels see Spaulding, *Osthandel und Ostpolitik. German Foreign Trade Policies in Eastern Europe from Bismarck to Adenauer*, 223.

<sup>506</sup> Edmund Clingan, *Finance from Kaiser to Führer: Budget Politics in Germany 1912–1934* (Westport, CT: Greenwood Press, 2001), 167–200.

<sup>507</sup> Peter Krüger, *Die Aussenpolitik der Republik von Weimar*; Niedhardt, "Aussenminister Stresemann" in Pohl, *Politiker und Bürger, Gustav Stresemann und seine Zeit*.

firms of Berlin, the Rhineland, and Saxony, did more business in Great Britain and the Netherlands than they did with Yugoslavia or Romania. And until the Great Depression economists like Walther Hoffmann or Hermann Gross who wanted German foreign policy to focus on Southeastern Europe were a distinct minority.<sup>508</sup> Into the early years of the depression the directors of Germany's large, international firms like IG Farben, Siemens AG, and AEG Electric, the bankers of Berlin and Hamburg like Max Warburg, and many academic economists persuasively argued that Germany's economic interests lay with America, Western Europe, Latin America, and East Asia as much as they did with the Balkans.<sup>509</sup>

This orientation toward Western Europe and America finds its parallel in the way British and American scholars have recounted Germany's experience during the depression. With good reason, the story conventionally centers on the politically-loaded issues of reparations and war debts, collaboration (or lack thereof) between the central banks in Berlin, London, Paris, and New York, and German fiscal and credit policies.<sup>510</sup> Those English-language scholars who examine Germany's aggressive economic policy in Eastern and Southeastern Europe typically begin their story after the Nazi seizure of power in 1933, or at the very least draw a sharp distinction between the policies of Nazi Germany and the Weimar Republic.<sup>511</sup>

But there is a less well-known geopolitical aspect to the Great Depression, one that begins before the New York stock market crash of 1929. For the de-globalization of the late 1920s and early 1930s marked a geopolitical turning point in Germany's foreign economic policy, fundamentally changing the way numerous economists, businessmen, and government officials conceptualized foreign trade. For many free traders, the economic turbulence of the 1920s undermined their belief in the efficacy of an integrated, global market. It spurred them to plan for a new world order based on large economic blocs or empires rather than free trade. For others, the economic tensions redirected their interest to new markets previously thought peripheral to German industry. Finally, it incited many economic thinkers to see trade more through the lens of power politics and diplomatic influence rather than merely an avenue to generate economic growth and employment at home.

In short, already in the late 1920s Weimar's foreign policy establishment began to rethink Germany's place in Europe. In doing so its leaders drew heavily on the ideas generated by non-governmental institutions. By 1930 officials in the Foreign Office and the Economics Ministry

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<sup>508</sup> These academics helped found institutes that engaged in cultural diplomacy and publicity work in Southeastern Europe: the Mitteleuropa-Institut in Dresden and the Institute for Economic Research on Central and Southeastern Europe in Leipzig.

<sup>509</sup> Carl Bosch, director of IG Farben, hoped for a "renaissance of international trade." Hayes, *Industry and Ideology*, 46; on the electrical and chemical industries see Schröter, "Europe in the Strategies of Germany's Electrical Engineering" in Berghahn, *Quest for Economic Empire*; Verena Schröter, *Die deutsche Industrie auf dem Weltmarkt, 1929–1933: aussenwirtschaftliche Strategien unter dem Druck der Weltwirtschaftskrise* (Frankfurt am Main: P. Lang, 1984), 507–9; Ferguson, *Paper and Iron*.

<sup>510</sup> The literature on the depression in Germany is massive. For an introduction into the controversies over the causes see Ritschl, "Reparation Transfers, the Borchardt Hypothesis and the Great Depression in Germany, 1929–1932," 49–72, which tries to reconcile Borchardt's supply-side explanation with the Keynesian interpretation. On the primacy of the gold standard see Peter Temin, *Lessons from the Great Depression* (Cambridge, MA: MIT Press, 1999); On the lack of cooperation among Western European central banks see Eichengreen, *Golden Fetters*; On the drying up of American capital flows to Germany see Charles Kindleberger, *World in Depression 1929–1939* (Berkeley: Univ. of California Press, 1986); For an excellent, German focused synthesis see Balderston, *Origins and Course of the German Economic Crisis*.

<sup>511</sup> For example, Grenzebach, *Informal Empire*; Milward, "The Reichsmark Bloc and the International Economy," 377–413; An important exception is David Kaiser's groundbreaking work, *Economic Diplomacy and the Origins of the Second World War*.

interacted on a regular basis with one of the largest such institutions, the Mitteleuropäische Wirtschaftstag, a transnational group of economists and businessmen from across Europe that is best described as a think tank, lobby group, and publicity organ. German officials attended its conferences and worked with it to shift public opinion in favor of a more active policy in Central and Southeastern Europe. Against the backdrop of the global crisis these bureaucrats and economists strove to bring German industry together with the agrarian economies of Yugoslavia, Romania, Hungary, and Bulgaria to form an economic bloc that would insulate Central Europe from the downturn in international trade. Their mechanisms of choice to further integration were bilateral treaties and a Central European customs union.

Yet Germany's trade with Southeastern Europe, even at its relative highpoint in 1929, was quite small. Less than four percent of Germany's total exports and imports went to Romania, Yugoslavia, Hungary, and Bulgaria. Why, then, did so many political and economic leaders fasten onto such a commercially insignificant region like Southeastern Europe as Germany's economic salvation? Why did liberal publicists and some former free traders come to desire a customs union that diverted trade away from the global market?<sup>512</sup> Why did Germany's economic elites come to see and use foreign trade less as an instrument of peace and more as an instrument of power? Why, in the words of Germany's economics minister Hermann Dietrich, did Southeastern Europe become an "urgent and perhaps the most important challenge" of German foreign policy by 1930?<sup>513</sup> Chapter 5 explores these questions through a close study of the Mitteleuropäische Wirtschaftstag and its leaders, showing how this organization drove the sea shift in German economic thinking from Western to Southeastern Europe, and in doing so how it laid the basis for a renewal of German economic imperialism in the 1930s.<sup>514</sup>

### *The Western Path*

"All of Europe is sick, the sickness has only begun in Central Europe and is now gradually spreading over the continent and from there further. ... The underlying cause of the current European, and especially the Central European, crisis lays in the unnatural impediments to trade."<sup>515</sup> These words were written to describe not the onset of the Great Depression but the commercial conditions of Europe in the middle of the 1920s. The centerpiece of the Mitteleuropäische Wirtschaftstag's first conference in September 1925 in Vienna was the continent's economic "sickness." Organized by a group of free trade Austrians led by Julius Meinl, the owner of Austria's largest coffee, tea, and wine import house, the Mitteleuropäische Wirtschaftstag brought together hundreds of economists and businessmen from across Europe—France, England, the Netherlands, Italy, Austria, Germany, Czechoslovakia, Poland, Romania,

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<sup>512</sup> Wilhelm Gürge's book in 1929, titled *Paneuropa und Mitteleuropa*, discussed the potential benefits of European-wide customs union. Two years later his work *Grossraumwirtschaft, der Weg zur europäischen Einheit* called for one with Central and Southeast Europe. Wilhelm Gürge, *Paneuropa und Mitteleuropa* (Berlin: Staar, 1929); Wilhelm Gürge and Wilhelm Grotkopp (eds.), *Der Weg zur europäischen Einheit. Ein Grundriss* (Berlin: Organisation, 1931).

<sup>513</sup> Schröder, "Die deutsche Südosteuropapolitik 1929–1936," 8.

<sup>514</sup> On the concept of economic imperialism during the Weimar Republic see Joachim Radkau, "Renovation des Imperialismus im Zeichen der 'Rationalisierung.' Wirtschafts-imperialistische Strategien in Deutschland von den Stinnes-Projekten bis zum Versuch der deutsch-österreichischen Zollunion 1922–1931" in Joachim Radkau and Imanuel Geiss (eds.) *Imperialismus im 20. Jahrhundert. Gedenkschrift für George W.F. Hallgarten* (Munich: Beck, 1976).

<sup>515</sup> Bundesarchiv Berlin (BA), R901, 42993 Mitteleuropa-Institut, article from *Neue Freie Presse* about the Mitteleuropäische Wirtschaftstag conference from July 18, 1925.

Hungary, and Yugoslavia—to discuss how to remove barriers to trade on the European continent.<sup>516</sup> Meinl and his colleagues believed Europe needed a public forum to reconcile the two dominant and contradictory postwar commercial trends: a strong rise in economic nationalism, and advances in technology and transportation that made it impossible for economic development to succeed within the confines of small nation-states.<sup>517</sup> Since 1919 tariffs in America and Europe had slowly risen, particularly in the newly established states of Eastern Europe.<sup>518</sup> For countries like Austria, Czechoslovakia, and even Germany and France, these economists argued, prosperity demanded that their governments join in creating a single, integrated European market. And so Meinl and his colleagues called for the consolidation of national railroad systems into a single network, the removal of restrictions on international shipping along the Danube and the Rhine, and a rationalization of the European postal and commercial visa systems.<sup>519</sup>

The Mitteleuropäische Wirtschaftstag was not alone in its efforts to open dialogue about a pan-European federation.<sup>520</sup> Associations like the European Customs Union Organization, the German Cartel for European Rapprochement, and the Union for European Understanding made their name lobbying the governments of Europe to think and act on a European rather than a national scale. Like the Mitteleuropäische Wirtschaftstag, many of them originated outside of Germany, the most well-known being the Pan-Europa movement led by the Austrian, Richard Coudenhove-Kalergi. Yet the Mitteleuropäische Wirtschaftstag was the largest and most sustained movement of this type, one of the only to gain substantial government support and to last into the 1940s.<sup>521</sup>

As a multinational organization the Mitteleuropäische Wirtschaftstag harbored numerous strategies for unifying the continent of Europe, which largely fell under two approaches. The first, espoused by the former state secretary of Hungary Elemer Hantos and taken up by participants from Yugoslavia and Czechoslovakia, called for a federation of successor states to the Austro-Hungarian Monarchy.<sup>522</sup> In contrast, advocates of the second approach believed that

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<sup>516</sup> BA, R901, 42993 Mitteleuropa-Institut, report from German Legate in Vienna to Berlin Foreign Office from Mar. 03, 1926.

<sup>517</sup> BA, R901, 42993 Mitteleuropa-Institut, article from the NFP, 2.

<sup>518</sup> Berend, *Decades of Crisis*, 235–37.

<sup>519</sup> BA, R901, 42993 Mitteleuropa-Institut, German legate in Vienna to Berlin Foreign Office from July, 1926, 86–87.

<sup>520</sup> For a cross section of ideas about European integration in the mid-1920s see the collection of essays edited by Hanns Heiman, *Europäische Zollunion* (Berlin: Hobbing, 1926), with contributions from many well-known German economists. See also the following dissertations: Hans-Herbert Hohlfeld, “Zur Frage einer europäischen Zollunion” (Univ. Freiburg, 1927); Heinz August Wirsching, “Der Kampf um die handelspolitische Einigung Europas. Eine geschichtliche Darstellung des Gedankens der Europäischen Zollunion” (Univ. Erlangen, 1928); Heinrich Bläsner, “Die Europäischen Zollunion. Ideengeschichtliche Studien” (Univ. Rostock, 1929).

<sup>521</sup> Europäische Zollverein Organization, the Deutsches Kartell für europäische Annäherung, the Europäische Kulturbund, and the Verband für Europäische Verständigung. Frommelt, *Panuropa oder Mitteleuropa?*; Stegmann, “Mitteleuropa 1925–1934” in Wendt/Witt, *Industrielle Gesellschaft und politisches System*, 208; Katiana Orluc, “A Wilhelmine Legacy? Coudenhove-Kalergi’s Pan-Europe and the Crisis of European Modernity, 1922–1932” in Geoff Eley and James Retallack (eds.) *Wilhelmism and its Legacies. German Modernities, Imperialism, and the Meanings of Reform, 1890–1930* (New York: Berghahn Books, 2004).

<sup>522</sup> Hantos published widely on this topic. For an overview of his opinions see his exchange with Georg Gothein published in the *Hamburger Fremdenblatt* No. 61, pp. 87 and 110, in Bundesarchiv Koblenz (BAK), Nachlässe Gothein 49; Elemer Hantos, *Denkschrift über die wirtschaftliche Probleme Mitteleuropas* (Vienna: Mitteleurop. Wirtschaftstagung, 1927); for a recent historical study of Hantos see Nils Müller, “Die Wirtschaft als ‘Brücke der



excluding Germany from Central European economic agreements would be impossible given the reality of its large market. They maintained that the “nucleus of any commercial understanding in Europe must be found in a German-French economic rapprochement.” With the passing of the Ruhr crisis and the regulation of German reparations by the Dawes plan, any lingering hostility between the two largest economies of Europe needed to be addressed directly. “Austria would subsequently fasten onto this German-French block. The attractive power [*Zugkraft*] would then be so great, that the other Central European states would follow on their own accord.”<sup>523</sup>

By 1925 Georg Gothein, the leader of the German delegation to the Mitteleuropäische Wirtschaftstag, emerged as one of the most energetic representatives of the Franco-German strategy. Born in 1857 to a Silesian doctor, Gothein received his education at Breslau and Berlin, and later made a career for himself in the mining industry of Upper Silesia. In 1893 he turned to politics, becoming a member of the Prussian parliament and a year later a city councilman in Breslau. Before the war he joined the Progressive People’s Party, where his liberal economic outlook echoed the opinion of other prewar thinkers like Norman Angell in England and Ivan Bloch in Poland, who maintained that commerce and peace reinforced one another.<sup>524</sup> Following the treaty of Versailles Gothein became a leading member of the left-leaning liberal German Democratic Party (DDP), and in 1919 he was appointed Secretary of the Treasury in Philip Scheidemann’s cabinet.<sup>525</sup> As a director of Germany’s Foreign Trade Association before and after the war, Gothein was a stalwart proponent of free, international trade. And like many of his Viennese colleagues in the Mitteleuropäische Wirtschaftstag, he saw the removal of commercial barriers within Europe as a preliminary step back to an interconnected, global economy like the one that had flourished before 1914.<sup>526</sup>

Freer trade within Europe was an urgent priority for several reasons. In Gothein’s mind, one of the primary causes of the world war had been the creeping rise of protectionism in the first decades of the 20<sup>th</sup> century. In the *Wealth of Nations*, Gothein argued, Adam Smith had dismantled the intellectual basis for mercantilism and laid the foundation for a century of increasingly unfettered commerce and peace in Europe. “The active exchange of goods, which brought with it a tightening of relations between business associates and a satisfaction of rising wealth on all sides of the border, created a pacific sentiment” among nations. Yet the imperialism of the late 19<sup>th</sup> century, he argued, had shattered that feeling. Mercantilism, or the “amalgamation of power and economics,” returned as Western European states vied to protect their domestic and colonial markets by erecting commercial barriers. This “represented one of the most serious dangers to the peaceful and friendly existence of peoples.” German restrictions on Russian wheat and rye in 1906 had raised tensions between these two powers. The Austro-Hungarian tariff war with the Kingdom of Serbia had laid the basis for the latter’s fanatical anti-Habsburg sentiments. And “doubtless did Germany’s protective tariff policies contribute

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Politik’ Elemer Hantos’ wirtschaftspolitisches Programm in den 1920er und 1930er Jahren,” in Sachse, “Mitteleuropa”.

<sup>523</sup> BA, R901, 42993 Mitteleuropa-Institut, German diplomat in Vienna reporting on a conversation with Landwehr to Berlin Foreign Office from Aug. 20, 1926, 90.

<sup>524</sup> Norman Angell, *The Great Illusion: a study of the relation of military power in nations to their economic and social advantage* (London: Heinemann, 1910); Ivan S. Bloch, *Is War Now Impossible? Being an Abridgement of ‘The War of the Future in its Technical, Economic and Political Relations’* (London: Richards, 1899); On these two figures see Ferguson, *The Pity of War*, 9–11, 21–23.

<sup>525</sup> BAK, N 1006 Nachlässe Gothein, General Information.

<sup>526</sup> BAK, N 1006 Nachlässe Gothein, 49, Sept. 25, 1924, Report from the Freihandelsbund gegen Teuerung und Wirtschaftszwang, 25.

fundamentally to the deterioration of English opinion toward [Germany].”<sup>527</sup> Because “modern wars have economic as well as national causes,” Gothein believed that a primary goal of trade policy after the Versailles Treaty “must be to avoid war” and avoid repeating the economic nationalism of Wilhelmine Germany.<sup>528</sup>

While Gothein believed a Pan-European customs union could achieve peace in his day, he also thought it presented the only way for German industry to prosper in the new postwar economic environment. “In order to produce, one must have the chance to market one’s products. Mass production—and modern industry is based on this—requires mass sales.”<sup>529</sup> The application of mass production to German industry, however, had achieved only limited success because Weimar’s domestic market was too small. Many industries that rationalized through cartels, the consolidation of plants, or the application of new machinery still suffered from serious overcapacity during the 1920s, above all the iron, steel, and automobile sectors. Their managers argued that the German market was too small for mass sales, and as a consequence they had to raise prices to cover their costs.<sup>530</sup> For delegates to the Mitteleuropäische Wirtschaftstag, the American model represented a way out of this dead end. “‘America, you have it better than Europe the old.’ From the Atlantic to the Pacific, from Mexico and the Caribbean Sea to Canada you have a single customs, travel, legal, currency, and sales region that has made you into the country of the most unlimited possibilities, into the richest of the world, that has made your workforce the most productive, and that has given your 115 million inhabitants the highest living standard.”<sup>531</sup>

From Germany’s chronic problem of overcapacity Gothein drew the lesson that finding a large, stable export market would allow German producers to spread their fixed costs across a larger volume of products.<sup>532</sup> For Gothein and his colleagues at the Mitteleuropäische Wirtschaftstag, then, exports were the pivot around which Germany’s economy revolved. Indeed, Germany had always been dependent on foreign trade, which both before and after World War I amounted to roughly one quarter of the national product.<sup>533</sup> In the 1920s Gothein estimated that 36 percent of Germany’s total goods produced in some way depended on the export sector, and that one-third of Germany’s employed population earned a living directly or indirectly from exports.<sup>534</sup>

Following the treaty of Locarno in 1925 Gothein campaigned to secure a stable foreign market for German producers through a customs union with Western Europe. And in many ways he was remarkably prescient of how expansive the European Union after 1945 could become. The “key to Paneuropa today,” he pointed out, “lays with France. If France and Germany

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<sup>527</sup> Georg Gothein, “Die aussenpolitischen Aufgaben der Wirtschaft” 502–19. In BAK, N 1006 Nachlässe Gothein, 76.

<sup>528</sup> Georg Gothein, “Pan-Europa?” in *Deutsche Einheit*, no. 47, (Nov. 1924), 1126–34, in BAK, N 1006 Nachlässe Gothein, 79.

<sup>529</sup> Georg Gothein, “Ist eine Paneuropäische Zollunion Durchführbar?” special edition no. 22 for the *Deutschen Liga für Völkerbund* in BAK, N 1006 Nachlässe Gothein, 78.

<sup>530</sup> Nolan, *Visions of Modernity*, 155–57; Balderston, *Origins and Course of the German Economic Crisis*, 99–122.

<sup>531</sup> Georg Gothein, “Die Gefahren der gegenwärtigen Lohnbewegung” in *Europäische Revue* vol. 3 (July 1928), in BAK, N 1006 Nachlässe Gothein, 80/2; Georg Gothein, “Der Weg zur Hebung der Kaufkraft” in *Deutsche Handels-Warte* 1 (1926), BAK, N 1006 Nachlässe Gothein, 79/3.

<sup>532</sup> Gothein, “Die aussenpolitischen Aufgaben der Wirtschaft.”

<sup>533</sup> Schröter, *Industrie auf dem Weltmarkt*, 522.

<sup>534</sup> In contrast, agriculture, whose representatives were Gothein’s most intractable opponents in trade policy debates, accounted for 24.5 percent of German employment. Georg Gothein, “Wieviel Arbeitskräfte beschäftigt die Ausfuhr” in *Ruhr und Rhein* from Apr. 17, 1931 in BAK, N 1006 Nachlässe Gothein, 80/1.

successfully conclude a customs pact then the question of Paneuropa will be solved. Because then the gravity of such a customs union will be so great that the other states of continental Europe, up to the Russian border, will in some measure inevitably follow.”<sup>535</sup> In a special study commissioned by Germany’s Committee for the League of Nations, circulated through Germany’s Foreign Office and Economics Ministry, Gothein argued that both France and Germany needed such an agreement. With the incorporation of the iron industries of Alsace-Lorraine after Versailles, France needed to import capital equipment and coke, and it now produced more iron than its domestic market could consume. Not only were the coal and iron industries on both sides of the Rhine too intertwined to prosper in the face of high tariffs and fluctuating currencies, so argued Gothein, both France and Germany possessed other industries that needed to sell beyond their domestic market: wine and luxury textiles for the former, chemicals and machine tools for the latter. A customs union would lift the shackles limiting the economic development of both countries.<sup>536</sup>

Gothein hoped that keeping visions for a European federation on the economic plane would forestall American anxiety about a European super-power. While America represented the great economic rival for the *Mitteleuropäische Wirtschaftstag* it was never seen as an enemy. For Gothein a European federation was merely a counterweight to American power, one that would give European nations greater bargaining weight at the table when negotiating trade agreements with America.<sup>537</sup> And because the question of Germany’s public debt, private debt, and reparations hinged on American capital, Weimar needed America in the immediate future. Likewise, Gothein hoped, “the United States of America ultimately [had] too great an interest in a flourishing Europe with purchasing power to ruin it by pursuing a policy of Shylock.”<sup>538</sup>

Although the *Mitteleuropäische Wirtschaftstag* was one of the largest organizations to advocate the idea of European economic unification, in the eyes of Germany’s Foreign Office it remained relatively unimportant in its first two years.<sup>539</sup> But between 1927 and 1929 this gradually changed as its annual meetings gained international publicity and Gothein’s German Section, organized in 1926, attracted more influential members. Government ministers like Reichsbank director Hjalmar Schacht and assistant secretary of the Economics Ministry, Ernst Trendelenburg, attended the organization’s annual conferences.<sup>540</sup> Influential non-governmental participants included Lujo Brentano and Julius Wolf, the founder of the *Mitteleuropäische Wirtschaftsverein* in 1904. By the late 1920s Gothein regularly sent policy recommendations directly to Gustav Stresemann, Germany’s Foreign Minister.<sup>541</sup> And during preparation for the

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<sup>535</sup> Gothein, “Ist eine paneuropäische Zollunion Durchführbar?”

<sup>536</sup> Given the relatively poor state of commercial exchange with Southeastern Europe in 1925, Gothein devoted scant attention to the needs of the Balkan countries in his earlier proposals for customs union. Gothein, “Ist eine paneuropäische Zollunion Durchführbar?” 13–14; Georg Gothein, “Deutsch-französische Zollunion als Vorstufe der Europäische Zollunion,” 76–80 in BAK, N 1006 Nachlässe Gothein, 78.

<sup>537</sup> Gothein, “Pan-Europa?”

<sup>538</sup> Gothein, “Ist eine Paneuropäische Zollunion durchführbar?”

<sup>539</sup> “On the whole the organizers of the [Central European] transportation conference (1926) evoke the figure from a novel by Thomas Mann... [who] stands at the train station and raises his hand at same time as ‘the man with the red cap’ and then believes that it is he who makes the trains move.” BA, R901, 42993 *Mitteleuropa*-Institut German diplomat in Vienna to Berlin Foreign Office from Oct. 9, 1926, 122.

<sup>540</sup> BA, R901, 42993 *Mitteleuropa*-Institut, Linder to Wörmann from July 29, 1926, 75.

<sup>541</sup> Following the conference in 1926 Gothein informed Stresemann of the organization’s recommendations, suggesting that Germany and France begin working to unify their postal system. The proposal was well received not only by Stresemann, but also by the French delegates to the *Mitteleuropäische Wirtschaftstag*. BAK, N 1006 Nachlässe Gothein, 49, Memorandum from Dec. 1926, 87; *ibid.*, correspondence between Gothein, Stresemann, and

World Economic Conference of 1927 Gothein and the co-director of the German Section, Herbert Strencioch, advised a committee of government officials from Germany, Austria, and Czechoslovakia on the economic challenges facing Central Europe.<sup>542</sup> Thus by 1928 the Foreign Office came to recognize the *Mitteeuropäische Wirtschaftstag*'s growing importance as a think tank and as a publicity organ. More than anything they wanted to use it to prevent the idea for an economic federation of Danubian states from gaining currency.<sup>543</sup>

### *PanEuropa and the German Foreign Office*

In the middle of the 1920s Gothein's call for a westward-oriented, Pan-European economic union did not seem unrealistic. The treaty of the Locarno, the Dawes Plan, and Germany's entry into the League of Nations had generated optimism among many leaders of Western Europe, who now began calling for cooperation rather than confrontation.

Gustav Stresemann spearheaded Germany's westward leaning foreign policy. Stresemann, as one recent biographer has argued, was a "creative pragmatist." Before 1914 he had been an ardent nationalist and a proponent of expanding the German empire. And like Gothein, he believed exports were the lifeblood of the economy. Germany's most dynamic sectors like steel, chemicals, electrical engineering, and machinery were all export-oriented and were the "place where new jobs could be found." Unlike America, Great Britain, or France, however, Germany lacked an imperial or a continental-sized market; it depended on imports and was consequently vulnerable to protectionist policies, its "Achilles heel."<sup>544</sup> Yet following Germany's defeat in 1918 Stresemann stopped openly advocating a German empire and gradually adapted to the new international circumstances of American financial hegemony, German military and political weakness, and above all European economic interdependence.<sup>545</sup>

Stresemann's highest priority was working with France, Great Britain, and America to acquire loans, demilitarize the Rhineland, and place Germany on equal footing again as a partner in Europe. Cooperation with the advanced economies of Western Europe through the League of Nations and the International Chamber of Commerce, he hoped, would help Germany reassert itself in Europe. In 1925 he stressed that an important component of this strategy would be the creation of an integrated economic space in Europe through the abolition of import duties. And like Gothein, he thought any customs union must begin with a Franco-German commercial understanding. In 1925 when the French representative to the League of Nations, Louis

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Wörmann from Nov. 9 and 27, 1926, 141, 147; BA, R901, 42993 *Mitteuropa*-Institut, Memorandum to German Section from March 31, 1927, 206.

<sup>542</sup> BAK, N 1006 Nachlässe Gothein, 49, Memorandum to German Section from March 31, 1927; *Ibid.*, pamphlet by Elemer Hantos, "Das Donauprobem in der Mitteleuropäischen Wirtschaft," 175; BA, R901, 42994 *Mitteuropa*-Institut, Report from Hantos from 1927.

<sup>543</sup> "In order to override any possible influence of Mr. Hantos, a quick and energetic course of action on our part will be necessary." Diplomat Lerchenfeld in Vienna, a former critic of the *Mitteeuropäische Wirtschaftstag*, to Berlin Foreign Office in BA, R901, 42994 *Mitteuropa*-Institut, from March 16, 1928, 141.

<sup>544</sup> Jonathan Wright, "Stresemann: A Mind Map" in Gaynor Johnson (ed.) *Locarno Revisited: European Diplomacy 1920–1929* (London: Routledge, 2004), 148; See also Jonathan Wright, *Gustav Stresemann: Weimar's Greatest Statesman* (Oxford: Oxford Univ. Press, 2002).

<sup>545</sup> Stresemann remains a disputed figure insofar as he was simultaneously a proponent of European cooperation and a politician who harbored ambitions to return Germany to a great power and revise its eastern borders. The debate over whether he is best characterized as a European statesman or a German nationalist is summed up in the introduction to Wright, *Stresemann* and Wright, "Stresemann: A Mind Map," 152; Krüger, "Zur europäischen Dimension" in Pohl, *Politiker und Bürger, Gustav Stresemann und seine Zeit*.

Loucheur, unveiled plans for a European customs union Stresemann and his closest associates in the Foreign Office responded with enthusiasm. Foreign secretary Carl von Schubert and Karl Ritter, director of the department for commercial policy, immediately began designing a scheme to progressively lower European trade barriers. Stresemann, Schubert, and Ritter hoped that a customs union, in conjunction with the recently signed Locarno border agreements, would overcome France's perennial anxiety about security, improve German exports, and make the continent interdependent and ultimately less prone to conflict.<sup>546</sup> The high point of Franco-German reconciliation came in the following two years with the international iron and steel combine of 1926, the World Economic Conference of the League of Nations in 1927, and the Franco-German commercial accord later that year.<sup>547</sup>

The customs union itself, however, never came to fruition. Even before the Franco-German trade accord Stresemann and his officials realized their initial enthusiasm for Loucheur's plan was outrunning reality. Part of the reason lay in the multiplicity of economic interests within Germany. Any policy made by the Foreign Office was conditioned by its close interaction in Germany's corporatist economy with the leading associations of industry and agriculture. In 1925 the Foreign Office, the Economics Ministry, the Imperial Federation of German Industry (RDI), and the German Association for Chambers of Industry and Commerce (DIHT) had formed the Committee for Commercial Policy to coordinate Weimar's foreign trade strategies.<sup>548</sup> The DIHT and the RDI, however, were internally divided over the idea of a European economic bloc and both eventually came out in opposition to it, albeit for different reasons. Within the DIHT the sectors where a Pan-European customs union received a modicum of enthusiasm were the chemical, machinery, and electrical engineering industries. Yet because these sectors were competitive across the globe, many of their firms, particularly the more specialized ones, found a focus on the markets of Europe too narrow.<sup>549</sup> In the RDI the leaders of Germany's iron and steel sectors opposed a customs union because, in their estimation, French industry with its low wages and better production conditions was better situated to dominate a single European market.<sup>550</sup>

The leaders of iron and steel found an ally in Germany's agricultural sector. Declining grain prices and competition from foreign producers encouraged Weimar's agrarian groups to call for protection. The *Reichslandbund*, Germany's largest and right-of-center agricultural interest group, consistently lobbied the government to maintain tariffs on food products, eschew a policy of export promotion, and cultivate Germany's domestic market. Both agriculture and heavy industry rejected any Pan-European customs union that involved only moderate tariffs against America and overseas producers. In 1925 this alliance was strong enough to pressure

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<sup>546</sup> On Stresemann's attitude toward a pan-European customs union and the ensuing planning within Germany's ministerial bureaucracy see Peter Krüger, "Die Ansätze zu einer europäischen Wirtschaftsgemeinschaft in Deutschland nach dem Ersten Weltkrieg" in Helmut Berding (ed.) *Wirtschaftliche und politische Integration* (Göttingen: Vanenhoeck & Ruprecht, 1984), 149–68; Peter Krüger, "European Ideology and European Reality: European Unity and German Foreign Policy in the 1920s" in Peter M. R. Stirk (ed.) *European Unity in Context. The Interwar Period* (London: Pinter Publishers, 1989); See also Wright, "Mind Map," 156.

<sup>547</sup> Peter Krüger, *Die Aussenpolitik der Republik von Weimar*, 368–72; In August of this year France, England, and Belgium also agreed to reduce the occupation of the Rhineland by 10,000 troops.

<sup>548</sup> Stegmann, "Mitteleuropa 1925–1934," 205.

<sup>549</sup> Dirk Stegmann, "Deutsche Zoll- und Handelspolitik 1924/25–1929 unter besonderer Berücksichtigung agrarischer und industrieller Interessen" in Mommsen et al., *Industrielles System und politische Entwicklung in der Weimarer Republik*, 512; Schröter, "Electrical Engineering and Chemical Trusts," 44, 52.

<sup>550</sup> Schröter, "Electrical Engineering and Chemical Trusts"; Frommelt, *Panuropa oder Mitteleuropa?*, 40–41, 52.

Germany's parliament into resurrecting a more limited version of the iron and rye tariff of 1879. And it continued its pro-tariff policy throughout the rest of the decade.<sup>551</sup>

Just as much as the recalcitrance of Germany's agriculture and heavy industry, the fear of alienating the American government and American investors prevented Stresemann from moving ahead with a pan-European customs union. Like Gothein, Stresemann understood just how much Germany depended on private, short-term capital from the United States. Between 1924 and 1929 American private investment in Germany totaled almost 3 billion dollars, more than twice as much as the Marshall plan of the 1940s in real terms.<sup>552</sup> He would not countenance German participation in a European customs union that involved high external commercial barriers.<sup>553</sup> American bankers like J.P. Morgan and government officials like Secretary of Commerce, Herbert Hoover, saw European security and economic stability in a positive light.<sup>554</sup> But by the late 1920s the American government became increasingly concerned about maintaining its open door trade principle in Europe. And as Weimar's federal and municipal deficits rose substantially after 1927, American loans to German businesses, municipalities, and to the federal government were becoming increasingly regulated and difficult to obtain. For German officials at the Foreign Office and the Economics Ministry, remaining in the good graces of America and American capital trumped any design for a European customs union.<sup>555</sup>

### *From Pan- to Mitteleuropa*

No single event moved Germany's foreign policy away from Western Europe, and no single moment represents the turning point when German economists began to see foreign trade less as a pacifier and more as a tool of power. Historians frequently highlight the death of Gustav Stresemann and the onset of economic depression in late 1929 and 1930 as key pivots, and indeed both were very important.<sup>556</sup> Yet the new emphasis on Southeastern Europe and the new predilection for using trade for power emerged even before 1929. Gothein and the directors of the *Mitteleuropäische Wirtschaftstag* spear-headed a groundswell of interest among German-speaking economic thinkers for the Balkans during the second half of the 1920s that crossed the political spectrum. In the fall of 1926 Gustav Stolper founded the influential liberal journal

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<sup>551</sup> Germany's export industries, in particular the machine manufacturing association (VDMA) and the chemical sector, fought this tariff tenaciously but were eventually bought off when the Economics Ministry promised them a limited degree of export subsidies: 300 million RM for goods shipped to the Russian market. Stegmann, "Deutsche Zoll- und Handelspolitik"; on agriculture in the Weimar Republic see Stephanie Merkenich, *Grüne Front gegen Weimar: Reichs-Landbund und agrarischer Lobbyismus, 1918–1933* (Düsseldorf: Dröste, 1998); and Dieter Gessner, *Agrardepression und Präsidialregierungen in Deutschland, 1930–1933 Probleme des Agrarprotektionismus am Ende der Weimarer Republik* (Düsseldorf: Dröste, 1977), esp. chapter 1.

<sup>552</sup> William C. McNeill, *American Money and the Weimar Republic. Economics and Politics on the Eve of the Great Depression* (New York: Columbia Univ. Press, 1986).

<sup>553</sup> Wright, *Stresemann*, 330; Krüger, "Europäische Wirtschaftsgemeinschaft."

<sup>554</sup> Frank Costigliola, "The United States and the Reconstruction of Germany in the 1920s," *The Business History Review* 50, no. 4 (Winter 1976): 477–502; Patrick O. Cohrs, "The Quest for a New Concert of Europe: British Pursuits of German Rehabilitation and European Stability in the 1920s" in *Locarno Revisited*; On difficulties regulating private American investment into Germany see also McNeill, *American Money*.

<sup>555</sup> McNeill, *American Money*, 163–237; Hans-Jürgen Schröder, "Widerstände der USA gegen europäischen Integrationsbestrebungen in der Weltwirtschaftskrise 1929–1939" in Berding, *Wirtschaftliche und politische Integration in Europa im 19. Und 20. Jahrhundert*, 169–84.

<sup>556</sup> See, for example, Stegmann, "Mitteleuropa 1925–1934"; Hopfner, *Südosteuropapolitik*; and Sundhaussen, "Die Weltwirtschaftskrise im Donau-Balkan-Raum," in Benz and Graml, *Aspekte deutscher Außenpolitik im 20. Jahrhundert*.

*Deutschen Volkswirt*, which devoted great attention to the question of Central European economic integration. In the conservative journal *Volk und Reich* the Balkans became a primary focus by 1927 and 1928.<sup>557</sup> And in 1930 the liberal publicists Wilhelm Gürge and Wilhelm Grotkopp founded the Society for Studying Central and Southeastern Europe. The central question posed by these various institutions was “Paneuropa” or “Mitteleuropa,” and by the end of the 1920s the weight was shifting toward the latter.<sup>558</sup>

At the beginning of 1927 the leaders of the German Section of the *Mitteleuropäische Wirtschaftstag* still believed that “Paneuropa” represented the best path forward. In preparation for the World Economic Conference Gothein and Strencioch held to their idea of a Franco-German understanding.<sup>559</sup> Yet the conference itself pushed Gothein in a new direction as rifts within the *Mitteleuropäische Wirtschaftstag* came into public view. He and the other delegates had co-sponsored a report to suggest strategies for interstate cooperation in transportation and communication, production, trade, and currency policies. The Hungarian Elemer Hantos was chosen to author the initial draft, and he dropped a bombshell among his colleagues by recommending a successor-state customs union with preferential treaties among the states of the former Habsburg Empire. As Hantos clarified at a press conference in April, “Germany must remain excluded.”<sup>560</sup> Its inclusion, so he maintained, “would grant [Germany] a great preponderance over the other states, which on the basis of equality cannot be sustained.”<sup>561</sup> Hantos’s draft drove a dagger into the most sensitive nerve of the *Mitteleuropäische Wirtschaftstag*, creating a storm of controversy. As a result, the organization declined to put its name on his report, which Hantos presented at Geneva devoid of any institutional affiliation.<sup>562</sup> Over the next two years Hantos’s determination to bar Germany from any Central European trade agreements hardened as he formed Central European Institutes in Budapest, Vienna, and Brunn to promote his ideas.<sup>563</sup>

Hantos had expressed his successor state plans earlier, but by presenting them before the World Economic Conference in Geneva he created a rift that Gothein could not ignore. As Gothein expressed in a letter to Stresemann immediately following Geneva, “it is an urgent necessity for Germany to have our hands in any Central European economic endeavor. In no case can we be absent from such deliberations, in which otherwise the inclination would come to dominate that merely the successor states of Austria-Hungary, including Poland and Romania, should unify, while Germany remains outside.”<sup>564</sup>

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<sup>557</sup> Between 1925 and 1929 articles about Central Europe and the Balkans increased from 3 per annum to 19. BA, Deutsche Bank R8119F, 6139, 136.

<sup>558</sup> Eckart Teichert, *Autarkie und Grossraumwirtschaft in Deutschland 1930–1939: Aussenwirtschaftspolitische Konzeptionen Zwischen Wirtschaftskrise und Zweiten Weltkrieg* (Munich: R. Oldenbourg, 1984), 84–92; Wilhelm Grotkopp, *Breaking Down the Tariff Walls; Ways Leading to Unification of European Economics*, trans. Erich Schadow, (London: E. Benn, 1930).

<sup>559</sup> BA, R901, 42993 *Mitteleuropa-Institut*, Memo to German Group Members from March 31, 1927.

<sup>560</sup> BA, R901, 42994 *Mitteleuropa-Institut*, “Denkschrift über die wirtschaftlichen Probleme Mitteleuropas” by Hantos, 11; *Ibid.*, report circulated by Köpke in Foreign Office from April 22, 1927.

<sup>561</sup> BA, R901, 42994 *Mitteleuropa-Institut*, Newspaper article about Hantos’s resolution from April 12, 1927.

<sup>562</sup> BA, R901, 42994 *Mitteleuropa-Institut*, German legat in Vienna to Berlin Foreign Office from April 4, 1927.

<sup>563</sup> BA, R901, 42994 *Mitteleuropa-Institut*, German legat in Budapest to the Berlin Foreign Office from Jan. 18, 1928; *Ibid.*, 42995 *Mitteleuropa-Institut*, meeting report between the German Section and representatives from the Foreign Office from May 29, 1929.

<sup>564</sup> BA, R901, 42994 *Mitteleuropa-Institut*, Gothein to Berlin Foreign Office from May 14, 1927.

Thus between 1927 and 1929 Gothein's geographical priorities changed as his primary goal became preventing the delegates of Southeastern Europe from falling behind Hantos.<sup>565</sup> In an article for *Deutsche Wirtschafts-Zeitung*, one of the most widely read trade journals in Germany, he categorically rejected his previous optimism that a customs union between France and Germany would be a "preliminary stage" for a larger Pan-European agreement. France, he maintained, would only consent to a tariff union with Germany when it could guarantee for itself "unconditional leadership." Even then it would never forgo the preferential treatment that French producers enjoyed in their colonies. In an about face, he now argued that the interdependence of France and Germany in iron, coal, and steel production was an exceptional rather than a typical instance of their interaction, insufficient to warrant closer economic cooperation. Structurally, he continued, France and Germany were more economic rivals than collaborators, since both were "industrial states" and "neither of the two would find in the other a market for their most important export articles."<sup>566</sup>

In contrast to Franco-German trade, which stagnated during the second half of the 1920s, Gothein pointed to Weimar's invigorated commerce with Austria, Czechoslovakia, Hungary, Romania, and Yugoslavia as grounds for furthering economic integration in Central and Southeastern Europe. These states, he noted, were becoming increasingly economically dependent on Germany: Czechoslovakia, Austria, Hungary, Romania, and Yugoslavia now sent between 12 and 25 percent of their total exports to Germany.<sup>567</sup> (see Table 13) The familiar argument of economic complementarity between Germany and the states to the Southeast now made its appearance in Gothein's writings. Just as important, so too did the idea that a unified Europe would enhance German power on the international stage "against the large, closed world economic powers" of America, France, and Great Britain.<sup>568</sup>

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<sup>565</sup> BAK, N 1006 Nachlässe Gothein, 49, confidential memorandum from Oct. 27, 1927 and report on German Section board of directors meeting from July 22, 1928.

<sup>566</sup> Gothein ignored the demand in France for German machine tools that he had previously highlighted, even though France remained one of the main purchasers of German power equipment, claiming that their tariffs made German products prohibitively expensive even after the Franco-German trade accord of 1927. Georg Gothein, "Unmögliche und mögliche Wege zu einem mitteleuropäischen Wirtschaftsbandnis" in *Deutsche Wirtschafts-Zeitung, Organ des Deutschen Industrie- und Handelstag* 26, no. 17 (April 25, 1929), in BA, R901, 42995 Mitteleuropa-Institut; on power equipment see Balderston, *Origins and Course of the German Economic Crisis*, 119.

<sup>567</sup> Gothein, "Unmögliche und mögliche Wege."

<sup>568</sup> BA, R901, 42995 Mitteleuropa-Institut, Vortragstee before the Vorstand of the German Section, Feb. 19, 1929, 133; Gothein, "Unmögliche und möglich Wege."



**Table 13**

German Share of Central European Trade in 1928  
(in percentages of total trade)

<i>Country</i>		<i>German Share of Trade</i>
Austria	<i>Exports</i>	18.5
	<i>Imports</i>	19.9
Czechoslovakia	<i>Exports</i>	22.1
	<i>Imports</i>	24.9
Hungary	<i>Exports</i>	11.8
	<i>Imports</i>	19.5
Romania	<i>Exports</i>	18.4
	<i>Imports</i>	23.7
Yugoslavia	<i>Exports</i>	12.1
	<i>Imports</i>	13.6

Source: "Deutschlands Bezugs- und Absatzländer im Jahre 1928" in *Wirtschaft und Statistik* 9 (1929): 203–8.

Thus already in early 1929, before the stock market crash of October, before the Smoot-Hawley Tariffs of 1930, before the Ottawa Accords of 1932, Gothein the free trader had come to see the world through the prism of large, competing economic blocs. In a report circulated in June, 1929 he suggested that the states of Central Europe should discard the current international regime of most-favored nation trade clauses and move toward a system of import and export preferences.<sup>569</sup> Since the mid 1920s Great Britain, America, and France had concluded most-favored nation treaties with Germany, yet these agreements did not include their colonies in Africa and Asia, British dominions of Canada and Australia, or America's protectorate in Cuba. If the preferences bestowed on these colonies or independent states did not undermine the most-favored nation principle, Gothein argued, "then no objection can be raised against the implementation of reciprocal preferences among ... the Central European countries."<sup>570</sup> Although he admitted preference schemes posed "a danger to peace" in the world, this was something he thought the countries of Central Europe simply had to risk. "The Anglo-Saxon 'Economic Imperium' [*Wirtschaftsimperien*], is closing itself off more and more with time, there remains for the countries of Central Europe nothing other than to close ranks into an economic community."<sup>571</sup> It was not a great leap, then, for Gothein to start using the terms empire and

<sup>569</sup> This principle holds that for a country receiving Most-Favored Nation status it must receive equal advantages as the country receiving the best trade advantages, i.e. the lowest import tariffs or the highest import quotas. BA, R901, 42995 Mitteleuropa-Institut, Vortragstee before Vorstand from Feb. 19, 1929.

<sup>570</sup> BA, Deutsche Bank R8119F, 6139, minutes from meeting of German Section from Oct. 4, 1928.

<sup>571</sup> Georg Gothein, "Empire Mitteleuropa? Die Entwertung der Meistbegünstigungsklausel" in BA, Deutsche Bank R8119F, 6139, 85.

imperialism to describe the how Central Europe should amalgamate in order to maintain its position in the world economy. Should there be, he asked, an “Empire Mitteleuropa?”<sup>572</sup>

Germany’s official foreign policy was slower to reorient its attention toward Central and Southeastern Europe than the Mitteleuropäische Wirtschaftstag. Yet within the government’s bureaucracy there were many who believed Germany’s path to power lay in the Balkans. Karl Ritter of the Committee for Commercial Policy, Hans Posse of the Economics Ministry, and German diplomats in the Balkans like Gerhard Mutius, Franz Olshausen, and Adolf Köster became the drivers of Weimar’s Balkan policy. These bureaucrats saw Southeastern Europe as a more strategic region than did Stresemann since it offered one of the few opportunities where Weimar could flex its economic muscle.<sup>573</sup> Unlike Poland and Czechoslovakia, Germany had no lingering border disputes with Yugoslavia or Romania to derail a diplomatic rapprochement. And unlike the small states to the west or south, like Belgium, the Netherlands, or Switzerland, the agrarian economies of the Balkans in theory, if not in practice, fit perfectly into the framework of a single, self-sufficient European economic bloc that would supply Germany with agricultural products and export markets. As Adolph Köster, Germany’s social democratically-inclined diplomat in Belgrade from 1928 to 1930, argued it was more important for Germans to do business “in the Balkans which earned a 7-percent return” than it was to waste energy pursuing opportunities in less *strategically* important regions even if they might yield “10 percent.”<sup>574</sup>

With the restraints imposed on Germany by the treaty of Versailles, government officials like Posse understood that “for a defeated state like Germany, which must do without practically any military protection, almost the only means remaining to force back unwarranted foreign influence is our trade policy.” Commercial power would pave the way to a foreign policy with “imperial horizons.”<sup>575</sup> Others expressed the commonly held view that given Germany’s postwar situation, its “most effective instrument of power [*Machtmittel*] can be found in trade policy because of the large size of Germany’s market.” With 60 million people, Germany’s market was the second largest in the world after the USA, and, they argued, a “power factor [*Machtfaktor*]” of the highest degree, one that Germany could leverage further over smaller states.<sup>576</sup>

By 1929 these bureaucrats, like Gothein, were aware that Germany had become the largest trading partner with most states in Southeastern Europe and that they could use this to Germany’s advantage. Yet before 1929 the Foreign Office acted cautiously, relying on *indirect* methods since economic relations with France remained Stresemann’s highest priority. They hoped the reparation construction projects and deliveries from the treaty of Versailles, the commercial links forged by the Leipzig trade fair, and the publicity conducted by organizations like the Mitteleuropäische Wirtschaftstag or the Mitteleuropa-Institut would help raise the stature of German industry, technology, and culture in Southeastern Europe.<sup>577</sup> As Gerhard Mutius,

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<sup>572</sup> Ibid.; BA, R901, 42995 Mitteleuropa-Institut, Vortragstee before Vorstand from Feb. 19, 1929.

<sup>573</sup> Hopfner, *Südosteuropapolitik*, 343–53.

<sup>574</sup> Ibid., 162.

<sup>575</sup> BAK, N 1303 Posse, 2, Memorandum on Commercial Policy of the German Government 1924/25; See also Teichert, *Autarkie und Grossraumwirtschaft*, 108.

<sup>576</sup> Stegmann, “Mitteleuropa 1925–1934,” 204; See also Schröder, “Die deutsche Südosteuropapolitik 1929–1936,” 8.

<sup>577</sup> The Mitteleuropa-Institut was an organization that conducted cultural diplomacy in Southeastern Europe and which was closely affiliated with the Mitteleuropäische Wirtschaftstag. I discuss this in chapter 4. For an example of reparation deliveries, German officials hoped that the Pancevo bridge project, initiated in 1927 under the auspices of the Dresdner Bank to connect Belgrade with its hinterland, could serve as a model for future public relations work in

Germany's diplomat in Bucharest, reported in 1928, the Mitteleuropäische Wirtschaftstag and the Mitteleuropa-Institut could improve Germany's already strong "commercial appeal" in Central Europe, a region which he saw to be a single "cultural and economic entity."<sup>578</sup>

To the Southeast lays a region that is automatically dominated by Germany both economically and culturally, and this region should be called Mitteleuropa. Germany has also proven to be a strong cultural and economic center of gravity for Scandinavia, the Baltic States, and even Poland. But in these countries other cultural paths still stand open, while for the successor states of the former Austro-Hungarian Monarchy the weight of the German language, economy, and culture carries with it the character of a geographical and historical necessity [*Zwang*]. Here lay colonial regions before our door; here can be found challenges and goals for those Germans who are consolidated in the Reich. And these [goals] will surely be easily accomplished the less any loud publicity and politics takes possession of them, and the more they are presented as merely the compass point [*Richtungspunkte*] for a quasi un-political policy of economic and cultural expansion toward the Southeast.<sup>579</sup>

Organizations like the Mitteleuropäische Wirtschaftstag would allow the Foreign Office to devote attention to the highly politicized negotiations surrounding the restructuring of Germany's reparations under the Young Plan, while simultaneously maintaining a German presence in Southeastern Europe.<sup>580</sup>

### *The Great Depression and Germany's New Foreign Economic Policy*

Stresemann died before he could preside over the Mitteleuropäische Wirtschaftstag's conference in Breslau in 1929, but his successor as Foreign Minister, Julius Curtius, took on the obligation. In Breslau Curtius confirmed what was slowly becoming apparent by 1930, that Weimar's new leadership had shed Stresemann's cautious approach to Central and Southeastern Europe and would pursue a more pro-active agenda in the region. Curtius announced that he "actively welcomed all efforts that were aimed at integrating, by means of regional agreements, those countries that through their geographical position and their economic structure mutually complement one another."<sup>581</sup> The countries remained unnamed, but implied were Germany, Austria, Hungary, Yugoslavia, and Romania, for by this date France, Great Britain, and Belgium had already stopped participating in the Mitteleuropäische Wirtschaftstag's annual conferences.

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Southeastern Europe. Many politicians in Southeastern Europe, like Romania's peasant party leader and president in 1928, Mihail Maniu, wanted closer economic ties with Germany to lessen their dependence on capital from Western Europe. Others, like Yugoslavia's Foreign Minister Markovic, hoped that solid economic relations with Germany would lead to closer political ties. Hopfner, *Südosteuropapolitik*, 156, 195–96.

<sup>578</sup> PAAA, Bucharest Gesandte, 179, report from Mutius to Berlin Foreign Office from Feb. 14, 1928. Mutius expressed one point of concern, that the term Mitteleuropa represented German war aims. He suggested changing the name of the Mitteleuropa-Institut to something more innocuous, like the "Institute for Economic Scholarship for the Danube Countries" or the "Danubian-Institute."

<sup>579</sup> PAAA, Bucharest Gesandte, 179, report from Mutius to Berlin Foreign Office from Feb. 14, 1928.

<sup>580</sup> By 1929 the Foreign Office was financing the German Section with several thousand RM annually. BA, R901, 42995 Mitteleuropa-Institut, 150.

<sup>581</sup> BA, Deutsche Bank, R8119F, 6139, Report on Breslau Conference from June 21, 1930, 128.

New leadership at the Foreign Office and at the German Chancellorship were the first of two changes that moved Weimar's official foreign economic policy in a new direction, and that shifted gears from Mutius' quasi un-political policy to more direct action. Following Stresemann's death in October 1929, Julius Curtius and Bernard von Bülow became Foreign Minister and Deputy Secretary of the Foreign Office. Several months later Heinrich Brüning assumed the German Chancellorship. These men were traditional nationalists. Like Stresemann they had come of age during the Wilhelmine Empire, yet they reacted to Germany's international weakness after World War I by turning against cooperation with Western Europe. Curtius was a member of the center-right German's People's Party, but "by no means set upon agreement with the western powers." Brüning wanted to go "back to 1914" and establish Germany as a great power based in Central Europe. All three were inclined to employ Germany's commercial weight more openly to achieve their diplomatic goals in Central and Southeastern Europe.<sup>582</sup>

The leadership transition worked itself out against the backdrop of the second change, the Great Depression—an even sharper collapse in production and in the international flow of credit and goods than the depression of the 1870s and 1880s, two decades which also saw a shift in German trade policy. The depression of 1929 restructured the multilateral economic relationships between Germany, Southeastern Europe, Western Europe, and America. Although the crisis weakened Germany's economy in many ways—massive unemployment, balance of payment and exchange rate difficulties, an inability to finance reparation payments, and agricultural depression—it was not without benefit to Weimar's foreign economic policy. By strengthening Germany's position as Europe's largest market for agrarian products, the global crisis offered Germany the opportunity to pursue a more aggressive foreign policy in the Balkans.

For the relatively poor and predominantly agrarian states of Yugoslavia and Romania the Great Depression consisted of two parallel and nearly insurmountable problems. The first was a collapse in agricultural prices, which by 1929 had already dropped by 30 percent from their price level in 1923–1925. Cultivation of grain and other crops outside of Europe had rapidly expanded during the world war, and when European cultivation recovered by the middle of the decade it created an agricultural glut. For countries like Yugoslavia and Romania, where over three quarters of exports consisted of agricultural products and raw materials, this represented a looming catastrophe and their leaders realized as much.<sup>583</sup> After 1929 the agrarian crisis only intensified. Demand for foreign crops in France, Great Britain, and America declined as these states raised tariffs to protect their own agrarian sectors or that of their colonies. Simultaneously, a bumper harvest in much of the world in 1929 increased the supply of grain products. The price of corn in New York declined from 91.9 cents a bushel in early 1930 to a rock bottom price of 16.8 cents two years later. Wheat followed a similar course, and between 1930 and 1932 the average agricultural price for the countries of Southeastern Europe fell by another 50 percent from their already low level of 1929.<sup>584</sup> By one estimate between 1929 and 1933 the terms of trade, the ratio of import prices to export prices, deteriorated in Romania and Yugoslavian by over 40 percent.<sup>585</sup>

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<sup>582</sup> Sundhausen, "Weltwirtschaftskrise im Donau-Balkan Raum," 126; Kaiser, *Economic Diplomacy*, 14–15; Julius Curtius, *Sechs Jahre Minister der deutschen Republik* (Heidelberg: C. Winter, 1948).

<sup>583</sup> For an extended discussion of the effects of the Great Depression on Southeastern Europe, and its effects on the financial and diplomatic relations between the states of Europe see Ranki, *Economy and Foreign Policy*, esp. 51–54, 87–88; Kaiser, *Economic Diplomacy*, chapter 2.

<sup>584</sup> Ranki, *Economy and Foreign Policy*, 87.

<sup>585</sup> Lampe and Jackson, *Balkan Economic History*, 462, 471; Lampe, *Balkans into Southeastern Europe*, 128–30.

As the collapse of export earnings eroded the ability of the Balkan states to service their international debts, the hydra of the Great Depression reared its second head in the form of a financial crisis. By 1933 the export earnings of Romania and Yugoslavia had fallen to roughly 40 percent of their level in 1929 and interest payments on their debts to Western Europe and America amounted to one third of their total export returns. Exports, thus, became a dire necessity if Yugoslavia and Romania wanted to avoid state bankruptcy.<sup>586</sup>

To deal with these twin crises of agriculture and finance the political leaders of Yugoslavia, Romania, and Hungary met in Bucharest in the spring of 1930 to recommend to the League of Nations that Europe's industrial states alleviate their problems by purchasing Eastern European grain at preferential rates. The leaders of Yugoslavia and Romania raised these ideas again in Warsaw in August. Over the next two years, however, British and French reluctance to violate the most favored nation principle prevented any preference scheme from being realized.<sup>587</sup> Subsequent proposals failed, whether in the form of a Danubian federation in Briand's plan of 1930, a regional customs union proposed at the Balkan Economic Conference in Athens in 1930, or preferential agreements between Austria, Czechoslovakia, Hungary, Yugoslavia, and Romania suggested by the French Minister of Foreign Affairs, Andre Tardieu, in 1932. Czechoslovakia and Austria simply did not have the capacity to absorb the agricultural surpluses of Romania and Yugoslavia. Nor was the French government willing to subject its farmers to competition from Southeastern Europe in the face of already rock bottom prices.<sup>588</sup> A further blow to the hopes of Yugoslavia and Romania in resolving their export crisis with aid from western Europe came in 1932, when the Ottawa Accords effectively closed the British Imperial market, and the Stresa Conference failed to stabilize agricultural prices and regulate international debts.<sup>589</sup>

By 1932, then, many voices in Yugoslavia and Romania were stridently calling for a closer economic relationship with Germany. With the failure to achieve a collective agreement with their neighbors, many Yugoslavian economists realized the necessity of preserving what little presence their country still had in the world market. Above all this meant maintaining trade with Germany, where a sizable portion of their exports were sold. If Yugoslavia could not win preferences for its goods, they feared the "German import trade would be reoriented toward other agricultural states, which would represent a heavy blow for Yugoslavian agriculture."<sup>590</sup> Otto Franges, Professor at the University of Zagreb and Yugoslavia's future agricultural minister, feared that if the Balkan states did not discard the principle of most favored nation they would

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<sup>586</sup> Ranki, *Economy and Foreign Policy*, 88; Berend and Ranki, *Economic Development in East-Central Europe*, 248.

<sup>587</sup> Kaiser, *Economic Diplomacy*, 19–21.

<sup>588</sup> The French Commerce Minister Pierre-Etienne Flandin's proposal to finance Eastern European cereal exports did not get off the ground. For a more detailed discussion of these various Danubian schemes see Stirk, "Ideas of Economic Integration in Interwar Mitteleuropa," 133.

<sup>589</sup> On the agenda of the Stresa conference see M. Georges Bonnet, "The Economic Reconstruction of Central and Southeastern Europe," *International Affairs (Royal Institute of International Affairs 1931–1939)* 12, no. 1 (Jan. 1933): 19–36. The results of these various negotiations were disappointing for Yugoslavia and Romania, partly because the new Prime Minister in France, Tardieu, had simultaneously introduced import quotas on nearly all agricultural goods, except those from their colonies. Kaiser, *Economic Diplomacy*, 41–42. See also report from Posse in BA, Deutsche Bank R8119F, 6140, 126.

<sup>590</sup> Article from *Privredni Pregled*, July 12, 1932, found in BA, R901, 54164 Handel mit Jugoslawien, film 40726, 291; See also the report in *Deutsche Führerbriege*, from Aug. 18, 1931 where a German study commission in Yugoslavia reported a vigorous interest among the local business elites in greater German trade and capital investment.

find themselves cut off from the markets of Germany, Austria, and Czechoslovakia.<sup>591</sup> Franges thought a large, coordinated economic bloc in Central Europe would be Yugoslavia's best solution to the economic crisis, one regulated by bilateral compensation agreements.<sup>592</sup> In Romania, likewise, the German Transylvanian community saw the depression as a crisis of overproduction and an opportunity to lobby for closer ties with Germany. For many of this region's economic elite the German market came to represent the panacea to their economic woes, the magical market deep enough to purchase the surpluses that were slowly destroying the livelihood of the Balkan peasant. According to the editor of the *Siebenbürgische Handelszeitung*, Germany was for most of these states,

... the largest trade partner both in exports and in imports. Germany is capable of importing the entire grain surplus of these countries, besides rye.... Germany is able to absorb the entire export of wood and of course all of the petroleum produced in these countries along with a considerable portion of their livestock. Germany is ready to do all of this; Germany wants to grant preference treaties, it demands only that certain of its products will likewise be favored.<sup>593</sup>

Brüning, Curtius, and Bülow realized that the economic crisis in Southeastern Europe presented a great opportunity. As Brüning pointed out, "the strongest weapon that Germany has at its disposal in its foreign relations is the fact that we are the import destination for agricultural products. We must keep this weapon sharp."<sup>594</sup> At the Geneva convention of the League in September 1930, he rejected the plan put forth by French Minister of Foreign Affairs Aristide Briand for a political union in Europe.<sup>595</sup> Instead, Bülow outlined a new strategy that would use the agricultural crisis to Germany's advantage. "Conditions are in flux and development in the southeast of Europe more than in any other part of Europe. German policy must exert its leverage there because it is there that the possibilities for Germany lie."<sup>596</sup> In the Economics Ministry Hans Posse, an avid supporter of discarding the most favored nation principle, saw Southeastern Europe as a stepping stone on the path to a large, continental economic bloc built on preferential, bilateral treaties and eventually a customs union. In its annual report for 1930 the Economics Ministry made it clear that such plans should be seen as a real alternative to the most

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<sup>591</sup> Otto Franges, "Überlebte Meistbegünstigung. Durchbrechung der Meistbegünstigung oder wirtschaftliche Abkehr des Südostens von Mitteleuropa—Der Bauer im sozialen Aufbau der Agrarstaaten" from the *Zagreber Morgenblatt*, found in BA, R3101, 2717 Handels und Zollpolitik Jugoslawiens, 153.

<sup>592</sup> See the numerous articles by Otto Franges in the *Zagreber Morgenblatt*, found in BA, R3101, 2717 Handels und Zollpolitik Jugoslawiens, 150–54; On Franges' stance on Grossraumwirtschaft see PAAA, Kulturabteilung, 65831 Mitteleuropa-Institut, Film 7967, MEI to Dr. Terdenge from July 29, 1932; See also Memorandum two from the German Section from Apr. 4, 1931 in BA, R901, 42997. For an overview of Franges' thinking in general, see Ian Innerhofer, "'Agrarische Übervölkerung' in Südosteuropa. Zur Konstruktion eines Problems bei Otto Franges und Rudolf Bicanic" in Carola Sachse, "*Mitteleuropa*", 262–89.

<sup>593</sup> *Siebenbürgische Handelszeitung*, articles from March 25 and April 25, 1932; The term "Zwischeneuropa" that Zillich and Franges both use to was popularized by the conservative German publicist Giselher Wirsing, who wrote a book with that title in 1932.

<sup>594</sup> Brüning, cited in Sundhaussen, "Weltwirtschaftskrise im Donau-Balkan Raum," 137.

<sup>595</sup> Schubert, Stresemann's under secretary, had initially applauded the Briand Plan, but his interest was overruled by the new leadership in the Foreign Office. According to von Bülow: "Basically we agree with the plan for a united Europe, but naturally with some important reservations. ... We do not want any sort of eastern Locarno or any sort of affirmation of the status quo. We do not accept that politics should take precedence over economics." Ranki, *Economy and Foreign Policy*, 61.

<sup>596</sup> Von Bülow cited in Kaiser, *Economic Diplomacy*, 16.

avored nation regime.<sup>597</sup> All of this, moreover, would serve Brüning and Curtius's desire to curb French influence in Southeastern Europe, which they viewed as the weak point in the system of Versailles.

The new leadership in the Foreign Office and the Economics Ministry took their first concrete steps to flex Germany's commercial muscle in 1930 and 1931 with two concurrent initiatives. In the more publicized one Curtius and Bülow opened negotiations in early 1931 with Austria to bring their countries together in a customs union. They saw a union with Austria as a preliminary step in incorporating the states of Southeastern Europe into a customs union.<sup>598</sup> "In connection with rapid developments in Southeast Europe," Bülow explained, "the union with Austria must be the most urgent task of German diplomacy, for developments in the southeast could be influenced and guided in Germany's interests from an Austria belonging to Germany more than is now possible. ... Viewed from the standpoint of the greater future possibilities, the solution of the problem of a union with Austria seems even more urgent and important than the question of the Polish Corridor."<sup>599</sup>

In the second initiative, in the summer of 1930 the Foreign Office opened negotiations with Romania and Hungary for bilateral, preferential treaties. After having raised tariffs on agricultural products the Foreign Office changed gears in the summer and fall to demonstrate to the Balkan states the potential benefits of dealing with Germany rather than France.<sup>600</sup> Posse, Dietrich, Ritter, and Curtius all pushed heavily to ease the entry of Romanian and Hungarian grain and livestock into the German market, the latter of which had been prohibited entry by veterinary restrictions.<sup>601</sup>

Although German industry by and large supported a customs union with Austria, the ministerial bureaucracy faced serious opposition from numerous interest groups in its plans for preferential treaties with Southeastern Europe.<sup>602</sup> As with the Pan-European idea of the 1920s, Weimar's agricultural interests proved the most intractable since German farmers were suffering their own crisis of low prices and high indebtedness. Martin Schiele, the president of Germany's *Reichslandbund*, joined Brüning's cabinet in March 1930 with the express intention of maintaining prohibitions on the import of grain and livestock. Schiele wanted autarchy for German agriculture, hoping it would boost employment by raising demand and prices for Germany's own food products, and he strenuously opposed preferential treaties with the Balkans. Although Germany's Labor and Interior ministries did not fully agree with Schiele's extreme protectionism, they supported some of his efforts to raise tariffs.<sup>603</sup> Some export-oriented industries likewise voiced concern over preferential treaties with Southeastern Europe. In

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<sup>597</sup> Teichert, *Autarkie und Grossraumwirtschaft*, 106.

<sup>598</sup> On the German-Austrian customs union see Harro Molt, '... *Wie ein Klotz inmitten Europas*': "Anschluß" und "Mitteleuropa" während der Weimarer Republik 1925–1931 (Frankfurt am Main: Lang, 1986).

<sup>599</sup> Von Bülow cited in Kaiser, *Economic Diplomacy*, 16.

<sup>600</sup> On the increase in German tariffs during 1930 see Oscar Meyer, "Die deutsche Aussenhandelspolitik," *Jahrbuch für Auswärtige Politik, Internationale Wirtschaft und Kultur Weltverkehr und Völkerrecht* (1931): 55–63, here 57. See also Sundhaussen, "Weltwirtschaftskrise im Donau-Balkan Raum," 128–30, 136; Teichert, *Autarkie und Grossraumwirtschaft*, 105–7; Kaiser, *Economic Diplomacy*, 20–21.

<sup>601</sup> On the Veterinary laws see Alexander Gerschrenkron, *Bread and Democracy* (Berkeley: Univ. of California Press, 1943).

<sup>602</sup> Stegmann, "Mitteleuropa 1925–1934," 215–17.

<sup>603</sup> Industrialists feared that such a policy of agricultural protectionism would wreak havoc on their costs by pushing up the price of food and forcing their workers to demand higher wages. For a discussion of the debate surrounding the agrarian question in Germany see Tilman P. Koops, "Zielkonflikte der Agrar- und Wirtschaftspolitik in der Ära Brüning" in Mommsen et al., *Industrielles System und politische Entwicklung in der Weimarer Republik*, 852–68.

February 1931 the RDI pointed out this region accounted for a mere five percent of German exports and argued that the long-term prospects for these markets were limited and should not “jeopardize vital overseas markets in the United States and Argentina, where preferences for Southeastern Europe might be resented.”<sup>604</sup>

Yet German industry by no means unanimously followed the world-market orientation of the RDI’s leadership. Already in 1930 Eduard Hamm, the president of Germany’s other large industrial association, the DIHT, questioned the suitability of Germany’s current trade policies. Certainly, he admitted, “the German economy cannot exist without strong exports and accordingly without strong foreign trade. A policy that is aimed in any way at cutting off Germany’s economy from the international market ... would lead to a further increase in unemployment, capital impoverishment, and debt. ... Now as before most favored nation clauses are, in connection with sufficient tariff levels, the most effective foundation of international trade.” Nevertheless, Hamm continued, “the new development in the world economy suggests that the creation of a large economic region in Europe would facilitate a better balance between industry and agriculture. Economic agreements that aim at strengthening the European economy, which are free from the intents of political domination, and which ensure adequate protection of the domestic, especially the agricultural, workforce should be promoted.”<sup>605</sup> The DIHT’s vice president pointed out that although trade with the Balkan states was relatively small, “there remains no doubt that this region situated at Germany’s doorstep, rich in mineral resources and development opportunities, demands the most careful attention from our economic and trade policy.”<sup>606</sup> By the end of the year Hamm was advocating a double-track strategy for Germany, one that did not cut off international sales opportunities but which simultaneously developed regionally contiguous markets like those in Central and Southeastern Europe. On the surface Hamm seemed to want to have his cake and eat it too. Yet he realized that the stakes were high and he hoped that a cautious application of preferential treaties would not incur the wrath of Germany’s overseas trade partners like America.

### *The Mitteleuropäische Wirtschaftstag Reformed*

It was into this welter of diverse interests that the reformed Mitteleuropäische Wirtschaftstag stepped. In February of 1931 new leadership took command of the German Section, which now hoped to bridge the gap separating the protectionist inclinations of agriculture and heavy industry from Germany’s export sectors, bring all parties into agreement behind a pro-*Mitteleuropa* foreign policy, and present a unified front to the states of Southeastern Europe.

Already between 1928 and 1930 Gothein and the German Section had attracted the attention of a new cohort of businessmen and economic thinkers with their intellectual shift away from Western Europe. Since 1927–28 members from the DIHT, the international chamber of commerce, and the larger German banks had joined the German Section as they realized the markets of Central and Southeastern Europe were becoming increasingly lucrative for German

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<sup>604</sup> Kaiser, *Economic Diplomacy*, 22–24.

<sup>605</sup> PAAA, Sonderreferat Wirtschaft, 118536 DIHT, DIHT to Ritter, “Leitsätze zur Handelspolitik” from Oct. 10, 1930.

<sup>606</sup> Quotation from PAAA, Sonderreferat Wirtschaft, 118536 DIHT, Discussion of Southeastern Europe at central committee meeting of DIHT from Dec. 3, 1931; *Ibid.*, DIHT study on “Vorzugszölle und Zollbündnis als mittel zur Schaffung grossräumiger Wirtschaftsgebiete” from Nov. 1931; see also Teichert, *Autarkie und Grossraumwirtschaft*, 145–46.



exporters.<sup>607</sup> Much more crucial to the German Section than these groups, however, was the Langnam Verein (LNV), western Germany's most influential business organization. The LNV represented heavy industry in the Rhineland and Ruhr regions and was guided in part by the publicists Max Schlenker and Max Hahn.<sup>608</sup> Since 1926 Max Schlenker, as director of the German-Austrian Working Committee (*Deutsch-Österreichischen Arbeitsgemeinschaft*—DOAG), had been trying to coordinate the export of German capital and goods to Austria.<sup>609</sup> Yet Austria was only a platform from which he thought Germany could expand its commercial base. Austria's "special position" in Central Europe, "its significance as the dominant bank center, the preeminence of its cultural facilities," according to Schlenker, made it a necessary pillar in any strategy of advancing Germany's interests in Southeastern Europe.<sup>610</sup> Max Hahn, like Schlenker, was active in the DOAG and quickly became a prolific advocate for shifting Germany's commercial attention to the southeast. Described as a "small, black spider, reigning over an extensive net of filaments, nameless, invisible, concealed, omniscient," or alternatively as "the man with one arm but six elbows" for his adaptability, Hahn was a well-connected but elusive figure who would come to dominate the affairs of the *Mittleuropäische Wirtschaftstag* after 1931. He had lost an arm in the First World War, and although described at the Nuremberg trials as an "acrimonious Nazi opponent," he would prove willing enough to incorporate elements of Nazi anti-Semitism into his activities during the late 1930s.<sup>611</sup>

What made Schlenker and Hahn so interested in Southeastern Europe was the potential for political power. At the end of 1929 in a memorandum to the director of the LNV, Schlenker argued that a strategy focused on Germany's domestic market would not suit its foreign policy goals. Meanwhile, in the markets of Western Europe German influence was limited by competition from England, France, and the United States, all of which had greater reserves of capital than Germany. The door lay open to German expansion, however, to the East and Southeast, an economic region that for Germany could act as a "counterweight against the political and military preponderance of France that still prevailed" on the continent. Although the exact method by which commercial contacts would translate into political power remained undeveloped at this point in Schlenker and Hahn's thinking, the idea of using Southeastern Europe as a springboard to re-launch Germany's ambitions of *Weltpolitik* was clearly evident.<sup>612</sup> Just as important, with the collapse of trade with America, France, and Great Britain—historically Germany's largest markets—Hahn and Schlenker wanted to develop the eastern half

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<sup>607</sup> BA, Deutsche Bank R8119F, 6139, member list of MWT from Nov. 2, 1928, 29–30.

<sup>608</sup> The full name of the organization—Verein zur Wahrung der gemeinsamen wirtschaftlichen Interessen in Rheinland und Westfalen—was shortened by Bismarck to Langnamverein. Josef Winschuh, *Der Verein mit dem langen Namen. Geschichte eines Wirtschaftsverbandes* (Berlin: Dux, 1932).

<sup>609</sup> Frommelt, *Panuropa oder Mitteleuropa?*, 57–58, 68–71.

<sup>610</sup> Max Schlenker, "Die Bedeutung einer deutsch-österreichischen Gemeinschaftsarbeit für den mitteleuropäischen Wirtschaftsblock" in BA, R901, 42995, 16; See also Max Hahn, "Die deutsche Handelspolitik der Nachkriegsjahre. Erfahrungen, Wünsche und Ziele," *Ruhr und Rhein* 9, no. 33 (Aug. 16, 1928); By 1928 Hahn and Schlenker's idea of uniting "Mitteleuropa" through an active commercial policy became a dominant theme in economic journals like *Ruhr und Rhein*, *Deutsche Volkswirt*, and *Volk und Reich*. Stegmann, "Mitteleuropa 1925–1934," 213, fn 51.

<sup>611</sup> On Hahn's personality see the forward to Alfred Sohn-Rethel, *Industrie und Nationalsozialismus. Aufzeichnungen aus dem "Mitteleuropäischen Wirtschaftstags"* Carl Freytag (ed.), (Berlin: Wagenbach, 1992), esp. fn 12, 30.

<sup>612</sup> Max Schlenker, "Vorschlag zur Gründung einer Vereinigung zur Förderung der wirtschaftlichen Annäherung mit Zentraleuropa," cited in Stegmann, "Mitteleuropa 1925–1934," 214–15.

of the continent as the valve for Germany's exports (*Exportventil*).<sup>613</sup> By Schlenker and Hahn's logic the governments of Yugoslavia, Romania and Poland, Austria, Hungary and Czechoslovakia would be more willing to negotiate trade agreements with Germany, and more vulnerable to German pressure. As the economic crisis deepened these ideas would gain traction among an even wider cohort of German industrialists.<sup>614</sup>

After Schlenker and Hahn experienced trouble with the DOAG in 1929–1930 they came to see the German Section of the *Mitteuropäische Wirtschaftstag* as a better institution to implement their agenda.<sup>615</sup> The German Section, meanwhile, was experiencing severe financial difficulties as it struggled with multiple commitments including the *Mitteleuropa-Institut* in Dresden, a similar institute in Vienna, and the organization of Germany's first central European conference in Breslau.<sup>616</sup> In the spring of 1929, then, Gothein opened negotiations with Hahn and Schlenker to place the German Section on more solid financial footing.<sup>617</sup> Over the next two years the German Section and the LNV slowly worked out the terms of their collaboration, whereby the former would incorporate new leadership and members from the LNV "by stages," in order to demonstrate continuity in its personnel and in its agenda. The LNV, for its part, agreed to support the German Section with at least 30,000 RM annually.<sup>618</sup>

The official reorganization of the German Section took place on February 13, 1931, yet a struggle for control persisted throughout the summer. Hahn forced Strencioch out of the organization, began operating without oversight by the board members, and established his own office in Berlin.<sup>619</sup> Gothein at first demanded a renegotiation of the terms of collaboration with the LNV. But when the RDI and the DIHT sided with Hahn, Gothein accepted that the German Section had become an instrument of heavy industry in the Ruhr and Rhineland.<sup>620</sup> The reorganization brought an even greater participation from other, previously reluctant economic

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<sup>613</sup> On the concept of "Exportventil" during the late 1920s see Christoph Buchheim, "The 'Crisis before the Crisis'—the Export Engine out of Gear" in Harold James (ed.) *The Great Depression in an International Context*, Schriften des Historischen Kollegs (Munich: Oldenbourg, 2002).

<sup>614</sup> Frommelt, *Panuropa oder Mitteleuropa?*, 99.

<sup>615</sup> BA, R901, 42995 *Mitteleuropa-Institut*, Vortragstee before the Vorstand of the German Section from Feb. 19, 1929, 131; On Gothein's categorical rejection of the Briand plan, see Georg Gothein, "Briands Europa-Union und das Mitteleuropäische Wirtschaftsbündnis. Ein Problem der Politik und der Wirtschaft" in *Mitteleuropäische Wirtschaft*, weekly attachment to the *Neuen Freien Presse*, no. 347 (June 28, 1930), Found in BA, Deutsche Bank R8119F, 6139, 133; Frommelt, *Panuropa oder Mitteleuropa?*, 85–86.

<sup>616</sup> BAK, N 1006 Nachlässe Gothein, 50, Gothein to Dr. Freymehr of the Industrie and Handelskammer Breslau from Apr. 25, 1929. The Breslau conference was organized by the German Section after Hantos's Vienna institute was formed and after Hantos organized his own conference in Budapest, 55; BAK, N 1006 Nachlässe Gothein, 50, 29; Although the German Section had attracted new members from the RDI, the DIHT, and several large banks, these organizations were either unable or unwilling to fund the German Section's activities BAK, N 1006 Nachlässe Gothein, 49, the support of the Dresdener Bank and Commerz Bank for the *Mitteleuropäische Wirtschaftstag* from July 16, 1928; See also Frommelt, *Panuropa oder Mitteleuropa?*, 57–58, 68–71, 85.

<sup>617</sup> BA, Deutsche Bank R8119F, 6139, Protocol of German Section Meeting from July, 5, 1929; see also Villa Hügel Archiv (VHA) FAH 4E 816, Entstehung, Entwicklung, und Arbeit des Mitteleuropäische Wirtschaftstag, 2.

<sup>618</sup> BAK, N 1006 Nachlässe Gothein, 51, Vorstandssitzung from Nov. 28, 1930; Frommelt, *Panuropa oder Mitteleuropa?*, 85–86; see also Seckendorf, "Entwicklungshilfeorganisation oder Generalstab des deutschen Kapitals?"

<sup>619</sup> In August 1931 Hahn moved the headquarters of the German Section to a new location in Berlin. Along the Schöneberger Ufer he founded the Zentralstelle für Mitteleuropa, which was situated in the same complex of buildings that housed the offices of several influential journals—*Deutschen Volkswirt*, *Deutschen Führerbriefe*, and the Dux-Verlag of Dr. F. Reuter. Sohn-Rethel, *Industrie und Nationalsozialismus*, introduction and 9; Frommelt, *Panuropa oder Mitteleuropa?*, 105.

<sup>620</sup> BAK, N 1006 Nachlässe Gothein, 52, 117–18; Frommelt, *Panuropa oder Mitteleuropa?*, 85–89.

sectors. Carl Duisberg, director of the RDI and manager of IG Farben; Eduard Hamm, director of the DIHT; Tilo Freiherr von Wilmowsky, director of the Imperial Board for Agriculture and Technology; Hellmuth Poensgen, director of the iron and steel conglomerate Vestag; and Ludwig von Winterfeld, board member of Siemens AG all joined the executive committee.<sup>621</sup> The German Section now became a forum where the diverse industrial interests of Germany's economy—from export sectors like electrical engineering and chemicals to the more domestic-oriented steel and iron sectors—could convene under a single roof to discuss German commercial policy. And with the backing of Germany's most influential businessmen the German Section was able to dominate the *Mitteleuropäische Wirtschaftstag's* annual meetings.<sup>622</sup>

The reorganization was driven in part because the leaders of heavy industry realized they needed a broad-based consensus on Germany's relations with Southeastern Europe, especially for the bilateral treaties the Foreign Office was negotiating with Romania and Hungary throughout 1931. Here the central player was Tilo Freiherr von Wilmowsky. As the brother in law of Friedrich Krupp and a director of the Imperial Board for Agriculture and Technology, Wilmowsky was uniquely placed to have one foot in agriculture and one in industry. Since 1927 he had helped introduce motorized technology and new equipment to German farmers, and had formed contacts with Martin Schiele and other agrarian leaders. Moreover, his travels throughout Southeastern Europe gave him a practical knowledge of the region's economies that was absent among other industrialists.<sup>623</sup>

In late 1931 Wilmowsky assumed the presidency of the German Section, but earlier that year he began using his connections with agrarian interest groups to work out a compromise over admitting cereal imports from Southeastern Europe. In his meetings with the *Reichslandbund* and in his effort to establish a study commission for industry and agriculture, Wilmowsky pushed the line that Germany should manipulate rather than completely restrict its imports. The German government could strike a balance between moderate protection of domestic agriculture and moderate support for German exports, and this would further Germany's larger ambition of becoming a great power in Central Europe.<sup>624</sup> By 1932 the *Reichslandbund* would come to accept such a compromise in principle; in comparison to the cheaper grain from America, Canada, and Australia, imports from Southeastern Europe were the lesser of two evils.<sup>625</sup>

The policy shift of the *Reichslandbund*, however, did not come soon enough. In June and July 1931 Germany concluded bilateral treaties with Romania and Hungary.<sup>626</sup> Despite the best

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<sup>621</sup> BA, Deutsche Bank R8119F, 6140, Rundschreiben from March 31, 1931.

<sup>622</sup> BA, R901, 42997 Mitteleuropa-Institut, 86; Teichert, *Autarkie und Grossraumwirtschaft*, 144.

<sup>623</sup> Tilo Freiherr von Wilmowsky, ... *Rückblickend möchte ich sagen...* (Oldenburg: G. Stalling, 1961); VHA, WA 40 B, 1363, memo concerning the Mitteleuropäische Wirtschaftstag from Wilmowsky from Aug. 28, 1946.

<sup>624</sup> VHA, FAH, 4E 816, Entstehung, Entwicklung und Arbeit des Mitteleuropäische Wirtschaftstag from Nov. 22, 1938; Frommelt, *Panuropa oder Mitteleuropa?*, 78–79.

<sup>625</sup> The Reichslandbund never saw preferential treaties with Southeastern Europe as a precursor to returning to world trade, but as a step toward autarchy, Teichert, *Autarkie und Grossraumwirtschaft*, 101; Dealing with the agricultural problem remained a central concern of the new Mitteleuropäische Wirtschaftstag. In August 1932 they helped arrange an agreement between heavy industry and large agricultural interest groups to pursue a program of cartels for agriculture and to change the destination of German trade, Sohn-Rethel, *Industrie und Nationalsozialismus*, 74; On German agriculture and the Great Depression see Gessner, *Agrardepression und Präsidialregierungen in Deutschland*, chapter 1.

<sup>626</sup> According to Wilmowsky, he and Hahn worked with the German government to negotiate the bilateral treaties that Germany concluded in the summer of 1931 with Romania and Hungary, however, any details about this are lacking. VHA, FAH, 4E 816, Entstehung, Entwicklung und Arbeit des Mitteleuropäische Wirtschaftstag from Nov. 22, 1938.

efforts of Wilmowsky, along with Posse, Ritter, and others in the Foreign Office, Germany's agricultural ministry never endorsed preferential treatment for Romanian cattle and grain. Instead it restricted Germany's concessions so much that the treaties were all but dead on arrival. Nor were the Foreign Office or the Economics Ministry able to assuage the fears of Weimar's export industries that the benefit of these treaties would not outweigh the cost of starting a trade war with Germany's other commercial partners.<sup>627</sup>

As the Foreign Office and the Economics Ministry negotiated these treaties in the spring of 1931 a second, and larger setback occurred when France threw a financial wrench into Germany's plan for a customs union with Austria. With the reorganization of the German Section this had become the highest priority for Hahn, Wilmowsky, and now even Gothein. Hahn, with his former connections to the DOAG, had worked as a go-between with Austrian business groups and the Austrian government, selling the customs union as a way to open markets to Austrian producers.<sup>628</sup> The efforts by the German government and German business for a customs union came to naught, however, when the Credit-Anstalt, Austria's largest bank and a massive industrial holding company, collapsed in May threatening the financial stability of Austria's government. The magnitude of the collapse and the subsequent run on the Austrian National Bank was too great for a German bank consortium to halt. In their effort to save the Credit-Anstalt the Austrian government turned to the only place with sufficient capital, Paris, where the Bank of France organized a consortium on the condition that Austria renounce the customs union. The Austrian government had no choice but to accept.<sup>629</sup>

The debacle of the German-Austrian customs union and the mere partial success of the bilateral treaties represented a failure of Germany's first state-led attempt to tie the economies of Central and Southeastern to the German economy. For the Foreign Office it was the "Fashoda of German foreign policy."<sup>630</sup> Curtius resigned as Foreign Minister, Bülow took effective control over the Foreign Office where he, along with Posse in the Economics Ministry, realized it was necessary to scale back active plans to organize the economies of Central Europe around the German market.

Yet these failures did not prevent Germany's officials from returning to their previous and more subtle methods, like those suggested several years earlier by Mutius. In May 1932 Posse addressed the German Section of the Mitteleuropäische Wirtschaftstag at a meeting in Berlin. "It is absolutely our most urgent quest to obstruct any plan that would lay obstacles in front of our free economic activity in the Balkans. If any growth possibilities still exist for the German economy, they are to be found in the East and the Southeast." Yet, Posse admitted, with the failure of the customs union plan Germany now had to "camouflage its political goals." The

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<sup>627</sup> The agreement gave Romania a 50 percent preference for barley, a 40 percent preference for corn, and an import quota of 6,000 head of cattle. Yet the terms were littered with qualifications, the most important being that the preferential rates could not be applied to "abnormally large quantities of Rumanian cereals," meaning that no sharp rise in Romanian imports to Germany could ensue. Romania, for its part, lowered tariffs on iron, steel, electrical products, textiles, chemicals, and pharmaceuticals, but was unable to give Germany special preferences on these goods. Kaiser, *Economic Diplomacy*, 25–26.

<sup>628</sup> VHA, WA 40B 1363; Frommelt, *Panuropa oder Mitteleuropa?*, 86.

<sup>629</sup> By one estimate between 60 and 80 percent of Austrian businesses were to some degree dependent upon the Credit-Anstalt. Dieter Stiefel, "The Reconstruction of the Credit-Anstalt" in Teichova and Cottrell, *International Business and Central Europe*, 415–29. For more on how the customs union and the Credit-Anstalt collapse played out, see Kaiser, *Economic Dipomacy*, 35–40 and Dieter Stiefel, *Finanzdiplomatie und Weltwirtschaftskrise—Die Krise der Credit-Anstalt und ihre wirtschaftlich-politische Bewältigung* (Frankfurt am Main: Knapp, 1989).

<sup>630</sup> "Das Faschoda der deutschen Aussenpolitik," *Deutsche Führerbriefe, Politisch-Wirtschaftliche Privatkorrespondenz* 4, no. 69 (Sept. 4, 1931).

German government would “bide its time” until a more favorable moment allowed it once again to pursue a new trade regime based on bilateral, preferential treaties or a customs union. “Next to this more passive activity from official Germany, there falls to an organization like the Mitteleuropäische Wirtschaftstag the highly important duty of disrupting the dependence of these countries on France and creating the preconditions for cooperation with Germany.” One such precondition was convincing the leaders and the public of Southeastern Europe that their economies could only be rehabilitated through preferential treaties with Germany. The Mitteleuropäische Wirtschaftstag, Posse hoped, would do this through an “objective, purely economic delineation of the problems” facing Central and Southeastern Europe. Posse emphasized that this task would ultimately reinforce Germany’s larger “goal of politically influencing the region of Central European.”<sup>631</sup>

Here was a mandate laid out by one of Germany’s most influential government officials calling on the German Section of the Mitteleuropäische Wirtschaftstag to expand its publicity for a German-led economic bloc because the German government was in no position to do so. After the meeting with Posse, Hahn circulated a memorandum to the directors of the German Section highlighting their new, “special duty ... to substantiate and corroborate with statistical material the needs of Germany’s trade policy in Central Europe.”<sup>632</sup> Under Hahn’s leadership the German Section aggressively advocated Central European economic cooperation in German journals along with others published abroad, like their own academic series on central European economic issues in Vienna.<sup>633</sup> The Mitteleuropäische Wirtschaftstag became, if not a mouthpiece for the German government, then a public advocate for the views that many in the ministerial bureaucracy adhered to but could not pursue actively in public.

### *Southeastern Europe as an Imperial Sphere?*

Under Hahn and Gothein’s leadership the German Section completed its transition from a Western-oriented organization into an advocate of an economic bloc in Central and Southeastern Europe—or as they called it, a *Grossraumwirtschaft*. For Hahn the Great Depression was more than just another cyclical downturn. Whereas Gothein and Germany’s industrial associations previously wanted to resurrect international trade as it had existed before 1914, Hahn believed the depression marked the “end of an epoch” and presented his generation with an existential question.<sup>634</sup> “Is it possible to further secure the existence of our people and our economy on a foundation of the free international exchange of goods, or are the stronger powers forcing us to resituate the focal point of our economic and political activity to that space in which history has placed the German people,” namely, *Mittleuropa*? Hahn worried that the world was slowly being parceled into “great economic spaces with huge endowments of raw materials and food

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<sup>631</sup> BA, Deutsche Bank, R8119F, 6140, minutes of the Director’s meeting from May 28, 1932, 125–38; on the “unpolitical politics” of the Mitteleuropäische Wirtschaftstag see Carola Sachse, “‘Ehe von Schornstein und Pflug.’ Utopische Elemente in den Raumvorstellungen des Mitteleuropäischen Wirtschaftstags in der Zwischenkriegszeit” in Sachse, *Mittleuropa*, 71–72.

<sup>632</sup> BA, Deutsche Bank, R8119F, 6140, Rundschreiben to German Section directorate from July 18, 1932, 141.

<sup>633</sup> *Mittleuropäische Wirtschaftsfragen: Schriftenreihe des Mitteleuropa-Instituts zur Förderung der Wirtschaftlichen und Kulturellen Annäherung* (Vienna); Richard Riedl, *Statistische Grundlagen innereuropäischer Handelspolitik*, band IV der vom MWT herausgegebenen Schriftenreihe Mitteleuropäische Wirtschaftspolitik (Berlin: Rothschild, 1932).

<sup>634</sup> On the positions of the RdI and the DIHT see Schröter, *Industrie auf dem Weltmarkt*, 17; Tooze, *Wages of Destruction*, 103.

stuffs, against which the fragmented Europe of today holds only the weight of a grain of sand. ... Almost three-quarters of the earth, certainly four fifths of the world's purchasing power, will soon be united into these large economic spaces." Simultaneously, the industrialization of many of Europe's colonies and dominions, alongside rising powers like America and Japan, had destroyed the pre-1914 global order that was based on the "unchallenged primacy and domination of industrial Europe."<sup>635</sup> Hahn now called for Germany to form its own "sphere of influence," its own economic hinterland in Central Europe. The "contraction of our overall foreign trade can only be overcome when we succeed in unlocking the untapped sales potential that still exists in the only undeveloped region of Europe," Eastern and Southeastern Europe.<sup>636</sup>

Indeed, by 1932 both Hahn and Gothein came to see Southeastern Europe in imperial terms. In the same manner that British and French officials during the 1920s and 1930s wanted to develop the economies of their colonies, Gothein and Hahn saw Southeastern Europe as a region rich with "development possibilities."<sup>637</sup> "The states of Southeastern Europe," Gothein suggested, "have the character of colonial countries, which through capital, through intelligence, and through work will evolve into highly developed, civilized nations [*höherentwickelter Kulturländer*]. The security of a large sales market would deliver all of this to them."<sup>638</sup> As a *kultur*-nation, moreover, Germany should be given the opportunity to "lead" these other, younger nations down the path to economic and cultural maturity. Not only would a German-led customs union help raise the standard of living in Southeastern Europe. With a history of cultural work in its former African colonies—from medical research and hygiene to education—so Gothein argued, Germany would help teach the Balkan states to exercise their new found political freedom.<sup>639</sup>

For the *Mitteleuropa* proponents, an ersatz colonial region would not only help Germany recover from the economic crisis, it would help Germany win "a better position in the contest with the great economic powers" of Western Europe and augment its national power.<sup>640</sup> Following the collapse of the German-Austrian customs union, Hahn realized just how vulnerable Germany's political ambitions were to international economic factors. Above all he was concerned with Germany's dependence on overseas imports, a dependency that had grown since the end of the First World War. Before the 1914 this dependency, Hahn argued, was acceptable since Germany could rely on a relatively stable, multilateral exchange of goods and credit with Great Britain and the rest of the world.<sup>641</sup> But as Great Britain and France began to

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<sup>635</sup> Max Hahn, "Importverlagerung als vordringliche Aufgabe der deutschen Handelspolitik," *Der Deutsche Volkswirt*, no. 1213 (Dec. 22, 1933): 510–13, here 510.

<sup>636</sup> Max Hahn, "Mitteleuropa als Ziel deutscher Politik," *Volk und Reich*, no. 10/11 (1931): 563–72.

<sup>637</sup> D. K. Fieldhouse, *The West and the Third World: Trade, Colonialism, Dependence, and Development* (Oxford UK: Blackwell Press, 1999); Joseph Hodge, *Triumph of the Expert: Agrarian Doctrines of Development and the Legacies of British Colonialism* (Athens, OH: Ohio Univ. Press, 2007); Pitts, *A Turn to Empire: the Rise of Imperial Liberalism in Britain and France*.

<sup>638</sup> Georg Gothein, "Mitteleuropäische Zollunion. Eine Entgegnung auf Professor Franz Eulenburg," *Volk und Reich*, no. 2/3 (1931) in BAK, N 1006 Nachlässe Gothein, 78.

<sup>639</sup> Georg Gothein, "Der Deutsche Gedanke—Brauchen wir Kolonien?" in *Politik und Wirtschaft* from Nov. 1927 in BAK, N 1006 Nachlässe Gothein, 79. See also Walther Hoffmann, *Südosteuropa: Bulgarien, Jugoslawien, Rumänien, ein Querschnitt durch Politik, Kultur, und Wirtschaft* (Leipzig: Linder, 1932), chapters 3, 4, and 6.

<sup>640</sup> Hahn, "Importverlagerung."

<sup>641</sup> As Germany industrialized before 1914 it ran a trade deficit with many non-European countries from its import of raw materials. To cover this deficit it exported finished goods to Great Britain. Britain, as the lynchpin of the international economy, balanced this through invisible earnings, shipping, and investments in non-European countries, many of which were its colonies. The First World War disrupted this multilateral system, which was only

trade predominantly with their colonies, Germany's dependence on overseas imports was becoming a major problem. Where would Germany earn the foreign currency to pay for these imports when Great Britain, formerly the crucial link in the multilateral commercial system, purchased fewer and fewer German products? "Unbalanced" dependency on overseas suppliers, moreover, generated an extremely "sensitive system that reacted to every fluctuation and crisis in international politics." What would happen in the unlikely but not impossible event of war, when Germany had to depend on suppliers whose trade lines could easily be severed?<sup>642</sup> In other words, Hahn couched his *Mitteleuropa* strategy in terms of necessity—it was forced onto Germany by the unstable structure of the world economy and the policies of the Western powers.

For Hahn and his fellow proponents of *Mitteleuropa*, the lesson of the Great Depression showed that Germany needed to base its commercial policies on bilateral agreements with continental partners.<sup>643</sup> Yet he wanted more than trade policy, he wanted to alter the very productive capacities of Southeastern Europe to meet German needs on a long-term basis.

When we induce a country like Hungary—whose agricultural focus until now has been in grain, and indeed mainly in the production of wheat, and which given the cataclysm in European agricultural production has had no real sales opportunities for the past three years—to take up or to expand a particular type of cultivation for which Germany offers a long term and secure demand, we have thereby achieved a positive step in interstate production policy. It no longer suffices today to arrange the placement of such agricultural surpluses merely through the temporary measures of trade policies. Rather the European primary producers ... can only be promised effective assistance and a close economic relationship with Germany when they adjust extensively on their part—in their *production*, in their *technology*, in their *investment* policies, and in the *management* of their price level—to the needs and requirements of the German consumer and the German producer. The redirection of our imports, which denotes the creation of a single economic space in Central Europe, thus fundamentally means much more than merely implementing certain trade policies like preferences or compensation, it means above all initiating a methodical, interstate production policy.<sup>644</sup>

Germany alone, "as the largest consumer in Europe," possessed the capacity to purchase substantial quantities of agricultural surplus from Southeastern Europe. For Hahn this meant nothing less than the ability to restructure the economies of Hungary, Romania, Yugoslavia, and Bulgaria, making them complementary with and dependent upon Germany. Such an interstate production policy, he argued, would "lay the cornerstone of a new economic recovery for the continent" of Europe.<sup>645</sup>

### *Conclusion*

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precariously reconstructed in the 1920s. E. J. Hobsbawm, *Industry and Empire: From 1750 to the Present Day* (New York: The New Press, 1986), 151–53.

<sup>642</sup> Hahn, "Importverlagerung."

<sup>643</sup> Max Hahn, "Deutschlands handelspolitische Beziehungen zu den Ländern des mitteleuropäischen Raums" in special edition of the *Berliner Börsen-Zeitung*, no. 589 (Dec. 17, 1933).

<sup>644</sup> Hahn, "Importverlagerung."

<sup>645</sup> Hahn, "Deutschlands handelspolitische Beziehungen"; France and Great Britain only purchased 3 and 1 percent, respectively, of the exports from Yugoslavia and Romania. Kaiser, *Economic Diplomacy*, 326.

Before 1932 the continental economic strategy proposed by Max Hahn, George Gothein, and other advocates of *Mittleuropa* had faced resistance from several fronts. For agriculture, an economic bloc that included Yugoslavia, Romania, and Hungary would be a threat to German farmers. The *Reichslandbund* impeded efforts by the Foreign Office, the Economics Ministry, and the Mitteleuropäische Wirtschaftstag to conclude bilateral agreements with the states of Southeastern Europe. From the other side of the economic spectrum, Germany's internationally oriented sectors were reluctant to endorse a Central European strategy before 1931, since these markets would not compensate for the loss of exports to Western Europe and America. Preferential treaties, they feared, would only start a tariff war, and in any case the markets of Central Europe were too small to absorb Germany's great need for exports. Franz Eulenburg, professor of economics at the *Hochschule für Politik* in Berlin and a trenchant critic of *Grossraumwirtschaft*, correctly pointed out in 1932 that Yugoslavia, Romania, Hungary, and Bulgaria, far from being Germany's salvation, were still too poor and too undeveloped to offer the Germany the markets it needed to thrive.<sup>646</sup> Ironically, trade between Germany and the states of Southeastern Europe declined during the Great Depression, even as interest in these markets flourished. Yet this decline only mirrored the overall collapse of German exports and imports during the depression. In comparison with Great Britain, France, and America, the states of Southeastern Europe held their own and, in fact, their exports to Germany suffered less than Germany's larger trading partners. (see Table 14)<sup>647</sup>

Despite this resistance from numerous fronts, the Great Depression marked a watershed in the way German economists and government officials thought about foreign trade and about Germany's economic position in Europe. By 1932 a rough consensus was slowly emerging that a continental strategy in Central and Southeastern Europe, despite its shortcomings, was the best card in Germany's hand. The hopes that Georg Gothein and others had placed in a Franco-German customs union had been dashed by the economic nationalism of the depression, great power politics, and the threat of a Danubian federation that excluded Germany. The principle of most-favored nation status had lost its legitimacy as developed economies around the world raised tariffs and granted special privileges for their colonies and dominions. As a result, by 1932 agricultural interest groups and exporters were both slowly coming to accept the need for an economic bloc.

For the advocates of *Mittleuropa*, redirecting German commerce toward new markets seemed forced on them by the structure of world trade and the protectionist policies of Great Britain, France, and America. They couched their arguments in terms of making the best of an adverse *economic* environment: Germany was merely reacting to the loss of its colonies and its industries' need for larger and more secure markets.

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<sup>646</sup> Franz Eulenburg, *Grossraumwirtschaft und Autarkie* (Jena: Gustav Fischer, 1932).

<sup>647</sup> Schröter, *Industrie auf dem Weltmarkt*, 528–29.



**Table 14**  
German Trade by Destination, 1929–1933  
(in millions of RM)

Destination	Imports					1933 as a percentage of 1929
	1929	1930	1931	1932	1933	
America	1790.4	1306.8	791.4	591.8	482.8	27.0%
Great Britain	865.4	639	453.3	258.5	238.4	27.5%
France	642	518.7	341.6	189.9	134	20.9%
Big Three (US, GB, FR)	<b>3297.8</b>	<b>2464.5</b>	<b>1586.3</b>	<b>1040.2</b>	<b>855.2</b>	<b>25.9%</b>
Romania	210.9	236.9	102.4	74.4	46.1	21.9%
Yugoslavia	60.9	74.8	40.1	29.5	33.5	55.0%
Hungary	89.3	82.1	55.2	36.4	34.2	38.3%
Bulgaria	51.2	58.9	48.3	34.5	31.3	61.1%
Southeastern Europe	<b>412.3</b>	<b>452.7</b>	<b>246</b>	<b>174.8</b>	<b>145.1</b>	<b>35.2%</b>
Total	<b>13436</b>	<b>10393</b>	<b>6727</b>	<b>4660.5</b>	<b>4203</b>	<b>31.3%</b>

Destination	Exports					1933 as a percentage of 1929
	1929	1930	1931	1932	1933	
America	991.9	685.2	487.5	281.2	245.9	24.8%
Great Britain	1305.5	1218.9	1133.6	446	245.9	18.8%
France	934	1148.6	834.1	482.5	395	42.3%
Big Three (US, GB, FR)	<b>3231.4</b>	<b>3052.7</b>	<b>2455.2</b>	<b>1209.7</b>	<b>886.8</b>	<b>27.4%</b>
Romania	164.1	137.3	92.5	64.2	46	28.0%
Yugoslavia	152.6	172.1	95.1	43.3	33.8	22.1%
Hungary	146.7	118.3	84.4	47.4	38.1	26.0%
Bulgaria	44.7	22.9	25.3	20.8	17.7	39.6%
Southeastern Europe	<b>508.1</b>	<b>450.6</b>	<b>297.3</b>	<b>175.7</b>	<b>135.6</b>	<b>26.7%</b>
Total	<b>13482.7</b>	<b>12035.6</b>	<b>9598.6</b>	<b>5739.1</b>	<b>4871.4</b>	<b>36.1%</b>

Source: annual reports "Deutsche Aussehenhandel unter besonderer Berücksichtigung Bezugs- und Absatzländer" from 1929–1934 in *Wirtschaft und Statistik*.

Yet in reality Max Hahn, Hans Posse, Heinrich Brüning, and former proponents of international trade like Georg Gothein and Eduard Hamm abandoned their western-oriented trade policy primarily because of *political* considerations. Here they drew on a long history of German economic thinkers who saw trade as an instrument of national power, one that stretched back through Max Weber to Friedrich List and Johann Gottlieb Fichte. Yet the economic crises in Central Europe and in the world during the late 1920s brought this line of thought to the surface.

As these *Mittleuropa* advocates made so clear, Southeastern Europe was the platform from which Germany could re-launch its bid to become a great power. In their eyes, re-directing German trade to this region through binding bilateral treaties would not only insulate German industry from fluctuations in the global economy, it would give Germany leverage over the small economies of Southeastern Europe. On the one hand, by offering a solution to the agrarian crises besetting Yugoslavia and Romania, Weimar's leaders hoped to undermine these state's diplomatic ties to France and dismantle the collective security framework established by the Treaty of Versailles. On the other hand, actively restructuring the economies of Yugoslavia and Romania over the long-term to suit Germany's needs, as Hahn called for, if fulfilled would reinforced their dependence on the German economy.<sup>648</sup> Not until 1934 would Germany begin to achieve these goals with the New Plan, but the economic and ideological roots of an aggressive, politically motivated commercial policy in Southeastern Europe were sowed well before 1933.

For the proponents of *Mittleuropa*, the Balkans represented a region of latent possibilities: economically in its underdeveloped raw materials and agriculture, and culturally in its uneducated work force. And they justified a deeper relationship with the region on the basis of comparative advantage and economic complementarity. Capital abundant Germany would export industrial goods to the resource rich Balkans, in return for agricultural products and raw materials. Yet this vision of a *Grossraumwirtschaft* was in certain ways predicated on the continued underdevelopment of Southeastern Europe. For despite their interest in improving the "development possibilities" of Yugoslavia, Romania, Hungary, and Bulgaria, these countries would only be useful in Germany's *Mittleuropa* framework if they remained primary product exporters. German plans for economic development in Southeastern Europe never included industrialization along the lines of Germany, Great Britain, and America.

Before Hitler's rise to power in 1933, Germany's Foreign Office, its Economics Ministry, and private organizations like the *Mittleuropäische Wirtschaftstag* gravitated toward the policy that Albert Hirschman and other Anglo-American commentators would condemn a decade later as a primary contribution to the outbreak of the Second World War: using commercial leverage over small states to augment Germany's national power.<sup>649</sup> The crisis of the Great Depression marked the beginning of a conscious, long-term strategy by German economic and governmental elites to use Southeastern Europe as a fulcrum point to reclaim their nation's status as a great power and re-launch Germany's *Weltpolitik* from a continental platform. As Hans Posse declared before the directors of the German Section, this would be a *Weltpolitik* based on the collaboration between the state and private institutions. Or in the words of Germany's diplomat in Bucharest, a "quasi un-political policy of economic and cultural expansion toward the Southeast." Over the course of the next decade the *Mittleuropäische Wirtschaftstag*, along with the *Mitteluropa-Institut* in Dresden, the Leipzig trade fair, and the research institutes in Leipzig would further enmesh the economies of Germany and Southeastern Europe. But their goal was never radical autarchy like many National Socialist and other radical conservatives demanded.<sup>650</sup> Rather they pursued a third path between free trade and autarchy: *Grossraumwirtschaft* or the economic federation of Central Europe.

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<sup>648</sup> Hahn cited in Ranki, *Economy and Foreign Policy*, 93.

<sup>649</sup> Hirschman, *National Power and the Structure of Foreign Trade*.

<sup>650</sup> On National Socialism and Autarchy see Hauke Janssen, *Nationalökonomie und Nationalsozialismus. Die deutsche Volkswirtschaftslehre in den dreissiger Jahren* (Marburg: Metropolis-Verlag, 2000); for a contemporary conservative take on autarchy see Ferdinand Fried, *Autarkie* (Jena: Diederichs, 1932).

### **Economic Pioneers or Missionaries of the Third Reich? Cultural Diplomacy and Professional Exchange in Southeastern Europe 1933–1939**

*It is in the interest of both educating the next generation of merchants as well as cultivating Germany's good relations with other countries, for us to give young German traders a greater opportunity than before for advanced training abroad, and in exchange provide young foreigners ... the opportunity to expand their professional knowledge through employment in Germany.*<sup>651</sup>

*Buy German agricultural equipment.* So ran the main theme of Otto Schnellbach's two study trips through Yugoslavia and Romania in 1933 and 1934. Charged by the Mitteleuropäische Wirtschaftstag with collecting statistical information about Southeastern Europe and promoting German products, Schnellbach (1897–1978) set off in the spring of 1933 on a six-month tour through Yugoslavia. As an engineer and technician of agricultural equipment, Schnellbach focused his promotional trip on Yugoslavia's agrarian sector, which employed roughly 80 percent of the population, for it was here that he saw the greatest potential to increase sales of Germany's industrial products.<sup>652</sup> From February through July Schnellbach visited first the German-speaking regions of the Banat and cities with large German minorities like Osijek and Novi Sad. In the summer he voyaged south through the Serbian countryside and stopped in Belgrade, Sarajevo, and Mostar. In the cities and small towns alike Schnellbach visited high schools and universities, gave lectures, showed films about German technology, gave interviews to the local press, spoke with farmers, blacksmiths, engineers, and artisans, and met with representatives of agricultural cooperatives involved in German-Yugoslavian trade. He wanted to sell mechanization to the local farmers and give them a reason to buy German rather than Czech or Hungarian equipment. In the spring of 1934 Schnellbach conducted a similar mission in Romania that took him from the German towns of Transylvania to the plains of Bessarabia.<sup>653</sup>

Otto Schnellbach's excursions to Yugoslavia and Romania were among the first concrete instances of cultural diplomacy under Germany's new National Socialist regime. Schnellbach pursued cultural diplomacy for economic reasons, and in doing so he drew on the ideas of Georg Gothein, Tilo Freiherr von Wilmowsky, and Walther Hoffmann: businessmen and academics who thought stronger cultural ties abroad would yield economic reward and ultimately geopolitical influence for Germany. These men wanted to use the soft power of culture to magnify Germany's hard economic power.<sup>654</sup>

But the external and internal conditions facing Schnellbach and others interested in cultural diplomacy changed dramatically following Adolf Hitler's rise to power on January 30, 1933. Externally, the speed with which National Socialism destroyed Weimar democracy and the

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<sup>651</sup> The German Association for Chambers of Industry and Commerce on the poor state of their nation's next generation of merchants. Politisches Archiv des Auswärtigen Amt (PAAA), Sonderreferat Wirtschaft, 118537 Deutsche Industrie und Handelstag, DIHT to the Foreign Office from March 2, 1934.

<sup>652</sup> Mitteleuropäischer Wirtschaftstag, *Deutschland und Jugoslawien: Tagung am 2. Mai 1934, vormittags 10 ½ Uhr in Berlin, Jägerstrasse 2/3* (Berlin: Deutsches Nachrichtenbüro, 1934).

<sup>653</sup> Bundesarchiv Berlin (BA), R901, 54159 Trade with Yugoslavia, film 40673 on Schnellbach's tour in Yugoslavia and Romania.

<sup>654</sup> I introduce and discuss Gothein, Wilmowsky, and Hoffmann in chapters 4 and 5.

intensity of the new regime's anti-Semitism led many foreigners to draw back from cultural and commercial contacts with Germany. The number of foreign students studying in Germany—a highly observed metric in the field of cultural relations—declined by a third between 1933 and 1935 because of the new, antisemitic climate.<sup>655</sup> And as Schnellbach reported, after the Nazis excluded Jews from key professions Jewish and non-Jewish merchants and publicists began a movement to boycott German goods across Southeastern Europe.<sup>656</sup>

On the domestic front, with the establishment of the Propaganda Ministry the Nazi party hoped to wrest oversight of German cultural affairs abroad from the Foreign Office. For Joseph Goebbels, Germany's Propaganda Minister, cultural diplomacy was political propaganda carried out beyond the borders of Germany, its *raison d'être* to encourage foreigners to appreciate the National Socialist worldview.<sup>657</sup>

Historians have documented how the National Socialist regime used cultural diplomacy as a political tool to “influence the academic strata of other nations,” spread its ideology, and imbue German minorities with a sense of loyalty toward the Third Reich. Indeed, the pan-German, nationalist right used cultural diplomacy to further their ambition of uniting all Germans into a single nation-state.<sup>658</sup> In his studies of ethnic German research institutes in the interwar period, Michael Fahlbusch demonstrates how, in the 1930s, scholars in Leipzig, Munich, and Vienna encouraged German minorities to foster irredentism on Germany's Eastern borders.<sup>659</sup> He and others have traced the process by which Germany's area studies programs for Eastern and Southeastern Europe and organizations like the Institute for Germans Abroad first became deeply implicated in the National Socialist efforts to create a greater Germany, and then subsequently helped construct the ideological justification for a German racial subjugation of Eastern Europe.<sup>660</sup>

These scholars have rightly emphasized the disruptive character and racial agenda behind much of Germany's cultural activities in Eastern Europe during the 1930s. But not all Germans

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<sup>655</sup> Laitenberger, *Akademischer Austausch und auswärtige Kulturpolitik 1923–1945*, 268–72; Béla Bodó, “Foreign Students in Nazi Germany,” *East European Quarterly* 37, no. 1 (2003): 19–50.

<sup>656</sup> BA, R901, 54159 Trade with Yugoslavia, film 40673, confidential report from July 21, 1933; See also the reports collected by the Foreign Office on the Jewish Boycott, BA, R901, 54164 Trade with Yugoslavia, film 40726, report from the “Vertraulichen Sonderdienst” from Sept. 3, 1934; according to a confidential study conducted by the Leipzig trade fair, propaganda against Germany—“Greuelpropaganda”—spread by some publicists in Southeastern Europe hurt German sales in 1933, but the immediate effects quickly wore off. Sächsische Staatsarchiv Leipzig, LMA, DS 918, “Die Greuel- und Boykottpropaganda Gegen Deutschland. Eine Untersuchung des Leipziger Messeamts,” 1934.

<sup>657</sup> Jan Peter Barbian, “Kulturwerte im Zeitkämpfe, Die Kulturabkommen des ‘Dritten Reiches’ als Instrumente nationalsozialistischer Aussenpolitik,” *Archiv für Kulturgeschichte* 74, no. 2 (1992): 415–59.

<sup>658</sup> Ambassador Fritz von Twardowski, cited in Frank-Rutger Hausmann, “The ‘Third Front’: German Cultural Policy in Occupied Europe, 1940–1945” in Ingo Haar and Michael Fahlbusch (eds.) *German Scholars and Ethnic Cleansing* (New York: Berghahn Books, 2005), 217; Barbian, “Kulturwerte”; Fritz von Twardowski, *Anfänge der deutschen Kulturpolitik zum Ausland* (Bonn-Bad Godesberg: Inter Nationes, 1970); for a Marxist perspective see Otfried Dankelmann, “Aus der Praxis auswärtiger Kulturpolitik des deutschen Imperialismus 1933–45,” *Zeitschrift für Geschichtswissenschaft* 20 (1972): 719–27.

<sup>659</sup> Fahlbusch, “Grundlegung, Kontext und Erfolg der Geo- und Ethnopolitik vor 1933” in Diekmann, Krüger and Schoeps, *Geopolitik. Grenzgänge im Zeigeist*, 103–46; Michael Fahlbusch, “The Role and Impact of German Ethnopolitical Experts in the SS Reich Security Main Office” in Haar and Fahlbusch, *German Scholars and Ethnic Cleansing*; Ingo Haar, “German Ostforschung and Anti-Semitism” in Haar and Fahlbusch, *German Scholars and Ethnic Cleansing*; and Michael Fahlbusch, *Wissenschaft im Dienst der nationalsozialistischen Politik? Die ‘Volksdeutschen Forschungsgemeinschaften’ von 1931–1945* (Baden-Baden: Nomos, 1999).

<sup>660</sup> Beer and Seewann, *Südostforschung im Schatten des Dritten Reich*; Michael Burleigh, *Germany turns Eastwards: A Study of Ostforschung in the Third Reich* (Cambridge: Cambridge Univ. Press, 1988).

saw cultural diplomacy and area studies exclusively, or even primarily, as a building block for Hitler's new racial order. If cultural diplomacy was an ideological instrument in the hands of the Nazis, Schnellbach and others thought it should instead be used to spread the ideology of German business: cutting-edge technology built on a foundation of efficiency, adaptability, and reliability. And in contrast to pan-German nationalism, this economic-based cultural diplomacy reached out to the non-Germans of the Balkans. Germany's business elites used cultural diplomacy to reinforce *regional* economic ties in Central and Southeastern Europe against the backdrop of a shattered global economy.<sup>661</sup>

Schnellbach's patron, the Mitteleuropäische Wirtschaftstag, along with the Mitteleuropa-Institut in Dresden had pioneered this approach in the late 1920s.<sup>662</sup> By augmenting Germany's official commercial policy with a "quasi un-political policy of economic and cultural expansion," the leaders of these organizations as well as Germany's Foreign Office hoped to realize their long-standing ambition: restructuring the economies of Central and Southeastern Europe to create a German-led economic bloc in Europe.<sup>663</sup> They would use their economic variant of cultural diplomacy to convince the commercial circles of Southeastern Europe that cooperation with Germany was in their own best interests. Buying from and selling to Germany, they argued, would benefit Southeastern Europe as much as it would benefit Germany. Their flagship programs for deploying these ideas were educational and professional exchanges that brought hundreds of young businessmen, academics, doctors, and engineers to study in Germany's prestigious universities.

The directors of Mitteleuropäische Wirtschaftstag and the Mitteleuropa-Institut, in other words, wanted to enhance their country's hard economic power with the soft power of cultural magnetism. In the words of Joseph Nye, soft power "is the ability to get what you want through attraction rather than through coercion or payments." Soft power is about winning hearts and minds, encouraging others to believe that they share your values and goals, or at the very least, that your values and goals are legitimate.<sup>664</sup> During these same years, across the Atlantic the great economic imperium and emporium of America was erecting an imposing edifice of soft power as its rotary clubs, chain stores, and cinema spread the gospel of mass, democratic consumption around the world. Without Germany's own economic and cultural space, the businessmen of the Mitteleuropäische Wirtschaftstag as well as Adolf Hitler himself feared their country would only "fall behind" the "economic empire of North America."<sup>665</sup>

Until now scholars have used soft power almost exclusively to analyze the foreign policy of liberal states, chief among them America but also post-1945 democratic Germany and Japan as well as the European Union.<sup>666</sup> Yet soft power has been effectively deployed under

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<sup>661</sup> For recent discussions of the history of globalization see Frieden, *Global Capitalism, Its Fall and Rise in the Twentieth Century*; O'Rourke and Williamson, *Globalization and History. The Evolution of a Nineteenth-Century Atlantic Economy*.

<sup>662</sup> These were two transnational organizations founded between 1925 and 1929 to further the removal of trade barriers in Central and Southeastern Europe. The former was originally based in Vienna, but after 1931 relocated its center to Berlin. The latter was situated in Dresden, but had a large supportive network of press agents and affiliates across Southeastern Europe. I discuss these organizations in detail in chapters 4 and 5.

<sup>663</sup> PAAA, Bucharest Gesandtschaft, 179, report from Gerhard Mutius to Berlin Foreign Office from Feb. 14, 1928.

<sup>664</sup> For a discussion of soft power as a concept see Nye, *Soft Power*, quotation from preface.

<sup>665</sup> de Grazia, *Irresistible Empire*; on Hitler's fear of America see Adolf Hitler, *Hitler's Second Book: the Unpublished Sequel to Mein Kampf*, Gerhard Weinberg (ed.), (New York: Enigma, 2003); and Tooze, *Wages of Destruction*, preface; Quotation from Gothein "Unmögliche und mögliche Wege," found in BA, R901, 42995, 273.

<sup>666</sup> Nye, *Soft Power*; For other approaches to the idea of soft power see Zielonka *Europe as Empire*, and Katzenstein, *A World of Regions: Asia and Europe in the American Imperium*.

authoritarian regimes like Nazi Germany, so long as the institutions of civil society retained room to operate in the interstices of state power. Indeed, Germany's foreign policy with Southeastern Europe cannot be disentangled from the strong reputation of its universities, its trade fairs, its language, its technology, and its high-quality manufactured goods.

How did Germany's soft power survive under the authoritarian regime of National Socialism after 1933? How were civil organizations like the *Mitteleuropäische Wirtschaftstag* and the *Mitteleuropa-Institut* effected by the Nazi Party's attempts to centralize cultural diplomacy? How did the advocates of economic cultural diplomacy navigate the regime's racial and antisemitic agenda in Europe? And how effective were they in improving Germany's image, connections, and economic prestige in Southeastern Europe? Chapter five explores these questions by framing Germany's economic-driven cultural diplomacy as an exercise in soft power.

### *Competitive Space*

On March 13, 1933 Adolf Hitler placed Joseph Goebbels at the helm of the Ministry of Public Enlightenment and Propaganda. Goebbels was one of Hitler's closest comrades, an "Old Guard" who had joined the party in 1924 and who quickly became one of the movement's leading propagandists. In 1932 Goebbels had portrayed the national elections as a stark choice between the corruption of Weimar or "national rebirth and a glorious future" under National Socialism. In February 1933 he exploited the Reichstag fire to solidify Hitler's rule. As a reward for his crucial service in bringing the party to power Goebbels assumed command of the Propaganda Ministry, a new institution that aimed to turn passive Germans into active participants in the National Socialist revolution. In addition to imposing Nazi supervision on German film, radio, broadcasting, sports, literature, and news production at home, in one of his first moves as Propaganda Minister he acquired control over the promotion of art, film, and sports beyond German borders. He wanted all German culture, at home and abroad, to come under the complete purview of the party.<sup>667</sup>

Goebbels' grasping ambitions touched off what would become nearly a decade-long struggle between the Foreign Office, the Propaganda Ministry, and the Ministry of Scholarship and Education for control of Germany's cultural diplomacy. At stake were over 200 private or semi-public organizations that cultivated cultural relations with foreign states. These ranged from the sprawling Institute for Germans Abroad in Stuttgart (DAI), the German Academic Exchange Service in Berlin, (*Deutsche akademische Austauschdienst*—DAAD), and the Imperial Federation for Catholic Germans Abroad, which all annually received hundreds of thousands of Reichsmarks from the government, to much smaller organizations like the Zagreb Society of Friends for Germany or the German Association of Mexico.<sup>668</sup> Because so many of these organizations operated in the same geographical region and engaged in overlapping activities, to many contemporaries Germany's cultural diplomacy appeared fractured and incoherent, much like the Nazi state itself.

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<sup>667</sup> David Irving, *Goebbels, Mastermind of the Third Reich* (London: Focal Point, 1996), 168–73; quotation from Richard J. Evans, *The Coming of the Third Reich* (New York: Penguin Press, 2003), 291, on the propaganda ministry see 395–97; Laitenberger, "Strukturprobleme der auswärtigen Kulturpolitik," 86–95.

<sup>668</sup> PAAA, Kulturabteilung, 66078 Wissenschaft und Kulturpropaganda, Proposal for a Central Office for Cultural Diplomacy by Dr. Greiner, from March 19, 1935.

In the wake of the Nazi seizure of power, public officials and intellectuals feared this disorganization diminished the effectiveness of cultural diplomacy at a time when Germany needed to foster a positive image more than ever before. In 1933 and 1934 public opinion in countries across the world became increasingly hostile to Germany. In Southeastern Europe, although some political elites were sympathetic to authoritarian government, public antipathy toward Germany's new regime was initially as widespread as in Western Europe.<sup>669</sup> In Romania newspapers called the National Socialists a "band of gangsters" that was a danger to European peace. Hitler was seen as a "fanatical pan-Germanist with vulgar oratorical talents for the masses and a pathological megalomania. Uneducated, or what is even worse, half-educated."<sup>670</sup> Yugoslavia's commercial and cultural elites, the traditional target of the Foreign Office's cultural diplomacy, viewed the Nazi takeover in poor regard and treated any state promotion of German culture with great mistrust.<sup>671</sup>

The first attempt to coordinate these numerous organizations and boost Germany's tarnished image abroad came in the summer of 1933. To preempt further encroachment by the Propaganda Ministry, the Foreign Office encouraged Dr. Adolf Morsbach, a conservative bureaucrat in Prussia's Interior and Education Ministry and director of the DAAD since 1927, to draw up plans to centralize German cultural policy in a single, semi-public office. Morsbach presented his plan for an Imperial Consortium for Foreign Cultural Policy in March 1934, which called for substantial oversight from the German state. He wanted "German cultural policy to be directed by the unified will of the federal government," but in such a way that it would appear "from abroad to be carried out by an independent organization." Although the Foreign Office and the Ministry of the Interior supported Morsbach, his plan never materialized. The Prussian Cultural Ministry objected on the grounds that it placed too much power in the hands of the Foreign Office, whose officials would have occupied many of the key positions in the new consortium. In May 1934, furthermore, the government created a new Ministry for Scholarship and Education and charged it with pursuing cultural affairs abroad in the "spirit of National Socialism." This added a new voice to the already tense competition between ministries. The nail in the coffin came in the summer 1934, when Hitler purged the Nazi Party of its radical SA members. During the Knight of the Long Knives Morsbach, who had connections to the leader of the SA, Ernst Röhm, was relieved as director of the DAAD and imprisoned.<sup>672</sup>

In the spring of 1935 the Propaganda Ministry launched its own bid to control Germany's cultural diplomacy. In a memorandum addressed to the Foreign Office and other ministries Dr. Erich Greiner of the Propaganda Ministry proposed a new umbrella organization to unify Germany's cultural affairs. Greiner raised many of the same themes that Morsbach had the previous year: the multiplicity of private organizations made it difficult to oversee their financial

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<sup>669</sup> On authoritarian and fascist movements in Eastern and Southeastern Europe see Janos, *Eastern-Central Europe in the Modern World*, 166–217; On Romania see Michael Mann, "The Romanian Family of Authoritarians" in his *Fascists* (New York: Cambridge Univ. Press, 2004), 261–95.

<sup>670</sup> PAAA, Politisches Abteilung, Rumänien, 73670 Pressewesen, German translation of article from *Dimintrata* "Zwei Jahre Hitler Regime" from Jan. 31, 1935. See other similar reports in this folder.

<sup>671</sup> PAAA, Kulturabteilung, 61152 Kulturpolitik in Jugoslawien, Belgrade consul to Berlin Foreign Office from Nov. 23, 1933; On the Foreign Office's elite approach to cultural diplomacy see Tim Kirk, "Working Towards the Reich: the reception of German cultural politics in South-Eastern Europe" in Anthony McElligott/Tim Kirk (eds.), *Working towards the Führer: Essays in Honour of Sir Ian Kershaw* (Manchester: Manchester Univ. Press, 2003), 205–22.

<sup>672</sup> Laitenberger, "Strukturprobleme der auswärtigen Kulturpolitik," 24, 81–90; Michels, *Von der Deutschen Akademie*, 107–8; DAAD-Forum 7, *Der Deutsche Akademische Austauschdienst 1925 bis 1975*.

affairs, and their sheer number meant they operated “without a uniform objective.”<sup>673</sup> More active involvement by the Nazi Party in cultural diplomacy would mean a number of things, not the least of which was a greater emphasis on race and on promoting the party line toward German minorities in Eastern Europe. Already in 1934 the Foreign Office had come under pressure from Germany’s new Office of Racial Policy and the Propaganda Ministry to integrate a racial dimension into its cultural work. The director of the Office of Racial Policy, Walter Gross, wanted events organized at German schools abroad to enlighten other nations about the “results of modern racial ethnology” developed by German scholars in the past several years, and thereby make race an acceptable category in the field of cultural diplomacy. He wanted to encourage German-speakers in Eastern and Southeastern Europe to recognize that they belonged to the German race, that this race was superior to others, and that they consequently had an obligation to be loyal to the German nation even when this conflicted with their duty as citizens of other states.<sup>674</sup>

Gross and Greiner’s ideas were part of a larger effort by the Nazi party to use German minorities to undermine the Versailles framework in Eastern Europe. The Nazi Party worked through intermediary organizations like the Association of German Nationals Abroad (VDA), the Institute for Germans Abroad German (DAI), and the Ethnic German Liaison Agency to underwrite the claims of German minorities in Eastern Europe, especially the younger generation that came of age in the 1930s, for greater cultural independence and to encourage their loyalty to Germany. For expertise about German minorities Nazi party officials drew on research produced by a variety of conservative institutes that dated back to the 1920s. At these institutions conservative, “ethno-political” scholars provided the intellectual justification for the Nazi’s minority policy, and ultimately helped lay the groundwork for the population transfers and ethnic reordering that Hitler, Himmler, and the SS would implement in Eastern Europe during the Second World War.<sup>675</sup> The most well known instance of collaboration between the Nazi Party and German minorities was in Czechoslovakia, where Sudeten German Party actively laid the foundation for Hitler’s claims to the Sudetenland. But National Socialist film and newspaper propaganda also targeted German minorities in Romania and Yugoslavia in order to instill a “renewal” of nationalist sentiment.<sup>676</sup> In 1935, for instance, the Nazi Party’s Foreign Policy

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<sup>673</sup> PAAA, Kulturabteilung, 66078 Wissenschaft und Kulturpropaganda, Proposal for a Central Office for Cultural Diplomacy by Dr. Greiner, from March 19, 1935.

<sup>674</sup> PAAA, Büro Staatssekretär, 70163 Akten von Bülow—Politische und Kulturpropaganda, Memo from August 7, 1934 and article from the *Völkische Beobachter* from July 20, 1934; On Walter Gross and the Office of Racial Policy see Robert N. Proctor, *Racial Hygiene. Medicine under the Nazis* (Cambridge, MA: Harvard Univ. Press, 1988), 87–89.

<sup>675</sup> The largest of these “ethnopolitical” research institutes included the Foundation for Research on German Ethnicity and Land Cultivation in Leipzig (*Stiftung für deutsche Volks- und Kulturbodenforschung*), the North East Ethnic German Research Society (*Nord- und Ostdeutsche Forschungsgemeinschaft*), the Eastern European Institutes in Breslau and Königsberg, and the Southeast Institute in Munich. Haar, “German Ostforschung and Anti-Semitism” in *German Scholars and Ethnic Cleansing*, 1–27; Fahlbusch, “The Role and Impact of German Ethnopolitical Experts” in *ibid.*, 28–50.

<sup>676</sup> These appeals were limited, however, by the numerous religious, regional, and social divisions among the Germans of Southeastern Europe. The Ethnic German Liaison Agency spent much of its energy before 1939 smoothing over the tensions between these groups in Romania and Yugoslavia in order to help them advocate for a pro-German foreign policy to their respective governments. Zoran Janjetovic, “Die Donauschwaben in der Vojvodina und der Nationalsozialismus” in Mariana Hausleitner and Harald Roth (eds.), *Der Einfluss von Faschismus und Nationalsozialismus auf Minderheiten in Ostmittel- und Südosteuropa* (Munich: IKGS Verlag, 2006), 223–24; Carl Bethke, “‘Erweckung’ und Distanz: Aspekte der Nazifizierung der ‘Volksdeutschen’ in Slawonien 1935–1940” in Hausleitner and Roth, *Der Einfluss von Faschismus*; Cornelia Schlarb,



Office began subsidizing the right-wing press in Romania. It wanted to unite Romania's right-wing, antisemitic movements like the Iron Guard and Alexander Cuza's National Christian League and to coerce the Romanian government to pursue a more German-friendly foreign policy.<sup>677</sup>

Officials in the Foreign Office thought these highly politicized initiatives were counterproductive. They preferred to "let closer political relations develop 'naturally'" from greater commercial and cultural contacts. In 1936 when King Carol II of Romania demanded that Germany stop interfering in the domestic politics of his country, for instance, the Foreign Office urged the Nazi Foreign Policy Office to scale back its subversive operations in Bucharest and Transylvania.<sup>678</sup> And when the Party screened Leni Riefenstahl's film *Triumph of the Will* in 1935 in cities across Europe—it ran in both Yugoslavia and Romania for two months—the Foreign Office saw this as a crude attempt to bludgeon foreigners with overt Nazi symbolism.<sup>679</sup>

For the Foreign Office centralization of cultural policy under Goebbels's ministry would have been a disaster. Friedrich Stieve, director of cultural affairs in the Foreign Office, saw Dr. Greiner's plan as nothing less than a direct assault by the party on his department, and the party's aggressive use of racial categories as a harmful politicization of Germany's cultural diplomacy.<sup>680</sup> For Stieve, the National Socialists did not possess the finesse needed for cultural work abroad: subtlety was not one of National Socialism's strength, but subtlety was precisely the skill needed in cultural diplomacy. Nazi propaganda, with its focus on the masses, was simply too coarse an instrument and the relative inexperience of the party with foreign cultures would turn more people away from Germany than toward it. Stieve argued that, "the cultural political activities of the Foreign Office are not about 'propaganda' in the traditional sense of the word. They represent rather a methodical advertising for German culture abroad, one that is only possible when based on a precise understanding of foreign countries. ... We should never awaken the impression that we want to impose our high culture on another people."<sup>681</sup> Instead, the Foreign Office wanted to hold cultural diplomacy at an arm's length from the racial politics of the Nazi party. This was particularly the case with scholarship, student exchange, and presentations held in the name of Germany. "The first maxim for lectures of this type," Germany's consul in Belgrade reported in November 1933, "should be to avoid every polemic against other ideologies and against the foreign and domestic policy of other peoples." Because Yugoslavian elites questioned the objectivity of emissaries from Germany's new regime, "the propaganda effect is incomparably greater ... when the lecturer is known to be a representative of a political outlook or ideology that is rejected by National Socialism."<sup>682</sup>

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"Konfessionsspezifische Wahrnehmung des Nationalsozialismus in kirchlichen Publikationen der deutschen Minderheit in Rumänien in den 1930er Jahren" in Hausleitner and Roth, *Der Einfluss von Faschismus*; Johann Böhm, *Die Deutschen in Rumänien und das Dritte Reich*; Valdis O. Lumans, *Himmler's Auxiliaries: The Volksdeutsche Mittelstelle and the German National Minorities of Europe, 1933–1945* (Chapel Hill: Univ. of North Carolina Press, 1993), 107–22; Komjathy and Stockwell, *German Minorities and the Third Reich*.

<sup>677</sup> On the Iron Guard and the National Christian League see Eugene Weber, "The Men of the Archangel," *Journal of Contemporary History* 1, no. 1 (April 1966): 101–26; Hitchins, *Rumania*, 438.

<sup>678</sup> Quotation from Hitchins, *Rumania*, 438; see also Komjathy and Stockwell, *German Minorities and the Third Reich*, 115–17.

<sup>679</sup> PAAA, Bukarest Gesandtschaft, 162–64, Reichsminister for Propaganda to the Bucharest Consul from Aug. 30, 1935; Kirk, "Cultural Politics," 209.

<sup>680</sup> Laitenberger, "Strukturprobleme der auswärtigen Kulturpolitik," 91.

<sup>681</sup> PAAA, Kulturabteilung, 60798 Dienstbetrieb der Abteilung VI, Allgemeines, Memo by Stieve from Apr. 26, 1933, originally written on March 1, 1933.

<sup>682</sup> PAAA, Kulturabteilung, 61152 Kulturpolitik Jugoslawien, von Heeren in Belgrade to Berlin from Nov. 23, 1933.

Stieve, moreover, feared the Propaganda Ministry would endanger the DAAD and the German Academy, which were organizing German language classes throughout the Balkans, or smaller organizations like the Mitteleuropa-Institut. The advantage of such institutions, he emphasized, was that “they do not convey an official character” to foreign observers, and were rather understood to be “independent associations.” By placing these under Dr. Greiner’s planned umbrella organization they would acquire a “governmental character, and in the eyes of foreigners be taken for nothing other than an appendage or organ of the Propaganda Ministry.”<sup>683</sup>

Stieve convinced the secretaries of Germany’s other departments that Greiner’s centralization would do more harm than good to German interests. In the late spring 1935 the Foreign Office, together with the Finance Ministry, the Justice Ministry, and the Prussian Culture Ministry torpedoed Greiner’s proposal.<sup>684</sup> And although Nazi party members assumed leading positions in both the DAAD and the German Academy—SS leader Ewald von Massow assumed leadership in the former, Rudolf Hess became a patron of the latter—before 1938 these organizations were largely successful in maintaining their appearance abroad as relatively independent organizations. Massow, for instance, had joined the Nazi party in 1930. But as a former leader of the Stahlhelm, a conservative nationalist association, he appreciated the DAAD’s conservative, non-racial outlook and helped the institution preserve some autonomy *vis-à-vis* the Nazi party during the 1930s.<sup>685</sup>

The bureaucratic competition between the Foreign Office, the Education Ministry, and the Propaganda Ministry in the realm of cultural diplomacy reiterates the now familiar story of Nazi governance devolving into a polycracy of competing jurisdictions.<sup>686</sup> Hitler certainly exercised control over the highest level of Germany’s international relations.<sup>687</sup> But until 1938 the Foreign Office retained autonomy in areas outside of high politics. It was on this more mundane level of day-to-day consular affairs that Foreign Officers pursued their cultural programs. And it was here that professional bureaucrats like Stieve, who had made his career in Weimar’s bureaucracy, retained a large say over the cultural work conducted by the Foreign Office. They wanted to keep cultural diplomacy as depoliticized as possible, not because they were anti-Nazi but rather for the sake of efficacy.<sup>688</sup> Consequently, before 1938 the bureaucrats of the Foreign Office were able to prevent Germany’s cultural diplomacy from being overly infused by the political ideology and racism of National Socialism.

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<sup>683</sup> PAAA, Kulturabteilung, 66078 Wissenschaft und Kulturpropaganda, Memo by Stieve concerning a central office for cultural propaganda from Apr. 4, 1935.

<sup>684</sup> Laitenberger, “Strukturprobleme der auswärtigen Kulturpolitik,” 92; PAAA, Kulturabteilung, 66078 Wissenschaft und Kulturpropaganda, report on inter-ministerial meeting concerning a central office for cultural propaganda from Apr. 29, 1935.

<sup>685</sup> On Massow see Laitenberger, *Akademischer Austausch und auswärtige Kulturpolitik 1923–1945*, 53–55; On the Germany Academy’s flexibility in its language programs outside of Germany before the onset of war, see Michels, *Von der Deutschen Akademie*, 131–37.

<sup>686</sup> For a survey of the literature about polycratic rule in the Nazi state see Ian Kershaw, *The Nazi Dictatorship, Problems and Perspectives of Interpretation* (New York: Oxford Univ. Press, 2000), chapter 4.

<sup>687</sup> Numerous party organizations were involved in Foreign Policy, including the party’s foreign policy wing—Aussenpolitisches Amt—directed by Alfred Rosenberg; the party’s Auslandsorganisation that dealt with German minorities abroad; and the Büro/Dienststelle Ribbentrop, which performed special missions for Hitler. Zachary Shore, *What Hitler knew: the Battle for Information in Nazi Foreign Policy* (New York: Oxford Univ. Press, 2003), 12–13; Hans-Adolf Jacobsen and Arthur L. Smith, Jr., *The Nazi Party and the German Foreign Office* (New York: Routledge, 2007).

<sup>688</sup> Eckard Michels, “Deutsch als Weltsprache? Franz Thierfelder, the Deutsche Akademie in Munich and the Promotion of the German Language Abroad, 1923–1945,” *German History* 22, no. 2 (2004): 206–28, here 222.

## *The Economic Basis of Cultural Diplomacy*

For businessmen and economic thinkers interested in Southeastern Europe, the polycratic struggles between the Foreign Office and the Propaganda Ministry provided, above all, significant freedom to pursue cultural diplomacy to further their economic agenda. The directors of the Mitteleuropa-Institut and the Mitteleuropäische Wirtschaftstag, like the leaders of Germany's industrial associations, realized their country needed foreign trade to prosper. What had been a strong desire to increase German exports in the 1920s had by 1933 and 1934 become an urgent necessity, a matter of life or death in the estimation of many economic thinkers.<sup>689</sup> Fundamentally, the German economy needed imports to grow. It required the import of livestock to nourish its people and the import of feed for its own herds. It depended on cotton from abroad to support its textile industry, ore from Scandinavia for its iron industry, and oil from America, Russia, and Romania to fuel its growing automotive and aircraft industries. Germany's modern, industrialized economy, in other words, was far from self-sufficient, and to pay for these necessities Germany needed a robust export sector.<sup>690</sup>

Since the onset of the depression economists and businessmen had been busily searching for strategies beyond conventional trade policy that would improve Germany's ability to export, and many of these ideas fell under the broader category of cultural diplomacy as conceptualized by thinkers like Walter Hoffman and Georg Gothein at the end of the 1920s. By the 1930s these new ideas had percolated up to the top of Germany's economic hierarchy where organizations like the German Association for Chambers of Industry and Trade (*Deutsche Industrie und Handelstag-DIHT*), Germany's foremost association of export-related industries, discussed them in great detail. At the annual meeting of the DIHT's committee for foreign trade in September 1933, the directors called for greater care and funding to be given to reporting foreign economic information and also to advertising for German products abroad.<sup>691</sup> Just as important, however, was the education of the next generation of German merchants. The directors of the DIHT stressed the growing demand for traders who had expertise in different regions abroad.

We need to admit that here something must be done. The progressive deterioration of foreign trade in recent years and the simultaneous insecurity in the growth of business abroad has hampered or even completely inhibited the very expensive education of effective, young personnel. There is no doubt that the education of a good cohort of young merchants abroad is part of the life blood (*Lebensnerv*) of Germany's foreign trade, and that we must direct our complete attention to find a remedy for this [problem].<sup>692</sup>

The DIHT had received appeals from "diverse parties" for Germany to do more to educate young merchants in the cultures and languages of foreign states. Cultivating such expertise, these

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<sup>689</sup> Much of the contemporary commentary on the export question in 1932 and 1933 is couched in urgent, almost apocalyptic terms. See, for example, the articles in *Sächsische Industrie* "Export—Eine nationale Aufgabe" from July 1, 1933 or "Export tut Not!" from Sept. 1, 1933.

<sup>690</sup> Chapter 7 discusses Germany's export crisis of the 1930s in more detail.

<sup>691</sup> PAAA, Kulturabteilung, 61126 Protokoll über die Tagung zwischen Vertretern des Propaganda Ministerium, der Zentralstelle für Aussenhandel und dem Aufklärungsausschuss, report on the conference for export promotion from Sept. 2, 1933.

<sup>692</sup> PAAA, Sonderreferat Wirtschaft, 118537 Deutsche Industrie und Handelstag, brochure from Sept. 19, 1933.

parties argued, was crucial to solving Germany's export problem: better salesmanship, better marketing, and a better understanding of local tastes would help reverse the decline in foreign demand for German products. Before 1933 both official and private organizations—like the German section of the international chamber of commerce and the Mitteleuropa-Institut—had made various attempts to educate young traders, but these had “only to a very limited extent led to success.”<sup>693</sup>

As in the 1920s the business circles of Saxony, Germany's most export-dependent region, were the most outspoken advocates for devoting resources to educate young merchants. In April 1934 the directors of the Association of Saxon Industrialists (VSI), at the joint meeting of their export advisory council and advertising commission, laid out various strategies to help them meet their “responsibility to the Fatherland” to raise exports. These included advertising through the new medium of sound film and giving more resources to private organizations to pursue publicity. More importantly, according to the VSI, “personal contacts abroad take priority above all other means of promotion.” Organizations like the Leipzig fair were crucial in this respect, but more was needed.<sup>694</sup> There was a pressing “question of young personnel, the education of specialized export merchants. In the appraisal of the export industry, as far as the effort to continue the education of young people abroad is concerned, the current outlook is not optimistic.”<sup>695</sup> The animosity engendered by National Socialism abroad as well as the general collapse of international trade meant German merchants had less of an opportunity to apprentice the next generation of young merchants.

At the height of the export crisis Raimund Köhler, director of the Leipzig trade fair and a member of the VSI, took one of the first steps to remedy this problem. Earlier that year commercial elites in Hamburg, Leipzig's rival export hub in Germany, had established a new business school with a mandate to “train young exporters and thereby contribute to the recovery of the Hamburg export trade.” Köhler did not want Leipzig falling behind, and in June 1934 he approached the rector of the business college of Leipzig, Dr. Gerhard Wörner, with plans for a new department that would train future merchants.

The rector and others at the business college found Köhler's plan attractive in principle, yet they were unable to obtain funding from Saxony's economic ministry and the initiative was temporarily put on hold.<sup>696</sup> Indeed, funding proved to be a problem in general for cultural diplomacy throughout the Great Depression, hindering the ambitions of Köhler and the directors of the VSI and the DIHT. University budgets across Germany were slashed, sometimes by as much as one-third.<sup>697</sup> Funding for Germany's embassies and consulates to engage in cultural activities also declined dramatically. Germany's budget for cultural affairs in Yugoslavia fell by almost 40 percent from 1931 to 1932, and a similar though less steep pattern occurred in

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<sup>693</sup> PAAA, Sonderreferat Wirtschaft, 118537 Deutsche Industrie und Handelstag, DIHT to the Foreign Office from March 2, 1934; The DIHT saw exports as the best way to solve Germany's unemployment problem, *ibid.*, report on the foreign trade committee's meeting from Oct. 24, 1933.

<sup>694</sup> The Leipzig trade fair was Germany's largest international fair, attracting some 30,000–50,000 foreign businessmen each spring and fall. Chapter 3 discusses the fair in detail. *Sächsische Industrie* April 13, 1934; *ibid.*, “Export als vaterländische Pflicht” from July 27, 1934.

<sup>695</sup> *Sächsische Industrie*, March 15, 1935, 143.

<sup>696</sup> Universitätsarchiv Leipzig (UAL), HHS, 183 Abteilung für Exportwirtschaft, Memo from Rector Wörner from June 6, 1934, pages 2 and 18, and Sächsische Min. für Volksbildung to HHS from Sept. 4, 1934, 75; On the opening of new Hamburg school see *ibid.*, 60.

<sup>697</sup> Michael Grüttner, “German Universities under the Swastika” in John Connelly and Michael Grüttner (eds.) *Universities under Dictatorship* (University Park, PA: Pennsylvania State Univ. Press, 2005), 80–81.

Romania.<sup>698</sup> Even well-established private institutions like the German Academy in Munich, one of Germany's largest organizations involved in Southeastern Europe, found it difficult to continue its activities during the depth of the economic crisis.<sup>699</sup>

### *Cultural Diplomacy and Educational Exchange in Southeastern Europe*

In 1934 the funding for cultural diplomacy was lacking, but demand for cultural work to serve the German economy was as strong as ever. German businessmen wanted better information about economic developments and business opportunities abroad, a better understanding of foreign cultures, and better education for young exporters. This was particularly the case for Southeastern Europe, a region many economic thinkers believed could help solve Germany's export crisis. But despite the efforts of the Leipzig trade fair and the Mitteleuropa-Institut in the 1920s, a dearth of business contacts and a lack understanding about the economies and cultures of Southeastern Europe persisted into the 1930s. "In reality we have never adequately understood one another," lamented a Yugoslavian scholar who spent much of his career in Germany.

Only as an exception could one hear a word about the Balkans at [Germany's] universities, but that would be accidental and of little significance. The historians certainly knew everything about ancient Greece and Byzantium, the philology of the classical Greeks, ...and the archeology of the Pergamon .... But one would hear nothing about the most recent history, about the revolutions that had played out in the Balkans, about the region's political, racial, social, and economic relations.<sup>700</sup>

Businessmen involved in German-Balkan trade voiced similar complaints. In May 1934 a group of Yugoslavian journalists met with the directors of the Mitteleuropäische Wirtschaftstag in Berlin. One of the trip's organizers, an ethnic German and general consul in Belgrade, conceded that Germany had made some progress since the war in understanding Southeastern Europe. Vienna, he claimed, was no longer the single "gateway" to the region as it had been before the war. Yet in his opinion Germans still saw the Balkans too much through the "eye-glasses" of Vienna or Budapest. Despite the improvements since the 1920s, the German public was still ignorant about Yugoslavia, German firms and German academia still needed more experts on its economy, and commerce was still flowing too much through business agents in Vienna and Budapest, which he and others complained were all too often of Jewish origin.<sup>701</sup>

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<sup>698</sup> The requested budget for official cultural work in Yugoslavia was 226,140 RM for 1931 and 141,800 RM in 1932, PAAA, Kulturabteilung, 61450 Finanzmittel für die deutsche Kulturarbeit in Jugoslawien, Budget requests from March 2, 1932; *ibid.*, 61456 Finanzmittel für die deutsche Kulturarbeit in Rumänien, Budget requests from May 30, 1931; on the overall decline of funding for German missions see PAAA, Büro of Staatssekretär, 70163 Akten von Bülow—Politische und Kulturpropaganda, memo by Freytag to all missions from Jan. 2, 1932.

<sup>699</sup> Michels, "Deutsch als Weltsprache?," 220.

<sup>700</sup> Ljubomir Kosier, *Deutschland und Jugoslawien (aus der Südslawischen Perspektive)* (Berlin/Belgrade: Mitteleuropäischer Verlag, 1939), 11.

<sup>701</sup> Mitteleuropäischer Wirtschaftstag, *Deutschland und Jugoslawien*; That same year the Foreign Office reported that most German firms still conducted their business through Yugoslavian and Austrian agents in Vienna, Zagreb, and Belgrade, many of which were Jewish. According to the report, it was "indispensable" for Germany to "entirely

Against the backdrop of these anxieties over German-Balkan commerce, the Mitteleuropa-Institut revamped its efforts to improve cultural exchange and economic contacts with Southeastern Europe. Like other organizations the economic crisis had dramatically reduced the institute's public and private funding, and in 1933 the threat of dissolution became a distinct possibility. The founder of the institute, Walther Hoffmann, had stepped down in 1931 and the interim leader lacked Hoffmann's expertise about Southeastern Europe.<sup>702</sup>

In 1934, however, the institute achieved a rebirth of sorts. In July the previous year Dresden's former Mayor, Dr. Bernhard Blüher, opened negotiations with the Nazi Party's Foreign Policy Office, Goebbels' Propaganda Ministry, and the Advertising Council of the German Economy to secure financial support.<sup>703</sup>

Blüher's success depended on the patronage of Martin Mutschmann, one of Hitler's "Old Guard." Like other organizations the Mitteleuropa-Institut needed a sponsor with personal connections within the Nazi party to survive in the highly competitive institutional field of the Third Reich.<sup>704</sup> Mutschmann suited the bill. After joining the National Socialist Party in 1922, three years later he became Gauleiter of Saxony, one of the centers of Weimar Social Democracy and the most politically polarized region in Germany. Following the Nazi seizure of power Mutschmann bested his rivals in the party to assume control over Saxony's regional government. And by 1935 he had turned the Saxon Gau into the most unified regional party apparatus in all of Germany, which he ruled like his own personal fiefdom. As the owner of a small business, Mutschmann understood the plight of Saxony's exporters and actively supported the local economy and culture. In 1935 he co-organized a conference with the city of Hamburg on export promotion, where he outlined the challenges facing Saxony's economic order to Hitler directly.<sup>705</sup>

Exports are the vital issue of Saxony's economy. Consequently, one of the most urgent tasks is and always will be to devote special attention to export promotion. The region of Saxony, with its exceptional economic structure will always remain a problem child (*Sorgenkind*) for the German empire as long as we do not succeed in furnishing additional work through export promotion. The many small and medium-sized businesses, which in Saxony represent the bulk of the economy and which previously exported 85 percent of their production, are today no longer in the position to reconquer their former sales regions through representatives or traveling salesmen because the pricing of competing countries prevents this. The

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reorganize" its trade with Southeastern Europe, in order to circumvent the Jewish trade representatives by establishing direct contacts in the region. BA, R901, 54164 Handel mit Jugoslawien, film 40726, "Notwendigkeit einer vollkommenen Reorganisation der deutsche Indsutrievertretungen in Südserbien," Sept. 3, 1934.

<sup>702</sup> Hoffmann's subordinates questioned his ability to manage the institute's finances, Sächsische Staatsarchiv Dresden (SSAD), Auswärtigen Angelegenheiten, 10717, 8870, Dr. Grossmann to Saxony's foreign ministry from July 25, 1933.

<sup>703</sup> Blüher was Mayor of Dresden from 1915 to 1931, SSAD, Auswärtigen Angelegenheiten, 10717, 8870 Mitteleuropa-Institut, 81.

<sup>704</sup> The German Academy in Munich, for example, was able to first survive and then eventually flourish under National Socialism partly because one of its directors and former presidents, the renowned geographer Karl Haushofer, had personal relations with Rudolf Hess, a close deputy of Hitler. Michels, "Deutsch als Weltsprache?," 220–22.

<sup>705</sup> Andreas Wagner, "Machtergreifung" in *Sachsen. NSDAP und Staatliche Verwaltung 1930–1935* (Cologne: Böhlau, 2004), Introduction, 42; Lapp, *Revolution from the Right: Politics, Class, and the Rise of Nazism in Saxony, 1919–1933*.

methods used until now to win back our export markets have proven to be ineffective.<sup>706</sup>

Mutschmann saw the cultural activities of the Mitteleuropa-Institut as a supplement to Germany's foreign trade policy, a longer-term solution to Saxony's economic problems, and a way to help him secure influence in Germany's foreign policy.<sup>707</sup> With Mutschmann's succor, Blüher continued his negotiations with the Nazi party authorities. In the summer of 1935 he placed the Dresden institute on solid financial footing after securing a 12,000 RM annual contribution from the Advertising Council of the German Economy and receiving support from Saxony's economics ministry.<sup>708</sup> Yet this support came at a cost. The party forced the institute's board members that most clearly held a liberal economic perspective out their public offices, and the interim executive director of the Mitteleuropa-Institut was arrested.<sup>709</sup>

Even more important for the rebirth of the Mitteleuropa-Institut than Mutschmann's patronage was the new leadership that arrived in 1933. In October Walter Johannes Heinrich Lörch, an honorary Professor of German at the University of Bucharest, took over the executive directorship of the institute.<sup>710</sup> As a born Leipziger, educated in economics, Lörch was deeply committed to increasing the exposure of Germans to the cultures of Southeastern Europe, and he would become one of the key players in German cultural diplomacy in the 1930s. During the late 1920s he had worked with the Transylvanian German community to expand the presence of the Leipzig trade fair in Romania. And before taking the helm of the Mitteleuropa-Institut he had made a name for himself lobbying for a German-Romanian organization that would be a center of reciprocal cultural exchange. Although his initial plan failed, in 1934 Lörch found the Mitteleuropa-Institut to be a perfect match for his ambitions since its location outside of Berlin, he hoped, would lessen its association with the Nazi Party.<sup>711</sup>

Upon taking over the helm of the institute, Lörch expanded the cultural and economic news reporting of his predecessors. In 1934 he re-organized the *Press-Spiegel*, the institute's weekly news organ, by extending its coverage to include Austria, Czechoslovakia, Hungary, Greece, and Turkey from its original focus on Yugoslavia, Bulgaria, and Romania. The institute distributed its expanded reports to the Foreign Office and other government ministries, along

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<sup>706</sup> SSAD, Auswärtigen Angelegenheiten, 10717, 6841 Exportförderung, Mutschmann to Reichkanzler Hitler from July 1, 1935.

<sup>707</sup> SSAD, Auswärtigen Angelegenheiten, 10717, 8870 Mitteleuropa-Institut, 94.

<sup>708</sup> Ibid., meeting between Blüher, Lörch, and Götting from July 20, 1933, 84; Ibid., Lörch to Mutschmann from July 20, 1935, 94.

<sup>709</sup> PAAA, Kulturabteilung, 65832 Mitteleuropa-Institut, film 7972, report about meeting on Oct. 16, 1936 from Ministry for Scholarship and Education to Foreign Office, sent on Nov. 12, 1936; Dr. Götting was the executive director after Walther Hoffmann stepped down. The files of the Foreign Office refer to the former director being arrested—"in Haft genommen"—however, it is unclear from the document if this was in fact Dr. Götting, or someone else. PAAA, Kulturabteilung, 65831 Mitteleuropa-Institut, film 7968, Hoffmann to General Massow from Nov. 27, 1933. Dr. Robert H. Ulich, Ministerialrat in the Ministry of Culture and honorary professor at the Dresden Technische Hochschule, who had been one of the MEI's foremost protagonists in its struggle to convince the Reich offices of its usefulness, left for America in 1934; Hans Julius Gehrig, Professor of National Economy and statistics at the TH, a board member of the MEI as well, was forced into early retirement in 1934, TU Dresden, Universitätsarchiv, Professoren Katalog.

<sup>710</sup> Walter Johannes Heinrich Lörch, was born in 1889 and became director of the Südost-Institut in Regensburg after 1945; SSAD, 11168 Wirtschaftsministerium, 2419 Mitteleuropa-Institut, Lörch to Saxony's minister of Economics from March 29, 1940, 89–90.

<sup>711</sup> PAAA, Kulturabteilung, 65831 Mitteleuropa-Institut, film 7967, Article by Lörch sent to Terdenge of Foreign Office from April 8, 1933.

with numerous firms and private organizations like the Leipzig trade fair, the DAAD, and the German Academy.<sup>712</sup> The institute's representatives in Romania and Yugoslavia continued their active propaganda for Germany by holding lectures and showing films about German engineering and technology, particularly German automobiles and agricultural equipment.<sup>713</sup> After 1935 the institute began publishing regularly about Southeastern Europe in journals like *Hochschule und Ausland* and *Internationale Zeitschrift für Erziehung*. And by 1938 it supported its own scholarly publication, *Beiträge zur Kultur- und Wirtschaftskunde von Südosteuropa*, as well as a weekly economic report about Southeastern Europe, *Südosteuropäische Wirtschaftsberichte*.<sup>714</sup>

Lörch's greatest ambition, though, was turning his native Saxony into the center of educational and professional exchange with Southeastern Europe. In the mid 1920s the Foreign Office and the Prussian cultural ministry had established the DAAD and the Alexander von Humboldt Foundation to help university students study abroad and to bring foreign students to Germany. Both programs focused on Western Europe and America, and here Lörch saw an opportunity.<sup>715</sup> With his own personal connections in Romania and with the institute's network now supporting him, he was uniquely situated to negotiate with the governments and universities of Southeastern Europe to attract students to Germany. And in Dresden he tapped into the growing interest among Saxony's business community in cultural diplomacy. The director of the Leipzig trade fair, Raimund Köhler, and the rector of the business college in Leipzig, Gerhard Wörner, both supported Lörch's program with rooms, teachers, and contacts with businessmen in Saxony who were willing to apprentice interns from Southeastern Europe. In 1935 Lörch opened the doors to Germany's first summer program—July through September—for professional and student exchange with Romania.<sup>716</sup>

In Romania, officials initially endorsed the Mitteleuropa-Institut's program only reluctantly. They feared Lörch had political motivations since he had earlier cultivated contacts with the right-wing Christian National Romanian Student Union, an organization associated with Alexander Cuza's antisemitic political party, to attract Romanian participants. Since the late 1920s, moreover, radically conservative German student "missionaries" sponsored by the German Student Association had been preaching the gospel of racial hygiene and national renewal to German minorities in Romania and Yugoslavia. But during the first year of his program Lörch accompanied his students to Bucharest where he negotiated with Romania's Education Minister, Constantin Angelescu, and the director of middle and high school education. Lörch convinced Angelescu that his program was purely economic in nature rather than political

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<sup>712</sup> SSAD, 11168 Wirtschaftsministerium, 2419 Mitteleuropa-Institut, Lörch to Saxony's minister of Economics from March 29, 1940, 89–90; PAAA, Kulturabteilung, 65831 Mitteleuropa Institute, film 7968, Lörch to Foreign Office from June 29, 1934; In 1930 the Press-Spiegel covered only Bulgaria, Romania, and Yugoslavia. SSAD, Auswärtige Angelegenheiten, 8871 Mitteleuropa-Institut, Report Nr. 901 from March 13, 1930.

<sup>713</sup> PAAA, Bukarest Gesandtschaft, 162/1 Deutsche Kulturpropaganda in Rumanien, Lautz to Bucuta about Otto Mueller-Neudorf, who worked with the MEI, from Nov. 24, 1933.

<sup>714</sup> These journals discussed subjects ranging from tax policy to bankruptcies and the establishment of new firms. SSAD, 11168 Wirtschaftsministerium, 2419 Mitteleuropa-Institut, Report about Activities of MEI from March 29, 1940.

<sup>715</sup> Laitenberger, *Akademischer Austausch und auswärtige Kulturpolitik 1923–1945*, 33–35.

<sup>716</sup> UAL, HHS, 183 Abteilung für Exportwirtschaft, article from *Leipziger Neueste Nachrichten* from May 5, 1935, 139; *Ibid.*, report of meeting with Saxon Ministry of Education, May 14, 1935, 145; UAL, HHS, 387 Ferienkurse, Lörch to Dr. Wörner from Nov. 5, 1934; UAL, HHS, 387 Ferienkurse, Program of the Summer Program from Sept. 1935, 27.



or ideological.<sup>717</sup> With the help of the Bucharest Professor Ion San-Giorgiu, a right-leaning intellectual who had close contacts with King Carol II, Mihail Manoilescu, Romania's Trade Minister in the late 1930s, and the Transylvanian German parliamentary deputy Rudolf Brandsch, he founded the German-Romanian Academic Association to recruit Romanian students and young professionals to study in Germany. In 1936 Lörch expanded the program to include Yugoslavia and raised the annual number of total participants to 50.<sup>718</sup> Participation in his program continued to grow throughout the 1930s, the vast majority of the students interning in Germany being ethnic Romanians or Yugoslavians rather than ethnic Germans.<sup>719</sup>

In contrast to the DAAD or the Humboldt Foundation Lörch designed his program explicitly to help future merchants—"Germany's economic and cultural pioneers"—acquire a practical understanding of the Balkan economies. He and the other directors of the Mitteleuropa-Institut believed this would be particularly beneficial to Saxony.<sup>720</sup> Here Lörch's rationale hearkened back to Hoffmann's belief that Germany's economic success was unthinkable apart from a thorough understanding of foreign cultures.

Because Germany's relationship with Southeastern Europe is predominantly of an economic nature, we must place the main emphasis of exchange on a practical education of young academic merchants. Germany's export business should be the object of this course, which will assist us in educating export specialists and our own sales force for Southeastern Europe. This is especially important, because so many representatives for German firms are still in the hands of Jews, who must be eradicated (*ausgemerzt*).<sup>721</sup>

Such antisemitic remarks surfaced only once before 1939, something that was fairly unusual at the time, and this suggests opportunism on the part of Lörch. At the very least, Lörch was smart enough to realize that for his economic and cultural agenda to succeed under Nazi rule, he would have to work toward the Führer and accept some degree of racial politics in his program. There remains the possibility that Lörch was genuinely thinking about "Aryanizing"—eliminating Jews from—the Balkan trade already in 1936. But the lack of concrete evidence

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<sup>717</sup> UAL, HHS, 387 Ferienkurse, Lörch to Dr. Wörner from Oct. 30, 1935, 29; Elizabeth Harvey, "Mobilisierung oder Erfassung? Studentischer Aktivismus und deutsche 'Volkstumarbeit' in Jugoslawien und Rumänien 1933–1941" in Sachse, "Mitteleuropa".

<sup>718</sup> In 1936 20 Germans went to each Romania and Yugoslavia, and 25 came from these two countries to Germany, of which 17 studied primarily business or economics. PAAA, Bukarest Gesandtschaft, 141/3, DRAV to Romanian Consul from March 27, 1937; PAAA, Politische Abteilung, Rumänien, 73670 Pressewesen, Memo from Sept. 5, 1935; UAL, HHS, 387 Ferienkurse, MEI to Handelshochschule from Aug. 6, 1936, 74.

<sup>719</sup> Of the 25 students from Romania and Yugoslavia that participated in the program in 1936, only 4 of them were ethnic German. UAL, HHS, 387 Ferienkurse, Article Nr. 19 of the *Bukarester Tageblatt* from Aug. 30, 1936, 81; For 1935 see PAAA, Bukarest Gesandtschaft, 140/3 list of Romanian students from June 21, 1935; PAAA, Bukarest Gesandtschaft, 141/3, DRAV to Romanian consul from March 27, 1937.

<sup>720</sup> UAL, HHS, 387 Ferienkurse, MEI to Dr. Wörner from March 25, 1936, 53. Dr. Blüher: "The Mitteleuropa-Institut is particularly important for Saxony, since Saxony's industry has so many direct connections to Southeastern Europe. If the efforts of the institute are first and foremost based in the cultural field, experience has shown that after a time this also has a favorable effect for the economy in Dresden." SSAD, 11707 Auswärtige Angelegenheiten, 8870 Mitteleuropa-Institut, from July 20, 1933, 84; Laitenberger, "Strukturprobleme der auswärtigen Kulturpolitik," 76–80.

<sup>721</sup> UAL, HHS, 387 Ferienkurse, Lörch to Dr. Wörner from Aug. 6, 1936, 74.

suggests that this singular remark to Dr. Wörner should be read as Lörch saying what he needed to in order to acquire funding and support for his institute.

It is clear, though, that Lörch's overriding goal was to turn Leipzig's business college into the leading school for economic research about the Balkans, and Saxony into Germany's center of educational exchange with Southeastern Europe.<sup>722</sup> Over half of the German participants came from institutes of higher education in Saxony. The majority of them interned with banks, oil companies, and technical or engineering firms in Romania and Yugoslavia, the remainder being medical or veterinary students. And close to three quarters of the Romanian and Yugoslavian participants studied business in Dresden and Leipzig, where Lörch held a teaching position. For the students in Leipzig and Dresden, beyond explaining the new economic and cultural life of Germany, Lörch designed the course program to highlight the historically significant connections between Saxony and Southeastern Europe.<sup>723</sup>

Although the Mitteleuropa-Institut pioneered student and professional exchange with the Balkans, other organizations quickly followed in its footsteps, including the German Academy in Munich.<sup>724</sup> One program that complemented Lörch's ambitions to centralize exchange with Southeastern Europe in Saxony was the summer course offered by the Institute for Southeastern Europe in Leipzig. In 1936 the University of Leipzig founded a new, multidisciplinary institute to study Southeastern Europe that brought under its umbrella existing academic organizations like the Institute for Economic Research about Central and Southeastern Europe (*Institut für Mittel- und Südosteuropäische Wirtschaftsforschung—IMSW*).<sup>725</sup> Given the growing interest among Germany's leading policy-makers in the Balkans<sup>726</sup>, the directors of the Institute for Southeastern Europe wanted to revive Leipzig's role as the area studies center for this region. Leipzig had acquired this title during the First World War with its short-lived Southeastern European and Islam Institute, but by the 1930s it faced competition to attract the best minds from universities in Munich, Berlin, and Breslau, which all had institutes for Eastern Europe.<sup>727</sup> With support from the DAAD and Gauleiter Mutschmann, the Institute for Southeastern Europe designed a summer course in Leipzig for students and doctoral candidates from the Balkans as well as for Germans. The institute collaborated with the Balkan-Institute in Belgrade, and by 1937 it was bringing forty students from the region each summer to Leipzig.<sup>728</sup> With over thirty faculty members from Leipzig university and elsewhere participating in the teaching, this was a

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<sup>722</sup> UAL, HHS, 387 Ferienkurse, Lörch to Dr. Wörner from March 25, 1936, 53; PAAA, Bukarest Gesandtschaft, 141 / 3, MWT/DAAD report from July 14, 1936.

<sup>723</sup> UAL, HHS, 387 Ferienkurse, Program of the Exchange from Sept. 1935, 27.

<sup>724</sup> SSAL, Auswärtigen Angelegenheiten, 10717, 8870 Mitteleuropa-Institut, Minutes of a MEI's directors meeting from July 7, 1933; UAL, HHS, 387 Ferienkurse, Lörch to Dr. Wörner from Nov. 5, 1934, 3.

<sup>725</sup> This was founded by Kurt Wiedenfeld in 1929. Other sub-sections included the Institut für Kultur und Geschichte Südosteuropas, Institut für Kultur und Universalgeschichte, and the Institut für Geologie und Paläontologie. The leading figures in the formation of this institute included the university rector Dr. Golf, the Dean of the Philosophischen Fakultät, Dr. Hans A. Münster, and later the professor of history Georg Stadtmüller. On the founding of the institute see Johannes Irscher, "Das Leipziger Südosteuropa-Institut: eine Wissenschaftliche Einschätzung," *Byzantine Studies* 12 (1985): 143–49; Gross, "Zur Geschichte der wirtschaftswissenschaftliche Südosteuropa-Forschung in Deutschland."

<sup>726</sup> Chapter 5 discusses the growing interest of policy-makers in Southeastern Europe.

<sup>727</sup> Münster, "Das neue Leipziger Südosteuropa-Institut," 76–87; Middell, *Weltgeschichtsschreibung*, 2:496–501; UAL, SEI, article from *Offenes Visier*, 26 halbj., no. 5, (June 15, 1937), 3.

<sup>728</sup> The leaders of the institute worked out a division of labor with the Mitteleuropa-Institut, whereby the latter was allocated cultural publicity and economic work while the former remained an institution dedicated to academic scholarship. UAL, HHS, 387 Ferienkurs, MEI to Dr. Wörner from June 24, 1936.

thoroughly multidisciplinary program, and one that emphasized Germany's cultural, political, and economic influence on the development of Southeastern Europe.<sup>729</sup>

The largest rival to the Mitteleuropa-Institut, however, arose neither in Munich nor in Leipzig, but in Berlin from the Mitteleuropäische Wirtschaftstag. Like Lörch's institute, the Mitteleuropäische Wirtschaftstag was pursuing multiple lines of cultural diplomacy in Southeastern Europe in the early 1930s, which ranged from financing pro-German press in Romania and Yugoslavia to hosting Yugoslavian journalists in Berlin.<sup>730</sup> In 1933 they sponsored Otto Schnellbach's study trip to stimulate demand for German agricultural equipment and to inform German firms about business opportunities in the Balkans. In both Yugoslavia and Romania Schnellbach promoted mechanization to German minority farmers.<sup>731</sup> But he also reached out to non-Germans, holding his lectures in Serbian and Romanian as well as in German. All told, Schnellbach gave nearly 80 presentations that attracted over 10,000 farmers.<sup>732</sup> He also strove to raise awareness among the German public about Yugoslavia and Romania through a series of detailed reports and films that showcased the daily life of farmers in the Balkans.<sup>733</sup>

The directors of the Mitteleuropäische Wirtschaftstag, Max Hahn and Tilo Freiherr von Wilmowsky, realized like Lörch that news reporting and study trips would only go so far; they wanted to firmly anchor Southeastern Europe in Germany's cultural and economic orbit over the long term.<sup>734</sup> In the fall 1935 Wilmowsky and Hahn met with the director of the Trade Policy Committee of the Foreign Office, Carl Clodius, along with representatives of the DAAD to discuss a pilot program to attract Balkan students to German universities during the academic year. They pointed out that "in the last several years students with an emphasis on economic and technical fields are increasingly going to France instead of to Germany. French stipends amount

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<sup>729</sup> Some course titles include: "On the importance of the German economy for Czechoslovakia" and "Cultural Connections between Germany and Romania." See the "Arbeitsbericht über das erste Semester (WS 1936/37)" in *Leipziger Vierteljahresschrift für Südosteuropa* 1, no. 3 (1937): 83–87; SSAD, 11125 Min. des Kultus, 10230/42 Südosteuropa-Institut, internal memo from Feb. 24, 1934, 22; SSAD, 11125 Min. des Kultus, 10230/42 Südosteuropa-Institut, Saxony's education ministry to Phil. Faculty of the Leipzig from March 2, 1934; PAAA, Bukarest Gesandtschaft, 140/2, article "Stimmen aus Südosteuropa" from Nov. 1, 1936; UAL, Phil. Fak., Südosteuropa-Institut vol. 1, "Wissenschaft im Dienste des Kulturaustausches" from Aug. 14, 1937, 7.

<sup>730</sup> A systematic press campaign against Germany, along with growing Romanian xenophobia in general, had prevented King Carol II and his economics Minister Mihail Manoilescu from pursuing a more pro-German foreign policy as insurance against the Soviet Union. With 50,000 RM the Mitteleuropäische Wirtschaftstag bought off Bucharest news outlets, like the large daily paper *Universul*, allowing the Romanian administration and Germany's trade delegation to conclude the bilateral payment agreement in September with little opposition in the Romanian Press. Grenzebach, *Informal Empire*, 75–79; PAAA, Sonderreferat Wirtschaft, 73189 Presse in Jugoslawien, correspondence with the Belgrade Legation from Nov. 26, 1935, and March 5 and March 12, 1936.

<sup>731</sup> German farmers were already engaged in technically advanced production methods, frequently had higher incomes than Croatians, Serbians, or Romanians, and consequently were deemed to be more economically "receptive" and "financially solvent." One serious attempt had already been made to introduce German agricultural machinery to Yugoslavian farmers in 1925 but had failed because the equipment was poorly suited to the farming conditions in Yugoslavia. BA, R901, 54159 Handel mit Jugoslawien, film 40673, Reports from March 1 and 21, 1933.

<sup>732</sup> Mitteleuropäischer Wirtschaftstag, *Deutschland und Jugoslawien*.

<sup>733</sup> BA, R901, 54159 Handel mit Jugoslawien, film 40673, confidential report from July 21, 1933; Mitteleuropäischer Wirtschaftstag, *Deutschland und Jugoslawien*.

<sup>734</sup> On the long-term nature of the Mitteleuropäische Wirtschaftstag's agenda see Carola Sachse, "Ehe von Schornstein und Pflug," 81.

to several million Francs a year ... and one finds in the Balkan states among the youth an ever stronger and conspicuous absence of knowledge about Germany and the German language.”<sup>735</sup>

One of the initial motivations for this program was the need to acquire foreign currency for the purpose of study abroad. Since 1931 state agencies in Germany, Romania, and Yugoslavia had strictly regulated foreign currency, prioritizing its use for the export and import of armament-related goods, and limiting its availability for students. In 1935 the situation had become so bad that the national bank of Romania all but ceased supplying foreign currency for such purposes.<sup>736</sup> Hahn and Wilmowsky feared that engineering and business students from Southeastern Europe would flee to universities in Czechoslovakia and France, where they could more easily finance their studies. Whereas France provided generous financial support for Balkan students, before 1935 Germany offered virtually no formal fellowships for Balkan students. Between 1931 and 1933 the Humboldt Foundation and DAAD distributed a total of just fourteen fellowships to students from Romania and Yugoslavia.<sup>737</sup>

To remain competitive Wilmowsky and Hahn proposed a vast new program that would bring 100 Balkan students a year to German universities, all expenses paid. When taken alongside Lörch’s professional exchange, the *Mitteleuropäische Wirtschaftstag*’s initiative marked a decisive turning point in Germany’s economic-driven cultural diplomacy in Southeastern Europe. The costs of Hahn and Wilmowsky’s program would be large—they estimated 135,000 RM—but they hoped the rewards would be even greater. They intended the program to show Balkan students the benefit of economic cooperation with Germany. They wanted “to introduce the fellows into the praxis of Germany’s economic life so that they not only would acquire a picture of the economic reality of the new Germany,” but so they would also learn to appreciate Germany’s economic and technical capabilities.

At the conclusion of his sojourn the fellow, next to his specialized education, must have also learned to understand the entire economic situation of Germany and its resulting economic policy. He must be ready, from his professional position, to espouse the integration of his country into the system of economic cooperation [with Germany].<sup>738</sup>

This was nothing less than an effort to reinforce the *Mitteleuropäische Wirtschaftstag*’s plans for a continental economic bloc by indoctrinating the future generation of commercial elites from Yugoslavia, Romania, Bulgaria, Greece, and Hungary about the benefits and necessity of trading with Germany. Hahn and Wilmowsky realized that culture and economics reinforced one another. For the project to be effective it must not look like it was “about pure economics and propaganda,” but rather that it sprang from a “desire for intellectual and cultural exchange and from the effort to enable the best professional segment of foreign students to receive an

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<sup>735</sup> BA, R8119F Deutsche Bank, 6142 *Mitteleuropäische Wirtschaftstag* (MEWT), MEWT report on fellowship program from Nov. 6, 1935; See also Herbert Scuria, “Grundlagen und Methoden der französischen Kulturpropaganda,” *Monatshefte für Auswärtige Politik* 4 (1937): 849–59, here 849.

<sup>736</sup> PAAA, Bukarest Gesandtschaft, 140/3, article in *Argus* from Oct. 1, 1935; *Ibid.*, report circulated to German consulates from Nov. 8, 1935.

<sup>737</sup> BA, R8119F Deutsche Bank, 6142 MEWT, MEWT/DAAD report about the German Foundation from Apr. 2, 1938, 158; Laitenberger, *Akademischer Austausch und auswärtige Kulturpolitik 1923–1945*, 283–84.

<sup>738</sup> BA, R8119F Deutsche Bank, 6142 MEWT, MEWT/DAAD report about the German Foundation from Apr. 2, 1938.

education at German universities.”<sup>739</sup> To fund their program the *Mittleuropäische Wirtschaftstag* secured 100,000 RM from the Advertising Council of the German Economy, and a further 35,000 from large firms like Siemens, and the Deutsche Bank and Dresdner Bank.

In the fall 1936 the German Foundation of the *Mittleuropäische Wirtschaftstag* (*Deutsche Stiftung des Mittleuropäischen Wirtschaftstages*) sponsored its first class.<sup>740</sup> The German Foundation began by selecting students from the four disciplines it deemed most important for Germany’s economic relationship with Southeastern Europe: economics, engineering, medicine, and agricultural sciences. And the initial call for applicants was a resounding success. In Bulgaria over 1,100 people turned up at German consulates in response to the advertisements. So many qualified students and professionals applied that Wilmowsky and Hahn decided to lower the monthly stipend per person in order to admit more people.<sup>741</sup> A committee composed of delegates from Germany’s local consulate, a Nazi party agent, representatives from local German schools or universities, and a DAAD official made the first round of selections. The final decision was left to a mixed committee in Berlin consisting of Max Hahn and another delegate from the *Mittleuropäische Wirtschaftstag*, SS Brigade Leader and director of the DAAD Ewald von Massow, and delegates from the Education Ministry, the Foreign Office, the Advertising Council of the German Economy, and the Imperial Center for Study Abroad. In their first year they accepted 137 fellows: 41 in engineering, 33 in economics and business, 21 in agricultural sciences, and 42 in medicine. Bulgaria had the largest representation of students (40), followed by Yugoslavia (27), Greece (26), Romania (23), and Hungary (21).<sup>742</sup>

One of the most pressing questions was whether to focus the new program on ethnic Germans or on the non-German nationalities of Southeastern Europe. The DAAD wanted to avoid selecting too many of the former, since they feared this would engender ill will among ethnic Romanians and Yugoslavians who had applied and been rejected. Wilmowsky, for his part, appreciated this logic but wanted to avoid a concrete selection policy since that might open a “war of words between the various organizations” that had a stake in vetting the fellows. They settled on selecting students on a case-by-case basis, but like the *Mittleuropa-Institut* there was a clear, albeit confidential, preference for non-German nationalities. In Romania the selection results reflected a proclivity for “ethnic Romanians [*Blutsrumänien*]”. Of the 45 applicants under serious consideration from Romania in 1937, only three had last names that suggest an ethnic German identity. The ratio was similar in Yugoslavia.<sup>743</sup>

### *Economic Pioneers or Missionaries of the Third Reich?*

The collective impact of these separate, privately organized programs was quite large. By 1941 579 young professionals had participated in the *Mittleuropa-Institut*’s summer exchange program.<sup>744</sup> When counting the programs of the *Mittleuropa-Institut*, the German Foundation of the *Mittleuropäische Wirtschaftstag*, and Institute for Southeastern Europe altogether, direct

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<sup>739</sup> Ibid.

<sup>740</sup> BA, R8119F Deutsche Bank, 6142 MEWT, Hahn to Weigelt from Jan. 16, 1936.

<sup>741</sup> Ibid., Memo from DAAD and MEWT from Aug. 18, 1936.

<sup>742</sup> Ibid.

<sup>743</sup> PAAA Bukarest Gesandtschaft, 141/3, MEWT/DAAD report from July 14, 1936, and memo from Bucharest consul to all consuls in Romania from Jan. 25, 1937; PAAA, Bukarest Gesandtschaft, 142/2, Wilmowsky to Bucharest consul from Nov. 10, 1936.

<sup>744</sup> UAL, HHS, 387 Ferienkurs, report from Lörch to Handelshochschule Leipzig from Dec. 31, 1941, 156.

financial support for student exchange with the Balkans rose dramatically from a handful of funded annual fellowships in 1932 to two hundred in one form or another by 1939.<sup>745</sup> As the directors of the German-Yugoslavian Chamber of Commerce remarked, these exchange programs were critical steps in improving conditions for a better, long-term economic relationship between Germany and the Balkans and overcoming the frequently lamented lack of German trade representatives in Southeastern Europe.<sup>746</sup> And although Leipzig and Dresden did not monopolize student exchange with Southeastern Europe, the programs of Mitteleuropa-Institut and the Institute for Southeastern Europe ensured that Saxony became a major player in student exchange alongside Munich and Berlin.

It is not entirely clear, though, that Lörch, Wilmowsky, and Hahn were actually creating “economic pioneers” in Southeastern Europe rather than a new cohort of missionaries for the Third Reich. For the students and the universities of Germany were thoroughly immersed in a sea of National Socialism and anti-Semitism.

Among the German students interning in Southeastern Europe some certainly believed it was their duty to spread the ideology of National Socialism, since in their opinion these countries were “very poorly informed about the new Germany.”<sup>747</sup> And to a certain extent Lörch, Hahn, and the Foreign Office saw their exchange programs as an indirect way to replace Jewish merchants with German, Romanian, and Yugoslavian ones, although the Mitteleuropäische Wirtschaftstag did not incorporate explicitly antisemitic language in their economic reports and confidential circulars until 1938 and 1939.<sup>748</sup> Jews were very highly represented as business agents who contracted with German firms to sell products in the Balkans, particularly in Romania. As a consequence, they were susceptible to businessmen, German as well as non-German, who would use any excuse to expand their own operations.<sup>749</sup> In 1933, for example, German minorities in Transylvania demanded German firms cease contracting with Jewish

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<sup>745</sup> In 1932/33 the DAAD and the Humboldt foundation funded roughly 10 students, altogether, from Romania, Yugoslavia, Hungary, and Bulgaria to study in Germany. In comparison by 1937 the MEI brought 40–50 students per year to study in Germany from the Balkans, while the MWT supported 135 students, and the Institute for Southeastern Europe in Leipzig attracted approximately another 45 per year; Laitenberger, *Akademischer Austausch und auswärtige Kulturpolitik 1923–1945*, 283–84; SSAD, 11125 Min. des Kultus, 10281/60 Akademisches Austauschdienst, DAAD report from 1932, 96–97; SSAD, 11168 Wirtschaftsministerium, 2419 Mitteleuropa-Institut, MEI to Saxony’s Minister of Economics from June 8, 1939, 39/1; PAAA, Bukarest Gesandtschaft, 141/3, DRAV to Romanian Legate from March 27, 1937; BA, 8119F Deutsche Bank, 6142 MEWT, 163–75; UAL, Phil. Fak., Südosteuropa-Institut, vol. 1, 8.

<sup>746</sup> The German-Yugoslavian chamber of commerce was established in 1934. *Mitteilungen der Deutschen Handelskammer für Jugoslawien* 1, no. 5 (Nov. 4, 1937), 4–5.

<sup>747</sup> See the report by Anne Rose-Krüger about her internship at a bank in Bucharest during the summer of 1934. UAL, HHS, 387 Ferienkurs, Lörch to Dr. Wörner from Oct. 30, 1935, 29 and 30.

<sup>748</sup> “It is requested [es wird gebeten] that applicants of Jewish blood, in consideration of the already large number of applications, be prevented from submitting a fellowship application.” BA, R8119F Deutsche Bank, 6142 MEWT, MEWT/DAAD report about the German Foundation from Apr. 2, 1938; On the first real discussion of Jews in Southeastern Europe in the Mitteleuropäische Wirtschaftstag reports see Sachse, “Ehe von Schornstein und Pflug,” 78; On the Foreign Office see Barbian, “Kulturwerte,” 435; Anti-Semitism was almost entirely absent among the original directors of the MEI and the Mitteleuropäische Wirtschaftstag. The co-founder of the MEI and director of the Mitteleuropäische Wirtschaftstag, Georg Gothein, was a member of the Association for Defense against Anti-Semitism, Bundesarchiv Koblenz (BAK), N 1006 Nachlässe Gothein, 55 Verein zur Abwehr des Antisemitismus e.V.

<sup>749</sup> One estimate, which is most likely too high, found that 95 percent of German firms used Jewish agents to represent their business in Romania. PAAA, HA, Rom, 89210, April, 29, 1935.

importers and work instead through them.<sup>750</sup> And in 1937 Yugoslavia's organization of trade representatives asked, given the existing antisemitic conditions in Germany, for the "removal of all non-Aryan representatives" from German-Yugoslavian trade.<sup>751</sup> Most German firms, however, retained Jewish representatives until 1938 since they frequently had extensive contacts in Germany and in the Balkans.<sup>752</sup> With the implementation of the Nuremberg racial laws in 1935 the German state institutionalized anti-Semitism to a far greater extent than in Romania or Yugoslavia. But it bears reminding that anti-Semitism pervaded Southeastern Europe, one historian calling it the only "really potent internationalistic ideology in the area."<sup>753</sup> This was particularly so in Romania, where the government promulgated laws in the 1930s that limited Jewish rights and paved the way for the confiscation of Jewish property during the Second World War.<sup>754</sup> For the German, Romanian, and Yugoslavian participants of this program, then, the exclusion of Jews was probably more a point of unity than division.

For exchange running in the other direction, young Romanians and Yugoslavians who studied in Germany have often been seen as intermediaries of National Socialist ideology upon returning to the Balkans, lauding political authoritarianism and the ostensibly organic unity of Nazism. This was particularly so for ethnic Germans, who commentators frequently called "renovators" (*Erneuerer*) of German nationalism.<sup>755</sup> Indeed, foreign students encountered a different university experience under the Third Reich than they did under the Weimar Republic. After 1933 the universities had undergone their own coordination (*Gleichschaltung*) as Jewish professors and many who held liberal views were dismissed, others joined the Nazi party, and the younger, more radical cohort of assistant professors and lecturers gained greater influence within the university system. The German student body, moreover, was one of the most outspoken proponents of the National Socialist revolution in 1933 and 1934.<sup>756</sup>

Even in their excursions outside the university the Balkan fellows were exposed to National Socialist ideology in various extra-curricular activities. They were required to attend meetings at the Foreign Policy Office of the Nazi party and participate in the Strength through Joy program, which had its own section for foreigners. This mixture of economic training and ideological exposure continued once the students returned to Romania and Yugoslavia. The German Foundation maintained contact with them by organizing associations for former fellows, and by sending them German trade journals. Alongside this economic follow-up work came the DAAD's journal *Geist der Zeit*, which by the late 1930s was imbued with an extreme German nationalism. All of this was to ensure that the fellows were prepared "to actively collaborate in

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<sup>750</sup> On complaints by German minorities see PAAA, Handelsabteilung, Rumanien, 89210, German consul in Bucharest to Foreign Office in Berlin, from Dec. 4, 1933.

<sup>751</sup> The Yugoslavian trade representative organization, however, did not include a specific "Aryanization" paragraph in its own bylaws. PAAA, Handelsabteilung, Jugoslawien, 110649, "Vertraulichern Sonderdienst der Nachrichten für Aussenhandel," no. 127 from Dec. 15, 1937.

<sup>752</sup> The source record more clearly documents the position of Jews in German-Romanian trade than German-Yugoslavian trade. On the persistence of German firms operating through Jewish agents see PAAA, Handelsabteilung, Rumanien, 112606, German consul in Czernowitz to Foreign Office Berlin from Apr. 13, 1937; Ibid., 112605, German consul in Bucharest to Foreign Office Berlin from Oct. 14, 1939; Ibid., 112662, German consul in Bucharest to Foreign Office Berlin, from Sept. 14, 1937.

<sup>753</sup> Rothschild, *East-Central Europe Between the Two World Wars*, 10.

<sup>754</sup> On Romanian antisemitic legislation see Dean Martin, *Robbing the Jews: the Confiscation of Jewish Property in the Holocaust* (New York: Cambridge Univ. Press, 2008), 325–34.

<sup>755</sup> Janjetovic, "Die Donauschwaben," 222; Bethke, "'Volksdeutschen' in Slawonien," 187.

<sup>756</sup> Grüttner, "German Universities."

the promotion and consolidation of cultural and intellectual relations between their homeland and Germany.”<sup>757</sup>

Yet the evidence suggests that the experience of this generation of young Germans, Yugoslavians, and Romanians lies somewhere in between the two poles of ideological inculcation on the one hand, and commercial or technical training on the other hand. For despite the under-current and potential for anti-Semitism in these exchange programs, the Foreign Office explicitly did not want them to come off as an instrument of Nazi propaganda. Effective cultural diplomacy had to retain the appearance of being conducted by businessmen and academics for businessmen and academics, they did not want it looking like a political initiative of the state. Thus the Foreign Office demanded that Germany’s state organs refrain from actively intervening in it.<sup>758</sup> The exception was the semi-official DAAD, which as the umbrella organization for disbursing study-abroad fellowships exercised some oversight over the selection process for both the Mitteleuropäische Wirtschaftstag and the Mitteleuropa-Institut. While the DAAD’s vetting process required their German students be “Aryan,” to have completed their military and labor service, and to have an understanding of National Socialist principles, many of these conditions were only loosely enforced and the DAAD did not require membership in the Nazi party.<sup>759</sup>

National Socialism’s penetration into the university system, moreover, with its preference for racial and political criteria over academic qualifications, should not be overestimated. Student enthusiasm for the Nazi Party waned after 1934 and many students grew critical of the regime by the late 1930s. More professors remained in their posts than were dismissed, and a large number became critical of the regime in private.<sup>760</sup> An example of this mentality is Hans Freyer—historian, co-founder of the Institute for Southeastern Europe in Leipzig, and co-director of their new exchange program. In the Weimar years Freyer was a radical conservative who had helped make the Nazi movement acceptable among academic and salon circles. But after 1934 he became progressively disillusioned with the new regime for its failure to establish a unified and total German community. In public he was deliberately ambiguous about the regime, in private he criticized it, and the SS came to see him as dangerous. Freyer stayed in Germany long enough to help organize the Leipzig exchange program and see his new institute through its first several years, but in the summer of 1938 he left for Hungary to become visiting professor of history at the University of Budapest.<sup>761</sup>

Although some students from Southeastern Europe enrolled in German universities because they were impressed by Hitler’s foreign policy and attracted to the new authoritarian order in Europe, just as many came because Germany had maintained its reputation as the best place in Europe to study medicine, the natural sciences, economics, and engineering. Even during the 1930s foreign students observed that there were “always two Germanys,” one insular

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<sup>757</sup> BA, R8119F Deutsche Bank, 6142 MEWT, MEWT/DAAD report about the German Foundation from Apr. 2, 1938, and MEWT/DAAD report from Sept. 15, 1938.

<sup>758</sup> PAAA, Bukarest Gesandtschaft, 140/3, German consul in Bucharest to Berlin Foreign Office from May 15, 1934.

<sup>759</sup> UAL, HHS, 387 Ferienkurs, DAAD to branch office in Leipzig from July 19, 1935, 24; Laitenberger, *Akademischer Austausch und auswärtige Kulturpolitik 1923–1945*, 194–97.

<sup>760</sup> Grüttner, “German Universities”; Klaus Hildebrand, “Universitäten im ‘Dritten Reich’—Eine historische Betrachtung” in Joachim Scholtyseck and Christoph Studt (eds.) *Universitäten und Studenten im Dritten Reich. Bejahung, Anpassung, Widerstand* (Berlin: Lit, 2008), 13–21; On the growing disaffection with the Nazi regime among many sections of German youth, see Detlev Peukert, *Inside Nazi Germany: Conformity, Opposition, and Racism in Everyday Life*, trans. Richard Deveson, (New Haven, CT: Yale Univ. Press, 1987).

<sup>761</sup> Jerry Muller, *The Other God that Failed: Hans Freyer and the Deradicalization of German Conservatism* (Princeton: Princeton Univ. Press, 1987), 287–90, 305–6.



and inward looking and the other open to reciprocal cultural exchange. For students from Southeastern Europe, moreover, study in Germany had become “almost an obligatory building block for one’s career.” These exchange programs in the 1930s deepened what had been a traditional migration of Serbian, Croatian, Bulgarian, and Romanian students to Germany dating back to the 18<sup>th</sup> and 19<sup>th</sup> centuries.<sup>762</sup>

What probably had a greater impact on these students than exposure to Nazi ideology was the theoretical framework by which German scholars justified the economic and cultural dependence of Southeastern Europe on the Third Reich. Despite the numerous differences between the Balkan states, German scholars generally treated the region as a whole and taught the notion that these states had a special relationship with Germany.<sup>763</sup> This way of conceptualizing Germany’s relationship with the Balkans dated back at least to the Weimar Republic, when the establishment of the Institute for Economic Research on Central and Southeastern Europe (IMSW) in Leipzig and the Institute for the Research of German Folklore in the South and Southeast (*Institut zur Erforschung des deutschen Volkstum im Süden und Südosten*) in Munich began the first multidisciplinary scholarship on the cultural, economic, social, and political structures of Southeastern Europe.<sup>764</sup>

At the heart of Germany’s allegedly special relationship with Southeastern Europe lay the issue of economics. For German scholars the basic problem preventing Southeastern Europe’s economic development was the inefficiency and “overpopulation [*Überbevölkerung*]” of its agrarian sector.<sup>765</sup> Yugoslavia, Romania, Bulgaria, Albania, and even Turkey and Greece, had more people per arable hectare than Western Europe, but their output per hectare was vastly lower. So the contemporary assessment went: the long history of Ottoman rule and the economically damaging land reforms following World War I created a large number of small and unprofitable plots of land. The persistence of traditional agrarian techniques and consumption patterns, distrust of banks, illiteracy, and lack of education all contributed to a low-level income trap where the very poverty and overpopulation of the Balkan countries prohibited sufficient capital accumulation to improve agriculture methods. The forced and “inorganic” industrialization pursued by the region’s governments, whereby the state strove to establish a heavy industrial sector, was not proceeding quickly enough to employ the still growing peasant

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<sup>762</sup> Holger Impekoven, “Deutsche Wissenschaft von aussen beurteilt—Überlegungen zur Attraktivität deutscher Universitäten und Hochschulen für ausländische Wissenschaftler und Studenten (1933–1945),” in Scholtyseck and Studt *Universitäten und Studenten im Dritten Reich*, 161–80; on the history of students from Southeastern Europe attending German universities see Richard Georg Plaschka and Karlheinz Mack, *Wegenetz europäischen Geistes II: Universitäten und Studenten: die Bedeutung studentischer Migrationen in Mittel- und Südosteuropa vom 18. bis zum 20. Jahrhundert* (Munich: Oldenbourg, 1987).

<sup>763</sup> Otto Maull, (co-founder of *Zeitschrift für Geopolitik*) “Einheit und Gliederung Südosteuropas,” *Leipziger Vierteljahresschrift* 1, no. 4 (1938): 3–20; Gross, *Südosteuropa: Bau und Entwicklung der Wirtschaft*, 223–25.

<sup>764</sup> For instance, in 1934 the German Academy in Munich began publishing their *Südost-Berichte* and in 1936 the Institute for the Research of German Folklore in Munich, renamed the Southeast-Institute (*Südost-Institut*) in 1935, began publishing their annual *Südost-deutsche Forschungen*. For a review of literature about Southeastern Europe before 1937 see Hermann Gross, “Periodische Veröffentlichungen über den Südosten,” *Leipziger Vierteljahresschrift für Südosteuropa* 1, no. 2 (1937): 88–92; Mathias Beer, “Wege zur Historisierung der Südostforschungen. Voraussetzungen, Ansätze, Themenfelder,” in Beer and Seewann (eds.) *Südostforschung*, 7–38.

<sup>765</sup> German scholarship on the economies and societies of Southeastern Europe is too large to list in its entirety here. Contemporary studies that inform this chapter include Gerhard Schacher, *Der Balkan und seine wirtschaftlichen Kräfte* (Stuttgart: F. Enke, 1930); Gross, *Südosteuropa: Bau und Entwicklung der Wirtschaft*; Walther Hoffmann, *Grossdeutschland im Donauraum* (Berlin: Hochmuth, 1939); Wagemann, *Der neue Balkan*; For a study on the concept of overpopulation see Innerhoffer, “Agrarische Übervölkerung” in Sachse, “*Mittleuropa*”, 262–89.

population. As a result, the entire region was left specializing in low value-added sectors and it remained highly dependent on foreign capital.<sup>766</sup>

In a comprehensive and well-received study of the region's economies Hermann Gross argued that these reasons explained why the Balkan countries had not yet "reached the level of industrial and commercial states."<sup>767</sup> Gross, a Transylvanian German, worked as a privat Dozent at the IMSW and taught at the Institute for Southeastern Europe's educational exchange program in Leipzig. During the academic year he directed one of the institute's departments, taught courses on the Balkans and the global economy, and after 1938 relocated to Vienna to work with IG Farben's economic research department as a Balkan specialist.<sup>768</sup> Despite Gross's grim evaluation of the present, like many German scholars he was optimistic that Southeastern Europe's vicious cycle of poverty and under-development could be broken if these states pursued a strategy of export-led growth. Comparative advantage, he argued, was the key. Here he drew on classical theories of trade. The Balkan countries had great potential with their rich endowment of natural resources, which they needed to extract, process, and then sell. In Romania, oil should be developed with German capital to compete with producers in America and Russia. Just as important, though, Romania needed to diversify outside of wheat into crops that were less affected by fluctuations in the global market like soybeans, oleaginous plants for use in industrial processes, and livestock. Yugoslavia, he maintained, had the potential to be one of Europe's greatest producers of rare mineral deposits. The mines at Bor and Trepca already produced copper, lead, and zinc, but other deposits of bauxite, antimony, and manganese only needed the capital and a guaranteed market to be developed.

Gross recognized that export-led growth had not worked during the depression because the Balkan countries were at the mercy of the global economy, where the prices of agricultural goods and raw materials had plummeted in the mid 1920s. But with a guaranteed market for these goods, something Germany was gradually creating through its bilateral treaties with Yugoslavia and Romania, these Balkan states could assume greater risk in developing key export sectors over the long-term.<sup>769</sup> Educating the domestic workforce was a lynchpin in his strategy, to improve productivity and employ more advanced techniques and equipment in the region's farming and mineral extraction. Hence the great relevance of Germany's student exchange programs. These would both begin the process of creating a more productive workforce while also cultivating connections with the one country which was willing and able to purchase the products of Southeastern Europe during the 1930s: Germany.<sup>770</sup>

The directors of the Mitteleuropäische Wirtschaftstag thoroughly agreed with Gross's export-led model of growth for Southeastern Europe. If anything, they wanted to go one step further than Gross in calling for the "creation of a central European economic space that was as

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<sup>766</sup> Wagemann, *Der neue Balkan*, 40, 57; quotation from Gross, *Südosteuropa: Bau und Entwicklung der Wirtschaft*, 221; During World War II rural "overpopulation" would provide justification for authorities of the Four-Year Plan to bring Yugoslavians, Bulgarians, and Romanians to Germany as forced laborers. Götz Aly and Susanne Heim, *Architects of Annihilation. Auschwitz and the Logic of Destruction* (Princeton: Princeton Univ. Press, 2002), 215–33.

<sup>767</sup> Gross, *Südosteuropa: Bau und Entwicklung der Wirtschaft*, 5.

<sup>768</sup> "Arbeitsbericht über das erste Semester (WS 1936/37)" in *Leipziger Vierteljahresschrift für Südosteuropa* 1, no. 3 (1937), 87; UAL, Hermann Gross, Personalakten, 5–7;

<sup>769</sup> Gross, *Südosteuropa: Bau und Entwicklung der Wirtschaft*, 220–31; See also Hermann Gross, "Die Wirtschaftskräfte Südosteuropas und Deutschland," *Leipziger Vierteljahresschrift für Südosteuropa* 1, no. 4 (1938): 30–41.

<sup>770</sup> Germany's bilateral treaties and the statistics of German-Balkan trade are discussed in detail in chapter 7.

unified as possible.” By the middle of the 1930s they saw themselves less as the policy “think tank” of their earlier years and more as a “developing company” that would aid Yugoslavia, Romania, Hungary, and Bulgaria in exploiting their natural resources.<sup>771</sup> Indeed, since 1936 the *Mitteuropäische Wirtschaftstag* had employed experts to research mineral deposits, introduce mechanized farming techniques, and cultivate new crop in Southeastern Europe, their most well known project being the expansion of soybean cultivation in Romania and Bulgaria in the second half of the 1930s.<sup>772</sup> By the late 1930s they were helping German banks and firms invest in projects to develop exportable minerals like antimony, chromium, manganese, and even oil.<sup>773</sup> They saw these projects, particularly in the mining sector, as a strategy to overcome the domination of French and British investors in Southeastern Europe. But Hahn and Wilmowsky genuinely believed their projects, especially the exchange program, would benefit Germany as well as the Balkans, above all by “raising the purchasing power of Southeastern Europe and gradually stabilizing the agricultural sector.”<sup>774</sup> In the words of Max Ilgner, director of IG Farben and one of the leading figures of the *Mitteuropäische Wirtschaftstag* after 1936, Southeastern Europe should “become as rich as possible as fast as possible, in order that they can buy as much as possible as fast as possible from us.”<sup>775</sup>

Not only did scholars like Gross and economists like Hahn propound the concept of an “organic” economic relationship between Southeastern Europe and their country, they also maintained that a cultural gradient existed in Central Europe that descended the further one went to the East and Southeast.<sup>776</sup> The writings of the *Leipziger Vierteljahresschrift für Südosteuropa*, the flagship publication of the Institute for Southeastern Europe, suggest that in the intellectual climate of German universities the Balkan nations were seen as the younger stepbrothers to Germany. The Balkan Peninsula was “an entirely curious, even exotic world, which through its color and vivacity exercised a peculiar allure, ... but which had fallen out of the community of understanding among the civilized nations of Europe.” In this historical and cultural framework, these nations had developed certain commonalities that defined their region as a whole—a historical tension between East and West, and between European culture and that of the Byzantines and Ottomans—that made them different from Western Europe. They were also young nations, both in their struggle to create autonomous states and in the fact that they were not yet “encrusted” with the superfluities of modern life. Yet these characteristics gave them

<sup>771</sup> Quotation from BA, R8119, DB, 6141, report of member meeting of *Mitteuropäische Wirtschaftstag* from Dec. 7, 1936; According to Carola Sachse, Max Hahn coined the phrase development assistance to describe the *Mitteuropäische Wirtschaftstag*’s work. Sachse, “Ehe von Schornstein und Pflug,” 74–80.

<sup>772</sup> This was done in cooperation with IG Farben. Peter Hayes points out that this project was of only minor importance to IG Farben’s overall involvement in Southeastern Europe. Hayes, *Industry and Ideology*, 198.

<sup>773</sup> BA, DB, 6119F, 6142, “Entstehung, Entwicklung, und Arbeit des *Mitteuropäische Wirtschaftstag*, Nov. 22, 1938; Carl Freytag, “‘Die Tür zwischen Deutschland und dem Donarum ist geöffnet’ Südosteuropa-Konzepte und Positionierung des *Mitteuropäischen Wirtschaftstags* nach dem ‘Anschluss’ Österreich” in Sachse, “*Mitteuropa*”, 141–66; On Max Hahn’s interest in potential Yugoslavian oil fields see PAAA, Handelsabteilung, Jugoslawien, 110671 Bergbau und Hüttenindustrie.

<sup>774</sup> BA, DB, 6119F, 6141, Member report by Hahn from Dec. 10, 1936, 387; on British and French capital participation in Southeastern Europe see Wendt, “England und der deutsche ‘Drang nach Südostens,’” in Geiss and Wendt, *Deutschland in der Weltpolitik des 19. Und 20. Jahrhunderts*, 483–512.

<sup>775</sup> Ilgner, *Exportsteigerung durch Einschaltung in die Industrialisierung der Welt*; For more on Ilgner’s ideas for industrialization in Southeastern Europe see Hayes, *Industry and Ideology*, 300–2.

<sup>776</sup> This is in contrast to Todorova’s argument that the Balkans acted as the “other” of Western Europe, a foil onto which Western Europeans displaced disappointments and anxieties of their own culture. Maria Todorova, *Imagining the Balkans* (New York: Oxford Univ. Press, 1997).

“deeply rooted, common characteristics” with Germany, which according to this interpretation was also a young, recently unified nation-state trying to avoid the decadence of Western materialism.<sup>777</sup> Introducing students of Southeastern Europe to Germany would provide these young nations with their “greatest gateway to Europe,” one that could be reinforced through trade, commerce, and the transfer of technology and know-how.<sup>778</sup> In the estimation of Walther Hoffmann, founder of the Mitteleuropa-Institut and Professor at the Freiberg Mining Academy, “no culture has ever been accepted by Southeastern Europe with such a strong confidence (*Vertrauen*) as Germany’s.”<sup>779</sup>

In contrast to Eastern Europe, Southeastern Europe did not fit into the conception of *Lebensraum* as propounded by conservative German scholars and National Socialist thinkers. Eastern Europe had figured in the German imagination since the 19<sup>th</sup> century as a colonial space, a place to settle Germany’s excess population. This was particularly the case in Poland, much of which had belonged to the Wilhelmine Empire before 1918, and where German landlords had owned large estates. Hitler’s plans to resettle Germans in Poland came from the long tradition of seeing the East as the equivalent of America’s Wild West, a space for Germany’s manifest destiny.<sup>780</sup> But Southeastern Europe was different: it belonged to Germany’s economic orbit, not its vision for colonial settlement. When Hitler and Heinrich Himmler would implement the General Plan Ost during World War II, Southeastern Europe was not a space for settlement, but rather a region supplying German minorities that would populate the newly “emptied” spaces of Poland and the Ukraine.<sup>781</sup>

Instead, German scholars saw the Balkans in geopolitical terms. Geopolitics had prospered in German universities during the 1920s, and by the 1930s most German students encountered geopolitical thinking throughout their entire formal education.<sup>782</sup> As with economics, in geopolitical terms Southeastern Europe had a special relationship with Germany. In one formulation, the Danube River itself was the great highway of commerce and culture, a “natural intermediary” uniting the peoples of Central and Southeastern Europe. Because Germany contained one-third of this river within its own borders, it was an inseparable part of the Danube river basin. Germans who had settled along the river nearly a thousand years ago bestowed their cultural and cultivation patterns on Southeastern Europe, creating an “organic”

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<sup>777</sup> Hans Freyer (director of the Institut für Kultur und Geschichte Südosteuropas at the Institute for Southeastern Europe), “Grundsätzliches über Verstehen, Verständigung und wissenschaftliches Gespräche zwischen Völkern,” *Leipziger Vierteljahresschrift für Südosteuropa* 1, no. 1 (1937): 5–13; Franz Thierfelder, general secretary of the German Academy in Munich, believed that the Balkans nations, once the “core” of the Roman Empire, would have developed their own national identities like the nations of Western and Central Europe had they had another century to rule themselves without becoming vassals of the Ottoman Empire. Franz Thierfelder, *Der Balkan als kulturpolitisches Kraftfeld*, 9–12.

<sup>778</sup> Quote from Gerhard Gesemann, “Der Südostausschuss der Deutschen Akademie in München,” *Leipziger Vierteljahresschrift für Südosteuropa* 1, no. 2 (1937): 77–80; Gross, “Die Wirtschaftskräfte Südosteuropas und Deutschland,” 30–41; Arthur Golf, “Die Beziehungen der deutschen Landwirtschaft zum Südostraum,” *Leipziger Vierteljahresschrift für Südosteuropa* 1, no. 4 (1938): 21–29.

<sup>779</sup> Hoffmann, *Donauraum*, 16; see also Mai, “Südosteuropa und die deutsche Kultur,” in Konen and Steffes, *Volkstum und Kulturpolitik*, 443–69.

<sup>780</sup> Mazower, *Hitler’s Empire*; Ther, “Deutsche Geschichte als imperiale Geschichte,” in Conrad and Osterhammel, *Kaiserreich Transnational, Deutschland in der Welt 1871–1914*.

<sup>781</sup> On how population transfers affected Southeastern Europe see Valdis O. Lumans, *Himmler’s Auxiliaries*; see also Petra Svatek, “Hugo Hassinger und Südosteuropa. Raumwissenschaftliche Forschungen in Wien (1931–1945),” in Sachse, “*Mitteleuropa*”, 290–314.

<sup>782</sup> David Thomas Murphy, *The Heroic Earth. Geopolitical thought in Weimar Germany 1918–1933* (Kent, OH: Kent State Univ. Press, 1997), 127–65.

bond. “Greater Germany and the Southeast (*Südostraum*) are a unit, so this theory went, geographically constructed, culturally integrated, and economically interdependent.”<sup>783</sup>

The classroom setting, however, was only one way by which Balkan students were exposed to the idea of a special economic, cultural, and geopolitical relationship with Germany. Both the Mitteleuropa-Institut and the German Foundation of the Mitteleuropäische Wirtschaftstag made every effort to immerse their exchange students in Germany’s commercial life. Both institutions organized excursions to the Leipzig trade fair and to local firms, workshops, factories, and hospitals to cultivate future business contacts. The fellows were introduced to their respective trade associations in Germany. And the Mitteleuropäische Wirtschaftstag’s German Foundation’s crowning event was a journey they sponsored for many of their students through Germany.<sup>784</sup> Whereas the German Foundation hoped to impress their fellows with the technological innovations and strength of the German economy in general, Lörch focused his students’ attention on the particular achievements of Saxony and reinforced what he saw to be a special relationship between Saxony’s business elites and those of Southeastern Europe.<sup>785</sup>

### *Conclusion*

Walther Lörch, Max Hahn, and Tilo Freiherr von Wilmowsky’s idea of using cultural exchange to deepen Germany’s economic ties with Southeastern Europe was not inherently racist in the sense that National Socialism was: they did not want to turn the Balkans into an empty condominium for German settlers as Hitler, Himmler, and many academics wanted to do in Poland and Ukraine. Indeed, historians have too often blurred the boundary separating Eastern from Southeastern Europe, aggregating them into a single region that would become the object of the Nazi’s radical population policy after 1941.<sup>786</sup> Likewise, scholars have too often seen cultural diplomacy primarily as an instrument that would hone and legitimize Hitler’s policies of population transfer and extermination in Eastern Europe during the Second World War.

Instead, many German businessmen and economic thinkers understood Southeastern Europe more as part of a classical imperial system where German influence worked through “webs of co-opted sociability,” to use Charles Maier’s terminology.<sup>787</sup> Lörch, Hahn, and Wilmowsky designed their exchange programs to create a new cohort of elites from Germany, Yugoslavia, Romania, Hungary, and Bulgaria who, after interning with banks, mining and oil companies, and engineering firms, had the expertise as well as the incentive to deepen economic ties between their countries. Indeed, the directors of the Mitteleuropäische Wirtschaftstag characterized Germany’s relationship with the Balkans as a “marriage of smokestack and plough”; a cooperative arrangement where both partners benefited, but where a distinct hierarchy existed that descended from Germany to the Southeast.<sup>788</sup> German views toward Romanians,

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<sup>783</sup> Hoffmann, *Donauraum*, 3–7; Franz Thierfelder, *Die wirtschaftliche Bedeutung des Auslandsdeutschtums* (Stuttgart, 1939), 18; On geopolitical thinking in Weimar and Nazi Germany, see Diekmann, Krüger and Schoeps, *Geopolitik. Grenzgänge im Zeigeist. Band 1.1 1890 bis 1945*.

<sup>784</sup> BA, R8119F Deutsche Bank, 6142 MEWT, MEWT/DAAD report about the German Foundation from Apr. 2, 1938.

<sup>785</sup> Mutschann agreed with this approach, UAL, HHS, 387 Ferienkurs, Mutschann to Lörch from March 24, 1937.

<sup>786</sup> See Aly and Heim, *Architects of Annihilation*, 215–33.

<sup>787</sup> Maier, *Among Empires: American Ascendancy and its Predecessors*, 33; In this formulation I am indebted to Carola Sachse’s discussion of the Mitteleuropäische Wirtschaftstag in her “Ehe von Schornstein und Pflug.”

<sup>788</sup> Sachse, “Ehe von Schornstein und Pflug,” 70.

Croatians, or Serbians were shaded less by biological racism, and more by the prejudice that it was Germany's task to "raise" these nationalities to some higher level.

Their approach, then, had more in common with British, French, or German thinkers before World War I who justified empire as a civilizing project that enlightened benighted regions, developed colonial economies as primary product exporters, and brought order to "failing nations" in the quest for modernization.<sup>789</sup> Like Germany's *Weltpolitiker* of the 1890s, more than anything else business motivated the Mitteleuropa-Institut and the Mitteleuropäische Wirtschaftstag. The directors saw cultural diplomacy as a long-term strategy to overcome Germany's own economic vulnerabilities by promoting exports in Southeastern Europe. Creating a cadre of "economic pioneers," they hoped, would strengthen the impulse in Romania, Yugoslavia, Bulgaria, and Hungary as well as in Germany to create a unified economic space in Central Europe. And by the Second World War their programs had placed students in leading governmental positions, including the economic commission for occupied Serbia, the press bureau of the Croatian government, and the economics ministry in Bucharest.<sup>790</sup>

But unlike the British and French advocates of imperialism, or even the liberal imperialists of Wilhelmine Germany, businessmen like Hahn and Wilmowsky were swimming in a toxically racist environment of radical anti-Semitism. Anti-Semitism did not shape the original design of Germany's exchange programs. But after 1936 Lörch, Hahn, and Wilmowsky came to understand that for their programs to flourish under the Nazi regime they had to tack with the wind and place educational exchange in the service of "Aryanization." The prospect of removing Jews from German-Balkan trade, not surprisingly, in many ways appealed to the German minorities and economic elites of Romania and Yugoslavia, who saw an opportunity to expand their own business connections with the Third Reich. These non-state organizations, then, accepted the Third Reich's efforts to "Aryanize" entire economic sectors for the benefit of Germans, but they did not share the "idea of physical extermination" with the SS and other Nazi leaders.<sup>791</sup>

In return for at least nominally furthering the "Aryanization" of commerce in Southeastern Europe, the Mitteleuropäische Wirtschaftstag, the Mitteleuropa-Institut, and the Institute for Southeastern Europe were allowed to continue their more benevolent approach to the nationalities of Southeastern Europe until the outbreak of the Second World War. The malleability of their cultural diplomacy made it attractive to the National Socialist regime since it offered a way to organize the economies of Southeastern Europe into a regional bloc, and this dovetailed with Hitler's ambition to remake Germany into a world power from a continental base. Indeed, the National Socialist leaders most involved with economic planning in Southeastern Europe, like Economics Minister Walther Funk, adopted the language of the Mitteleuropäische Wirtschaftstag almost wholesale, speaking in terms of economic development

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<sup>789</sup> Darwin, *The Empire Project*, 112–43; Fieldhouse, *The West and the Third World: Trade, Colonialism, Dependence, and Development*; Pitts, *A Turn to Empire: the Rise of Imperial Liberalism in Britain and France*; Jeanne Morefield, *Covenants without Sword: Idealist Liberalism and the Spirit of Empire* (Princeton: Princeton Univ. Press, 2005).

<sup>790</sup> Unfortunately the names and identities of these students are not recorded in the institute's surviving records. UAL, HHS, 387 Ferienkurse, 156.

<sup>791</sup> For the distinction between various types of "Aryanization" I draw on Gerald D. Feldman and Wolfgang Seibel (eds.), *Networks of Nazi Persecution: Bureaucracy, Business, and the Organization of the Holocaust* (New York: Berghahn Books, 2005), Introduction, 4.

and purchasing power rather than racial hierarchy.<sup>792</sup> Only during the Second World War did some of these academics and businessmen, most notably Walther Lörch, adopt a more radically racist agenda for organizing Southeastern Europe. Others like Wilmowsky ended up in a concentration camp.<sup>793</sup>

This economic variant of cultural diplomacy illustrates that German foreign policy under the Nazi regime cannot be understood merely as the interplay between pan-German nationalism and the quest for *Lebensraum*. The incorporation of all Germans into a single nation-state animated Hitler's foreign policy before 1938, after which the drive for political empire in the east became his over-riding ambition.<sup>794</sup> But Nazi Germany was not totalitarian and Hitler did not control all aspects of foreign policy: infighting between government ministries plagued Germany's foreign relations until the outbreak of the world war. Ironically, under this ultra-nationalistic regime Germany's cultural diplomacy explicitly targeted non-German nationalities for primarily economic ends.

Beyond economic motivations, the Foreign Office along with Lörch, Hahn, Wilmowsky, and Gross saw cultural diplomacy as a strategic piece in the chess game of European geopolitics. Because private organizations retained the space to operate under Nazi rule, Germany was able to use its growing soft power in the Balkans to help undermine the influence and prestige of its greatest rival there, France. In educational exchange France remained the largest destination for students from Romania, Yugoslavia, and Bulgaria, but its lead waned dramatically. By 1938 the number of foreign students enrolled at French universities had declined by over fifty percent, the number from Southeastern Europe by over sixty-five percent. Germany suffered a decline as well—international student exchange fell across the board in Europe and North America during the 1930s—but one that was much smaller than France's. By 1938 the total number of foreign students at German universities fell by thirty-four percent, for Southeastern Europe by less than thirty percent.<sup>795</sup> (see *Table 15*) The Third Reich advanced in other cultural fields as well: non-state organizations like the German Academy and the Mitteleuropa-Institut sponsored German language courses across Southeastern Europe.<sup>796</sup> German film in Romania and Yugoslavia was second only to American film in sheer volume, very highly regarded in the new field of sound films and in cultural films, and far ahead of French or British competition.<sup>797</sup> And new journals

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<sup>792</sup> See, for example, Walther Funk, *Wirtschaftsordnung im neuen Europa: Rede gehalten vor der Südosteuropa-Gesellschaft in Wien am 12. Juni 1941* (Vienna: Südost-Echo, 1941).

<sup>793</sup> On Lörch's radicalization after 1939 see Stephen Gross, "Das Mitteleuropa-Institut in Dresden. Verknüpfung regionaler Wirtschaftsinteressen mit deutscher Auslandskulturpolitik in der Zwischenkriegszeit," in Sachse, "Mitteleuropa", 115–40.

<sup>794</sup> On the underlying tension between vehement pan-German nationalism and the needs of running an empire spanning a variety of nationalities see Mazower, *Hitler's Empire*, Introduction.

<sup>795</sup> On the general decline of foreign students abroad see Matthias Schwabe, *Die französische Auslandspropaganda. Ihre Grundlagen und Voraussetzungen* (Berlin: H. Stubenrauch, 1939).

<sup>796</sup> Michels, "Deutsch als Weltsprache?," 223.

<sup>797</sup> On German sound films in Yugoslavia see *Film-Kurier*, Oct. 2 and Oct. 19, 1934 and *Der Film*, no. 23, from May 29 and June 5, 1937; See also Tim Kirk, "Film and Politics in South-Eastern Europe: Germany a Leading Cultural Nation" in Roel Vande Winkel and David Welch (eds.), *Cinema and the Swastika, The International Expansion of Third Reich Cinema* (New York: Palgrave Macmillan, 2007); PAAA, Kulturabteilung, 65831 Mitteleuropa-Institut, Film 7970, Kulturbericht of the MEI from Apr. 1936; "Deutsch-südslawische Handelsverhandlungen, der deutsche Film," *Wirtschaftsdienst: Weltwirtschaftliche Nachrichten* 21, no. 12 (March 20, 1936): 399; For figures on German films in Romania see *Wirtschaft und Statistik* (May 1930): 399; PAAA, Bukarest Gesandtschaft, 161/4, Klausenburg-Cluj Consulate to Bucharest from Aug. 1, 1933; In 1937 the German-Romanian Chamber of Commerce in Bucharest established their own "Aryan" film import and rental agency in 1937 to displace Jewish importers. *Deutsch-Rumänische Handelskammer Geschäftsbericht* (1937), 17; I was unable

dedicated to Southeastern Europe made information about this region of Europe more readily available in to German businessmen than ever before.

Germany's annexation of Austria and its dismemberment of Czechoslovakia in 1938 and 1939 were poorly received by the publics of Southeastern Europe, raising tensions and unleashing a veritable propaganda war as Germany, France, and Great Britain tried to swing the Balkans states to their sides politically.<sup>798</sup> When the National Socialist leader Joachim von Ribbentrop became Foreign Secretary in 1938, and when Hitler radicalized his rearmament drive, the underlying nature of cultural diplomacy would change. A diminishing interest in exports and greater state involvement made cultural diplomacy much more politicized. Yet by 1938 Germany had a powerful institutional foundation to sustain its image in the Balkans. Students continued to clamor at the German missions in Romania and Yugoslavia for the opportunity to study at Europe's most prestigious universities. German interns were building connections with banks, oil and mineral companies, and import-export houses in the Balkans. And for many of the business elites in Yugoslavia and Romania deeper participation in a German-led economic bloc seemed to offer their best hope for economic development.<sup>799</sup> For both sides only one question remained: would Germany's economic leadership actually follow the design outlined by economic thinkers like Wilmowsky and Gross, or did the National Socialists have something else in store?

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to locate Romanian figures for the 1930s, yet reports from the Foreign Office indicate that German films in Romania did decline somewhat. PAAA, Kulturabteilung, 65832 Mitteleuropa-Institut, Film 7974/5, Kulturbericht from Apr. 29, 1937.

<sup>798</sup> Johann Wünscht, *Yugoslawien und das Dritte Reich, eine dokumentierte Geschichte der deutsch-jugoslawischen Beziehungen von 1933–1945* (Stuttgart: Seewald, 1969), 41–42; PAAA, Bukarest Gesandtschaft, 164, Bucharest Consul to Berlin Foreign Office from Dec. 2, 1938 and Jan. 2 and Apr. 6, 1939; PAAA, Bukarest Gesandtschaft, 142/5, DAAD Branch office London to German Embassy in London from July 13, 1939; BA, 8119F Deutsche Bank, 6135 MEWT, report from Dietrich from Dec. 1 and Dec. 20.

<sup>799</sup> On the Yugoslavian perspective see Milan Ristovic, "Weder Souveränität noch Industrialisierung. Die südosteuropäische Länder in der 'neuen Ordnung'—jugoslawische und deutsche Perspektiven (1940–1944)," in Sachse, "Mitteleuropa", 219–40; Kosier, *Grossdeutschland und Jugoslawien*; On Bulgaria see Markus Wien, *Markt und Modernisierung, deutsche-bulgarisch Wirtschaftsbeziehungen 1918–1944 in ihren konzeptionellen Grundlagen* (Munich: Oldenbourg, 2007); on Romania see Mann, "Romania."



**Table 15**  
Foreign Students at German and French Universities  
(in number of students)

Country	1932		1938		Total change 1932-1938	
	Germany	France	Germany	France	Germany	France
Yugoslavia	130	441	111	228	-14.6%	-48.3%
Romania	564	2487	323	891	-42.7%	-64.2%
Bulgaria	383	1043	323	229	-15.7%	-78.0%
Yugoslavia, Romania and Bulgaria	1077	3971	757	1348	-29.7%	-66.1%
Total Foreign Students	6587	16277	4302	7954	-34.7%	-51.1%

Sources: *Statistisches Handbuch von Deutschland 1928-1944*. American Occupation Authorities (Munich: Franz Ehrenwirth, 1949), 624-25.  
*Statistique Generale de la France, Annuaire Statistique* 49 (1933): 46; *ibid.* 55 (1939): 34.

## Making the Reichsmark Bloc Work: Private Institutions under the Four-Year Plan, 1936–1940

*The new “cameralism” marches forth.*<sup>800</sup>

*We are forced, with a certain medieval brutality, to exactly calculate the equivalent value of exported and imported commodities and replace the normal play of exchange and credit with an abominable bureaucracy. ... It has something unbelievably barbaric about it, when one must barter machines for grain, or radio equipment for tobacco, like a Negro who swaps his ivory against any possible glassware or his rubber for cotton. Do you really believe that this system is worthy of a cultivated and civilized humanity?*<sup>801</sup>

Between 1934 and the outbreak of the Second World War Adolf Hitler’s rearmament program led the German economy to tremendous growth. But with growth came foreign currency crises at regular intervals. The bilateral treaties that Germany concluded beginning in 1934 to solve its crises were cumbersome, weighing down business with a maze of regulations. Each crisis—in 1934, 1936, and 1937—marked a turning point for German leaders, a fork in the road. They could push ahead with rearmament, and with it the need for an empire to support Hitler’s war machine. Or they could pull back and shift the economy toward Germany’s traditional engine of growth: exports. By the late summer of 1937 the situation reached a breaking point as stockpiles of petroleum, iron, rubber, copper, cotton, and other ingredients necessary for a modern economy dropped to levels that would last just months or weeks. Hitler and his advisors recognized that rearmament could not continue at breakneck speed without a serious change of course. Publicly, he conceded that, “today Germany lives in a difficult struggle for foodstuffs and raw materials. Sufficient imports are conceivable only with a continued and lasting increase in our *exports*.” Publicly, Hitler admitted that Germany needed foreign trade to prosper.<sup>802</sup>

In private, however, Hitler and other Nazi leaders reached a different conclusion. Following the foreign currency crisis in November 1937 Hitler rejected international exchange as Germany’s salvation in a closed meeting with his closest advisors. Throughout history “in those states which depended for their existence on foreign trade,” he remonstrated, “there was a pronounced military weakness.” Germany’s greatest limitation—freeing the “racial community” and the economy from its dependence on foreign countries—could only be overcome by the conquest of *Lebensraum* to the east. And with *Lebensraum* would come Hitler’s real prize, a

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<sup>800</sup> Werner Sombart, “Weltanschauung, Wissenschaft und Wirtschaft” in the volume by Deutsches Institut für Bankwissenschaft und Bankwesen titled, *Probleme des deutschen Wirtschaftslebens: Erstrebtes und Erreichtes* (Berlin: de Gruyter, 1937), 788.

<sup>801</sup> Hjalmar Schacht, Reichsbank director and Economics Minister, discussing Germany’s clearing system with Jules Sauerwein, foreign editor of *Le Matin*, on July 16, 1936. Hjalmar Schacht, *Schacht in seiner Äusserungen* (Berlin: Reichsbank Druckerei, 1937), 106.

<sup>802</sup> Hitler’s speech to the German Parliament on Jan. 30, 1937. In Norman Baynes (ed.), *The Speeches of Adolf Hitler, April 1922–August 1939* (New York: Oxford Univ. Press, 1942), 1336–37; see also Volkman, “Aussenhandel und Aufrüstung in Deutschland 1933 bis 1939,” 98, 107.

place at the table with the other continent-spanning powers of the globe.<sup>803</sup> At this closed door meeting Hitler reaffirmed his long-held belief that an informal economic empire could never fully resolve Germany's dependence on foreign imports. As he made clear years earlier, "the view is held that one can conquer the world by purely economic means, but that is one of the greatest and most terrible illusions."<sup>804</sup> Competing on the world market would only take Germany back to August 1914 when Great Britain, according to Hitler's logic, had declared war to halt Germany's economic advance. Ideas for a pan-European federation were to him a "fanciful, historically impossible puerility."<sup>805</sup>

By late 1937, then, the inner circles of the National Socialist regime were slowly steeling themselves for a war of conquest in the East against the Soviet Union. In contrast, until the outbreak of the Second World War many senior, non-party government officials and leading businessmen remained convinced that the better resolution to Germany's economic problems was precisely what Hitler scorned: working within Europe to create a protected market for German commerce. Reichsbank director Hjalmar Schacht, deputy director of the Economic Policy Department in the Foreign Office Carl Clodius, deputy secretary of the Economics Ministry Helmut Wohlthat, director of the *Mitteleuropäische Wirtschaftstag* Tilo Freiherr von Wilmowsky, and others believed exports could solve Germany's economic problems, given the right conditions.<sup>806</sup>

For Schacht, Clodius, Wohlthat, and Wilmowsky the peripheral regions of Europe only needed to be developed, their living standard and purchasing power raised, and their productivity enhanced in order to secure a safe market for German exports and a steady stream of raw materials. Here their vision paralleled the discourse of development that permeated German academic discussion of Southeastern Europe.<sup>807</sup> These officials and businessmen, however, exercised great influence over the conduct of Germany's foreign economic policy: between 1934 and 1938 they helped turn Germany's ad hoc bilateral trade agreements with Yugoslavia, Romania, Bulgaria, and Hungary into a foreign trade system, a Reichsmark bloc, that deepened these states' economic ties with Germany. And although these men progressively lost influence in the Nazi regime, even after the outbreak of war in 1939 they continued to advocate Germany's economic rather than military domination of Europe, calling for a customs union, currencies united around a strong German mark, and cartel agreements to regulate production.<sup>808</sup>

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<sup>803</sup> Citation from the Hossbach Memorandum, <http://avalon.law.yale.edu/imt/hossbach.asp>; For a detailed discussion of Hitler's approach to the foreign trade crisis see Tooze, *Wages of Destruction*, 220.

<sup>804</sup> Hitler's speech to the industrial club of Düsseldorf, Jan. 27, 1932, cited in Baynes, *Speeches*, 793; On Hitler's obsession with Germany's inability to feed its own population see Hitler, *Hitler's Second Book*, 103.

<sup>805</sup> Hitler, *Hitler's Second Book*, 105–7, 114.

<sup>806</sup> Bundesarchiv Berlin (BA), Deutsche Bank, R8119F, 6142, *Entstehung, Entwicklung, und Arbeit des Mitteleuropäische Wirtschaftstag* from Nov. 22, 1938, 20.

<sup>807</sup> "Yugoslavia," Clodius remarked in 1938, "is becoming an ever more important supplier of Germany's agricultural produce, above all in grain, livestock, and animal products as well as industrial raw materials like bauxite, copper, and wood. On the other hand, the importance of Yugoslavia as a sales market for German products, above all for machines, iron wares, chemical and pharmaceutical products, as well as coal and coke, is continually growing." Politisches Archiv des Auswärtigen Amt (PAAA), HA, Handakten Wiehl und Clodius, 106181 Jugoslawien, report from Clodius from Jan. 7, 1938; On the academic discussion in Germany of Southeastern Europe see chapter 6.

<sup>808</sup> See the essays in Walther Funk, *Wirtschaft im neuen Europa* (Lübeck: Reichskontor der Nordischen Gesellschaft, 1941); "Aufzeichnung von Carl Clodius, Handelspolitische Abteilung des Auswärtigen Amtes, über die wirtschaftliche Gestaltung der Welt nach einem deutschen Endsieg," in Opitz, *Europa-strategien des deutschen Kapitals 1900–1945*.

Many of these officials, like Wohlthat and Clodius, accepted the state's growing control over economic life as the appropriate response to the challenges of the Great Depression. State direction of foreign trade through contingents, tariffs, and the close regulation of foreign currency was simply the next evolutionary phase for the global economy. State-directed large economic blocs would come to replace the integrated, free market of the late 19<sup>th</sup> and early 20<sup>th</sup> centuries.<sup>809</sup> Historians, likewise, have emphasized the preponderance of the state over the market in National Socialist Germany. In many respects, after 1934 Germany resembled a wartime economy— *Wehrwirtschaft*.<sup>810</sup> By 1938 the currency controls implemented in the first half of the decade had evolved “into a full-blown, comprehensive, and state-mandated rationing and allocation system for every factor of production.”<sup>811</sup> Both contemporaries and early scholars described the Third Reich's relationship with Romania, Yugoslavia, Hungary, and Bulgaria as totalitarian insofar as the German state heavily regulated trade with these states. And conventional wisdom held that this system favored large conglomerates with state contracts while smaller firms lost out.<sup>812</sup> Although scholars have retreated from describing the German economy as totalitarian, many maintain that without state oversight of the purchase and sale of commodities, in Southeastern Europe Germany's “expansion of trade simply could not have occurred.”<sup>813</sup>

Yet there is another perspective to this story. Many contemporaries believed a continental Reichsmark bloc would only succeed if the institutions of civil society could overcome the inefficiencies caused by state intervention in foreign trade. Max Hahn, executive director of the Mitteleuropäische Wirtschaftstag and a leading advocate of a German-led economic bloc, maintained that a central European economic space required, “the cultivation of *personal* contacts, whereby the general anchoring of German influence could be guaranteed. In each country we must foster *personal* relationships with a range of local figures in order to build trust with one another.”<sup>814</sup>

Indeed, serious problems prevented Germany's dirigist system of foreign trade from reaching the potential its creators like Schacht, Clodius, and Wohlthat hoped for. The scarcity of hard currency and the relentless drive to acquire inputs for Hitler's war machine created not an efficient, state-directed economy but an illogical system that suffered a continual string of structural crises.<sup>815</sup> German investment in Southeastern Europe, moreover, remained

<sup>809</sup> “In the long-term no country was in the position ... to evade a strong state direction [*Lenkung*] of foreign trade. ... The state steering of foreign trade and foreign payments must therefore be upheld. Only it can create the basis for the reconstruction of the European economy after the war and for its further strengthening.” Carl Clodius, “Neue Wege der europäischen Handelspolitik” in Funk, *Wirtschaft im neuen Europa*, 23–26.

<sup>810</sup> Hans-Erich Volkmann, “The National Socialist Economy in Preparation for War” in Militärgeschichtliches Forschungsamt (ed.), *Germany and the Second World War. Volume 1: The Build-up of German Aggression* (Oxford: Clarendon Press, 1990), 195.

<sup>811</sup> Peter Hayes, “Corporate Freedom of Action,” 30; Here Hayes is critiquing the recent work of Christoph Buchheim and Jonas Scherner, who have argued that the business under National Socialism retained important aspects of a private economy, see their response in the *Bulletin of the German Historical Institute* 45 (2009): 43–50.

<sup>812</sup> Antonin Basch, *The Danube Basin and the German Economic Sphere* (New York: Columbia Univ. Press, 1943); Einzig, *Bloodless Invasion*.

<sup>813</sup> Grenzbach, *Informal Empire*, 94.

<sup>814</sup> BA, Deutsche Bank, R8119F, 6141, Report of members' meeting from Dec. 10, 1936.

<sup>815</sup> Some historians have taken the logical step to argue that Hitler, by creating a massive army, simultaneously created the crises that actually drove him to a war of plunder in order to sustain the economic basis of his army. On this debate see R. J. Overy, “Hitler's War and the German Economy: A Reinterpretation,” *Economic History Review* 2, no. 35 (1982): 272–91; Alan Milward, *The German Economy at War* (London: Univ. of London Press, 1965); Timothy W. Mason, “Innere Krise und Angriffskrieg 1938/39,” Dietmar Petzina “Vierjahresplan und

infinitesimal before 1938, and Germany's limited banking presence in the region meant German firms lacked an important channel to foster the contacts and acquire the market information that was so crucial for international trade.<sup>816</sup>

Few scholars, though, have examined the way Germany's private institutions navigated the Reichsmark bloc system, how they helped make it work, and most importantly, how they involved Germany's large number of small and medium-sized firms in commerce with Southeastern Europe. Indeed, Germany's clearing agreements and bilateral treaties with Southeastern Europe could *not* operate smoothly without assistance from non-state institutions. Germany and the Balkan states each manipulated their commercial agreements for their own benefit, introducing great uncertainty into foreign trade on top of the numerous existing sources of risk. The complicated treaties, moreover, placed a heavy burden on importing and exporting firms, which had to assume the costs of acquiring licenses as well as up-to-date information to deal with the ever-changing regulations. Finally, the task of marketing imports from Southeastern Europe to German consumers and distributors demanded an organized effort beyond the scope of small firms.

In Southeastern Europe the task of resolving these challenges fell to the Leipzig trade fair and the German-Romanian chambers of commerce, institutions that mediated between the state and the demands of Germany's small businesses. How were German traders in Southeastern Europe able to survive, and even flourish, under the often onerous circumstances of the Reichsmark bloc? What role did Germany's non-state institutions play in this increasingly state-planned system of trade? To what extent did they incorporate, or adapt to, the more radical economic policies of National Socialism like "Aryanization"? The complex system of German-Balkan commerce must be explicated, and these questions first be answered before broaching the most important one—how these institutions helped reinforce the power relationship between Germany and the states of Southeastern Europe—which will be discussed in the conclusion.

### *The Origins of Bilateral Clearing Agreements with Southeastern Europe*

When the National Socialist Party seized power in Germany on Jan 30, 1933 it took over a government reeling from the Great Depression. Unemployment had soared to 30 percent of the workforce, industrial output had sank to 61 percent of its 1929 level, prices had dropped by almost a quarter, and in the wake of the banking crises of 1931 the supply of credit had collapsed.<sup>817</sup> For Germany the depression, however, was as much a crisis of foreign trade and foreign currency as it was anything else. As global trade collapsed Great Britain and America, Germany's largest trade partners, abandoned gold, devalued their currencies, and raised tariffs. These measures made foreign goods prohibitively expensive in their markets just as their own economies entered serious depressions. Between 1929 and 1933 German exports to Great Britain fell by two-thirds and to America by three-quarters, and this had a severe impact on Europe's most interconnected, large economy. In 1929 Germany exported thirteen and half billion RM in

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Rüstungspolitik," and Alan Milward, "Der Einfluss ökonomischer und nicht-ökonomischer Faktoren auf die Strategie des Blitzkriegs" all in Forstmeier and Volkmann, *Wirtschaft und Rüstung*.

<sup>816</sup> Teichova, *Kleinstaaten im Spannungsfeld*, 87-112.

<sup>817</sup> Figures drawn from Harold James, *The German Slump: Politics and Economics 1924-1936* (Oxford: Clarendon Press, 1984); Lothar Gall, Gerald D. Feldman, et al., (eds.), *Die Deutsche Bank 1870-1995* (Munich: C. H. Beck, 1995), 317, 326.

current values, or 16 percent of its total economic output. By 1933 this figure had fallen to just over seven billion RM.<sup>818</sup>

Germany's export problems were doubly devastating for they intensified just as the domestic economy began showing the first tentative signs of recovery. Over the course of 1933 the clandestine rearmament and public works programs initiated by Hitler and his predecessors increased Germany's demand for raw materials that it could not produce itself. But Germany's exports faced serious obstacles abroad because the rest of the world's developed markets remained mired in depression and protected by trade barriers. To boost sales abroad Germany could have gone off gold and let its currency depreciate. Great Britain was the first great power to do so in 1931, followed by America in 1933. Indeed, going off gold proved to be the single best predictor of how quickly an economy recovered from the Great Depression.<sup>819</sup> But for German policy-makers the choice was not clear-cut. A weaker currency would make Germany's substantial foreign debts more expensive to service. Depreciation, moreover, could lead to inflation, something Hitler wanted to avoid at all costs for fear that rising prices would lead to social unrest at home. Instead of devaluing, with Hitler's approval Hjalmar Schacht, Reichsbank director in 1933, imposed a partial moratorium on Germany's long-term foreign debts in June 1933 and tightened controls on foreign currency to regulate what came into and out of the country.<sup>820</sup>

A liberal and an ardent nationalist, Schacht had gained a strong reputation in foreign circles as the Reichsbank director who had curbed the hyperinflation in 1924. After resigning from the Reichsbank in 1930 in opposition to the Young Plan, he introduced Hitler to his influential colleagues in banking and industry and was rewarded by being reappointed Reichsbank director in 1933. Schacht never joined the Nazi party, and he believed many of National Socialism's core ideas—radical anti-Semitism, autarchy, and the drive for war—were harmful to Germany's foreign economic interests.<sup>821</sup> But in Hitler he saw someone willing to pursue unorthodox policies to stimulate the German economy, and in his first years as Reichsbank director he enthusiastically supported the Nazi regime.

Schacht's debt moratorium and foreign currency controls were aggressive policies, but they only temporarily managed what was quickly becoming a serious structural problem. Over the course of 1933 Germany's trade deficit continued to expand: in real terms the value of German imports was sixty percent higher than the value of its exports. And the Reichsbank financed this massive trade deficit only by depleting its stock of gold and foreign currency holdings, which between early 1932 and the summer of 1933 had fallen from 1.1 billion to just over 400 million RM.<sup>822</sup>

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<sup>818</sup> For a detailed discussion of Germany's export problems from which I draw many of the details in this chapter, see Tooze, *Wages of Destruction*, chapters 3, 4, and 5, quote from 50; and also Michael Ebi, *Export um jeden Preis. Die Deutsche Exportförderung von 1932–1938* (Stuttgart: Steiner, 2004), 62; Ritschl, *Deutschlands Krise und Konjunktur 1924–1934*, Appendix, Tables B.1 and B.7; trade figures from B. R. Mitchell, *International Historical Statistics. Europe 1750–2005*, (New York: Palgrave Macmillan, 2007), 664.

<sup>819</sup> Eichengreen, *Golden Fetters*, Introduction.

<sup>820</sup> Tooze, *Wages of Destruction*, 76.

<sup>821</sup> After the Nuremberg laws Schacht remarked, “if we are perceived to behave like savages it will cost us income, because foreigners will not do business with us.” On Schacht see John Weitz, *Hitler's Banker* (Boston: Little Brown, 1997), quotation from 109; and Christopher Kopper, *Hjalmar Schacht: Aufstieg und Fall von Hitlers mächtigstem Bankier* (Munich: Hanser, 2006).

<sup>822</sup> Ebi, *Export um jeden Preis*, 24–25; Tooze, *Wages of Destruction*, 72; Ritschl, *Deutschlands Krise und Konjunktur 1924–1934*, Table B.7

By the spring of 1934 Germany's dwindling currency reserves became a crisis. Since the debt moratorium the previous year Schacht had been subsidizing German exports manipulating the blocked accounts of Germany's foreign creditors and buying back Germany's foreign debt. By early 1934 these complicated maneuvers had exhausted their potential to promote exports, the trade deficit continued to balloon, and the Reichsbank reserves sank to frighteningly low levels.<sup>823</sup> The crisis presented Germany's economic policy-makers with a stark choice: they could either devalue the Reichsmark and take other radical measures to promote exports, or they would need to drastically limit imports and have state authorities directly manage what could enter Germany. During the spring crisis Schacht outmaneuvered his rivals in the Economics and Finance Ministries to impose further import controls. On June 14, 1934 he suspended all payments on Germany's private and public international debts and tightened state control over the disbursement of foreign currency, monitoring it on a daily basis.<sup>824</sup>

In August Schacht formalized this new, comprehensive system of trade controls in the New Plan, which he announced to the business community several weeks later at the fall fair in Leipzig. The New Plan made Schacht the doyen of Germany's economy with vast powers as the Reichsbank director, and after June, as acting Minister of Economics. The New Plan created twenty-five supervisory agencies, one for each broad commodity type. These agencies allocated Germany's limited foreign currency to exporters and importers according to how well they met national priorities, which meant, above all, rearmament. This marked a critical turning point on the path toward the "militarization of the German Reich," as the New Plan came to regulate the economy and foreign trade to an extent not seen since the First World War.<sup>825</sup>

In public government leaders professed that Germany was not trying to "isolate itself economically from foreign countries."<sup>826</sup> Schacht himself saw the New Plan less as a path to autarchy than as a way to sustain some part of Germany's trade in the face of rising protectionism among the developed economies of the world.<sup>827</sup> At the same time, though, leading National Socialists, government officials, and publicists repeatedly averred that Schacht's system was crucial for strengthening Germany's geopolitical position. More than anything they wanted to secure blockade-resistant supply lines for Germany's military economy. This meant pursuing the "greatest possible switch of raw material imports from overseas toward areas reachable by overland transport."<sup>828</sup>

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<sup>823</sup> Ebi clarifies the timing and the effectiveness of Germany's export promotion. Ebi, *Export um jeden Preis*, 15, 32–40, 47–57; For alternative interpretations see Avraham Barkai, *Nazi Economics. Ideology, Theory and Policy* (New Haven: Yale Univ. Press, 1990); James, *The German Slump*; Dörte Döring, "Deutsche Aussenwirtschaftspolitik 1933–1935. Die Gleichschaltung der Aussenwirtschaft in der Frühphase des nationalsozialistischen Regimes" (PhD diss., Freie Universität Berlin, 1969).

<sup>824</sup> There was a serious debate over this decision between Schacht at the Reichsbank, who advocated import controls that favored rearmament, and Economics Minister Kurt Schmitt and Finance Minister Lutz Graf Schwerin von Krosigk, who advocated a course of slower rearmament and more exports. Tooze, *Wages of Destruction*, 67–91.

<sup>825</sup> For an overview of the contemporary discussion of state intervention in the German economy, see Volkmann, "Aussenhandel und Aufrüstung," 82–85; Volkmann, "The National Socialist Economy," 245–46.

<sup>826</sup> Speech from Foreign Minister Neurath at the Ibero-Amerikanischen Institut in Hamburg, April 1934, cited in Volkmann "Aussenhandel und Aufrüstung," 87.

<sup>827</sup> "Germany is a typical economy based on processing [*Veredelungsland*]. As such it must affirm the concept of a global economy and reject the concept of autarchy. Autarchy means only poverty and it means that for Germany more than ever." from "Deutschland und die Weltwirtschaft," lecture at the Technical University in Munich on Dec. 7, 1935; Schacht, *Schacht in seiner Äusserungen*, 114.

<sup>828</sup> Alfred Rosenberg quoted in Volkmann, "The National Socialist Economy," 248.

Schacht and officials at the Foreign Office and Economics Ministry sought to achieve the twin goals of economic growth and secure supply lines through a series of bilateral agreements with the smaller countries of Europe. They increasingly looked to Southeastern Europe, “markets” that, according to economics undersecretary Hans Posse, were already “ruled by German merchants.”<sup>829</sup> Here officials like Schacht and Posse benefited from the diligent work done by German publicists since the late 1920s to portray a turn toward the Southeast as a commercially attractive option. And although many businesses reliant on global trade disavowed the Central European strategy as too limited, by 1934 the *Mitteeuropäische Wirtschaftstag* and other groups had built a powerful coalition with close connections to the government that favored a turn toward the Southeast.

The failure of the Austro-German customs union in 1931 had forced Germany to “bide its time” on a Central European strategy until a more favorable moment arose. For Posse and Schacht that moment came with the foreign currency crisis in 1934, which presented the opportunity to adopt an “active commercial policy based on reciprocity” and bilateral agreements.<sup>830</sup> With strong public backing, in February Schacht and officials at the Foreign Office and Economics Ministry negotiated a commercial treaty with Hungary and a similar one with Yugoslavia in May. These pseudo-barter agreements formalized one-to-one exchange, in theory at least, between Germany on the one hand, and Hungary and Yugoslavia on the other. In March the following year Germany negotiated a similar treaty with Romania.<sup>831</sup>

These treaties closely resembled one another despite the diversity of products demanded and offered by the Balkan states. With Yugoslavia German negotiators confidentially agreed to purchase specific amounts of wheat and corn, as well as lumber, lard, poultry, eggs, oil seeds, fruits, and vegetables, granting tariff preferences on these products and effectively paying prices for them that were above the world market price. The collapse of agricultural prices during the Great Depression had decimated the income of Yugoslavia’s farmers. By guaranteeing the sale of these products—cash crops that drove Yugoslavia’s largely agrarian economy—leaders in Belgrade hoped the bilateral treaty of 1934 would advance their nation’s economic recovery. With Romania oil, the nation’s most prized asset, could be easily sold on the world market and so it remained outside the direct purview of the treaty. As a result, in the treaty Germany granted similar preferences for Romanian timber, select minerals, soybeans and oleaginous crops used in industrial production, poultry, eggs, cattle, and cereal, again paying prices above those of the world market.<sup>832</sup>

Under these treaties the trade and agricultural authorities of Germany, Yugoslavia and Romania regulated the price and volume of exports and imports. Clearing agreements, moreover, governed payment between these states and obviated the need to exchange hard currency;

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<sup>829</sup> Kaiser, *Economic Diplomacy*, 74; The following discussion of German commercial policy draws heavily on the account provided by Kaiser and by Grenzebach, *Informal Empire*.

<sup>830</sup> BA, Deutsche Bank, R8119F, 6140, minutes of the MWT’s director’s meeting from May 28, 1932, 125–38; Kaiser, *Economic Diplomacy*, 74.

<sup>831</sup> The pro-French foreign policy of Nicolae Titulescu, Romania’s Foreign Minister, had prevented Germany from reaching an agreement before 1935. Over the course of 1934 and 1935 Titulescu had tried to include Romania in a regional security agreement with Czechoslovakia, France, and the Soviet Union. Titulescu’s ambitions ultimately foundered in 1936, his effort at rapprochement with the Soviet Union having made too many enemies on Romania’s right. But even before 1935 pro-German elements in the government began seeking a commercial accommodation with the Third Reich to gain access to Germany’s large domestic market. This included King Carol II, who feared Titulescu’s ambition and his international successes. Keith Hitchins, *Rumania 1866–1947*, 436–37; See also Lampe, *Balkans into Southeastern Europe*, 137–38; Grenzebach, *Informal Empire*, 71–76.

<sup>832</sup> Kaiser, *Economic Diplomacy*, 77–79; Grenzebach, *Informal Empire*, 72–75.



Schacht intended this system to save Germany's hard currency for goods only available on the world market like oil and rubber. Instead, German firms importing products from Southeastern Europe paid the Reichsbank in Reichsmarks. Similarly, Yugoslavian or Romanian importers paid their own national banks in Dinars or Lei. At a central clearing office in Berlin the Reichsbank would monitor the balance of imports and exports with the individual countries in Southeastern Europe. Whenever Germany bought more than its partners in the Balkans, or vice versa, and created a trade imbalance the difference would be stored as a credit in Berlin, ostensibly to be balanced in the future. The Reichsbank and the national banks of Southeastern Europe controlled which firms had access to foreign goods by issuing import licenses, which in practice were quite difficult to obtain. Just as important, the national banks maintained full control over the price of their currencies. Instead of the market determining currency ratios, the price of Reichsmarks in terms of Lei or Dinars was determined by deliberations between the Reichsbank and the Romanian or Yugoslavian National Banks.<sup>833</sup>

By the middle of the 1930s, then, Germany had jettisoned the most-favored nation principle and made the state the final arbiter of foreign trade: all told, it concluded bilateral treaties with twenty-five countries so that over half of its foreign trade went to what came to be called the Reichsmark bloc.<sup>834</sup> The agreements with the Balkan states lay at the core of this system, and although these treaties were deficient in important respects they achieved some success at first. Most immediately, the New Plan temporarily stopped Germany's hemorrhage of foreign currency. In addition, over the next five years it redirected German trade away from Great Britain and America and toward continental European markets. While German commerce with the Reichsmark bloc grew after 1934, it stagnated with America, Great Britain, and France. (see *Tables 16a and 16b*) Finally, the New Plan restructured German trade to favor the import of raw materials for rearmament, and the export of finished products. Between 1931 and 1936, as a percentage of total imports raw materials increased from 51 to 61 percent, while the export of finished goods rose from 75 to 83 percent.<sup>835</sup>

Schacht never intended the New Plan to make Germany entirely autarchic, rather it was a way to win back independence from German creditors, above all America, and weather the depressed state of world trade until better times returned. Schacht argued as much before the Nazi-controlled German Labor Front, when he indirectly criticized those who would have Germany rearm with no regard to economic reality. "The most essential task is augmenting our goods *within the limits of the possible* ... But there are certain commodities that we in Germany do not possess at all, or only in very small quantities, while these commodities exist in other countries to a great extent. Thus we must bring in certain goods from abroad. Out of this arises the *absolute* necessity that we engage in foreign trade."<sup>836</sup>

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<sup>833</sup> For more details on how this system operated see Berend and Ranki, *Economic Development in East-Central Europe*, 269–78; and Lampe, *Balkans into Southeastern Europe*, 135–36.

<sup>834</sup> Tooze points out that by the late 1930s it was estimated that the New Plan alone employed over 18,000 administrators working on currency control issues. Tooze, *Wages of Destruction*, 94; For Schacht's view of the Reichsmark bloc see Hjalmar Schacht, *Confessions of "The Old Wizard"* (Boston: Houghton Mifflin, 1956), 302–8.

<sup>835</sup> Tooze, *Wages of Destruction*, 91–92; Grenzebach, *Informal Empire*, 97; Teichert, *Autarkie und Grossraumwirtschaft*, 354, table 5.

<sup>836</sup> Schacht, *Schacht in seiner Äusserungen*, 104, author's italics.

Table 16a  
**German Imports**  
(in millions of RM and in percentage of total German imports)

Country/Region	1932	1935	1936	1937	% Chge 1932-1937
*Southeastern Europe	175 3.7%	260 6.3%	318 7.5%	475 10.7%	171.4%
USA	592 12.7%	241 5.8%	232 5.5%	228 5.1%	-61.5%
France	190 4.1%	154 3.7%	99 2.3%	156 3.5%	-17.9%
England	259 5.5%	256 6.2%	264 6.3%	309 6.9%	19.3%
Total	4667	4159	4218	4456	-4.5%

Table 16b  
**German Exports**  
(in millions of RM and in percentage of total German exports)

Country/Region	1932	1935	1936	1937	% Chge 1932-1937
*Southeastern Europe	175 3.0%	204 4.8%	312 6.5%	427 8.8%	144.0%
USA	281 4.9%	170 4.0%	172 3.6%	204 4.2%	-27.4%
France	483 8.4%	253 5.9%	255 5.3%	311 6.4%	-35.6%
England	446 7.8%	375 8.8%	406 8.5%	419 8.7%	-6.1%
Total	5739	4270	4768	4826	-15.9%

Source: Rudolf Eicke, *Warum Aussehenhandel?* (Berlin: Verlag für Sozialpolitik, Wirtschaft und Statistik, 1937).  
\*Southeastern Europe includes Yugoslavia, Romania, Hungary, and Bulgaria

Despite Hitler's desire for economic autarchy, Germany remained as deeply enmeshed with foreign economies in 1936 as it was in 1933. For the Foreign Office, "*the supply of indispensable foreign raw materials* [was] the most important task for German economic policy."<sup>837</sup> The countries supplying it were changing, but Germany still depended on imports of oil, iron ore, copper, bauxite, manganese, and rubber. Above all, though, Germany needed to import food products. For by the end of 1935 Germany was entering a severe food crisis. Since 1934 Hitler and his agricultural Minister had extended party oversight into the farming sector,

<sup>837</sup> Foreign Minister Neurath in a circular to German missions in 1936 urging them to ease Germany's quest for imports by promoting exports: "no task is more important than this one." *Documents on Foreign Policy*, Series C. vol. 5, July 30, 1936, No. 485, 842.

fighting a “battle for production” to make Germany nutritionally self-sufficient. But from 1933 to 1935 Germany’s crop yield declined by 20 percent from poor harvests and poor organization, forcing the Agricultural Ministry to implement food rationing and double its demand for foreign currency to import food.<sup>838</sup> As the agricultural crisis intensified, the military simultaneously prodded Hitler to expand the production of armaments and munitions, for in 1935 both France and Great Britain began augmenting their own defense budgets in response to Germany’s aggressive remilitarization. Over the course of the year the German army doubled its demand for ores, oil, and rubber. By June the army leadership planned to have a gigantic force of 3.6 million men, with a highly mechanized core, prepared for combat in 1940.<sup>839</sup>

During the spring and summer of 1936, then, Germany’s economic leadership again found itself in a crisis situation as the contradictory priorities of its foreign economic policy—importing food for its people versus raw materials needed for industry; targeting domestic production on exportable goods versus military equipment—opened deep fault lines between Schacht’s Reichsbank, the Party leadership, the military, and the agricultural ministry. Industrial stockpiles fell to levels sufficient for barely a month, and the competing demands for imports meant that Germany’s projected deficit of foreign currency for the second half of 1936 surpassed 500 million RM, at a time when the Reichsbank’s gold and currency reserves were just 75 million RM.<sup>840</sup>

The factions vying for control over Germany’s economy each proposed a distinct path out of the foreign currency quandary. At one extreme, the Nazi Party advocates of autarchy wanted to fully develop synthetic raw materials and meet Germany’s need for oil, rubber, and other armament-related products with ersatz domestic supplies. In the middle, Schacht insisted on increasing exports within the existing framework, thus shifting the emphasis of the New Plan away from rearmament. He wanted to maintain the clearing accounts and bilateral treaties, wrest control of agriculture from the party and restrict its imports, and at the same time place strict limits on military expenditure. These measures, he hoped, would allow him to allocate more foreign currency and more imports to export industries. The capstone to his agenda was to expand the scope of operation for exporters by building an economic bloc in Europe and by regaining Germany’s lost overseas colonies.<sup>841</sup> At the other extreme lay conservative businessmen like Carl Goerdeler, the Mayer of Leipzig and Germany’s former price commissioner. In a study drafted in July Goerdeler suggested that Germany devalue its currency. Bringing German prices in line with those of Great Britain and America, countries that had already devalued, would allow Germany to rid itself of Schacht’s complicated trade apparatus

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<sup>838</sup> Neurath’s own emphasis. In 1935, at the height of the harvest crisis, agricultural imports were only two-thirds of what they had been in 1928. Petzina, “Vierjahresplan,” 68–69; Petzina, *Autarkiepolitik im Dritten Reich, Der nationalsozialistische Vierjahresplan*.

<sup>839</sup> Quotation is from Hermann Göring, cited in Tooze, *Wages of Destruction*, 207–11. On the military’s push for rearmament see Wilhelm Deist, “The Rearmament of the Wehrmacht,” in Militärgeschichtliches Forschungsamt, *Germany and the Second World War. Volume 1: The Build-up of German Aggression*.

<sup>840</sup> Arthur Schweitzer, “Foreign Exchange Crisis of 1936,” *Zeitschrift für die gesamte Staatswissenschaft* 118, no. 2 (1962): 243–77; on the Reichsbank’s gold reserves see the version of Volkmann, “Aussenhandel und Aufrüstung in Deutschland 1933–1939,” reprinted in Volkmann, *Ökonomie und Expansion*, 107.

<sup>841</sup> Schweitzer, “Foreign Exchange,” 245–47; Richard J. Overy, *Göring, the “Iron Man”* (London: Routledge and Kegan Paul, 1984), 43; Schacht on the colonial question: “In its old colonies Germany had found a valuable extension of its raw material foundation and its exchange of goods with its settlements. As developments in the last years have proven, both are an indispensable necessity for an overpopulated, industrialized country.” Preface to H. W. Bauer, *Kolonien oder Nicht? Die Einstellung von Partei und Staat zum kolonialen Gedanken* (Leipzig: Richard Bauer, 1935).

and re-enter the world market in force. By 1936 a substantial portion of Germany's business community would have welcomed such a return to international trade, since by many estimates America, Great Britain, Japan, and much of South America and Scandinavia seemed poised for economic recovery themselves.<sup>842</sup>

Hitler only turned his attention to Germany's looming economic crisis in the summer of 1936. In the Four-Year Memorandum, which he confidentially presented in August to Hermann Göring and War Minister Werner von Blomberg, Hitler totally rejected Goerdeler's internationalist path. In the memorandum he grappled with Germany's perennial dependence on foreign countries for food and raw materials. He wanted a final solution, one that a reliance on the global market could never provide. Instead, Hitler demanded that Germany be prepared for war by 1940, and that domestic production and foreign trade be placed fully in the service of rearmament. "The nation does not live for the economy, for economic leaders, or for financial theories; on the contrary, it is finance and the economy, economic leaders and theories, which all owe unqualified service in this struggle for the self-assertion of our nation." *Lebensraum* in Eastern Europe was to be Hitler's long-term solution; military conquest was the only way to make Germany fully self-sufficient.<sup>843</sup> Hitler appointed Hermann Göring, his second in command and a relative novice in economic matters, to implement the Four-Year Plan as the Plenipotentiary of the German economy. As a consequence, after late 1936 Schacht's influence in policy-making waned—he resigned in 1938—and Göring, supported by technical advisers from private industry and the military, slowly tightened the state's grip on the economy.<sup>844</sup>

For many contemporaries the Four Year Plan represented a "war economy in its pure form," total mobilization three years before the outbreak of war. But in fact the economy should not be characterized as fully mobilized in 1936, or even 1939; that only came with the war against the Soviet Union in 1941.<sup>845</sup> Instead, the massive expansion of military spending implemented by the Four-Year Plan did little to resolve the immediate limitations on the German economy. The production of more munitions, tanks, and aircraft only exacerbated the demand for imports and the scarcity of foreign currency. Göring's Four-Year Plan Office undertook measures to expand production of synthetic fuel, rubber, and synthetic fibers. But it took years for the initial investments to pay off and by 1939 Germany was only one step closer to autarchy than it was in early 1936.<sup>846</sup>

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<sup>842</sup> Tooze concedes that it is frustratingly difficult to make a judgment on the collective attitude of German business. Tooze, *Wages of Destruction*, 205, 214–19.

<sup>843</sup> Four-Year Plan Memorandum, cited in J. Noakes and G. Pridham, *Nazism 1919–1945: a Documentary Reader. Volume 2: State, Economy, and Society 1933–1939* (Exeter: Univ. of Exeter, 1984), document 185; Wilhelm Treue, "Hitler's Denkschrift zum Vierjahresplan 1936" *Vierteljahrshefte für Zeitgeschichte* 3 (1955): 184–203.

<sup>844</sup> Schacht and other conservatives had actually recommended earlier that Göring be given a special commission to investigate Germany's currency and raw material problems, in the hopes that he would shield Germany's business community from the more radical arm of the Nazi party. If that failed, Schacht gambled that Göring's incompetence in economic matters would prove to Hitler that the German economy needed an expert like Schacht at its helm. The plan backfired. R. J. Overy, *Göring, the Iron Man*, 40–47; On the Reichswerke Göring see R. J. Overy, *War and Economy in the Third Reich* (Oxford: Oxford Univ. Press, 1994), 144–74.

<sup>845</sup> Quotation by General Thomas, chief of the war economy staff, on the Four Year Plan. Cited in Volkman "The National Socialist Economy," 277; Werner Abelshauser, "Germany: guns, butter, and economic miracles" in Mark Harrison (ed.) *The Economics of World War II. Six Great Powers in International Comparison* (Cambridge: Cambridge Univ. Press, 1998), 122–76.

<sup>846</sup> In 1938, for example, Germany produced only 6,000 tons of synthetic rubber, while it imported 92,000 tons. Tooze, *Wages of Destruction*, 228; Hayes, *Industry and Ideology*, 175–212.

The key point, then, is that throughout the 1930s, even with the adoption of the Four-Year Plan, exports retained their critical importance for the German economy. The directors of the Four Year Plan as well as the economic staff of the military realized as much, that Germany was “poor in resources; essentially in no sector besides coal do the developed mineral deposits cover our own needs.”<sup>847</sup> By 1938 imports of oil, rubber, iron ores, and other metals like copper, zinc, bauxite, manganese, and lead far surpassed what had been needed just a few years earlier. (see *Tables 17a and 17b*) And as ever more resources and manpower were moved out of agriculture and into industry, Germany’s demand for foreign grain, livestock, and fruits grew instead of diminished. In 1938, even after Germany’s annexation of Austria, the Institute for Business Cycle Research estimated that Greater Germany could supply just 87 percent of its own need for foodstuffs. (see *Table 18*) By their calculations Southeastern Europe offered the greatest natural surplus of food in Germany’s potential economic bloc.<sup>848</sup> Whether German leaders wanted to or not, they still “must be interested in the international exchange of goods.”<sup>849</sup>

As a result, after 1936 the administrators of the Four-Year plan had no other recourse but to continue the regulation of foreign trade that Schacht had formalized under the New Plan: import licenses, bilateral treaties, and clearing agreements. The smooth flow of raw materials into Germany became more, not less, important after 1936 and exports remained as important as ever for the functioning of the German economy. For Hitler to achieve his long-term goal of autarchy and formal empire, in the short-term he needed an informal economic empire—*Grossraumwirtschaft*—and the resources of a continent to support Germany’s massive escalation in military production.

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<sup>847</sup> Fritz Loeb, General Staff, “Aufgaben des Amtes für deutsche Roh- und Werkstoffe,” *Der Vierjahresplan: Zeitschrift für Nationalsozialistische Wirtschaftspolitik* 1 (Jan. 1937): 2.

<sup>848</sup> Report cited in Hans-Erich Volkmann, “NS-Aussenhandel im ‘geschlossenen’ Kriegswirtschaftsraum 1939–1941” in Volkmann, *Ökonomie und Expansion*, 148; Volkmann, “The National Socialist Economy,” 309, 356; Petzina, *Autarkiepolitik*, 109.

<sup>849</sup> Rudolf Brinkmann, state secretary in the Economics Ministry, “Aussenhandel und Handelspolitik,” *Der Vierjahresplan: Zeitschrift für Nationalsozialistische Wirtschaftspolitik* 2 (July 1938): 386–87.

**Table 17a**

German imports of raw materials vital to war 1933–1938  
(in 1,000 tons)

<i>Commodity</i>	<i>1933</i>	<i>1934</i>	<i>1935</i>	<i>1936</i>	<i>1937</i>	<i>1938</i>
Iron Ores	4572	8265	14061	18469	20621	21928
Other Ores (non-ferrous)	2386	3071	3662	4079	5622	4852
Metals	918	1141	852	895	1273	2275
Crude Oil	546	623	846	983	1198	1326
Fuels and lubricants	2157	2535	2946	3235	3109	3641
Unvulcanized Rubber	60	72	74	83	123	109

Hans-Erich Volkmann, “The National Socialist Economy in Preparation for War,” in *Militär-geschichtliches Forschungsamt* (ed.), *Germany and the Second World War. Volume I: The Build-up of German Aggression* (Oxford: Clarendon Press, 1990), Table II. VII.5, 356.

**Table 17b**

Domestic supply of non-ferrous metals 1934–1938  
(in percentage of consumption)

<i>Metal</i>	<i>1934</i>	<i>1935</i>	<i>1936</i>	<i>1937</i>	<i>1938</i>
Copper	45	43	43	39	41
Zinc	67	68	70	74	78
Lead	64	61	59	60	68

Source: Dietmar Petzina, *Antarktipolitik im Dritten Reich: der nationalsozialistische Vierjahresplan* (Stuttgart: DVA, 1968), 109.

**Table 18**

Nutritional Supply Estimates from Institute for Business Cycle Research

<i>Region/Country</i>	<i>Population (in millions)</i>	<i>Percentage of population supplied by domestic production</i>	<i>Surplus pop. able to be fed from domestic production (in millions)</i>
Greater Germany	112.1	87	-14.4
Scandinavia	16.7	80	-1
Holland-Belgium	17	59	-6.9
Baltic Countries	5.6	107	0.4
Southeastern Europe	56.9	107	4
Russia	185.7	101	2.5

Source: Hans-Erich Volkmann, "NS-Aussenhandel im 'geschlossenen' Kriegswirtschaftsraum 1939–1941," in Volkmann *Ökonomie und Expansion: Grundzüge der NS-Wirtschaftspolitik, Ausgewählte Schriften* (Munich: R. Oldenbourg, 2003), 148.

### *Challenges for the Bilateral System*

Southeastern Europe played a critical role in German plans for *Grossraumwirtschaft*, for it potentially offered many imports the Third Reich so desperately needed. In the early 1930s Germany's primary sources of oil, copper, and many non-ferrous metals lay outside of Europe, and this needed to change.<sup>850</sup> For the proponents of *Mittleuropa*, "no other European region has such a wealth of raw materials at its disposal as the countries of Yugoslavia, Bulgaria, and Romania." This was an overly optimistic view of Southeastern Europe's potential. But as Max Hahn and Tilo Freiherr von Wilmowsky illustrated in a confidential report commissioned for the Four Year Plan authorities in 1939, Southeastern Europe did possess products critical for Germany's industrial economy like livestock, fats, fruits, grains, oil from Romania, lead, copper, zinc, bauxite, manganese, and antimony. Given the proper attention, time, and investment Hahn and Wilmowsky believed this region could be developed into a primary supply source for the German economy, as well as an important market for exports at a time when much of the globe remained under the protection of the British and French empires, or America.<sup>851</sup>

But could German businessmen actually realize the *potential* of such an economic bloc? German leaders certainly approached the treaties with the expectation that they could. In June 1936 Schacht toured Southeastern Europe, visiting Budapest, Belgrade, Sofia, Istanbul, Athens, and later Ankara and Tehran to promote the mutual benefit of these agreements.<sup>852</sup> He and other

<sup>850</sup> Rudolf Eicke, *Warum Aussenhandel* (Berlin: Verlag für Sozialpolitik, Wirtschaft und Statistik, 1937), 20–21.

<sup>851</sup> Quotation from BA, R 63, Südosteuropa-Gesellschaft, 186, *Entstehung, Entwicklung, und Arbeit des MWT*, 337; For the report, see *ibid*, 294a, "Südosteuropa als wirtschaftliche Ergänzungsraum für Deutschland" from Aug. 12, 1939.

<sup>852</sup> In retrospect Schacht stressed that, "it was not Germany's purpose to tie countries such as Yugoslavia permanently down to the level of an agrarian state ... development would not be detrimental to the industrial states." Hjalmar Schacht, *Confessions of "the Old Wizard"*, 305.

government officials involved in the negotiations saw the treaties as a way to “place commercial exchange on a broader foundation, and hold open for Germany the future development potential” of Southeastern Europe.<sup>853</sup>

But from the perspective of merchants engaged in German-Balkan commerce such a sound “foundation” hardly existed in 1934, 1936, or even 1937. For Schacht’s New Plan and Göring’s Four-Year Plan profoundly altered the nature of commerce in this region of Europe, particularly for smaller firms. The New Plan and the Four-Year Plan created a new commercial landscape and generated a host of short-term, immediate problems that the German state proved unable to ameliorate. The bilateral treaties and clearing agreements were cumbersome and frequently ineffective in matching buyers and sellers.<sup>854</sup> The byzantine regulations imposed serious costs and created massive impediments in the flow of information.<sup>855</sup> And since the bilateral treaties operated on the basis of one-to-one exchange the consumers of Southeastern Europe would have to be willing and able to buy German products, a distinct problem given that the purchasing power of Yugoslavia and Romania were some of the lowest in Europe.

Problems arose immediately following the signing of the commercial treaties with Yugoslavia in 1934 and with Romania the following year. To begin with, Germany’s chain of importers and distributors now had to accommodate new and unfamiliar products from Southeastern Europe. This posed a serious challenge since many of these agricultural goods were over-priced or of dubious quality. In the commercial treaties the German state effectively assumed the responsibility for marketing these goods, that is, when it did not resell them on the world market. The state authorities, however, were ill suited to the task since so few bureaucrats had the necessary expertise about the economies of Southeastern Europe.

An even larger challenge, though, was the structural imbalances that arose when German officials insisted on maintaining an artificially high value for the Reichsmark. This generated substantial deficits on Germany’s side of the clearing arrangements. Because Germany had run an export surplus with Southeastern Europe in the 1920s, neither the German nor the Romanian or Yugoslavian negotiators expected an overvalued Reichsmark to seriously alter this traditional commercial balance. An overvalued exchange rate, moreover, allowed Germany to purchase agricultural products at prices above the world market prices, part of the lure for Yugoslavia and Romania to sign these treaties in the first place.<sup>856</sup> But by the end of 1936 Germany’s total clearing deficits in Reichsmark bloc countries amounted to 463 million RM, most of this accruing from trade with Southeastern Europe.<sup>857</sup> Romania and Yugoslavia were not buying German exports in the amount that they had agreed and that German officials had expected.

Officials on all sides recognized Germany’s clearing deficit was a serious problem. Already in late 1934 Yugoslavia’s trade minister, Milivoj Pilja, worried that Germany’s growing

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<sup>853</sup> Confidential memorandum from Ulrich circulated to numerous German embassies and legations. PAAA, HA, Handakten Wiehl und Clodius, 106181 Jugoslawien, Ulrich to the Embassy in Rome from June 21, 1934.

<sup>854</sup> What businessmen found most obnoxious in the New Plan was, “the need to locate purchasers and suppliers in the predominantly non-industrial countries that were willing to enter into special trade balancing or clearing agreements with the Reich.” Hayes, *Industry and Ideology*, 131.

<sup>855</sup> As Karl Ritter, the director of the Trade Policy department in the Foreign Office, admitted, “since the clearing system must be retained for a long time yet, it is all the more important to diminish the defects adhering to it, and in particular to simplify clearing and divest it of red tape.” *Documents on Foreign Policy*, Series C. vol. 5, no. 511, Aug. 17, 1936.

<sup>856</sup> Kaiser, *Economic Diplomacy*, 138

<sup>857</sup> Berend and Ranki, *Economic Development in East-Central Europe*, 277.



clearing deficits threatened to undermine the entire system.<sup>858</sup> For German officials the clearing deficit was an unintended consequence, but one they feared might wreck the entire set of bilateral agreements. Germany's lead negotiators, like Helmuth Wohlthat and Otto Sarnow, repeatedly stressed to both Bucharest and Belgrade that, "raising German industrial exports, which alone can be a permanent and natural balance to the clearing debt, must be our main concern."<sup>859</sup>

Before 1938, however, Yugoslavia and Romania responded to Germany's clearing deficits not by importing more German goods but with unilateral currency manipulations to effectively change the terms of trade in their own favor. In Yugoslavia, when Germany's deficit had risen to 300 million Dinars (roughly 17 million RM) in 1935, the authorities unilaterally altered their exchange rate against the Reichsmark. The Yugoslavian National Bank began selling German currency to domestic importers at 13.6 dinars to the RM instead of the official rate of 17.6, effectively devaluing the Reichsmark by 25 percent. German negotiators protested vigorously.<sup>860</sup> In Romania currency manipulations came much faster and more frequently. Since 1931 the German-Romanian exchange rate had remained relatively stable between 40 and 42 Lei to the Reichsmark. But in September 1935 the Romanian National Bank set its official exchange rate at 48, which it raised to 58 when dealing with certain large German firms. This overvaluation hindered German exporters from competing effectively in Romania. In January 1936 under pressure from pro-German elements in the government—including King Carol II—the Bank dropped its support of the Lei and allowed the exchange rate to fluctuate between 35 and 42. In August it set the rate for selling Reichsmark at 37.5, for buying marks at 42, but then changed these rates again a month later. In early 1938 a new round of negotiations between Germany and Romania raised the rate again to 41 Lei for a Reichsmark.<sup>861</sup>

In addition to currency manipulation, the Yugoslavian, Romanian, and German governments all enacted numerous export subsidies and import tariffs outside the purview of the commercial treaties to change the terms of trade. In the spring of 1936 Yugoslavia agreed to purchase more German coal and synthetic textiles, issuing import licenses for these products to help reverse the clearing deficit. But in September Belgrade unilaterally changed its policy of selling lead, zinc, wool, and other raw materials to Germany. Against the backdrop of a general upswing in the world economy, which increased the price of raw materials, the Yugoslavian trade delegation felt it could demand hard currency for their products. Germany responded by canceling its concessions for Yugoslavian fruit and stopping virtually all imports of cereals from Yugoslavia as well as Romania.<sup>862</sup> Only at the very end of the year did both governments reach an agreement that prevented the altercation from escalating into a trade war, granting new concessions on various products like copper, zinc, and lead.<sup>863</sup> Overall, between the conclusion of Germany's commercial agreement with Yugoslavia in 1934 and the end of 1937 the German-Yugoslavian trade commission met and changed the rules of commerce at least seven separate

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<sup>858</sup> Grenzebach, *Informal Empire*, 52–58

<sup>859</sup> Sarnow to Hess, German legate in Belgrade, from Jan. 16, 1935, cited in Grenzebach, *Informal Empire*, 53.

<sup>860</sup> Kaiser, *Economic Diplomacy*, 142; Berend and Ranki, *Economic Development in East-Central Europe*, 276.

<sup>861</sup> Basch, *Danube Basin*, 177; Grenzebach, *Informal Empire*, 91, 83.

<sup>862</sup> This was in the context of Germany's foreign currency crisis of 1936, which Schacht hoped to solve by limiting Germany's expenditure on agricultural imports, in hard currency and in clearing credits. Kaiser, *Economic Diplomacy*, 126.

<sup>863</sup> Grenzebach, *Informal Empire*, 64; Kaiser, *Economic Diplomacy*, 143

times, not including alterations negotiated outside the auspices of the official trade conferences.<sup>864</sup>

Romanian officials pursued even more aggressive policies to exploit Germany's clearing deficit. Already in the early summer of 1935 commercial relations between the two countries began to deteriorate. Romania's pro-French Foreign Secretary, Nicolae Titulescu, and the Francophile leaders of Romania's National Bank, in conjunction with a xenophobic press, began a campaign to shift exports to hard currency countries like France and Great Britain. In June, under Titulescu's lead the government imposed a 44 percent tax on all imports from Germany. Germany responded with its own 44 percent tariff on Romanian goods. In the trade and payment protocols of September, 1935 the two governments negotiated to remove these tariffs, and Romania agreed in principle to conduct a "sympathetic study" of German exports. But over the course of the next two years the Romanian government maintained a variety of trade and currency controls intended to subsidize exports to hard currency countries instead of Germany.<sup>865</sup>

The upshot of these currency manipulations and tariff and subsidy battles was highly unpredictable rates of currency exchange accompanied by an ever-changing set of incentives for exporters and importers involved in German-Balkan commerce. The commercial problems of the 1920s had not entirely disappeared: it was still difficult for German merchants to acquire up-to-date information on business opportunities, to find reliable representatives who understood the local business culture, and to avoid being burned by late payments.<sup>866</sup> But state intervention into foreign trade added a new, complex layer to these pre-existing issues, making the legal framework for commerce unpredictable instead of stable and risk-free.

In Romania frustration among export-import businessmen peaked in the summer of 1935. According to the German-Romanian chamber of commerce, "because of the frequently changing government decrees in the recent period a great uncertainty has set in, which even the trade agreement with Germany will not rectify."<sup>867</sup> This uncertainty continued for the next two years, as the numerous grievances by the German-Romanian chamber of commerce and the trade representatives of the Leipzig trade fair attest. By 1936 the clearing agreements and the licensing needed to conduct trade had "generated a great speculative wave." The Romanian government had issued a total of thirty-nine collective authorizations to export or import from Germany, 35 of which were subsequently cancelled, the others routinely delayed. If a firm, German or Romanian, were fortunate enough to acquire a trade license that was not cancelled, this was still no guarantee that the foreign transaction would be profitable. Under the bilateral protocols, in

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<sup>864</sup> The initial treaty was signed in March, 1934. Subsequent trade protocols included Munich (March 1935); Zagreb (March 1936); Schacht's tour through Yugoslavia (June 1936); Dresden (Oct. 1936); Berlin (May 1937); Dubrobnik (Oct. 1937).

<sup>865</sup> Kaiser, *Economic Diplomacy*, 144; Grenzebach, *Informal Empire*, 76.

<sup>866</sup> See the complaint by Dr. Georg Acker to the Leipzig trade fair in 1933: "Likewise, you know that in the last few years German firms exporting to Romania, as a result of their credulity [*Leichtgläubigkeit*] and inadequate information, have sustained huge losses, which totally or at least partially could have been avoided if they only would have had access to an untainted and properly functioning information service. Unfortunately, in this regard circumstances have not improved; the information services are still stuck in children's shoes. Briefly put, they simply do not work." Sächsische Staatsarchiv Leipzig (SSAL), LMA, GA, 809, Acker to Messeamt from Jan. 5, 1933, 221; Germany's diplomat in Belgrade reported in 1935 that, "through the non-observance of fixed payment terms in contracts [by Yugoslavian merchants] such insecurity will enter into transactions that an orderly basis of calculations will no longer be possible and the German businessman will lose his interest in the Yugoslav Market." Cited in Grenzebach, *Informal Empire*, 58.

<sup>867</sup> Aktennotiz about the formation of a settlement office for German-Romanian commerce and payment. In PAAA, Bukarest Gesandtschaft, 95 Rumänische-deutsche Handelskammer, Aktennotiz from April 15, 1935.

practice firms sending Romanian products to Germany had to line up a matching amount of imports from Germany in advance. Without doing so “price fluctuations as well as fluctuations in the value of the Reichsmark [would make] the export of German commodities back to Romania impossible.” And because both governments altered the terms of the commercial agreements, the goods permissible to export and import, and the rate of exchange so frequently, firms had to reckon that a deal would “take five or six months to conclude.”<sup>868</sup> Commerce with Germany had become cumbersome, “long-winded, and expensive.”<sup>869</sup>

The weight of the bilateral trading system fell particularly hard on small firms, the core of the industrial order in Saxony, central Germany, and in the provinces of Romania and Yugoslavia, for it required firms to expend precious time, energy, and money to secure import and export licenses. In contrast to large concerns like IG Farben or Otto Wolf—a steel and metal holding company based in the Ruhr—small importers and exporters did not have the personnel to acquire trade licenses directly from the state authorities.<sup>870</sup> Again, the situation seems to have been worse in Romania, where small merchants relied on intermediaries who charged between two and twelve percent of the total order.<sup>871</sup> According to the Leipzig fair agent in Brasov-Kronstadt, “for firms domiciled outside of Bucharest it is almost impossible to engage in the import trade. Apart from the difficulty of establishing contacts with the relevant Romanian authorities, a complete ignorance of the foreign currency and contingent regulations is everywhere pervasive. The merchants have neither the possibility nor the capability to deal with the contents of the treaty terms.”<sup>872</sup>

#### *Private Institutions at Work: the German-Romanian Chamber of Commerce*

The bilateral agreements effectively reduced foreign trade to a type of barter exchange, and they made it more important than ever for businessmen to have up-to-date information about the rules governing German-Balkan commerce and consistent contact with their counterparts in Romania and Yugoslavia. Despite, or because of, their almost continual negotiations the German, Yugoslavia, and Romanian states proved incapable of creating a predictable set of commercial incentives and as a consequence non-state organizations like the Leipzig trade fair and the German-Romanian chamber of commerce had to fill the breach.<sup>873</sup>

Indeed, Schacht’s high profile publicity tour through Southeastern Europe in 1936 was only the tip of Germany’s public relations iceberg; his effort to woo the region’s commercial elites rested on a teeming array of sub-state institutions that prepared the way. As the German diplomat in Bucharest remarked, in response to Romania’s “failure to adhere to general [commercial] agreements,” Germany needed to “use channels here that are not often viable for

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<sup>868</sup> Report from Leipzig agent Wilsdorf from Bucharest, SSAL, LMA, GA, 152, Oct. 17, 1936, 345; the Romanian-German clearing agreement created an ‘A’ list of exportable goods (from Romania) and a ‘B’ list of importable goods (to Romania), which were frequently changing. Robert Krugmann, *Südosteuropa und Grossdeutschland* (Breslau: Breslauer Verlags- und Druckerei, 1939), 85.

<sup>869</sup> SSAL, LMA, GA, 810, Heydendorff to Leipzig central offices, from June 2, 1934, 54.

<sup>870</sup> Even before 1934 and 1935 small firms seemed to have had particular difficulty under the more limited clearing treaties that German negotiated with Romania and Yugoslavia in 1931. “For contingent articles the situation as still bad, if not devastating, for small German exporters who can hardly engage in the compensation business.” SSAL, LMA, GA, 809, Cornelio Früh in to Leipzig central offices from Sept. 22, 1933.

<sup>871</sup> SSAL, LMA, GA, 810, Heydendorff to Leipzig central offices, from June 2, 1934, 54.

<sup>872</sup> SSAL, LMA, GA, 810, report from Verband deutscher Handelsgremium from Oct. 11, 1936.

<sup>873</sup> See, for example, the comments from *Saxonia*, an import-export firm involved in Romania. SSAL, LMA, GA, 810, Saxonia to Messeamt Offices from March 10, 1934.

an official of the Reich. This is particularly relevant for the supervision and promotion of traffic in goods. Only with experience acquired from many years of engagement in this country can merchants acquire the requisite training” to be able to succeed in the import-export business.<sup>874</sup>

At first glance, the German-Romanian chamber of commerce in Bucharest did not seem to be the right channel to use since it had fallen on hard times during the economic depression. Established in 1929 by a cooperative of Romanians, Transylvanian Germans, and German citizens, by 1934 its director Walther von Stetten had spent too much of the chamber’s resources competing with a rival Romanian-German chamber of commerce in Berlin.<sup>875</sup> Membership had fallen from 200 to 80 firms,<sup>876</sup> its funding came almost exclusively from Romanian firms and the Romanian ministry of commerce, and Romanians held seven of the twelve seats on the board of directors.<sup>877</sup>

But in the fall of 1934 Stetten joined the German military as a captain,<sup>878</sup> leaving the way open for an enterprising national socialist party member, Artur Adolf Konradi, to revamp the chamber as an instrument for German economic interests. Konradi was born in 1880 near Kiev to a German factory manager. Apprenticed as a mechanical engineer, he started his own company in Southern Russia and worked as an agent for large German firms like Siemens & Halske and Otto Wolf. After being convicted during the First World War for espionage against Russia, he was sentenced to central Siberia in 1916, from whence he escaped and returned to Germany after the outbreak of the Bolshevik revolution. During the 1920s he managed a machine factory in Germany, but moved to Romania in 1930 to start his own small business importing German machinery.<sup>879</sup> Konradi had many commercial connections, both in Romania and more importantly in Germany, where he had been campaigning throughout the summer of 1934 to garner attention for the chamber of commerce as an advisory organ for firms operating in Romania.<sup>880</sup> As the leader of the local National Socialist group in Bucharest, however, some in the chamber of commerce thought he was too closely associated with the Nazi regime to become their next director.<sup>881</sup>

By December 1934, though, Konradi swayed the opinion in the chamber to win election as its business director. Earlier that year he had founded his own commercial compensation office—*Handels-Ausgleich-Stelle*—that functioned as a trustee for German exporters and provided Germans in Bucharest with information about the commercial treaties.<sup>882</sup> In December he offered to subsume his commercial office into the Bucharest chamber of commerce, and held out the prospect of unifying the Berlin and the Bucharest chambers if he were to be elected

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<sup>874</sup> PAAA, Bukarest Gesandtschaft, 95, DRHK, Report from Bucharest Mission to Berlin from May 12, 1935.

<sup>875</sup> PAAA, Bukarest Gesandtschaft, 95, DRHK, Bucharest Mission to Berlin from May 25, 1932; PAAA, Bukarest Gesandtschaft 95, Kompensationsbestrebung und Abkommen, Konradi to Schulenburg from April 14, 1934.

<sup>876</sup> PAAA, Bukarest Gesandtschaft, 95, DRHK, Bucharest Mission to DIHT from Jan. 3, 1935.

<sup>877</sup> PAAA, Bukarest Gesandtschaft, 95, DRHK, Bucharest Mission to Herr Bosenick from Nov. 28, 1934.

<sup>878</sup> When Stetten left he took with him 237,000 Lei of the Chambers funds, which he claims the chamber owed him but which the chamber, led by its vice president Cassasovici hotly disputed. PAAA, Bukarest Gesandtschaft, 95, DRHK, Report from Dec. 1, 1934.

<sup>879</sup> PAAA, Bukarest Gesandtschaft, 6, Konradi, personal history from July 8, 1936.

<sup>880</sup> In July Konradi visited Leipzig, Halle, Hannover, Bremen, Hamburg, and Essen, and in August Elberfeld, Dusseldorf, Köln, Frankfurt, Mannheim, Munich, Nuremburg, and Stuttgart PAAA, Handelsabteilung, Rumänien, 89210, Bucharest Mission to Reichsstelle für den Aussenhandel from July 9, 1934.

<sup>881</sup> PAAA, Bukarest Gesandtschaft, 95, DRHK, Dehn-Schmidt to Heimburg from Nov. 26, 1934.

<sup>882</sup> PAAA, Handelsabteilung, Rumänien, 89210, Konradi to Foreign Office from Feb. 19, 1934; PAAA, Bukarest Gesandtschaft, 95, Kompensationsbestrebung und Abkommen, Bucharest Mission to Foreign Office from April 16, 1934.

director of the latter. With energetic support from the German mission in Bucharest, Konradi was elected director in December.<sup>883</sup>

To the Romanian and German participants in the chamber, Konradi said he would make the chamber into a “viable instrument,” that would work “next to the public authorities” to “promote economic relations between both countries.”<sup>884</sup> But in reality he desired a “German center; confidential German briefings for Germans.” Stetten’s most visible failure, according to Konradi, was his “lack of personal and professional contacts with German industry and German exporters.” As a consequence, his provision of economic news was suspect. “For in order to distribute information, one must live in the material ... the self-evident hazard at hand stems from the accuracy of information.”<sup>885</sup>

For the Foreign Office Konradi’s takeover of the German-Romanian chamber of commerce (*Deutsche-Romänischen Handelskammer*—DRHK) could not have come sooner; by late spring and early summer of 1935 trade relations with Romania were souring. According to the German diplomat in Bucharest, Konradi’s new clearing center offered,

The only avenue .... to exercise pressure on Romania’s handling of the contingent system, to productively organize commercial exchange, and thereby to politically solidify our position. ... The advantages of such a clearing-center are striking and, comparatively speaking, exceedingly great. We will doubtlessly obtain the potential of making the import of German commodities from Romania easier, and therefore of purchasing essential Romanian products without hard currency.<sup>886</sup>

By 1936 Konradi decisively shifted the weight of power within the chamber toward Germany. By gaining the support of Germany’s industrial associations, like the German Association of Chambers for Industry and Trade, and government institutions like the Advertising Council of the German Economy, Konradi raised the chamber’s annual income by roughly sixty percent.<sup>887</sup> The following year he cemented the chamber’s formal links to the German state when the Foreign Office named him their official trade attaché in Bucharest.<sup>888</sup>

In his first action as director Konradi incorporated his compensation office into the chamber in March, 1935. This new clearing center—*Abwicklungs-Stelle*—assisted small firms in acquiring import or export licenses from the Romanian National Bank, and helped them locate partner firms in Germany that would send goods in the opposite direction. In addition, it published frequent and detailed updates about the changes in the exchange rate with Germany, the lists of goods permitted for export and import, and the price set by the bilateral treaties. For its services the clearing center charged only a one percent fee: a deal at a time when

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<sup>883</sup> PAAA, Bukarest Gesandtschaft, 95, DRHK, Konradi to Casassovici, acting business director from Dec. 15, 1934.

<sup>884</sup> PAAA, Bukarest Gesandtschaft, 95, DRHK, Konradi to Mission in Bucharest from Nov. 6, 1934; *ibid* Konradi to Casassovici from Dec. 15, 1934.

<sup>885</sup> PAAA, Bukarest Gesandtschaft, 95, Kompensationsbestrebung und Abkommen, Konradi to Schulenburg from April 14, 1934.

<sup>886</sup> PAAA Bukarest Gesandtschaft, 95, DRHK, report from Mission in Bucharest from May 12, 1935.

<sup>887</sup> Before Konradi the Romanian ministry of trade had been the single largest contributor with 150,000 Lei a year—a figure which it frequently promised but rarely came through on. But now the largest single contribution—3,600 RM or roughly 144,000 Lei—came from the from the Advertising Council for the German Economy. PAAA Bukarest Gesandtschaft, 95, DRHK, German Mission to Foreign Office from Marcy 27, 1935; *ibid.*, German Ad. Council to Foreign Office from March 26, 1936; *ibid.*, report of general meeting of DRHK from June 11, 1936.

<sup>888</sup> PAAA, Bukarest Gesandtschaft, 6, Konradi, Foreign Office to Fabricius from July 2, 1936 and Bucharest Mission to Foreign Office from April 5, 1937.

intermediaries normally demanded two to twelve percent, and when acquiring import licenses in Romania often cost thirty to forty percent of a shipment's overall value. Half of the proceeds, moreover, went to support advertising for German products and publicity for the German economy.<sup>889</sup>

In addition to the clearing center, Konradi's chamber in Bucharest and the chamber in Berlin both engaged in their own importing and exporting. The latter exported from and imported to Germany four to five million RM worth of goods in favorable years.<sup>890</sup> The former founded its own export business, the *Handels-Kontor*, which exported agricultural products to Germany, five million RM worth in 1937.<sup>891</sup>

For a National Socialist like Konradi, however, serving the needs of German businessmen had a more sinister side after 1933: it meant "at least partially squeezing out [*auszuschlagen*] Jewish influence from commerce between both countries, which hitherto has been exclusive and decisive, and which has harmed business with its excessive profits." Konradi and a few other German members in the chamber had been agitating since 1933 to reduce the presence of Jews in the institution. They argued that the chamber should enable "ethnic Germans in Romania to get directly involved in the course of business."<sup>892</sup> In the place of Jewish traders Konradi hoped to foster the growth of "medium and small German producers, [which] given today's prospects are not in the position to export."<sup>893</sup> On the Romanian side the idea of trading with Germany through non-Jewish intermediaries seemed popular as well, the weekly business periodical *Porunca Vremii* complaining in 1935 that, by their estimate, 95 percent of all goods imported from Germany still came through "Jewish representatives."<sup>894</sup> It is difficult to ascertain the accuracy of these figures, but the article itself reveals a distinct hostility to Jewish merchants among the Romanian commercial elites. If Konradi had his way, the betterment of the small, decentralized industrial order of Saxony, central Germany, and Transylvania would come at the expense of Jewish businessmen.

### *Private Institutions at Work: the Leipzig Fair*

By 1937 Konradi had made his chamber into one of the primary conduits for commercial exchange between Romania and Germany. For the remainder of the decade the chamber promoted trade with Germany while working to establish itself as the new commercial intermediary. It supported branches in Temesvar and Brasov–Kronstadt, the clearing center assisted smaller firms in navigating the bilateral payment system, and the *Handels-Kontor* marketed Romanian agricultural products in Germany through the Breslau and the Leipzig trade fairs, where Konradi maintained permanent representatives.

Indeed, with the bilateral clearing systems trade fairs became more important than ever for helping German exporters and importers locate counterparts from Reichsmark bloc countries. By working through the fairs, moreover, merchants could tap into the provinces at a time when

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<sup>889</sup> PAAA, Bukarest Gesandtschaft, 95, DRHK, report from Mission in Bucharest from May 12, 1935.

<sup>890</sup> PAAA, Bukarest Gesandtschaft, 95, DRHK, Bucharest Mission to Willhöft from Aug. 18, 1934.

<sup>891</sup> SSAL, LMA, GA, 811, Heydendorf to Messeamt from May 20, 1937.

<sup>892</sup> PAAA, Bukarest Gesandtschaft, 95, DRHK, Konradi to Bucharest Mission from Sept. 12, 1935; On the early presence of anti-Semitism in the chamber see *ibid*, Kronstadt Consulate to Bucharest Mission from June 20, 1933; See also PAAA, Handelsabteilung, Rumänien, 89210, Konradi to Foreign Office from Feb. 19, 1934.

<sup>893</sup> PAAA, Handelsabteilung, Rumänien, 89210, Konradi to Foreign Office from Feb. 19, 1934.

<sup>894</sup> PAAA, Handelsabteilung, Rumänien, 89210, Report from the Presse-Dienst Ostraum to Prussian Interior Ministry from April 29, 1935.

business contacts increasingly flowed through the capital cities because of state contracts and the need to obtain import licenses from central authorities.<sup>895</sup> Konradi made his chamber such a presence because he worked with the commercial elites of the provinces, particularly in Saxony and Transylvania, as well as with business elites in the capital cities of Berlin and Bucharest.

For the small merchants in Saxony and the German minorities of Transylvania, boosting exports was their highest priority, much more than other regions since neither benefited much from state-led rearmament. As Germany's strongest exporting region, the collapse of foreign trade hurt Saxony more than other regions: during the Depression unemployment there rose higher and fell more slowly than elsewhere.<sup>896</sup> After 1933, moreover, Hitler's rearmament did little to improve the situation in Saxony. The small size of its firms made them less attractive for large military orders. And those sectors in Saxony—machine building, engineering, and chemicals—which were poised to benefit from rearmament did not possess the powerful lobbies in the capital, like Germany's industrial giants from the Rhineland, the Ruhr, and Berlin. Finally, Saxony's long border with Czechoslovakia qualified almost half of it as an official "border region," which placed serious legal restrictions on military investment. Instead, the region depended on foreign trade as much after the depression as it did before; by the late 1930s its share of total German exports rose to 40%, higher even than in the 1920s.<sup>897</sup> Transylvanian Romania experienced a similar, albeit less drastic, economic trajectory in the wake of the depression.<sup>898</sup>

Although some of Saxony's commercial elite heralded National Socialism's aggressive foreign policy as the "cure-all" that would "revitalize [Germany's] idle productive capacity,"<sup>899</sup> most businessmen disapproved of it. For many middle class and conservative businessmen in Saxony, Hitler's desire for autarchy was nothing less than "economic suicide."<sup>900</sup> The region's commercial and political elite, including Hitler's long-standing party colleague Martin Mutschmann, governor of Saxony, called incessantly for exports and employed a variety of tactics to promote them.<sup>901</sup>

But Saxony's smaller firms were relatively poor in capital and could not afford their own advertising and distribution networks abroad, nor the expense of acquiring import and export licenses from Berlin. Instead they used supra-firm organizations like Konradi's chamber of commerce, but above all the Leipzig fair itself, to perform functions that larger firms like IG

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<sup>895</sup> On the fairs and provinces, see Erich Dittrich, *Südosteuropa und die Reichsmesse Leipzig* (Berlin: W. Kohlhammer Verlag, 1941); Krugmann, *Südosteuropa*, 187–92.

<sup>896</sup> Ulrich Hess, "Sachsens Industrie in der Zeit des Nationalsozialismus. Ausgangspunkte, struktureller Wandel, Bilanz" in Bramke and Hess, *Wirtschaft und Gesellschaft*, 53–88.

<sup>897</sup> Bramke, "Sachsens Industrie (Gesellschaft)" in Bramke and Hess, *Wirtschaft und Gesellschaft*, 48; Ulrich Hess, "Rüstungs und Kriegswirtschaft in Sachsen" in Bramke and Hess, *Sachsen und Mitteldeutschland*, 75–76; Ulrich Hess, "Sachsens Industrie in der Zeit des Nationalsozialismus," in Bramke and Hess, *Wirtschaft und Gesellschaft*, 55–63.

<sup>898</sup> According to Turncock limited statistics makes it difficult to get an accurate picture of regional economies in Romania during the 1930s. But according to social historians the depression was a difficult period for Transylvanian German exporters. Turnock, *The Romanian Economy in the Twentieth Century*, 91–93; Gündisch, *Siebenbürgen und die Siebenbürger Sachsen*, 185–97.

<sup>899</sup> Szenjmann, "Sächsische Unternehmer und die Weimarer Demokratie," in Hess, *Unternehmer in Sachsen*, 174–75.

<sup>900</sup> Rudloff, "Die Strukturpolitik in den Debatten," in Bramke and Hess, *Sachsen und Mitteldeutschland*, 245.

<sup>901</sup> See, for example, the export promotion conference organized by Mutschmann and the chamber of commerce in Hamburg in the summer of 1935. Sächsische Staatsarchiv Dresden, (SSAD), Aussenwärtigen Angelegenheiten 10717, Exportförderung 6841.

Farben, Siemens AG, or Otto Wolf managed internally. These included marketing and advertising, the collection and distribution of information, government lobbying, and above all acquiring clearing licenses. The overlapping, cooperative, and decentralized institutions that Saxony's economy developed in the late 19<sup>th</sup> century helped its small firms adapt to the new, more information-intensive and politically constructed structure of foreign trade of the 1930s.<sup>902</sup>

Since the 1920s the Leipzig Messeamt—the fair's central office—led by its president Raimund Köhler, had promoted the trade fair as an institution to serve Germany's small firms.<sup>903</sup> Köhler was a longtime advocate of unfettered, small-scale capitalism, but after the Nazi Party seized power all fairs came under the purview of the Advertising Council for the German Economy, part of Joseph Goebbels' Propaganda Ministry. In 1933 the new regime forced several prominent Jewish directors to resign from the Messeamt, and in the fall of 1934 Goebbels organized the first "Brown Fair" to showcase the political ideology of National Socialism as well as new German products and technology. But the "Brown Fair" of 1934 was the only such highly politicized exhibition and the only time Hitler actually visited the fair. After 1934 antisemitic propaganda actually diminished, and until 1938 the fair preserved a great deal of autonomy over its publicity in Southeastern Europe and its exhibitions in Leipzig.<sup>904</sup>

Since 1925 the Messeamt had built one of Germany's most extensive commercial networks in Southeastern Europe, consisting of some twenty-five representatives spread from Budapest to Salonika. In 1933, recognizing that German commerce was shifting away from America and Great Britain toward the continent, the Messeamt decided to expand the operations of their office in Belgrade to cover the entire Balkan peninsula. They selected Paul Voss, the original founder of the Belgrade office, for the job. Over the past twelve years Voss had established a solid reputation directing the fair's advertising services both in Germany and abroad, and for his service he earned a place on the Messeamt's board of directors. Voss's relocation to Belgrade marked a turning point for the fair, which remained committed in theory to a global economy but which now began shifting its energy and resources to Europe.<sup>905</sup> In addition to Voss, the fair gained a new, competent leader in Romania in Conrad von Heydendorff. Heydendorff worked as a commercial agent for German firms in Bucharest, and as a native Transylvanian he enjoyed solid contacts with the German minority community there as well as with government and business elites in Bucharest. Unlike Konradi, though, neither

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<sup>902</sup> On Saxony's industry in the late nineteenth century see Herrigel, *Industrial Constructions*, chapter 2.

<sup>903</sup> The Messeamt was composed of delegates from the trade fair itself, the city of Leipzig, and the Leipzig Chamber of Commerce. Geyer, "Die selbstverwaltete Messe," in Zwahr, Topfstedt, and Bentele, *Leipzigs Messen*.

<sup>904</sup> The Nazis forced Jewish banker and Hans Kroch to leave the board of directors and Philipp Rosenthal, one of the longstanding directors, to resign his position as a chief executive. But by 1935 the French delegates to the fair reported seeing no real "animosity" toward Jews. Hitler, moreover, had a relatively cool outlook toward the Leipzig fair. He gave it little attention, instead preferring to generate publicity about the economy at the annual automobile exhibition in Berlin. As Köhler expressed to the German Labor Front, with approval from Goebbels, "the fair is first and foremost focused on sales and exports, politics can only be considered of secondary importance." On the administration of the fair under National Socialism see Geyer, "Die selbstverwaltete Messe," in Zwahr, Topfstedt, and Bentele, *Leipzigs Messen*, quotation from 463; Krugmann, *Südosteuropa*; On the French reaction to the fair see PAAA, Sonderreferat Wirtschaft, 117907, Belgrade Mission to Foreign Office from March 18, 1935.

<sup>905</sup> Voss apparently experienced some problems with Saxony's Economics Ministry and this was part of the reason for his transfer to Belgrade. The documentary evidence on Voss's exact nature of these problems, however, is sparse. See SSAL, LMA, GA, 1593 Voss Personalakten, 21–22, 155–56.



Heydendorff nor Voss were National Socialist Party members, both instead belonging more to the milieu of conservative-minded businessmen.<sup>906</sup>

Under this new, invigorated leadership the Leipzig fair began improving its three core activities in the Balkans: attracting merchants to the fair; advertising and marketing; and collecting and disseminating information. First and foremost, the Messeamt wanted to bring as many exporters and importers from Southeastern Europe to the trade fair as possible. By marketing goods from Romania, Yugoslavia, Hungary, and Bulgaria it could solve one of the major challenges presented by the bilateral agreements: attuning the German consumer and distributor to the new products available from Southeastern Europe.

Before 1935 the Messeamt's agents in Southeastern Europe had been fighting an uphill battle for their holy grail: government-supported exhibitions displaying the productive capacities of a state. While the Yugoslavian and Romanian governments had organized several of these exhibitions in the 1920s, funding for them disappeared during the depression and the fair's agents encountered a numerous challenges reviving them. In Yugoslavia the director of the trade museum and the man responsible for such exhibitions, Dr. Jasa Grgasevic, was ardently pro-French and did not speak a word of German.<sup>907</sup> And in 1934 the assassination of the King of Yugoslavia in Marseilles threw Belgrade's government into turmoil and eliminated any chance of organizing a large collective exhibition. As a consequence, from 1934 to 1936 Yugoslavian exhibitions remained small and disorganized.<sup>908</sup> In Romania the acrimonious deliberations over the commercial treaty with Germany prevented the government in Bucharest from officially participating at Leipzig before 1935.<sup>909</sup>

But in 1935 events began turning in Leipzig's favor as Paul Voss and Conrad von Heydendorff redoubled their lobbying campaign. In early 1935 Voss convinced Grgasevic, now Yugoslavia's trade minister, to visit Leipzig and see with his own eyes the trade fair's sheer size. Voss and Köhler desperately wanted Yugoslavia to exhibit its agricultural and mineral products at Leipzig: having an agreement with Yugoslavia "in the pocket," they believed, would "enormously strengthen our negotiating position with Romania and Greece." The Messeamt funded Grgasevic's trip and Grgasevic must have returned impressed by the large number of foreign and German exhibitors, for in December he authorized the Yugoslavian trade ministry to organize a collective exhibition of the country's raw materials and agricultural products. With Voss's insistence, the Messeamt offered Yugoslavia's trade ministry a discounted price for renting exhibition space in the Ring House, Leipzig's premier display location.<sup>910</sup> At the spring fair of 1936 Yugoslavia showed up in full force, as it did in 1937 when over forty firms displayed their products. These ranged from small cooperatives selling agricultural products, tobacco, medicinal plants, and specialty crafts to large mining companies like the Trepca Mines Ltd.—Yugoslavia's largest producer of zinc and lead.<sup>911</sup> And by 1937 Yugoslavia's overall participation at the trade fair jumped dramatically. (*see Table 19a*)

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<sup>906</sup> SSAL, LMA, GA, 809, DAI Stuttgart to Messeamt from Sept. 5, 1933; *ibid.*, Messeamt to Angerbauer from Aug. 15, 1933. Heydendorff beat out the German consul in Ploesti, Braun, a German citizen who was also the director of the Norddeutsche Lloyd shipping company in Bucharest.

<sup>907</sup> SSAL, LMA, GA, 146, Belgrade Office to Messeamt from Nov. 28, 1933.

<sup>908</sup> Displays included the government's tobacco monopoly, the tourist company Putnik, and a group of agricultural cooperatives SSAL, LMA, GA, 146, Belgrade Office to Messeamt from Jan. 9 and Nov. 17, 1934.

<sup>909</sup> SSAL, LMA, GA, 152, Hirschmann to Westphal from July 17, 1935.

<sup>910</sup> SSAL, LMA, GA, 146, Belgrade Business office to Messeamt from Jan. 14, 1935; quotation from SSAL, LMA, GA, 147, Belgrade Business Office to Messeamt from Dec. 16, 1935; *ibid.*, Messeamt to Voss from Dec. 21, 1935.

<sup>911</sup> SSAL, LMA, GA, 147, 136.

**Table 19a**  
Participation by Country at the Spring Fair in Leipzig  
(in number of registered business visitors)

Country	1932	1933	1934	1935	1936	1937	1938	1939	% chge 1932-1939
Bulgaria	87	38	88	211	347	604	692	667	766.7%
Yugoslavia	401	216	223	393	587	1174	1154	1311	326.9%
Romania	302	291	234	405	477	898	917	954	315.9%
Hungary	384	388	348	676	845	982	1203	1216	316.7%
Southeastern Europe Total	1174	933	893	1685	2256	3658	3966	4148	353.3%
Czechoslovakia	3320	2524	2196	2792	3314	3924	5316	2558	77.0%
Austria	1021	957	751	1442	1686	2536	*	--	248.4%
Total Foreign Visitors Southeastern Europe	16385	15523	16366	21725	24751	31684	33182	29925	182.6%
As a percentage of Total	7.2%	6.0%	5.5%	7.8%	9.1%	11.5%	12.0%	13.9%	

Source: SSAL, LMA, Druckschriften, 932-38 "Ergebnis der Leipziger Frühjahrsmesse."

**Table 19b**  
Export Sales at Fall and Spring Fairs  
(in millions of RM)

	1932	1933	1934	1935	1936	1937	1938
	37	29	44.5	104	144	188	193

Source: SSAL, LMA, Druckschriften, 932-38 "Ergebnis der Leipziger Frühjahrsmesse."

Romanian interest in the Leipzig fair returned in 1935 when it became clear that Bucharest and Berlin would negotiate a commercial agreement. But despite intensive lobbying by Heydendorff and Voss, Romania's export institute refused to organize an official exhibition, preferring to spend its limited funding for displays in hard currency countries.<sup>912</sup>

Leipzig's breakthrough came the following year. That spring Raimund Köhler personally intervened, petitioning Romania's trade ministry to present an official exhibition. "The Leipzig fair," Köhler argued,

offers Romania the opportunity to cultivate business connections with countries from around the world... Especially now when various trade barriers have interfered with international exchange, trade fairs present the best chance to develop an active commercial exchange from country to country. Personal liaisons between producers and merchants create the opportunity for them to talk through all the special considerations of their business and in place of a longwinded exchange of letters conclude the transaction immediately.

He pointed to the growing number of visitors attending the fair and the rising volume of foreign trade conducted there to encourage Romania to exhibit in Leipzig. Nearly 22,000 registered foreign merchants had attended the spring of 1935, 1,600 from Southeastern Europe.<sup>913</sup>

Köhler's appeal fell on fertile ground, for in the summer of 1936 Romania's Francophile Foreign Minister Titulescu fell from grace. King Carol, jealous of Titulescu's international successes, ousted him from power and began slowly tilting Romania's foreign economic policy in favor of Germany. Pro-German officials in the government forcefully argued that only the Third Reich could provide the markets Romania so desperately needed for its agricultural products.<sup>914</sup> Hitler's re-militarization of the Rhineland that March, moreover, made even the staunchest supporters of collective security question whether Romania's ties with France were worth more than the paper they were written on.

The improved diplomatic relationship between Germany and Romania enabled Leipzig to advance their negotiations for a Romanian exhibition. The Messeamt's Berlin agent pressed Germany's Economics Ministry to grant the fair special contingents for Romania. In Bucharest Voss, Heydendorff, Konradi's chamber of commerce, and Romania's own Economics Minister, Mihail Manoilescu, began organizing a collective Romanian exhibition and lobbying for a special allotment of foreign currency to use at the fair. After much squabbling the state authorities in Berlin gave Leipzig the right to export to Romania for 1937, but Breslau remained the only fair receiving foreign currency to import from Romania.<sup>915</sup>

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<sup>912</sup> SSAL, LMA, GA, 152, Messeamt to Belgrade Business office from June 2, 1935; In this year the fair's delegates in Romania began requesting more official fair invitations. SSAL, LM, GA, 810, Heydendorff to Messeamt from Feb. 16, 1935; SSAL, LMA, GA, 810, Heydendorff to Messeamt from March 18, 1935; SSAL, LMA, GA, 146, Director Voss to Messeamt, 387; on Voss and Heydendorff's effort to get special contingents for the fair see SSAL, LMA, GA, 152, Messeamt report from Sept. 30, 1935 and Heydendorff to Messeamt from Oct. 12, 1935.

<sup>913</sup> SSAL, LMA, GA, 152, Köhler to Romanian trade ministry from April 15, 1936.

<sup>914</sup> On the shift in Romanian foreign policy in 1936 see Hitchens, *Rumania*, 437–38; Grenzebach, *Informal Empire*, 80–95.

<sup>915</sup> As a result of this awkward solution Romanian or German firms coming to Leipzig in February would have to wait until the Breslau fair in May for their orders to be processed SSAL, LMA, GA, 152, Report on meeting with Voss, Demetrescu, and Manoilescu from Nov. 13, 1936. *Ibid.*, Köhler to DRHK, from Jan. 28, 1937.

To remedy this nonsensical trade fair policy the Messeamt and the chambers of commerce in Berlin and Bucharest took matters into their own hands. First, the two chambers arranged their own compensation agreement between themselves using two million RM worth of import licenses held by the DRHK in Berlin. Second, they jointly organized a collective exhibition of Romanian products at Leipzig, with displays of oil seeds, meats, grains, wood and other agricultural products, as well as industrial materials like petroleum derivatives, propane, wax, copper, manganese, and bauxite.<sup>916</sup> Third, the Bucharest chamber stationed two Romanian officials at the fair who provided information about exchange controls. More importantly, these officials were authorized to approve on the spot orders to import German goods into Romania. This service greatly simplified the process of acquiring import licenses, since smaller Romanian trade agents outside Bucharest “hardly ever encountered these officials and instead depended on drawn-out correspondence” to acquire import licenses. In addition to Romanian officials, at the fair the Messeamt brought in representatives from Leipzig’s exchange control office and Germany’s foreign trade bureaus to advise foreign and domestic merchants about Germany’s foreign currency laws.<sup>917</sup> Finally, German firms in possession of export or import licenses that had gone unfulfilled until now, and there were a great many of these, were authorized to complete their contingents at the fair or sell them to other firms who could use them. Likewise, large Romanian banks and firms in possession of unused import contingents sent representatives to sell these to Romanian merchants seeking to import above their authorized allotment.<sup>918</sup>

By 1937, then, the Leipzig fair was functioning as an entrepot that captured unused import licenses issued by the Romanian and German governments and reallocated them to merchants who needed to import to or export above their authorized level. In addition, it helped German distributors become familiar with new Romanian products entering Germany, particularly the soybean crops that German technocrats had encouraged Romanian producers to cultivate. According to estimates by the fair and the DRHK in Berlin, the special compensation agreement between the two chambers of commerce generated 1.5 million RM worth of contracts at the fair. But this was only a fraction of the total Romanian-German business going through Leipzig, which the Messeamt estimated to be 8 million RM. German importers primarily bought raw materials like wood, manganese, and bauxite, along with grain, eggs, tobacco, and other agricultural products.<sup>919</sup>

Beyond marketing Balkan products in Germany, under the Four-Year Plan the Messeamt expanded its second core activity of promoting German machinery and capital equipment abroad.<sup>920</sup> In 1938 the spring fair generated 543 million RM worth of business. Of that, sales of production goods vastly outweighed consumer goods, machinery exports amounting to 124 million RM, consumer goods exports to only 50 million RM.<sup>921</sup> And by 1939 the exhibition of

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<sup>916</sup> SSAL, LMA, GA, 152, 348–55, 373.

<sup>917</sup> For a list of offices present at the Leipzig fair in an advisory capacity see SSAL, LMA, DS, 938, 27.

<sup>918</sup> SSAL, LMA, GA, 152, Belgrade Business office to Berlin DRHK from Jan. 28, 1937 and Belgrade Business office to Dr. Ernst Neer from Feb. 4, 1937 and Köhler to DRHK Berlin from Jan. 28, 1937; SSAL, LMA, GA, 811, Messeamt to Heydendorff from Feb. 4, 1937.

<sup>919</sup> On the Romanian press, see SSAL, LMA, GA, 811, Messeamt to Heydendorff from March 24, 1937; SSAL, LMA, GA, 152, Westphal to Messeamt from April 24, 1937. Here the estimates came from the German Advertising Council, which conducted a survey, which for the first time asked firms to list their purchases by country; *ibid*, DRHK to Messeamt from April 13, 1937.

<sup>920</sup> Raimund Köhler, “Leipziger Messe im Vierjahresplan,” *Der Vierjahresplan: Zeitschrift für Nationalsozialistische Wirtschaftspolitik* 1 (March 1937): 153–54.

<sup>921</sup> SSAL, LMA, DS, 258, 14

capital equipment in Leipzig attracted more visitors than any other except porcelain: machine tools (20,860 registered visitors); porcelain, pottery, and glasswares (19,124); textile and paper machines (12,729); and engineering equipment (12,628).<sup>922</sup>

The fair's growing emphasis on machinery and capital equipment dovetailed with the needs of the Yugoslavian and Romanian economies. Throughout the 1930s these two countries experienced sustained growth in their domestic industry driven largely by their textile sectors. The share of domestic manufacturing in overall domestic consumption grew as Yugoslavia and Romania substituted domestic products for imports, and annual industrial growth in both countries outpaced the European average during the 1930s. But as their domestic industries expanded these countries needed to import ever more machinery: in Romania metals and machinery accounted for over half of all imports.<sup>923</sup> By the second half of the decade Germany became the primary supplier of capital machinery for the Balkans' textile sectors, and by the end of the decade it also became the largest exporter of agricultural equipment to Southeastern Europe. These strategic goods—agricultural equipment, machine tools, automobiles, and electrical equipment—were the most popular products at the Leipzig fair and were precisely the sectors where Germany dominated Southeastern Europe's trade. By 1938 Romania and Yugoslavia imported 58 and 48 percent of their machinery from Germany, 43 and 68 percent of their vehicles, and over 50 percent of their engineering and chemical products (*see Tables 20a and 20b*).

The Messeamt activities, however, did not stop in Leipzig: its impact extended beyond the actual goods that exchanged hands at the fair itself. As in the 1920s the Messeamt's agents were the eyes, ears, and mouth in the Balkans for German businessmen from a variety of sectors. And here the Messeamt renewed its third core objective in the mid 1930s: collecting and disseminating information. The fair's funding for such activities had collapsed during the depression, but by 1935 the fair's agents were again receiving generous support to advertise for German products. Before each spring and fall they bombarded the commercial circles of Southeastern Europe with current issues of the Messeamt's journal, *Wirtschafts- und Export Zeitung*, alongside photographic advertisements of Germany industry and the fair itself. After 1934 Voss, Heydendorff, and even president Köhler made frequent promotional trips and organized press conferences throughout Southeastern Europe. And throughout the 1930s the Messeamt expanded their use of sound films as a medium for advertising, aiming many of their short flicks at foreign audiences.<sup>924</sup> Altogether, the Messeamt spent several thousand Reichsmarks on advertising in Yugoslavia and Romania apiece before every fall and spring fair.<sup>925</sup>

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<sup>922</sup> SSAL, LMA, DS, 927, "Die Leipziger Messe in Zahlen" 1940.

<sup>923</sup> Lampe, *Balkans into Southeastern Europe*, 131; Lampe and Jackson, *Balkan Economic History*, 482–91.

<sup>924</sup> The films themselves were typically ten to twelve minute portraits of the fair or a particular industrial branch SSAL, LMA, GA, 147, Voss to Messeamt from April 10, 1937 and Messeamt to Voss from Dec. 18, 1937; SSAL, LMA, GA, 811, Belgrade Business Office to Messeamt from June 11, 1937 and Heydendorff to Messeamt from Nov. 12, 1937; On press conferences: LMA, GA, 810, 437.

<sup>925</sup> In 1938 Heydendorff received 1000 RM to advertise for the spring fair. SSAL, LMA, GA, 811, Heydendorff to Messeamt from Dec. 10, 1937.

**Table 20a**  
Romanian Imports from Germany in 1938  
(in 1000s of Lei)

Sector	% of total		German		British		French		American		Cz. share of sector
	Romanian imports	From Germany	share of sector	From Britain	share of sector	From France	share of sector	From America	share of sector	From Cz.	
Machines and Equip.	3341223	1953823	58.5%	242815	7.3%	102706	3.1%	266976	8.0%	166044	5.0%
Iron Products	3019678	1262712	41.8%	83802	2.8%	270829	9.0%	137828	4.6%	505517	16.7%
Textiles	2863611	553482	19.3%	375231	13.1%	100600	3.5%	29617	1.0%	445096	15.5%
Motor Vehicles	1452593	631393	43.5%	18691	1.3%	217180	15.0%	383489	26.4%	25311	1.7%
Wool and Wool prods.	880274	346255	39.3%	133772	15.2%	170945	19.4%	21	0.0%	28879	3.3%
Other Metals	791166	255500	32.3%	122362	15.5%	25825	3.3%	16984	2.1%	12364	1.6%
Chemical products	617841	410460	66.4%	10823	1.8%	60833	9.8%	11155	1.8%	21764	3.5%

Source: PAAA, Handelsabteilung, Romania, 112606, Report from the Vertraulichen Sonderdienst from Feb. 23, 1939.

**Table 20b**  
Yugoslavian Imports from Germany in 1938  
(in 1000 of Dinars)

Sector	% of total		German		British		French		American		Cz. share of sector
	Yugo. imports	From Germany	share of sector	From Britain	share of sector	From France	share of sector	From America	share of sector	From Cz.	
Iron and Iron products	571115	204189	35.8%	103294	20.8%	8369	1.7%	12953	2.6%	65639	11.5%
Machines and Apparat.	496694	242026	48.7%	2896	1.2%	8064	3.2%	16642	6.6%	43704	8.8%
Motor Vehicles	250576	170139	67.9%	2896	1.2%	8064	3.2%	16642	6.6%	15046	6.0%
Engineering products	180683	99425	55.0%	3610	2.0%	2755	1.5%	2499	1.4%	6695	3.7%

Source: Statisticki Godisnjak 1938-1939; Annuaire Statistique 9 (1939).

German firms trying to locate specific products to purchase in Yugoslavia or Romania also employed the fair's agents to collect information. As German aircraft construction grew and with it demand for bauxite—an essential ingredient for aluminum—large firms like Vereinigte Aluminium Werke AG in Berlin as well as smaller firms turned to the fair to locate untapped producers in Yugoslavia. In addition to providing these firms with contacts, Voss and other agents exhorted Yugoslavian bauxite producers to exhibit at Leipzig, since few German firms knew anything at all about the supply situation in Yugoslavia. By the end of the decade Yugoslavia became Germany's second largest supplier of bauxite after Hungary, exporting 379,600 tons—99 percent of its total production—to the Third Reich in 1938.<sup>926</sup> In addition to helping German firms locate imports, Leipzig agents provided information about goods that were in particularly high demand in Romania and Yugoslavia. Most inquiries came from small firms producing electrical machinery, tools, agricultural equipment, and other high-end industrial goods. And requests ran in both directions: Romanian and Yugoslavian importers used the fair's network to locate German firms producing goods that ranged from high-end industrial machinery to automobile accessories or spare parts for farm equipment.<sup>927</sup>

German businessmen saw the export of capital equipment as a way to make money, but for the proponents of *Mitteleuropa* it was also a central pillar in their plans to modernize the economies of Southeastern Europe, where agricultural production per capita was barely one-third of what it was in Western Europe.<sup>928</sup> As Max Hahn made clear before the organization in 1936, “raising the purchasing power and improving the general crisis resistance [*Krisenfestigung*] of Southeastern Europe's agricultural sector” through mechanization was the path Germany should follow. “We should not fight an industrialization that is already underway, but try to get some economic use from it.” German agricultural machinery exports to Southeastern Europe, though, recovered haltingly from the deep slump in the depression, even the bilateral treaties in 1934 and 1935 failed to accelerate this trend. In early 1936 the Mitteleuropäische Wirtschaftstag conducted a series of market studies to promote German agricultural equipment, and ascertain which German machinery brands were successful in Yugoslavia, which types of agricultural equipment were in the highest demand, and who their main competitors were.<sup>929</sup> Only in 1936 and 1937, after Germany's private institutions had cleared the path for small, specialized firms to trade with the Balkans and after their renewed marketing campaign, did German exports of machine tools and agricultural equipment take off. (*see Tables 21 and 22*)

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<sup>926</sup> SSAL, LMA, GA, 147, Voss to Messeamt from Dec. 12 and Messeamt to Voss from Dec. 28, 1935; Milward, “The Reichsmark Bloc and the International Economy,” 406.

<sup>927</sup> SSAL, LMA, GA, 152, Kronstadt agent to Messeamt from Oct. 21; SSAL, LMA, GA, 811, see the inquiries from Feb. 12, 1937 and Sept. 14 and Oct. 25, 1938.

<sup>928</sup> Lampe, *Balkans into Southeastern Europe*, 128.

<sup>929</sup> Hahn's quote from BA, DB, 6141, Mitteleuropäische Wirtschaftstag members meeting on Dec. 10, 1936; On market research into Yugoslavian agricultural machinery see the Mitteleuropäische Wirtschaftstag report from Oct., 1935 in BA, DB, 6141, 230–56. Professor C. H. Dencker, Berlin and Professor L. W. Ries Bornim conducted the study. They found that Germany was lagging behind Hungary and Czechoslovakia in certain products like drilling and threshing machines, but had the advantage in plows, harvesters, and reapers.

**Table 21**  
German Machinery Exports to Romania  
(in 1000 RM)

<i>Machine Type</i>	<i>1934</i>	<i>1935</i>	<i>1936</i>	<i>1937</i>	<i>1938</i>
Textile/Leather-working machinery	1226	2196	4522	4572	4839
Machine Tools	732	1607	2047	10472	10858
Electronic Machinery and equipment	2531	3279	8235	10674	16255
Agricultural machinery	59	100	763	1728	2422

Source: Robert Krugmann, *Südosteuropa und Grossdeutschland: Entwicklung und Zukunftsmöglichkeiten der Wirtschaftsbeziehungen* (Breslau: Breslauer Verlags- und Druckerei, 1939), 166

**Table 22**  
German export of Agricultural machinery and Equipment to Southeastern Europe  
(in 1,000s of RM)

<i>Year</i>	<i>Bulgaria</i>	<i>Yugoslavia</i>	<i>Romania</i>	<i>Hungary</i>	<i>Greece</i>	<i>Total</i>
1930	220	721	741	180	99	1961
1931	29	16	96	99	126	366
1932	41	42	64	46	38	231
1933	5	15	20	35	36	111
1934	37	9	59	31	16	152
1935	38	44	100	33	73	288
1936	384	217	763	60	214	1638
1937	776	1141	1728	189	483	4317

Source: BA, R63/SOEG, 186, Mitteleuropäische Wirtschaftstag report from Nov. 22, 1938: *Entstehung Entwicklung, und Arbeit des Mitteleuropäische Wirtschaftstag.*



Germany's *Mittleuropa* proponents claimed much of the credit for Southeastern Europe's gradual improvement in agricultural production during the 1930s. In Yugoslavia, for example, output per hectare was 20 percent higher in 1936–1938 than it was in the years 1926–1930. Hahn and Wilmowsky maintained that “the development of our exports of agricultural equipment to Southeastern Europe ... shows us how Germany's comeback has positively effected these countries, especially their agricultural sector. ... The farmers, who for years have carried out almost no capital investment in equipment, have again begun to complete their machine parks and to procure new machinery.”<sup>930</sup> Although access to reliable machinery certainly furthered mechanization in the Balkans, the *Mittleuropa* advocates probably exaggerated the modernizing impact of German machine exports. Productivity growth in Southeastern European agriculture came as much from the generous provision of farm credit by local cooperatives (in Bulgaria) and the diversification of cultivation beyond grains into more livestock and industrial plants (Yugoslavia) as it did from mechanization.<sup>931</sup>

But by offering a wide array of machinery the Leipzig fair became a hub of German-Balkan exchange. The Messeamt estimated that German exports to Yugoslavia and Romania accruing from the spring fair in 1937 totaled 6,846,000 and 7,824,000 RM respectively. Exports via the spring fair to Yugoslavia, Romania, Hungary, and Bulgaria totaled just under 23 million RM, roughly 5 percent of Germany's total exports to these four countries (429 million). Yet this most likely underestimates the impact of the fair, since it does not account for sales at the smaller fall fair, or sales accruing from business agreements made at the fair but concluded later.<sup>932</sup> In comparison, the largest and most publicized German investment in Southeastern Europe, the Zenica foundry in Bosnia constructed by Krupp AG in 1936–1937, was worth roughly 9 million RM (160 million dinars).<sup>933</sup>

Exports of capital equipment, moreover, also helped Germany finance its gigantic appetite for imports. By 1938 machinery, iron products, vehicles, and engineering equipment were four of Germany's top seven export sectors. (see *Table 23*).<sup>934</sup> Although Italy and the Netherlands still purchased more of these products than Yugoslavia or Romania, by 1938 Southeastern Europe had gained significance as an important destination for German exports.

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<sup>930</sup> BA, R63 SOEG, 186, Entstehung, Entwicklung, and Arbeit des MWT from Nov. 22, 1938.

<sup>931</sup> Lampe, *Balkans into Southeastern Europe*, 128–31.

<sup>932</sup> SSAL, LMA, DS, 256, 91; For the totals for 1937 see Wolfgang Schumann, *Griff nach Südosteuropa, Neue Dokumente über die Politik des deutschen Imperialismus und Militarismus gegenüber Südosteuropa im zweiten Weltkrieg* (Berlin: VEB Deutscher Verlag, 1973), 24.

<sup>933</sup> Roland Schönfeld, “Deutsche Rohstoffsicherungspolitik in Jugoslawien 1934–1944,” *Vierteljahrshefte für Zeitgeschichte* 24 (1976): 215–58, here 217.

<sup>934</sup> Fritz Kappel, “Die Exportbedeutung der Werkzeugmaschinen,” *Der Vierjahresplan: Zeitschrift für Nationalsozialistische Wirtschaftspolitik* 3 (Oct 20, 1939): 1192–94.

**Table 23**

Machinery as a proportion of German exports in 1938

<i>Commodity</i>	<i>Percentage</i>	<i>Sub-categories of mach</i>	<i>percentage</i>
Machines	15.7	Machine Tools	20.1
Chemicals	14.3	Textile Machinery	10.1
Iron products	9.4	Verbrennungsmotoren	6.4
Coal and Coke	9.4	Lokomotives	5.7
Textiles	8.3	Baumaschinen	5.5
Vehicles	7.7	Agricultural machinery	5.2
Electrical equipment	6.4		

Source: Fritz Kappel, "Die Exportbedeutung der Werkzeugmaschinen," in *Der Vierjahresplan: Zeitschrift für Nationalsozialistische Wirtschaftspolitik* 2 (Oct. 1939).

However much the fair improved the flow of information and alleviated barriers to trade, it did not restrict itself to purely commercial endeavors. For by 1938 the Messeamt increasingly made race one of the primary factors in determining which firms they would represent. By this late date Köhler, a man who deeply believed free trade was Germany's best chance for economic prosperity, had come to accept that the global economy was being replaced by "national economies." As he conceded, the state now set the "goals ... and the operational areas [*Einsatzfelder*] for private export and import initiatives." Under Nazi rule that meant Jews would be excluded from all aspects of the economy, foreign trade as well as industry, banking, and services.<sup>935</sup> Already in 1935 the Messeamt's agents had begun fielding inquiries from a few German firms about whether certain business representatives in Southeastern Europe were "Aryan or non-Aryan."<sup>936</sup> But this only became a common practice in 1938, before then any serious discussion among Messeamt officials of Jews in commerce had been cursory.<sup>937</sup>

Matters changed in November 1938. The destruction of Jewish property in *Kristallnacht* and the official decree of November 12, which aimed to eliminate "Jews from the economic life of Germany" touched off a debate within the Messeamt over its policy toward Jewish trade representatives in Southeastern Europe. The November laws forbade Jews from operating "sales agencies," from trading at "fairs and exhibitions," or running a commercial enterprise, thereby eliminating any legal basis the Messeamt had to engage with Jewish merchants from Southeastern Europe.<sup>938</sup> Yet agitation to displace Jews from international trade came from both sides. Romania's large showing at the fair in 1937 had been good for business, but it also created

<sup>935</sup> Köhler, lecture before the Deutschen Weltwirtschaftlichen Gesellschaft in Leipzig, March 4, 1937. SSAL, LMA, DS, 974. On "Aryanization" in the Banking and Insurance industries see Gerald D. Feldman, *Allianz and the German Insurance Business, 1933–1945* (New York: Cambridge Univ. Press, 2001); Harold James, *The Deutsche Bank and the Nazi Economic War Against the Jews: The Expropriation of Jewish-Owned Property* (New York: Cambridge Univ. Press, 2001).

<sup>936</sup> SSAL, LMA, GA, 810, Voss to Heydendorff from Nov. 1, 1935.

<sup>937</sup> For examples, see SSAL, LMA, GA, 811, Messeamt to Heydendorff from Oct. 25, 1938, Belgrade Business Office to Messeamt from Nov. 2, 1938, and Heydendorff to Messeamt from Nov. 15, 1938.

<sup>938</sup> For a translation of the November 12 decrees see Nicosia and Huener, *Business and Industry in Nazi Germany*, Appendix E.

a sense of “embitterment” among Romanians because many German firms at this late date still employed Jewish agents to sell their goods. According to Heydendorff, numerous Romanian businessmen complained that a trip to Leipzig was not worthwhile if they did not return with long-term contracts to sell German exports. In response to these grievances, and in the fraught atmosphere following *Kristallnacht*, the Messeamt adopted a whistle-blower policy.

Today it is impractical for German firms to let themselves be represented by non-Aryans in Romania. We have therefore disclosed to the responsible offices those German firms made known to us that still operate with Jewish representatives in Romania; in doing so we have pointed out that this fact [i.e. that German firms still conduct business with Jewish representatives] can both shake confidence in the German economy and furthermore cause a decline in Aryan visitors from Romania to the Leipzig fair.<sup>939</sup>

Yet it is not clear how much the Messeamt or Konradi’s DRHK actually changed the face of German-Balkan exchange when it came to the question of “Aryanization.” In the early years of the Nazi regime many German firms resisted replacing Jewish representatives with German citizens or even ethnic Germans because these simply had fewer business contacts in Southeastern Europe.<sup>940</sup> And as late as 1937 the Foreign Office reported that the number of German firms represented by Jewish importers in Romania was “extraordinarily large”: over two hundred German firms used Jewish import agents, including some marquee combines like Vereinigte Stahlwerke and IG Farben.<sup>941</sup> The situation in Yugoslavia was different. There, commercial elites protested that German trade representatives were actually taking too much of the commercial pie. While the fair and other German institutions had helped bypass middlemen from Vienna, the primary target of Germans and Yugoslavians in the 1920s, businessmen in Belgrade, Zagreb, and Sarajevo worried about the “foreign infiltration [*Überfremdung*] of the Yugoslavian economy,” but now on the part of Germans.<sup>942</sup>

It is clear, though, that the middleman excoriated by Germans and their partners to the Southeast had changed. In the 1920s the collective interest among German, Yugoslavian, and Romanian merchants had been circumventing the Viennese intermediaries who had dominated trade with the Balkans even after the collapse of the Habsburg Empire. But by the 1930s the demonized middleman had taken on a different form, namely, Jews. While the Messeamt had managed to avoid the question of Aryanization before 1938, growing legal pressure from the November laws changed the incentives facing Köhler, Voss, and Heydendorff, who showed little problem adapting to the new circumstances.

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<sup>939</sup> SSAL, LMA, GA, 811, Messeamt to Heydendorff from Nov. 28, 1938; on Heydendorff’s initial inquiry see *ibid*, Heydendorff to Messeamt from Nov. 15, 1938.

<sup>940</sup> PAAA, Handelsabteilung, Rumänien, 89210, Mission in Bucharest to Foreign Office from Dec. 4, 1933.

<sup>941</sup> For the comprehensive list see PAAA, Handelsabteilung Romania, 112662, Bucharest Mission to Foreign Office from Sept. 14, 1937.

<sup>942</sup> BA, R 8043 Deutsche Stiftung, Jugoslawien 979, Möller to Kraemer-Möllenberg from Sept. 1 and Sept. 29, 1938 and Jan. 25, 1939.

## Conclusion

On March 12, 1938 German troops marched into Austria and the following day Hitler proclaimed formal annexation. With this blow Nazi Germany attained Hitler's long-standing desire to bring the Austro-Germans back "home to the Empire." Beyond the immediate euphoria of realizing this pan-Germanic goal, the annexation of Austria had great geopolitical consequences. It gave Nazi-Germany the diplomatic initiative in Central Europe, and convinced many political leaders in France and Great Britain, including Neville Chamberlain, that Germany's sphere of interest would naturally include Southeastern Europe.<sup>943</sup>

If the annexation of Austria in 1938 marked a geopolitical turning point, it also signaled a decisive shift in the weight of economic power in Central Europe. Germany absorbed one of Southeastern Europe's largest trading partners and one of its own long-standing commercial rivals in the region. And German banks re-entered Southeastern Europe in force after 1938 as they took commanding shares of the great Austrian financial institutions like the Credit-Anstalt and the Austrian Länderbank.<sup>944</sup> As a result, between 1937 and 1938 the Third Reich solidified its position as the largest source of exports and the most important destination of imports for the Balkan economies. (see Table 24) After 1938 Germany transformed its commercial leverage into political influence in the battle for neutral opinion before the outbreak of the Second World War.

More immediately, though, Southeastern Europe directly buoyed German power by supplying the Third Reich with crucial ingredients for its war machine. The region could not provide everything Germany needed, far from it as even the *Mitteleuropa* proponents came to admit by the outbreak of World War II.<sup>945</sup> Oil, rubber, and iron ore simply did not exist there in the quantities that Germany needed. But by 1938 the Reichsmark bloc did supply Germany with many crucial inputs. Over 80 percent of its barley imports, over 60 percent of its bauxite, and roughly 30 percent of its wheat, corn, meat, timber and lead imports came from Southeastern Europe. (see Table 25) Although autarchy failed, Schacht, Clodius, Wohlthaht, and Germany's economic policy-makers succeeded in reorienting German trade to continental sources to a far greater extent than in the 1920s.

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<sup>943</sup> Bernd-Jürgen Wendt, "Strukturbedingungen der britischen Südosteuropapolitik am Vorabend des Zweiten Weltkrieges," in Forstmeier and Volkmann, *Wirtschaft und Rüstung*, 296–307.

<sup>944</sup> Feldman et al., *Österreichische Banken und Sparkassen im Nationalsozialismus und in der Nachkriegszeit*.

<sup>945</sup> BA, R 63 Südosteuropa-Gesellschaft, 294a, Mitteleuropäische Wirtschaftstag report: Südosteuropa als wirtschaftlicher Ergänzungsraum für Deutschland.

**Table 24**  
 German Share of Southeastern Europe's Foreign Trade  
 (in percentage of total exports or imports)

Country	1932	1933	1934	1935	1936	1937	1938	1939	
Yugoslavia	Imports	17.9	13.4	14.2	16.0	26.8	32.7	32.6	47.6
	Exports	11.3	13.9	15.5	18.7	23.7	21.7	35.9	31.8
Romania	Imports	24.5	18.6	15.5	23.8	36.1	28.7	36.6	39.2
	Exports	12.4	10.6	16.6	16.7	17.8	18.9	26.5	32.3
Hungary	Imports	22.5	19.7	18.3	22.7	26.0	25.9	30.1	48.4
	Exports	15.1	11.2	22.2	23.9	22.8	24.0	27.4	50.4
Bulgaria	Imports	25.9	38.2	40.1	53.4	61.6	58.6	52.0	65.5
	Exports	26.0	36.0	42.7	48.0	47.9	43.1	58.9	67.8

Source: Alan Milward, "The Reichsmark Bloc and the International Economy," in Edward N. Peterson, Gerhard Hirschfeld, and Lothar Kettenacker (eds.), *Der "Führerstaat": Mythos und Realität; Studien zur Struktur und Politik des Dritten Reich* (Stuttgart: Klett-Cotta, 1981), Table 4.

**Table 25**

German Imports from Southeastern Europe (Yugoslavia, Romania, Hungary, and Bulgaria)  
(percentage of Germany's total imports)

<i>Commodity</i>	<i>1929</i>	<i>1937</i>
Wheat	2.4	36.9
Barley	37.4	80.5
Corn	6.8	32.9
Eggs	17.3	24.3
Non-Tropical Fruits	24.5	35.0
Meat/Meat products	7.0	35.0
Cattle	9.6	18.8
Pigs	0.0	21.0
Lard	0.1	31.0
Tobacco	47.8	61.3
Timber	24.5	35.0
Bauxite	37.2	62.1
Lead Ore	2.9	28.9
Copper	3.3	5.6
Hemp and Flax	1.1	11.4
Tropical Fruits	6.1	11.3

Source: Antonin Basch, *The Danube Basin and the German Commercial Sphere* (New York: Columbia Univ. Press, 1943), 183.

Their country, however, only reaped the full reward of its economic preponderance in Southeastern Europe because it could draw on an array of non-state institutions that had arisen prior to 1933. The Leipzig trade fair and the German-Romanian chambers of commerce helped Germany's dirigiste foreign trade system stumble from currency crisis to currency crisis without suffering a total breakdown. In this sense 1938 represents a threshold not only in the geopolitics and commerce of Central and Southeastern Europe, but also at the institutional level. By 1938 the Leipzig Messeamt and its agents had learned to manage the most intractable short-term challenges posed by Germany's New Plan and Four Year Plan. By 1938 not only Romania and Yugoslavia, but also Bulgaria, Hungary, and Greece all organized collective exhibitions in Leipzig.<sup>946</sup> By marketing the agricultural products of Southeastern Europe to German consumers the fair performed a crucial service the German state had assumed under the bilateral treaties, but which it failed to fulfill. Through its advertising and information services the Messeamt promoted exports of capital equipment and machinery at a time when the Third Reich needed foreign sales more than ever to surmount its systemic foreign currency crises. And by functioning as an entrepot for import and export licenses, the fair and the DRHK enabled an

<sup>946</sup> In addition, Italy, Japan, the Netherlands, Denmark, Egypt, and Brazil organized official displays in 1937. SSAL, LMA, GA, 147, Messeamt to Alexander Cincar Markovic from Feb. 13, 1937.

otherwise neglected strata of small and medium businesses based in Saxony to participate in the Third Reich's commercial drive to the Southeast. Indeed, the strong upswing in German machine exports to Southeastern Europe occurred just as the smalltime manufacturers of Saxony and central Germany re-entered the Balkan trade through the fair in 1936 and 1937.

Attendance numbers illustrate the Leipzig fair's success. Registered business visitors from Yugoslavia and Romania surpassed their pre-depression peak in 1935 and 1937 respectively. When counting Hungarian and Bulgarian participants alongside Romanian and Yugoslavian, more than twice as many registered merchants from Southeastern Europe attended the fair in 1939 as during the best year of the previous decade. And by 1939 Southeastern Europe accounted for nearly 14 percent of all trade fair visitors. (*see Table 19*)<sup>947</sup>

For the commercial elites of Yugoslavia and Romania, the Leipzig fair offered access to German machinery at a time when their own economies needed capital equipment to modernize. While other suppliers like France and Great Britain turned to their colonial or domestic markets, Germany continued to supply these strategic goods to Southeastern Europe. In looking to the future, for Mihail Manoilescu of Romania's trade ministry, "supplying the agricultural sector with modern equipment will make such great demands upon German industry that the current reciprocal exchange of goods will be far surpassed."<sup>948</sup> For German advocates of *Mittleuropa*, the fair's relationship with the Balkans was evidence that their policies could be a force, in the spirit of Wilhelmine *Weltpolitik*, for economic modernization abroad as well as at home.

But 1938 also marked a turning point for Germany's private institutions insofar as anti-Semitism now began to shape their commercial activities in Southeastern Europe. While National Socialist Party members like Adolf Konradi of the German-Romanian Chamber of Commerce had made "Aryanization" a top priority in 1933, more cosmopolitan businessmen like Raimund Köhler and Paul Voss—both members of the German People's Party before 1933—were not concerned with the large Jewish presence in the Balkan trade. Why matters changed between 1937 and 1938 is difficult to ascertain, since the archival record leaves no concrete examples of coercion from the Nazi Party, nor any insights into Voss and Köhler's thinking on the question of "Aryanization." It can be inferred, though, that the radicalization of Germany's commercial life under National Socialism following *Kristallnacht* in 1938, and the many veiled threats party officials made to control German firms, created an atmosphere where institutions like the Messeamt had to adopt more antisemitic policies if they wanted to retain autonomy.<sup>949</sup> Köhler and Voss's growing attention to "Aryanization," in fact, paralleled a similar turn in the *Mittleuropäische Wirtschaftstag* and the *Mittleuropa-Institut*, which at this time also began promoting their exchange programs as instruments to build a non-Jewish trading force for German-Balkan commerce.

Ultimately, of the paths proposed to solve their nation's chronic foreign currency crises, German leaders pursued neither the extreme position of autarchy nor a return to international trade. Instead, the German economy evolved along a third path, a modified version of Hjalmar Schacht's New Plan that allowed for substantial military expenditure, but that required a

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<sup>947</sup> SSAL, LMA, DS, 940, 1940.

<sup>948</sup> Lecture by Mihail Manoilescu before the SOEG on June 1, 1940. Printed as "Wirtschaftliche Verflechtung und Gegenseitiges Verständnis zwischen Deutschland und Südosteuropa," in *Südosteuropa Probleme* (Vienna: Südosteuropa-Gesellschaft, 1940), 62.

<sup>949</sup> German banks like the Deutsche Bank and the Dresdner Bank, for example, that gained large holdings in Central and Southeastern Europe after the Anschluss with Austria were directly pressured by the Nazi regime to "Aryanize" their workforce in these regions. Feldman et al., *Österreichische Banken und Sparkassen im Nationalsozialismus und in der Nachkriegszeit*.

continental economic bloc to support it. As it existed before the outbreak of World War II Germany's *Grossraumwirtschaft* was not *Lebensraum*, it was not formal empire and the ultimate solution that Hitler wanted for the German nation. Rather *Grossraumwirtschaft* was an imperfect solution that balanced Germany's need to draw on an entire continent to supply its rearmament needs, with the fact that Germany was unprepared for war and had to acquire these goods by commerce instead of conquest. Indeed, before the outbreak of war on August 1, 1939 this imperfect blend of government trade controls and private institutions allowed Germany to forge a relatively stable commercial relationship with Southeastern Europe at a time when commerce with its former main trade partners, like America and Great Britain, fluctuated violently with the business cycle and the geopolitical environment. But if the New Plan and the Four Year Plan temporarily solved Germany's foreign currency crises, the long-term problems of Southeastern Europe's low purchasing power and its ultimately limited resource base remained.



## Conclusion

### Imperialism Realized? A Balance Sheet of German Power in Southeastern Europe

*Europe, tired of herself, and doubtful of the principles she had been living by, felt almost relieved to have everything settled ... Hitler, Europe felt, was a smart guy—disagreeable but smart. He had gone far in making his country strong. Why not try it his way?*<sup>950</sup>

For a wide array of German economic elites Southeastern Europe was the solution to the turbulent economic landscape of the 1920s and the 1930s. World War I, the treaty of Versailles, the hyperinflation, the loss of colonies, and the dismantling of Germany's overseas commercial network placed German merchants at a competitive disadvantage in many foreign countries. But by 1925 Yugoslavia, Romania, Bulgaria, and Hungary seemed to be markets that offered room for German merchants to compete. Despite the presence of French and Austrian rivals, German advocates of *Mitteleuropa* believed their exports would succeed here in ways they no longer could in Germany's traditional markets like the British and French empires, or America. The Great Depression only reinforced their belief that Germany must re-orient its commercial attention away from the west and toward Central and Southeastern Europe.

Throughout these two decades Germany's relationship with Southeastern Europe was defined by two goals: economic growth and power in the field of international relations. These twin goals represent a direct line of continuity uniting the foreign policy of the Weimar Republic with the Third Reich. The eclectic group of *Mitteleuropa* proponents—officials in the Foreign Office and the Economics Ministry, businessmen, economists, publicists, and intellectuals—understood that in the long-run Germany needed foreign trade and foreign markets to prosper, and Southeastern Europe presented the path of least resistance. Simultaneously, they hoped to transform Germany's economic influence in the region into political and diplomatic leverage. They wanted to make the states of Southeastern Europe so dependent on Germany's large market and developed industry that leaders in Belgrade, Bucharest, Sofia, and Budapest would have no other recourse but to distance themselves diplomatically from France and Great Britain.

These *Mitteleuropa* advocates, however, realized Germany had to temper its economic preponderance with the soft power of cultural diplomacy: economic cooperation with Germany had to seem attractive and legitimate to the commercial classes of Southeastern Europe. After 1925 Germans worked through non-state institutions to reach out to the other nationalities of Southeastern Europe. In this sense their *Mitteleuropa* foreign policy diverged from traditional pan-German nationalism and also from Hitler's more radical drive for *Lebensraum* in Eastern Europe. These business elites and intellectuals tried to forge an economic bloc in Europe, a *Grossraumwirtschaft*, or a third path that aimed to accommodate rather than exploit the nations of Southeastern Europe. Radicalization in their ideas and their activities came not in 1933, with Hitler's rise to power, but only later in 1937–1938 as Germany's non-state institutions gradually lost their space to operate free from National Socialist ideology.

#### *Economic Growth*

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<sup>950</sup> The Countess Waldeck in Bucharest in 1940, cited in Mazower, *Dark Continent*, 142.

For men like Georg Gothein, Tilo Freiherr von Wilmowsky, Max Hahn, or Carl Clodius of the Mitteleuropäische Wirtschaftstag, Raimund Köhler and Paul Voss of the Leipzig trade fair, Walther Hoffmann and Walther Lörch of the Mitteleuropa-Institut, or Hermann Gross and Kurt Wiedenfeld of Leipzig University, Southeastern Europe was a *potential* economic engine. They hoped to tap the region's full potential by incorporating it into an economic union with Germany. Since the middle of the 1920s these men had worked to remove tariffs and improve the transportation, communication, and infrastructure across Central Europe. And many of their ideas anticipated the European Union project of the post-1945 era: a customs union, cartel agreements to regulate key industries, and a more unified currency system for Europe, centered around the Reichsmark.<sup>951</sup>

By 1938 Germany's economic relationship with Southeastern Europe was not a collective economic union, instead it was regulated by the bilateral treaties and the clearing accounts that Reichsbank director Hjalmar Schacht had implemented in 1934 and 1935. But this system achieved many of the core goals that the *Mitteleuropa* advocates had aspired to. For one, it laid the foundation for an increasingly robust exchange of goods with Southeastern Europe. After 1934 German commerce with the states of this region doubled or tripled. Not only did the bilateral treaties eventually create a stable market for German exports, they also secured key raw materials for Germany's growing domestic economy. Above all, Southeastern Europe supplied grain and livestock during a period when Germany remained far from self-sufficient in its food production.<sup>952</sup> And while the region could never meet all of Germany's needs, as the more informed advocates of *Mitteleuropa* admitted, its importance as a supply source grew tremendously after the depth of the depression. Through these agreements Germany shifted the weight of its foreign commerce from the West to the Southeast: by 1939 Southeastern Europe (Bulgaria, Hungary, Romania, Yugoslavia) accounted for 13.2 percent of all German imports, more than Great Britain, France, or America.<sup>953</sup>

The bilateral treaties created a Reichsmark bloc, or a *Grossraumwirtschaft*, that revolved around the German economy. Yet commerce with the states of Southeastern Europe had its own peculiar set of problems and in some ways the Reichsmark bloc only added to them. German traders operating in Yugoslavia and Romania often lacked the professional connections so important to interstate trade, they had to manage with a limited German bank presence in the region, and they encountered problems of malfeasance, corruption, and an intransparent court system. On top of these existing challenges, the New Plan and the Four-Year Plan radically altered the landscape for businessmen engaged in foreign trade, throwing up a tangle of regulations that preserved Germany's hard currency, but which simultaneously slowed the wheels of commerce. At first the licensing requirements generated a "great speculative wave," as foreign trade became more dependent on the whims of state policy than ever before.<sup>954</sup> Later, the density of new regulations made foreign trade within the Reichsmark bloc "long-winded and

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<sup>951</sup> Georg Gothein, "Mitteleuropäische Zollunion: eine Entgegnung auf Prof. Franz Eulenburg" *Volk und Reich* 2/3 (1931); See also the extensive plans drafted by Richard Riedl, a co-founder of the the Mitteleuropäische Wirtschaftstag, for the postwar economic order in 1944 in BA, Deutsche Bank R8119F, Film 339 / P 339 Arbeitskreise F. Aussenwirtschaftsfragen, Gedanken über ein Wirtschaftsbandnis Europäischer Staaten, 1944.

<sup>952</sup> PAAA, Handelsabteilung, Handatken Wiehl und Clodius, 106181, confidential report from Clodius to the Foreign Office from January 7, 1938; Volkmann, "NS-Aussenhandel im 'geschlossenen' Kriegswirtschaftsraum," 148.

<sup>953</sup> Milward, "The Reichsmark Bloc and the International Economy," 402; Volkmann, "Aussenhandel und Aufrüstung in Deutschland 1933–1939," 122–23.

<sup>954</sup> SSAL, LMA, GA, 152, Report from Leipzig agent Wilsdorf from Bucharest, Oct. 17, 1936, 345;

expensive,” particularly for smaller firms that could ill afford the cost of securing trade contingents.<sup>955</sup> The frequently changing commercial agreements, the arbitrary alterations in exchange rates, and the moving tariff and quotas only made up-to-date, reliable economic information more important than ever before.

German’s private organizations, thus, remained critically important for commercial exchange with the states of Southeastern Europe. Indeed, Germany only came to dominate the region’s markets through the close collaboration of the state, non-state organizations, and private firms. This was corporatism in the field of foreign trade. Private institutions like the Leipzig trade fair and the German-Romanian chamber of commerce overcame the obstacles that had impeded German trade with Southeastern Europe after World War I by effectively controlling and deploying economic information. Since the 1920s they had worked tirelessly to manage economic news, making it accessible to the smaller firms that were such a large presence in German-Balkan commerce. They provided assistance with the local legal system, helped German merchants find reliable commercial counterparties, and created forums for face-to-face interaction among traders. All of these services created the foundation needed for international commerce: trust and stability.

Just as important, after 1935 these non-state organizations enabled the Reichsmark bloc to function as well as it did. Like the free market, Germany’s state-regulated system of foreign trade required producers, middlemen, and distributors to know what business opportunities were open to them. The Leipzig trade fair and the German-Romanian chambers of commerce provided this information to small German, Romanian, and Yugoslavian producers and merchants. Without these institutions, the marketing they did, and the professional relations they built, the small machine tool manufacturers and agricultural equipment producers of Saxony, and the merchants of Transylvanian Romania and provincial Yugoslavia would have been left out of the Reichsmark bloc.

Under the framework of the bilateral treaties, these private institutions enabled Germany to dramatically expand its commercial presence in Southeastern Europe. By 1938 it was by far the largest purchaser of products from Southeastern Europe and the most important source of capital equipment for the region. Yet Germans inside and outside of government realized their nation’s economic preponderance raised concern among the commercial circles of Southeastern Europe. As Wilmowsky attested in 1938, with Germany’s growing commercial presence came a “fear of Germany’s overwhelming [*übermächtigen*] power. It is essential that this psychological fact be recognized.” For Wilmowsky, while the “bolt of mistrust, jealousy, and anxiety hitherto locking our gateway to Southeastern Europe has opened somewhat, to open the door completely will require even more years of tenacious and diligent economic work.”<sup>956</sup>

German business elites and intellectuals thus turned to cultural diplomacy to promote their products in Southeastern Europe. On a general level, German publicity was a constant presence in the cities and countryside of Southeastern Europe. German technical experts and political leaders regularly toured the region from the late 1920s until deep into the Second World War, from Otto Schnellbach’s promotional trip for German agricultural equipment to Hjalmar Schacht’s publicity voyage in 1936. For two months out of the year advertisements for the Leipzig fair and promotional information about German technology inundated the radio waves, the cinemas, the newspapers, and the poster boards of Southeastern Europe. And throughout the

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<sup>955</sup> SSAL, LMA, GA, 810, Heydendorff, to Leipzig central offices, from June 2, 1934, 54.

<sup>956</sup> BA, Deutsche Bank R8119F, 6142, Entstehung, Entwicklung und Arbeit des Mitteleuropäische Wirtschaftstag from Nov. 11, 1938.

1930s Germany's private institutions wooed the journalists of Yugoslavia and Romania and funded German-friendly articles in the region's press.

More specifically, by the late 1930s Germany had regained its status as a center of study for Balkan students, particularly those dealing with economic, business, or technical subjects. Germany's private institutions organized this resurgence of student exchange. In the 1920s France had been the primary cultural magnet for Yugoslavia and Romania. French universities attracted far more students, France sponsored more language courses in the Balkans, and France devoted more funding to cultural programs than Germany. But by the 1930s this had changed. By 1938 German universities clawed back much of the advantage that France had accrued in the aftermath of the First World War. And the fellows of Germany's private institutions had made lasting connections with banks, oil and mineral companies, and import-export houses in Southeastern Europe, in many ways becoming "economic pioneers" for Germany and German products.

### *Economic Power*

Germany's *Mittleuropa* advocates saw Southeastern Europe as an engine of economic growth. But their success in expanding German economic and cultural ties in the region led not only to economic growth, it also created a new power dynamic in the region. As Albert Hirschman so evocatively argued in 1942, foreign trade is as much about national power as it is about economic growth. And this is particularly so during periods of crisis or contraction in the global economy, when foreign markets and overseas sources of raw material become intense fields of competition. Hirschman identified two of the three avenues of German economic influence in the region: the supply effect of trade and the influence effect of trade. A third component, the soft power of trade, completes the explanation of how Germany translated its commercial preponderance in Southeastern Europe into concrete political and diplomatic returns.<sup>957</sup>

To begin, through what Hirschman called the supply effect of trade, Germany's deepening economic ties with Southeastern Europe brought valuable raw materials, enabling Germany to survive both foreign currency and food crises without suffering a breakdown in its increasingly dirigist economy. By 1938 Southeastern Europe supplied 17 percent of German food imports, plus essential quantities of bauxite for its aircraft industry, copper for its engineering sector, oil for its motor vehicles and armored divisions, and manganese and chromium for its steel production.<sup>958</sup> These materials enabled Hitler to build and sustain Europe's most modern army even as Germany's traditional sources of imports in the west and from overseas were progressively disintegrating. And although the Leipzig fair and the German-Romanian chambers of commerce were not directly involved in the production of weapons, they made rearmament possible. They helped forge a *Grossraumwirtschaft* that, temporarily at least, allowed Hitler to draw on the resources of a continent to sustain his growing army before Germany had actually conquered a formal empire in Europe.

Second, through what Hirschman termed the influence effect of trade, Germany gradually disengaged the states of Southeastern Europe from the French treaty system. For the bilateral

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<sup>957</sup> Hirschman, *National Power and the Structure of Foreign Trade*.

<sup>958</sup> Volkmann, "The National Socialist Economy in Preparation for War," in *Militärgeschichtliches Forschungsamt* (ed.), 352; on the importance of these elements for the German armament industry see Albert Speer, *Inside the Third Reich, Memoirs* (New York: Simon and Schuster, 1970), 316; Milward, "Reichsmark Bloc," statistical appendix.

treaties not only created a stable basis for commerce, they also led to the economic dependency of Yugoslavia, Romania, and other Balkan states on Germany. Following the *Anschluss*, Germany accounted for between a third and a half of all exports to and imports from the states of Southeastern Europe. Yet dependency ran deeper than these figures suggest, for after 1938 the strategic imports that were essential to Romania and Yugoslavia's economic modernization came predominantly from Germany. German machine tools, textile machinery, and agricultural equipment were becoming indispensable to many of the production processes of Southeastern Europe.<sup>959</sup> Germany's domestic market, moreover, had become the single largest destination for Southeastern Europe's most important exports: grain and other agricultural products. Throughout the depression these products had been distressed goods, their prices falling almost continually since 1925. In a region where 70 to 80 percent of the population derived a living from the agrarian sector, the political leaders of Southeastern Europe were understandably reluctant to forgo a reliable market for their primary exports.<sup>960</sup>

Economic dependency translated into diplomatic neutrality for both Yugoslavia and Romania. Already in 1937 Yugoslavia's Prime Minister Milan Stojadinovic, a German-friendly statesman who had come to admire the Fascist brand of government, vetoed any attempt to place limits on German trade since he realized it was simply too important to the Yugoslavian economy. For the same reason, Yugoslavian negotiators refused to accept British, French, or Czechoslovakian plans for a Danubian economic federation. And despite repeated attempts by France to enmesh Yugoslavia more tightly in its security arrangements, in 1937 and 1938 Stojadinovic consistently pursued a policy of neutrality between the great powers.<sup>961</sup> Because Romania possessed oil, a resource highly prized on the global market, it retained greater latitude in its foreign economic policy. But here too 1938 represents a turning point.<sup>962</sup> This year saw a pro-German government take the helm of Romania, the new Foreign Minister being the former ambassador to Germany and a founder of the German-Romanian chamber of commerce.<sup>963</sup> That fall Germany extracted higher deliveries of oil from Romania, and the following spring German negotiators concluded the Wohlthat accords, a far-reaching economic agreement that created the institutional machinery for the joint planning and development of Romania's agricultural, forestry, and oil resources. As a Romanian minister remarked to Germany's diplomat in Bucharest, "it is not out of love for Germany, rather out of love for Romania that we are pursuing a course of neutrality and rapprochement toward Germany. We are convinced that an ever closer cooperation between Germany and our country will be to our advantage ... The interest of Romania demands that we lean economically on Germany."<sup>964</sup>

<sup>959</sup> By 1940 the Mitteleuropäische Wirtschaftstag could claim that Southeastern Europe's economic dependence on Germany had expanded beyond just their need for a large market. "Southeastern Europe cannot easily forgo the current deliveries of German industrial goods, since shifting to other supplying countries can often be exceptionally difficult and protracted on account of industry standards and the interplay of distribution networks." BA, Deutsche Bank R8119F, 6135, "Südosteuropa: Vorschläge für eine neue Deutsche Kapitalpolitik."

<sup>960</sup> PAAA, HA, Handatken Wiehl und Clodius, 106181, confidential report from Clodius to the Foreign Office from January 7, 1938; On distressed goods, see Kindleberger, *World in Depression 1929–1939*.

<sup>961</sup> Gerhard Weinberg, *Hitler's Foreign Policy: the Road to World War II, 1933–1939* (New York: Enigma, 2005), 218–19; Grenzebach, *Informal Empire*, 143; Stirr, "Ideas of Economic Integration in Interwar Mitteleuropa."

<sup>962</sup> As Carl Clodius, director of the economics department of the Foreign Office, reported at the end of the year, "the events of 1938 have led to a thoroughgoing change in Romanian political conceptions. ... The need for a measure of agreement with Germany has generally been accepted." Cited in Kaiser, *Economic Diplomacy*, 264.

<sup>963</sup> Weinberg, *The Foreign Policy of Hitler's Germany*, 234–35.

<sup>964</sup> Urdareanu to Fabricius, cited in Johann Wuescht, *Jugoslawien und das Dritte Reich: Eine dokumentierte Geschichte d. deutsch-jugoslawischen Beziehungen von 1933–1945* (Stuttgart: Seewald, 1969), 86; Helmuth

Third, before 1938 Germany's economic power had its limits. As the advocates of *Mitteleuropa* recognized, the leaders and publics of Southeastern Europe did not want commercial cooperation to turn into political subservience.<sup>965</sup> Germany had to supplement its hard economic power with soft cultural power. German cultural diplomacy, thus, not only promoted German products in Southeastern Europe, it promoted the very idea of economic cooperation with Germany and the vision of economic development that Wilmowsky and others adhered to.

For soft power to be effective a clear, straightforward message is essential. Germany had one: German industry and Balkan agriculture and raw material production complemented one another economically. Just as important, Germany could help Southeastern Europe develop economically by providing the capital equipment, the technology, and the know-how to improve the region's productivity and ultimately its purchasing power. Indeed, since the middle of the 1920s Germans had bombarded the economic elites of Southeastern Europe with this message. In the Weimar Republic Foreign Minister Gustav Stresemann, Economics Ministers Eduard Hamm and Hermann Dietrich, and the founders of Germany's private institutions like Georg Gothein, Hermann Gross, and Walther Hoffmann, continuously promoted economic collaboration with Germany as Southeastern Europe's best path for economic development.

By the 1930s this developmental strategy became *the* predominant way German economic thinkers envisioned their nation's long-term relationship with Southeastern Europe. It shaped discussions within the German bureaucracy, the programs initiated by Germany's private institutes, and the public debate over German trade policy with the Balkans. The well-respected director of the Institute for Business Cycle research, Ernst Wagemann, Balkan academic specialists in Leipzig and Munich like Hermann Gross, liberal publicists like Wilhelm Grottkopp and Walther Hoffmann, more conservative ones like Walther Lörch, government officials like Hans Posse, Carl Clodius, and Helmut Wohlthat, and even leading National Socialist figures like Economics Minister Walther Funk, Heinrich Hunke, and Werner Daitz all, to differing degrees, subscribed to the idea of developing specific productive capacities and improving the overall purchasing power of Southeastern Europe as an important step in building a *Grossraumwirtschaft*.<sup>966</sup>

Over the course of the 1920s and 1930s this economic brand of cultural diplomacy helped tilt opinion in Southeastern Europe in Germany's favor. To be sure, elite opinion in Yugoslavia and Romania remained bifurcated: many business elites worried that a creeping dependency on Germany would limit their region's potential for economic growth. In both Yugoslavia and Romania the nationalist press portrayed the bilateral treaties as a blatant attempt by Germany to "penetrate" the region's economies, augment its "political influence," and create a situation of

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Wohlthat, "Der neue deutsch-rumänische Wirtschaftsvertrag," *Vierjahresplan: Zeitschrift für Nationalsozialistische Wirtschaftspolitik* 3 (April, 1939).

<sup>965</sup> Carl Clodius reporting on the state of Yugoslavia's public opinion in 1938: "As in other countries of the Southeast, loud voices are expressing the apprehension that Yugoslavia could all too easily stumble from the path of economic cooperation into one of political dependency on Germany." PAAA, Handelsabteilung, Handatken Wiehl und Clodius, 106181, confidential report from Clodius to the Foreign Office from January 7, 1938.

<sup>966</sup> As Wilmowsky and Hahn reported to the Foreign Office after their study trip through the Balkans in 1932: "The possibility of raising [Southeastern Europe's] purchasing power and consumption are extraordinarily great. The most important precondition for their development is a recovery of the agricultural sector, the foundation of their economic life." BA, Deutsche Bank R8119F, 6140, report on study trip from Nov. 17, 1932.

“economic dependency” on the Third Reich.<sup>967</sup> Germany’s annexation of Austria and its dismemberment of Czechoslovakia, to a certain extent, exacerbated this anxiety of dependency.<sup>968</sup>

One critical factor, however, was working in Germany’s favor: reality in some very important ways conformed to Germany’s message of economic complementarity. For the Reichsmark bloc states were, along with Denmark, the only countries in Europe and among the only primary product exporters in the world to increase their share of international trade during the 1930s. And they did so because they sent a continually growing amount of their exports to the German market. By 1936–1938 their real per capita exports had returned to pre-depression level, except for Romania, which surpassed this level by 22 percent.<sup>969</sup> And in contrast to contemporary Anglo-American publicity, which told a story of German exploitation, the general consensus of post-1945 scholarship maintains that the terms of Romanian and Yugoslavian trade with Germany actually improved during the 1930s. The relative price per unit of their exports to Germany rose, while the relative price per unit of imports from Germany declined considerably.<sup>970</sup> In other words, not only did the states of Southeastern Europe sell more grain, livestock, timber, and minerals to the German market in 1938 than in 1932, in general they received a higher price for these goods as well.<sup>971</sup>

Thus by the late 1930s many economic elites in Yugoslavia and Romania were beginning to accept that economic cooperation with Germany offered their nations the best opportunity for development. Not everyone in Southeastern Europe thought this way, perhaps not even a clear majority. But enough key players resigned themselves that the benefits of working with Germany outweighed the risks of alienating the Western powers. For every opponent of Germany there was a proponent.<sup>972</sup> And by the late 1930s pro-German leaders like Milan Stojadinovic and J.

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<sup>967</sup> Citation from PAAA, Handelsabteilung, Rumänien, 112844 Wirtschaftliche Beziehungen mit Deutschland, Bucharest diplomat to Foreign Office Berlin from June 20, 1936; PAAA, Handelsabteilung, Rumänien, 112606, German diplomat Fabricius in Bucharest to Berlin Foreign Office from Sept. 28, 1937 and Telegram from German consul in Ankara to Berlin Foreign Office from March 24, 1937; PAAA, Handelsabteilung, Jugoslawien, 106181 Handakten Wiehl, Abschrift aus dem Auslandsdienst from December 22, 1936.12.22.

<sup>968</sup> In the wake of the Munich agreement the kings of Romania and Bulgaria and the regent of Yugoslavia flew to London to petition Great Britain for economic aid and alternative markets for their agricultural goods. Basch, *Danube Basin*, 213.

<sup>969</sup> Lampe, *Balkans into Southeastern Europe*, 130, 136.

<sup>970</sup> The debate over the terms of trade has been a contentious one since it first erupted between Paul Einzig and Frederic Bentham in 1939. For an excellent overview of the debate up to 1988 see Grenzbach, *Informal Empire*, 209–35; See also Milward, “Reichsmark Bloc,” 381–82; Larry Neal, “The Economics and Finance of Bilateral Clearing Agreements: Germany, 1934–1938,” *Economic History Review* 32 (1979): 391–404, here 3; The first study to make this claim was Bentham’s work in Royal Institute of International Affairs, *Southeastern Europe, a Political and Economic Survey* (London: Royal Institute of International Affairs, 1939), 197.

<sup>971</sup> The most recent work by economic historian Albrecht Ritschl shows that when examining both flows of currency and flows of goods and credit in the Reichsmark bloc, Germany did not exploit the smaller Balkan countries. Using unpublished payment and foreign exchange balances from Germany’s Economics Ministry, he illustrates how Germany only began to extract resources without payment from Reichsmark bloc countries after military occupation, which generally happened in 1940 and 1941. A. O. Ritschl, “Nazi Economic Imperialism and the Exploitation of the Small: Evidence from Germany’s Secret Foreign Exchange Balances, 1938–1940,” *Economic History Review* 54 (May, 2001).

<sup>972</sup> Ristovic, “Weder Souveränität noch Industrialisierung,” in Sachse; Innerhofer, “‘Agrarische Übervölkerung’ in Südosteuropa” in Sachse; Wien, *Markt und Modernisierung*; Otto Franges, “Die Industrialisierung der Bauernstaaten Südosteuropas als Folge ihrer Übervölkerung auf dem Land,” *Der Vierjahresplan: Zeitschrift für Nationalsozialistische Wirtschaftspolitik* 3 (April 1939): 526–27; Mihail Manoilescu, “Wirtschaftliche Verflechtung und Gegenseitiges Verständnis zwischen Deutschland und Südosteuropa,” *Südosteuropa Probleme* (Vienna:

Manolescu-Strunga, who had engineered the bilateral treaties on the part of Yugoslavia and Romania, came to adopt the language of complementarity. Stojadinovic frequently presented trade with Germany as “natural.”<sup>973</sup> For Manolescu-Strunga, “the past shows that natural conditions point toward as close and harmonious economic relations with Germany as possible. Whichever sensibilities incline us toward other countries, we must still clearly see that they do not offer the possibility of absorbing our surpluses.”<sup>974</sup>

Yet German cultural diplomacy and the *Mittleuropa* vision implicitly contained within it a framework economic and cultural hierarchy. For Wilmowsky and his ilk, developing the Balkans’ agricultural and mineral sectors was certainly a key component of their message and their actual work. Their vision of *Grossraumwirtschaft*, however, was based on the continued underdevelopment of Southeastern Europe, or more precisely, development along a proscribed path that suited German needs. Their plans cemented the industrial-agrarian division of labor in Central Europe. German advocates of *Mittleuropa* wanted to raise the purchasing power of the broad masses in Southeastern Europe, but primarily because this was the “precondition for exporting [Germany’s] industrial goods.” Improving transportation and communication infrastructure would benefit the Balkan states, but more important, it would ease the “delivery of wares from Southeastern Europe.” Wilmowsky’s notion of an organic industrialization in Yugoslavia or Romania, Hungary or Bulgaria, thus meant nothing more than improving mineral extraction and food processing. It never included plans for Southeastern Europe to advance along the product chain into more modern sectors like steel, chemicals, engineering, or machine tools. *Grossraumwirtschaft* offered the Balkan countries a path to economic growth, but one that maintained the existing economic hierarchy in Central Europe.<sup>975</sup>

### *Imperialism Realized*

These findings suggest that we need to reexamine our understanding of German imperialism during the 1920s and the 1930s. Historians have recently reconsidered National Socialist conquest, exploitation, and ultimately genocide in Eastern Europe using the framework of empire, an empire rooted in Germany’s long obsession and peculiar fascination with the “East.”<sup>976</sup> But where does Southeastern Europe fit into this story? Can Germany’s relationship with Southeastern Europe in the waning years of the 1930s be considered an imperial one? And was it a stepping-stone on the path to Hitler’s formal empire in Europe, or is it better understood as its own separate and distinct imperial project?

If empire is defined along the more traditional model of direct territorial control, then Germany’s relationship with Southeastern Europe was not imperial. The governments of Yugoslavia and Romania retained freedom of action in their diplomatic relationships. German negotiators were unable to incorporate Yugoslavia or Romania into any binding diplomatic

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Südosteuropa-Gesellschaft, 1940); BA, R901, 54164 Handel mit Jugoslawien, film 40727, “Jugoslawien fördert stärkeren Bezug deutscher Waren” from *Jugoslovenski Lloyd*, 20; See other reports on the Yugoslavian press in this file from December 20, 1935, January 16, 1936, March 4, 1936, and April 19, 1936.

<sup>973</sup> Basch, *Danube Basin*, 159; *Mitteilungen der Deutschen Handelskammer für Jugoslawien* 3 (June 10, 1939).

<sup>974</sup> PAAA, Handelsabteilung Rumänien, 112606 Handelsbeziehungen zu Deutschland, translation of former trade minister Manolescu-Strunga’s article in *Excelsior* from Sept. 28, 1937.

<sup>975</sup> HAS, Mitglieder Versammlung des Mitteleuropäische Wirtschaftstag, from May 27, 1940.

<sup>976</sup> Mazower, *Hitler’s Empire*; Wippermann, *Die Deutschen und der Osten*; Liulevicius, *The German Myth of the East*; Ther, “Deutsche Geschichte als imperiale Geschichte,” in Conrad and Osterhammel, *Kaiserreich Transnational*.



relationship. And not until the Wohlthat accord of March 1939 were they able to unilaterally impose the terms of the bilateral agreements upon the countries of Southeastern Europe.

Yet if imperialism is defined in a broader sense as a project of modernization that involves both the center and periphery in the creation of an economic, cultural, and political hierarchy, then Germany's relationship with Southeastern Europe in the late 1930s was indeed imperial. Scholars have recently applied this broader understanding of imperialism to examine whether twentieth century great powers can and should be considered empires, and they have raised this question with special attention to American and Soviet foreign policy during the cold war.<sup>977</sup>

Three central attributes of twentieth century empires emerge from these recent studies. For one, empires offered a model of modernity for the rest of the world, whether it be America's vision of democracy, free markets, and individual rights; the Soviet Union's model of social equality and extensive economic development through a command economy; or the Nazi's new order for Europe based on nationalism and race.<sup>978</sup> German advocates of *Mitteleuropa* saw their project very much as a model of modernity, but one that differed in important respects from the Nazi new order. For them, Germany's task was to lead Central and Southeastern Europe into a new era of *Grossraumwirtschaften*. They held out the prospects of an economic bloc subordinated to German industry, but an economic bloc that could make Europe as a whole more competitive with America and the British and French empires. Thus while Germany in the 1920s lacked a concrete imperial mission, by the 1930s the advocates of *Mitteleuropa* offered their brand of economic development, albeit along a proscribed path, as the mission Germany could sell to Southeastern Europe.

Second, imperialism defined more broadly for the twentieth century stabilizes the gradients of inequality across a region, subordinating peripheral nationalities within the imperial sphere to the center. Empires frequently do this by creating transnational networks of elites in the periphery that accept submission to the center in international affairs in return for their own security or prosperity.<sup>979</sup> In Germany's case, private institutions like the Leipzig trade fair, the *Mitteleuropa-Institut*, and the *Mitteleuropäische Wirtschaftstag* directly cultivated personal and professional relationships with the elites of Southeastern Europe, building a pro-German cohort of economists and businessmen, exporters and importers, journalists and academics, and political leaders like Mihail Manoilescu and Milan Stojadinovic. As Southeastern Europe became increasingly dependent upon trade with the Third Reich, Germany was simultaneously forging a local elite that had a stake in maintaining this dependent relationship.

Third, twentieth century empires have not only aspired to manage the affairs of the world for their own advantage, they have also had the ability to do so. Ironically, in Germany's case the drive for a *Grossraumwirtschaft* initially grew from a sense of vulnerability. The First World War and the depression underscored for German economic theorists just how risky their nation's

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<sup>977</sup> On Germany and America during the late nineteenth and early twentieth centuries see Thomas Bender and Michael Geyer, "Empires: Might and Myopia" in Christof Mauch and Kiran Klaus Patel (eds.) *The United States and Germany during the Twentieth Century: Competition and Convergence* (New York: Cambridge Univ. Press, 2010), 13–31; See also de Grazia, *Irresistible Empire*; Niall Ferguson, *Colossus, the Price of America's Empire* (New York: Penguin Press, 2004); Raymond Pearson, *The Rise and Fall of the Soviet Empire* (New York: Palgrave, 2002); Odd Arne Westad, *The Global Cold War: Third World Interventions and the Making of our Times* (New York: Cambridge Univ. Press, 2007).

<sup>978</sup> Geyer and Bender, "Empires: Might and Myopia."

<sup>979</sup> Maier, *Among Empires*, 25–36.

reliance on overseas markets, capital, and resources could be.<sup>980</sup> Redirecting commercial ties to a region that was susceptible to German manipulation, however, enabled Germany to free itself from global entanglements. While the Reichsmark bloc did not necessarily bring a greater delivery of resources, it did bring a more reliable delivery of resources. And by deepening Southeastern Europe's economic dependency on Germany, the Reichsmark bloc tilted this region diplomatically away from France and Great Britain, particularly after 1938. In these two critical respects—the reliable delivery of supplies and diplomatic pressure—Germany managed the affairs of the world for its own advantage.

Finally, *Grossraumwirtschaft* was not just a way station on the road to a more brutal Nazi empire in Europe. To be sure, from a utilitarian perspective it did further Hitler's rearmament, and it allowed Germany to prevent its foreign currency crises from turning into a total economic breakdown. From an ideological perspective, furthermore, *Mittleuropa* advocates eventually came to incorporate some of the Nazi regime's more despicable goals, in particular the drive to "Aryanize" commerce in Southeastern Europe. After *Kristallnacht* and the November laws of 1938, Germany's private institutions began pushing Jews out of the Balkan trade. And while the antisemitic policies of the regime should take much of the blame for this, when push came to shove, the leaders of these private institutions proved quite willing to actively discriminate against Jews and take their place in the German-Balkan trade. These business elites and intellectuals were opportunists: displacing Jews would position German businessmen as the crucial intermediary in the Balkan trade. By 1938, for even the more cosmopolitan free traders of the Leipzig trade fair, "Aryanization" became no longer a peripheral concern but an important component of their activities in Southeastern Europe.

Yet in the final analysis, the vision of Gothein, Wilmowsky, Hahn, Clodius, Hoffmann, Lörch, and the other advocates of *Mittleuropa* differed fundamentally from Hitler's quest for *Lebensraum* and formal empire in Europe. These thinkers envisioned an economic hierarchy in Europe, and even a cultural one with Germany on top. But with the exception of their anti-Semitism, they never had a racial hierarchy in mind. The anti-Slavism and the biological racism of National Socialism were not present in their writings or in their activities. Instead, they reached out to the other nationalities of Southeastern Europe—Romanians, Croatians, and Serbians—as well as to the German minorities of the region. They genuinely believed the economic division of labor they planned for Central Europe would benefit the societies of Southeastern Europe. Their vision of *Grossraumwirtschaft* thus had more in common with the imperial projects of France and Great Britain, which during this period were also turning to ideas of economic development and cultural uplift to provide legitimacy for their rule abroad, than it did with the biological racism of Nazi Germany.

Ultimately, the more benevolent—or at least less malevolent—vision of imperialism lost out in the face of Hitler's ruthless drive for political domination in Europe. It lost not because it was less attractive abroad. Indeed, the hope that Germany would accommodate the economic needs of Southeastern Europe gave a veneer of respectability to Nazi rule in Europe in 1939 and 1940. Rather, the advocates of *Mittleuropa* studied here lost because Hitler used war to create a racially-based empire, and in doing so the Nazi regime progressively eliminated the space that private institutions needed to effectively project German soft power abroad. War and the quest for a racial hierarchy in Europe were irreconcilable with the idea of an economic bloc based on cooperation and exchange. The informal empire of soft power and economic development receded in the face of Hitler's drive to forge a formal empire based on conquest and exploitation.

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<sup>980</sup> For the full development of this argument, see Milward, "Reichsmark Bloc."

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