

Prejudice is free, but discrimination has costs:

The holocaust and its parallels

Steven Farron

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Contents

Foreword

The author

1 Introduction

2 Malaysia: The affirmative action model

3 South Africa: History repeats itself

4 The United States

5 Nazi Germany: The ultimate test

The problem

Let the numbers speak

Even non-anti-Semites thought that Jewish hyper-success was a serious problem

The failure of non-violent solutions to the Jewish problem

Law

Medicine

Business

Implications

6 The holocaust: Uses and abuses

Endnotes

Bibliography

Foreword

The purpose of FMF *Monographs* is to use the analytic method of political economy to shed light on how best the promotion of free markets will improve the workings of the South African economy. In particular, authors are urged to apply the microeconomic approach of studying how individuals, firms and households behave in response to either naturally occurring or regulatory incentives. This requires that they display a sound, institutional knowledge of their theme.

Steven Farron has researched deeply and thought hard about government-enforced racial and ethnic discrimination in different countries and contexts. In this monograph he discusses examples in Malaysia, white-ruled South Africa, the United States and Nazi Germany.

Each example is from a different continent. Some involve discrimination against a minority: Chinese in Malaysia; non-Afrikaner whites, especially Jews, in South Africa; and Jews in Germany; others involve discrimination against a majority: blacks in South Africa and whites in the United States. But all failed because the desire of individuals to obtain the best goods and services at the least cost and of businesses to maximize profits proved to be stronger than massive government intervention.

In Malaysia a century of discrimination against Chinese, first by the British colonial rulers, then by the government of independent Malaysia, totally failed to close the huge economic gap between the Chinese minority and the Malay majority; a failure that was recently acknowledged by the Malaysian Prime Minister Dr Mahathir (pp.10-11), who did more than anyone else to enforce anti-Chinese discrimination.

In white-ruled South Africa, the government spread a ubiquitous web of regulations over the economy to protect white manual workers from black competition and to prevent economic integration, which would make black political power inevitable. At the same time, Afrikaans-speaking whites, who were a majority of the white population and controlled the government, used a huge government bureaucracy to advance Afrikaner businesses. But individual self-interest proved to be stronger than perceived collective interest. Whites, including Afrikaners, circumvented the regulations that they had their government impose.

In the United States also, even though federal, state and municipal government have tried every means imaginable to help black businesses and even though most black Americans say in surveys that they prefer to buy from black-owned businesses, blacks own only a small minority of businesses even in completely black neighborhoods (p.38).

Professor Farron calls Nazi Germany from 1933 to 1938 ‘the ultimate test’ of his thesis. For generations nearly all Germans, even those who prided themselves on not being anti-Semites, regarded Jewish hyper-success as a serious problem, especially since they thought of it as Jewish ‘domination’ of German life. But the Nazis’ initial attempt to solve it, through discriminatory legislation, boycotts and sporadic violence, failed because most Germans were unwilling as individuals to pay the cost that implementing their collective prejudice imposed. However, this example had a different end from the others. People who knew Hitler, his biographers and Hitler himself often observed that he did not differ from most people in his ideas, but in the absolute literalness with which he held those ideas, the relentless logic with which he followed them to their conclusions and the ruthless thoroughness with which he implemented those conclusions (p.61).

Professor Farron’s examples cover every imaginable type of government program to promote or impede the economic and occupational success of racial and ethnic groups. All were initiated and

implemented by people who were certain of their justice and usefulness; yet their only success was enriching a small elite of the preferred group; and that was achieved at a terrible cost: the creation of a huge bureaucracy, which individuals and businesses managed to circumvent, but only by diverting time, effort and resources from productive activities to subterfuges that seriously distorted the economy.

The present government of South Africa, like its white-ruled predecessor, has embraced government-enforced discrimination; this time in favor of ‘historically disadvantaged’ groups, especially in the form of black economic ‘empowerment’. From government procurement practices to competition policy; from investment incentives to industry ownership; from military purchases to state asset restructuring; from labour hiring regulations to financial sector lending laws, discrimination is all-pervasive and often mandatory.

At the end of his discussion of white-ruled South African racial discrimination, Professor Farron points out that this post-1994 discrimination is already having the same results as all similar policies.

The reason, as Professor Farron repeatedly demonstrates, is that although prejudice is free, discrimination – that is, considering race, ethnicity, religion or any other extraneous factor in making economic decisions – involves costs; and most people are unwilling to pay those costs.

Professor Farron also demonstrates that government-enforced discrimination succeeds in government employment, since there its costs are hidden and governments do not compete with organizations that hire employees on the basis of merit. In large businesses government-enforced discrimination succeeds somewhat because the government ensures a level playing field for all competitors, and the costs incurred are diluted by non-discriminatory hiring, promotion and business transactions. In both cases the beneficiaries of this ‘success’ are a small elite of the preferred group. However, governments cannot enforce discrimination uniformly on small businesses; and its costs for them are obvious, painful and impossible to dilute. That is even truer of individuals. So they always manage to get around it in one way or another.

A crucial factor that must always be kept in mind when considering these policies is that it is the general society that pays the costs that are hidden or diluted in government and big business; the cost of the time, effort and resources that small businesses and individuals expend to circumvent them; and the cost of the large bureaucracy that is needed to try to enforce them. These social costs include higher taxes, products and services of poorer quality and/or higher prices, higher interest rates (to compensate for unpaid loans), wasted investment and capital flight to less regulated countries.

In fact, government-enforced discrimination, previously in favor of whites, especially Afrikaners, now in favor of ‘historically disadvantaged’ groups, is probably a main reason for South Africa’s *per capita* income decline since the late 1970s.

Professor Farron’s richly documented and tightly argued *Monograph* represents neither the opinions of the Free Market Foundation (which has no corporate view), nor those of its Directors, members or staff. Nevertheless it should be regarded as a critical input to the debates surrounding the development of the modern South African polity, as government seeks both to engage with the wider world through Nepad¹ while energetically pursuing the goals of black economic empowerment.

¹ New Policy for African Development.

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The author

Steven Farron received his BA and PhD from Columbia University in New York and his MA from the University of Chicago. After teaching at the City College of New York, he joined the Classics Department of the University of the Witwatersrand in Johannesburg in 1974, where he was professor of Classics from 1988 until 2000. Then, after having published over twenty articles and one book on ancient Greek and Roman literature, he retired to devote all his time to a trilogy of books, from which this essay is distilled.

The first presents the evidence, which has been irrefutable for decades, that intelligence in human beings, as in all other animals, is genetically determined; that intelligence is by far the most socially-valuable human attribute; and that, like all genetically determined traits – finger print patterns, blood pressure, etc – it differs among intra-breeding populations. The other two books in the trilogy are about the catastrophic results of denying these facts. One is completely on Nazism and the Holocaust. The other includes analyses of the Armenian genocide, slaughter of the *kulaks*, persecution of Chinese in southeast Asia and Indians in east Africa and discrimination against whites in the United States.

1 Introduction

This *Monograph* analyses four examples of government-enforced racial/ethnic discrimination. Three – against Chinese in Malaysia, whites in the United States and Jews in Germany from 1933-38 – were pure affirmative action; that is, government-enforced discrimination to solve the problem of the greater success of a racial or ethnic group. The other, in South Africa under white rule, was a hybrid. The failure of all of them shows that if the greater success of some groups of people than others is a problem, the Nazis had the Final (and only) Solution.

The reason is a fundamental economic principle, which is obvious to common sense: if an individual or business considers any non-economic factors when making an economic decision – hiring or promoting employees, loaning money, etc – even if he/it does so unconsciously or through mistaken criteria, he/it will suffer economically. An excellent concise demonstration of this principle is provided by Martin Katz (Katz 1986, pp.1036-39) in his argument for government-enforced affirmative action. He demonstrates that the lower average income and occupational status of black Americans must be caused by their lower productivity. So without government-enforced discrimination American racial economic disparities will persist because of the relentless pressure that competition puts on businesses to maximize profits by choosing the best possible person for each job without considering his race.

Racial, ethnic or religious discrimination involves using criteria other than those by which the organizations involved contribute most to society. Universities contribute by educating students and conducting research; businesses by pursuing profit. The collapse of economic systems based on other goals – socialism and the Japanese variant of capitalism, which subordinated profits to social goals like providing secure employment and maximizing production – has demonstrated that profit is the only indicator of economic efficiency. Consequently, discrimination harms the entire society. But its beneficiaries, as I will demonstrate, are always the elite of the preferred group.

In large businesses, government-enforced discrimination succeeds somewhat in blunting the relentless pressure of market competition to evaluate people as individuals, not as members of races, religions or ethnic groups, since the government ensures a level playing-field for all competitors, and the costs incurred are diluted by non-discriminatory hiring, promotion and business transactions. In government employment and at universities, discrimination can always be implemented, since there is no direct competition and its costs are hidden.

However, governments cannot enforce discrimination uniformly on small businesses and its costs for them are obvious, painful and impossible to dilute. So they cannot be coerced into practising it. If a small business discriminates against any individual or group of people, even if unconsciously or by using mistaken criteria, a competitor will take advantage of its lapse and hire/promote/loan money to the victims of discrimination, thus gaining a considerable competitive advantage. Moreover, most small businesses deal directly with individual customers, and it is to individuals that the cost of discrimination is the most unavoidably obvious. Consequently very few individuals practise discrimination in economic transactions, even against people whom they loathe and hate and against whom they want governments to enact discriminatory legislation.¹

The universality of this pattern provides cogent empirical support for the most basic premise of economics: the primacy of rational self-interest in economic transactions, a premise that is by no means self-evident.

2 Malaysia: The affirmative action model

President Mugabe [of Zimbabwe] has frequently visited Malaysia and praised its affirmative action policies as a model for the whole world to emulate (Johannesburg *The Star*, December 22, 1994, p.3).

Malaysian affirmative action has been both the world's most extensive affirmative action programme and one of its most successful (Emsley 1996, p.7).

A study commissioned by the Malaysian government has found that the economy's productivity growth has been rising slowly...What hampers productivity of labour is...25 years of pro-Malay affirmative-action (James Rohwer in *Fortune International* November 24, 1997, p.19. Rohwer is the author of two highly regarded books on Southeast Asia: *Asia Rising* (1995) and *Asia Rising: How the New Middle Class Will Change the World* (1996)).²

The racial composition of Malaysia's population is a little less than 60% Malay, 30% Chinese, 10% Indian. The rest are Eurasians, Ceylonese, etc. (Malays are now officially called *Bumiputras* – “sons of the soil” – but *Malay* is still more widely used.) In the late nineteenth and early twentieth centuries, when Malaysia was a British colony, the British imported Chinese and Indian unskilled, illiterate labourers. Most of the Chinese worked in mines; most of the Indians on rubber plantations. China and India were poorer than Malaysia, so Chinese and Indians worked for less pay than Malays; and many of the jobs that they did were so strenuous, dangerous, and/or dirty that Malays would not do them for any wage. The ships that brought the Chinese to Malaysia “were floating hells”. Once there, they dug huge mines, some a hundred meters deep, with only hoes; and Chinese women “were bent double for hours in the heat of the sun, often immersed to the knees in water, and often with a baby strapped to their backs”. The average budget for a Chinese mine worker was \$9.70 a month (Purcell 1965, pp.283-90). And “health conditions in the mining camps and early peninsular towns were appalling” (Snodgrass 1980, pp.36-7).

The British also practised severe anti-Chinese, pro-Malay discrimination.

The Chinese were systematically excluded from some important parts of the economy. They were not allowed into senior administrative posts...Very few Chinese were permitted into the army or police...In agriculture...[the British enforced] the...exclusion of the Chinese from the development of jungle land and the increasing legal protection of cultivated land owned by Malays (Snodgrass 1980, pp.37-9).

The most serious discrimination was in education. The government established Malay-language primary schools that were free for all Malay boys and girls and compulsory for boys living within a mile and a half (2.4 kilometres) of one. The government also subsidised many English-language schools. But it established no Chinese-language schools, and most Chinese were too poor to pay the fees at English-language schools. So the Chinese established their own schools without government assistance. The teachers in these schools were often fortune-tellers and diviners and “the schools themselves had to be seen to be believed. Most of them were dirty, ill-ventilated, and ill-lighted basements, out-houses, or attics; sanitation was non-existent; skin diseases were common...the hub-bub of pupils...was deafening” (Purcell 1965, pp.276-8).

Then, during the Japanese occupation of Malaysia, “the Malays were treated in an almost indulgent fashion...whilst the Chinese were treated as slaves, subject to execution, forced labour and expropriation” (Emsley 1996, p.17).

In 1957, when Malaysia gained independence, discrimination against non-Malays, especially Chinese, intensified. Articles 153 and 89 of the Constitution mandated pro-Malay discrimination in granting licenses, government contracts and subsidized loans to businesses, civil service hiring, land ownership, admission and scholarships to universities, and subsidized office rent for Malay professionals. The government also limited the proportion of Chinese-owned businesses in certain economic activities and forced Chinese-owned businesses to hire specified proportions of Malays and to transfer capital to Malays.³ Some of these continued British policies; others were additions.

Nevertheless, the Chinese rose meteorically. In 1911 the most common occupations of employed Malaysian Chinese were mining labourers (41.5%), agricultural labourers (11%), fruit growers, labourers (unspecified) and domestic servants. Twenty years later only 11% of employed Chinese were mining or agricultural labourers (Snodgrass 1980, p.38). By 1970, they owned 85% of all retail businesses; Chinese and Indians owned 80% of manufacturing businesses and non-Malaysians 17%;⁴ 81% of Malaysian architects were Chinese and 4.3% Malay; 89% of dentists were Chinese, 5% Indian, 3% Malay; 45% of doctors were Chinese, 40% Indian, 4% Malay. (The rest were Eurasians, Ceylonese, etc.) In the decade of the 1960s, Chinese earned 22 times more Bachelor of Science degrees than Malays and 102 times more Bachelor of Engineering degrees. Indians, who numbered one-sixth as many as Malays, earned more than twice as many Science degrees as Malays and ten times more Engineering degrees (Abdullah 1997, p.210).

In May 1969 savage anti-Chinese riots erupted, in which more than two hundred Chinese were murdered. Chinese had often been victims of mob violence, but the riots of 1969 were the most destructive and lethal. The Malaysian government's response was based on the assumption that the riots were a justified reaction to the tremendous overrepresentation of Chinese in business, the professions and universities. (The American government reacted in the same way to the black anti-white riots of the same time.) The Malaysian government proclaimed the New Economic Policy (NEP) to attain "racial balance" and "Malayanisation" and end "identification of race with economic function" by 1990 (Lin 1984, p.45; Faaland *et al.*, 1990, p.73). It promised to intensify and systematize the racial discrimination that had always existed, and it set specific goals for 1990: "Malays...will manage and own at least 30% of the total commercial and industrial activities in all categories and scales of operation...Employment pattern at all levels and in all sectors... must reflect the racial composition of the population" (Faaland *et al.*, p.76; cf. 313-14).

The NEP did work at universities. During the 1970s enrolment in tertiary education increased by 3.4 times, while the proportion of Chinese and Indians was reduced to below their proportion of the population; by 2000, the proportion of Chinese in public universities was only a third of their proportion of the population.⁵ As always, affirmative-action admission was accompanied by affirmative-action graduation, including "Malay-sianising" professional qualifications by substituting much easier local qualifying examinations for international exams. For example, a local "Master of Medicine" diploma was substituted for the exams required for membership in the British Royal College of Physicians.⁶

The Malaysian government also tried to cure what is commonly perceived to be a cause of unequal racial academic success. Between 1965 and 1985 it nearly tripled *per capita* public expenditure on secondary education. It has also imported teachers from abroad, established enriched college-preparatory programs for Malays, which begin in the fourth grade, and set up an extensive system of elite boarding schools for Malays. Nevertheless, in 1998, when many Malay college applicants were the children and grandchildren of wealthy college graduates who went through their whole lives receiving massive affirmative action, the Minister of Education acknowledged that without

preferences only 5% of undergraduates at Malaysian public universities would be Malays. If the number of public university students, and consequently admission requirements, had remained at their 1969 level, the proportion would be much lower (Emsley 1996, p.39; Musa 1999, pp.100, 135-6, 181-4).

Who hires these Malay affirmative-action graduates? The British used the civil service to provide employment for educated Malays. Between 1947 and 1957, the British created 78,000 government jobs for Malays, accounting for 77% of the increase in Malays' non-agricultural employment. The government of independent Malaysia ousted Chinese and Indians even from positions that require technical knowledge, which they had previously been allowed to hold. With extremely few Malay scientists, engineers and doctors, "Insistence in hiring Malays [in the civil service]...even when no qualified Malays were available led to serious delays in important development programmes – often, ironically, programmes designed to benefit the Malays themselves."⁷ M Bakri Musa (1999, pp.163-4) records the fabulous perquisites that Malay civil servants receive, provides (pp.90, 101-3) some examples of their glaring incompetence and observes, "Try to meet a senior official and you are likely to find him either reading a newspaper or out of his office, his whereabouts unknown".

However, as the number of Malay university graduates skyrocketed, civil service employment had to be supplemented. "After 1969...the supply of university-trained Malay[s]... threatened to outrun demand, until the government's move toward direct participation in business gave a new boost to demand growth" (Snodgrass 1980, p.228). Notice that Snodgrass is talking about the government undertaking major economic intervention to stimulate demand not for products or services but for Malays who received affirmative-action university degrees. "Confronted with an apparent Bumiputra [i.e. Malay] inability to take up shares in commerce and industry, the public enterprise emerged as a new instrument in ownership" (Lin 1984, p.52).

These public enterprises illustrate why private businesses resisted massive government compulsion to hire Malay affirmative-action university graduates. According to Malaysian government statistics, in 1976 in enterprises that were 100% government-owned, 63% of the managerial, professional and technical personnel were Malays, in those that were 50-99% government-owned the proportion was 41% and in those that were 0-49% government-owned the proportion was 30%. The same Malaysian government statistics show that the enterprises in the first category lost 133 million United States dollars by 1976, those in the second category lost \$48m and the last made a profit of \$53m (Lin 1984, pp.52-4).

Nor has huge government assistance created a significant number of Malay-owned small and medium-sized businesses. For example, in the early 1960s the government established a Malay-run bank to lend money to Malay businesses. However, initially "it behaved much like any other profit-oriented commercial bank...making far more loans to the more credit-worthy Chinese, Indian and foreign enterprises than to Malays" (Snodgrass 1980, pp.212-13). Subsequently, it directed its loans to Malay businesses, with the result that, although it subsidizes interest rates on its loans, only 6,000 of its 55,000 loans have been repaid (Emsley 1996, pp.64-5). One reason is, "When Malays did open trading establishments, often with official assistance...even Malay customers frequently preferred non-Malay shops since their prices tended to be lower, and...they were more willing to extend credit" (Snodgrass 1980, p.223).

Despite a 5% bidding preference for Malay construction firms, they gained "only a tiny share of public-sector construction contracts, to say nothing of private construction" (Snodgrass 1980, p.225). The government tried to solve this problem by reserving small government construction projects for Malays. However, many of the contractors who receive these contracts subcontract them to Chinese or Indian firms. Those that do the job themselves have "little incentive to improve

efficiency...[so] cement is still mixed with shovels, no[t] mechanical mixers... bricks [are carried] piece by piece...roofing materials are carried tile by tile instead of using conveyor belts” (Musa 1999, p.180).

In road transport, favouring Malays in granting taxi and trucking licenses and promoting the formation of Malay bus companies did increase the Malay share. However,

On the negative side, there is the extent of purely nominal compliance (for example *sub rosa* leasing of Malay-licensed taxis to non-Malays) and...there is no doubt that the number of licensed taxis and common-hauler trucks have increased less than they would have in the absence of the restrictive licensing policy, while substitute vehicles such as private cars (some of which are used as “pirate taxis”) and trucks licensed only to carry the owner’s goods have grown proportionately (Snodgrass 1980, p.226).

So government racial regulations have been circumvented, but that has required a great deal of time and effort, since the inevitable result of affirmative action regulations is to

give a large discretionary role to individual [government] administrators and create a multiplicity of regulatory agencies...Chinese entrepreneurs must devote a disproportionate amount of energy to dealing with the bureaucracy (Wu 1983, p.116). Quotas for employment of Bumiputras [Malays] have led Chinese businessmen to resort to a variety of strategies...[for example] the device of “Ali-Babism” (collaborating with a Malay “Ali” but keeping control themselves, “Baba” meaning a Chinese)... Bumi-putra favouritism can tempt collection of illegal and extra-legal fees and observers believe that corruption has increased.⁸

Who benefits from of this complex, fraudulent web of manoeuvring?

When the NEP ended, in 1990, the ratio of average Chinese and Indian household income to Malay was not much less than when it was instituted twenty years earlier (2.3 and 1.8 to 1); and this decrease resulted from the increased employment of Malay women and the movement of many Malay men from the informal economy, especially subsistence farming, to the formal economy, especially manufacturing, where they receive regular, recorded wages (Emsley 1996, pp.35-6, 45-8, 108).

However, Malaysian affirmative action has made rich Malays much richer.

Government-owned businesses are “managed by members of the Malay elite. The new tycoons...are drawn from high social status groups... several are members of royalty” (Snodgrass 1980, p.221). In private corporations, the number of Malay partners, executives and board members, most of whom have political connections, has increased greatly (Sowell 1996, p.196). The government has also sold large businesses like Malaysian National Airlines to Malays without competitive bidding, or given them to Malays free of charge, like the North-South Highway. The huge government petroleum company, Petronas, then saved many of these businesses, including a shipping company owned by the Prime Minister’s son, from bankruptcy by buying their assets. In many other cases, the recipients of such businesses immediately sold them at a huge profit at market prices. That is the usual procedure for the 30% of the initial public offering of every corporation that is reserved for Malays, many of whom are relatives of cabinet ministers (Musa 1999, pp.165-8, 178-81, 187-8, 259). But only Malays can own the mutual funds (unit trusts) managed by the government organization ASN. Thanks to huge government subsidies, they provided a 16.1% annual total return in the 1980s, while the inflation rate was 2%; and most of their dividends are tax-exempt. Only 0.6% of owners own a third of them (Elmsley 1996, pp.58-60).

The Malaysian government is fully aware that a small elite of Malays has reaped the rewards of affirmative action. Dr Mahathir Bin Mohamad did more than anyone else to enforce these preferences. He has been Malaysian Prime Minister since 1981, Minister of Home Affairs since 1986 and was Minister of Education from 1974 to 1977 and of Trade and Industry from 1977 to 1981. In his book *The Malay Dilemma*, which since its publication in 1970⁹ has been regarded as the most authoritative defence of pro-Malay affirmative action, he observed (p.44), “These few Malays, for they are still only very few, have waxed rich not because of themselves, but because of the policy of a government...The poor Malays themselves have not gained one iota.”

In a speech on June 20, 2002 Prime Minister Mahathir said about the affirmative action policy of which he has been the most important defender and enforcer, “I feel disappointed because I achieved too little of my principal task of making my race a successful race”. The July 29, 2002 issue of *Business Week*,¹⁰ which quoted that statement, pointed out,

Of the top 10 companies listed on the [Malaysian] stock exchange, seven are state-controlled and three are ethnic Chinese family businesses. ... Discounts given to Bumi-putra shareholders in state-owned enterprises that went public in the 1980s cost billions [of USA dollars] ... Privatized state companies such as Malaysian Airlines and automobile assembler Perusahaan Otomobil Nasional (Proton) have been driven into the ground by CEOs [chief executive officers] whose chief qualification appeared to be that they were Bumi-putras. The recent near-collapse of engineering company Renong – a bastion of Bumiputra patronage – spurred a purge of Bumiputra businessmen by Mahathir himself. ... In the late 1980s, the government created special export manufacturing zones where multinationals such as Intel Corp. and Motorola Inc. set up shop. Among the attractions: They don’t require Bumiputra partners.

Dr. Mahathir himself explained the cause thirty-two years earlier in *The Malay Dilemma* (p. 25), when he summed up the problem: “*Whatever the Malays could do, the Chinese could do better and cheaper*” (italics added).

For the same reason, savage affirmative action has not solved the Chinese problem anywhere else. In Indonesia, Chinese suffered from discrimination in land ownership and education under (Dutch) colonial rule and more intense discrimination after independence; and they have been victims of mob violence on a much greater scale than in Malaysia. Nevertheless, Chinese comprise 3.5% of Indonesia’s population but control 70% of its private domestic capital and run more than 80% of its 200 largest businesses. In Thailand, despite pro-Thai affirmative action since the 1930s, Chinese own over 70% of all retailing outlets, all four of the largest private banks and between 80% and 90% of the rice mills, the largest businesses in the country. Even some of the government-owned enterprises established to reduce the role of the Chinese in the economy hired Chinese managers. In the Philippines, where Chinese comprise 2% of the population and were victims of discriminatory legislation and mob violence, they own 75% of the retailing businesses and over half of the value of corporate stocks. The Americas are no different. Into the 1870s, unskilled, illiterate Chinese labourers were shipped to the Caribbean because they would work for much less than blacks. By the middle of the twentieth century, the average income of Jamaican Chinese was three times the average income of mixed Chinese-black Jamaicans and five times that of black Jamaicans. As everywhere else, this success has been rewarded by mob violence.¹¹

Already in 1955, Virginia Thompson and Richard Adloff in *Minority Problems in Southeast Asia*¹² summarized the futility of all attempts to solve the Chinese (and Indian) “problem” in Southeast Asia.

Controls which the respective governments are now [1955] trying to impose on Chinese business [include] the official monopoly of the rice trade in Burma, Thailand, and Indochina; the reservation to nationals of a majority of the licenses granted to exporters and importers in Indonesia, Cambodia, and Burma...and the development in these countries of co-operative societies designed to eliminate the alien middleman and the moneylender.... Attempts to control the Chinese...have been frustrated by Chinese evasion, ability, and indispensability.... Licensing systems have been thwarted by the willingness of inexperienced indigenous businessmen, whom they were intended to benefit, to sell their import and export permits to Chinese... Indonesia's President Sukarno in a speech...attacked the Chinese: "... Government regulations have frequently been violated, outsmarted...These foreigners...have sown the seeds of racial hatred, because the difference between rich and poor coincides with the difference in nationalities." None [of the governments of Southeast Asia] has yet proved the ability of its own nationals to replace the services which the Chinese have performed. No amount of legislation...can induce enough of its own people to take up jobs which the Chinese can no longer legally fill. More important is the grave problem of agricultural credit....Burma's post-war government has had to write off, at a great loss to the national treasury, the great bulk of agricultural loans it had made to peasants...The Chinese seem, through sheer ability, to have adapted themselves...Double-taxed by both regimes in Viet Nam, subject to extortion from "agents" of both Peiking and Taipeh [Taiwan] in Malaya and Thailand, and the target of discriminatory legislation everywhere...the Chinese have...prospered.¹³

As the statistics I cite before my quotation from Thompson and Adloff show, Southeast Asian governments were no more successful at solving the Chinese problem in the years that followed the publication of their book than they had been earlier. Consequently, in the spring of 1998, "Chinese-owned office buildings, banks, and shopping centres all over Indonesia went up in smoke. Ethnic Chinese homes and shops were looted; ethnic Chinese women were pulled off buses and brutally raped" (Paris 1998).

James Rohwer (1995, p.231), after discussing Chinese success throughout Southeast Asia and the hatred it invariably causes, pointed out, "If this sounds familiar from something in European history, it should: As early as the seventeenth century European travellers in Southeast Asia were describing the Chinese as 'Jew-like'." When King Rama VI, who ruled Thailand between 1910 and 1925, wrote a book entitled *The Jews of the East* to attack the Chinese in Thailand, he was using for his title a description that had been widely used for three hundred years (Pipes 1997, pp.123-4). More recently, while Amien Rais, the head of the 28-million-member Indonesian Islamic organization Muhammadiyah, was a graduate student at the University of Chicago, he said that he wanted to prevent the Chinese from attaining the type of control over Indonesia that Jews exercised over the United States (Paris 1998).

So it is significant that when IQ tests were devised, they explained the similarity between Jews and Chinese that had been repeatedly noted for centuries.

The difference in average IQ between Chinese and Austronesians (a racial category that includes Malays, Indonesians and Filipinos) is approximately the same as the difference in average IQ between European Jews and Gentiles (and also between American whites and blacks). The average IQ of American blacks is in the middle 80s, of Austronesians high 80s to middle 90s, of white Gentiles 101-3, of Chinese 105-6, of Jews of European origin 114-19.¹⁴ The relative success of these ethnic groups, whenever they live together in the same country, adds to the other irrefutable evidence that intelligence is genetically determined, that it is the primary factor in occupational/economic success and that it is measured accurately by IQ tests.¹⁵

For this reason, discrimination, no matter how severe or prolonged, has never solved the problem of ethnic/racial economic inequality. The only solution is to eliminate the guilty group, whether by expulsion, as the Ugandans did to the Indians, or by mass murder, as the Nazis did to the Jews.

3 South Africa: History repeats itself

In 1994, when South Africa's first black president, Nelson Mandela, took office, its population was 15% white, 74% black, 8% Coloured (mixed-race) and 3% Indian. Until 1994 whites controlled the government, which enforced residential racial segregation. Fifty-seven per cent of white South Africans were Afrikaners, that is, South Africans whose first language is Afrikaans, a dialect of Dutch that evolved in South Africa. They tended to be considerably poorer, more rural, religious (Dutch Reform) and racist than English-speaking white South Africans. Before 1994 the Afrikaner majority was magnified electorally because rural districts were overrepresented in parliament. Every South African head of state was an Afrikaner from the time that South Africa attained independence from Britain, in 1910, until 1994. Most English-speaking white South Africans are of British origin. Economically by far the most important non-Anglo-Saxon English-speakers are Jews, who in 1987 were 2.3% of the white population but controlled 62% of the total value of the shares listed on the Johannesburg Stock Exchange (*Economist* March 15, 1997, p.50).

Karl Marx observed at the beginning of *The Eighteenth Brumaire of Louis Napoleon*, "Hegel remarks somewhere that all facts and personalities of great importance in world history occur, as it were, twice. He forgot to add: The first time as tragedy, the second as farce." So it is instructive to compare Nelson Mandela's socio-economic views with those of his predecessors. On December 16, 1997, at the national meeting of the African National Conference (ANC), which led the fight against white rule and has ruled South Africa since it ended, he said,

[An] important element of our policy is the deracialisation of the economy to ensure that...in its ownership and management, this economy increasingly reflects the racial composition of our society....Business success can no longer be measured solely by reference to profits....The *laissez-faire* argument...invokes the argument of the survival of the fittest. There is something wrong with making the survival of the fittest the guiding principle of a civilised society.... The situation cannot be sustained in which the future of humanity is surrendered to a so-called free market, with government denied the right to intervene....Our own society [is one] in which many are driven by the unhampered pursuit of self-interest, and ...money has forcefully taken the place of fundamental values.

On October 11, 1958, the newspaper *Die Transvaler*, whose editor for many years was Hendrik Verwoerd, Prime Minister from 1958-66, had the following editorial.¹⁶

There are people who [argue that]...simply everything... must be made subordinate to their so-called economic laws.... It is fortunate that under a Nationalist government these worshippers of economic laws have never had their way but a nobler and higher goal has been striven after – the maintenance of white civilization.

In September 1941 *Volkshandel* made a different accusation against capitalism.

Every sober-minded, thinking Afrikaner is fed up to the top of his throat with so-called *laissez faire* – let-it-be – capitalism, with its soul-destroying materialism and the spirit of "every man for himself..." We are sick of it because of...the condition which makes the Afrikaner a spectator in the business of his own country.

In October 1934, Daniel François Malan, who fourteen years later became prime minister and inaugurated the policy of *apartheid*, which intensified and systematized South Africa's racial discrimi-

nation, said, "By revolution or evolution, the capitalist system, which is based on self-interest and the right of the stronger, is doomed."

These attacks on capitalism can be misleading. The ANC once championed socialism, but it now embraces the productive power of capitalism, while trying to prevent the "fittest" from retaining economic control. Similarly, into the early 1950s some Afrikaner nationalists were genuine socialists, but most Afrikaner nationalists merely wanted to prevent what they accurately perceived would be the inevitable results of unrestrained capitalism: economic, social, and residential racial integration and interdependence, a decline in the standard of living of white manual workers (most of whom were Afrikaners), the end of a distinctively Afrikaans culture and control of the economy by the "stronger".

I put "fittest" and "stronger" in quotation marks because the transfer of Darwinian terms from biology to economics is extremely distorting, since in *laissez-faire* capitalism success can be gained and maintained in only one way: being better than competitors at providing products and services that other people want. For example, in 1908 the cheapest car cost \$1500. In that year Henry Ford began selling cars for \$825, by 1925 he was selling cars for \$260. That made him the "fittest" and "strongest" automobile manufacturer in the world.

Prime Minister Malan and President Mandela used these misleading terms in order to represent themselves as champions of a more humane economic system. In fact, their real objection was that the "stronger" and "fittest" are the wrong people; whites in general for Mandela, and Anglo-Saxons and, even more, Jews for Malan.

English-speaking white South Africans did not develop an ideological justification for racial discrimination but they had strong practical reasons for maintaining it. Some were manual workers and others sympathized with white workers. Most importantly, nearly all white South Africans knew that residential integration would expose them to an extremely high rate of crime.

Few people in world history had nearly as obvious reasons for practising racial discrimination as white South Africans did. However, the economic self-interest of each individual is always not to discriminate. So even in South Africa, whites, acting collectively, had to resort to large-scale government intervention to enforce discrimination, and that intervention was constantly opposed and circumvented by individual whites and white-owned businesses. David Yudelman (1975, p.93), in a classic summary of interpretations of South African economic history, pointed out that there are "certain intractable facts" that no one denies: "White industrialists have put continual, concerted pressure on the South African government...to allow them to use more black labour, and in more skilled jobs...because...they see this as a way of becoming more affluent."

The first major confrontation came in gold mining. More than half of South Africa's export earnings came from gold, and the tax on the profits of gold mines was the main source of government revenue. This gave mining unions great power since a strike threat was a national crisis. Between 1893 and 1918 mining unions obtained more and more legislation that forced mine owners to restrict the employment of non-whites, especially in skilled jobs. However, during 1921 the price of gold fell from 130 shillings an ounce to 95 shillings, while labour costs per ton had increased by a third since 1915. Despite Prime Minister Smuts' warning that racial job restrictions were "sacrosanct", the desperate mine owners replaced about a third of their white miners with blacks and lowered the wages of the other white miners, who now had black competition. The result was one of the bloodiest labour confrontations in the history of the world. White miners, many led by Communists and socialists, waving red flags and chanting, "Workers of the world, unite and fight for a white South Africa", attacked blacks and police stations. For a few days the strikers controlled most

of Johannesburg and its environs. The government needed 7,000 soldiers, artillery and aerial bombardments to restore order. Approximately 250 people were killed, over four-fifths of whom were white. Four strike leaders were hanged and one committed suicide. The mine owners' final victory came in 1923, when the courts ruled that the laws regulating racial mining employment were *ultra vires*.¹⁷

The brutal suppression of the strike made the South Africa Party (SAP), which controlled the government, unpopular. The next election, in 1924, was won by a coalition of two parties that had supported the strikers – the National Party, which represented Afrikaner workers, farmers and nationalists, and the Labour Party, which represented English-speaking workers. The new government passed legislation that entrenched racial restrictions in mining employment beyond legal challenge. As a result, between 1935 and 1963, the average annual real rate of return on South African mining shares was only 0.2% and South African mining companies diverted much of their investment into other businesses. By 1970 many gold mines were kept operating by government subsidies; the annual amount of which was what the mines would have saved by replacing 70% of their white workers with blacks. As is typical of racial preferences, the beneficiaries of these severe economic dislocations were the elite of the protected group. White mineworkers' wages were between one-third and two-thirds higher than those of white manufacturing and construction workers.¹⁸

The National-Labour government also made bidding on government contracts and tariff protection for manufacturers conditional on the employment of "a reasonable proportion" of white workers and gave white unions a key role in determining occupational structure and access to training. Nevertheless, between 1924 and 1940 the proportion of manufacturing employees who were white rose by only four percent (38% to 42%).¹⁹

Farmers had much more political influence than other employers. They were more numerous than other employers, and their numbers were magnified by the overrepresentation of rural districts in parliament. Moreover, most farmers were Afrikaners, while most other employers were English-speaking; and farmers benefited from romantic associations among Afrikaner nationalists. In 1910 over half of the members of parliament (MPs) of the ruling SAP were farmers; in 1948 nearly half of the MPs of the victorious National Party were farmers, as were 20% of the opposition United Party MPs. Because of their political influence, farmers were the only employers who managed to avoid any government intervention in their employment practices. Consequently, agricultural employees, even in skilled and managerial jobs, came to be nearly all black, despite high Afrikaner rural unemployment (Lipton 1986, pp.86-8, 96-7, 258, 282).

Since private employers could not be induced to hire most of the whites who were displaced from rural areas, the government supplied employment. Between 1924 and 1940, the number of whites employed by the government in relief work rose from 19,000 to 55,000. The proportion of whites employed by the Railways and Harbours Administration, the largest government employer of manual labour, increased from 9.5% in 1924 to 39.3% in 1933. By the end of the 1920s the cost of this employment policy had become so embarrassing that the Board of the Railways and Harbours minuted that the Railways need no longer record its cost.²⁰ Moreover,

Some public corporations found it impossible to continue the policy of labour recruitment based on socio-political, as opposed to economic criteria....In 1932 ISCOR [Iron and Steel Corporation] announced that, handicapped by the Great Depression, it would no longer employ labour on *humanitarian* and not economic grounds and allowed blacks into its workforce (Standish 1985, pp.162-3; italics added)

ISCOR's management, like most white South Africans at the time, regarded racial discrimination as the "humanitarian" policy, but was prevented from pursuing it by economic considerations. Since economic considerations exercised such a powerful influence on a government corporation, it is no wonder that private businesses could not be forced to put morality above profits.

In 1933, the National Party fused with the SAP to form the United Party. But in 1934 twenty right-wing members of parliament, led by DF Malan, formed the *Gesuiwerde* (Purified) National Party (henceforth "NP"). It controlled South Africa from 1948 until the end of white rule and intensified and systematized racial discrimination.

In 1951 the Industrial Legislation Commission reported that blacks were replacing whites in the baking, furniture, millinery, sheet metal and electrical businesses and that blacks "largely dominate the semi-skilled market and have penetrated the sphere of skilled labour to a not inconsiderable extent" (Lipton 1986, p.39). The NP government then introduced the first legislation to control directly the employment of non-whites in manufacturing and commerce, especially in skilled jobs. It consisted of monthly taxes on employers of urban blacks and tighter restrictions on blacks entering and staying in towns and cities. However, the economy could not function without black labour, including skilled black labour, so the government constantly granted *ad hoc* exemptions. This gave great arbitrary power to government officials, which they used as a means to silence business opposition to government policies. Indeed, Minister of Transportation Ben Schoeman called job reservation "a sword above an employer's head" (Williams 1989, pp.77-9; Lipton 1986, pp.24-6).

Despite this sword over their heads, businessmen continued to fight government interference, overtly in political campaigns and covertly in their business practices. The government's Riekert Commission (1979) estimated that most of South Africa's clothing factories were employing illegal black workers. Businesses "even made provision in their tender prices for the payment of fines". It reported that nearly all employers complained that bureaucratic control of the black labour supply meant that they could not hire "suitable workers...within a reasonable time", that hiring black workers involved "cumbersome procedures linked with voluminous documentation" and that this problem was particularly acute for small businesses because they could not hire special staff to deal with labour recruitment, so it absorbed much of the time and energy of management. The Riekert Report concluded that government control of labour was an "absolutely essential social security measure; even though... the abolition of such control would lead to faster economic growth" (Lipton 1986, pp.151-3, 156).

The situation was the same in the employment of non-manufacturing labour. For example, in 1951 blacks were legally barred from skilled construction jobs, and this bar was re-enacted in 1970. Nevertheless, the Industrial Tribunal reported in 1974 that it found "alarming malpractices" on visiting building sites, with blacks "openly engaged" in nearly all types of skilled work. Hundreds of building employers were prosecuted, but the illegal employment of blacks in skilled construction jobs kept increasing (Lipton 1986, pp.24, 33, 209; Williams 1989, p.105).

The government knew who its enemies were. It accused them of being "prepared to sacrifice white civilization" because of their "blind worship of *die Mammon van die geldmag*" (Mammon of the money power) (Strangways-Booth 1976, p.120). Prime Minister Verwoerd (1958-66), "refus[ed] to address a major meeting of businessmen, whom he charged with 'paving the way for black domination' and denounced Assocom [Associated Chambers of Commerce] as traitors".²¹ In a way, these accusations were unfair.

Businessmen shared the dislike and fear of most white townsmen of the problems [especially crime] associated with rapid [black] urbanization and supported some controls over entry,

even while they complained about restrictions on the size of the labour pool and the mobility of their *own* workers. Despite this ambivalence, their pressures were consistently for the erasing of controls (Lipton 1986, p.150; her italics).

In order to control where blacks lived, white South Africans had to control the government. So when the editor of the *Rand Daily Mail* took a politically liberal (in addition to an economically liberal) line, the newspaper's owners, who were mainly leaders of the mining industry, replaced him (Yudelman 1975, p.89).

However, it was Verwoerd, a brilliant intellectual and systematic thinker, who saw the long-range consequences of the constant war that South African businessmen waged, both legally and illegally, against government economic regulations. Similarly, in 1950 a conference of the Action Committee of the Dutch Reformed Churches, which were zealous supporters of white rule, accurately predicted that blacks could not continue to be hired in low-skilled jobs without eventually entering higher-skilled jobs and then demanding political power (Williams 1989, p.13).

White individuals acting as consumers were as eager as white individuals acting as employers to violate laws that they thought desirable for social reasons. "To build a house in Johannesburg meant either waiting for months for a white, expensive, legal building gang, or finding a black gang...Most customers opted for the quicker, cheaper service" (Sowell 1970, p.30). Whites acting as individuals even thwarted the one social goal that nearly every white South African thought was crucial: maintaining residential segregation. When in 1950 the national Group Areas Act systematized the hodgepodge of local segregation laws, Prime Minister Malan called it "the kernel of apartheid" (Williams 1989, p.32). But social considerations, even when enforced by Draconian legislation, could not withstand the craving of white businesses and individuals for employees. The urban non-white population tripled between 1951 and 1980, when it was eleven times what it had been in 1911 (Lipton 1986, p.401). This caused a severe housing shortage in non-white areas and consequent willingness of non-whites to pay high prices for houses in legally white areas. By the middle 1980s about half of urban non-whites lived in legally white neighbourhoods. Most of these neighbourhoods were lower-class and lower-middle-class and most of their white inhabitants voted for right-wing political parties, but they eagerly used subterfuges to circumvent the Group Areas Act to sell their houses to non-whites who offered above-market prices (Williams 1989, pp.112-14).

The NP's primary loyalty, however, was not to white South Africans in general but to "Afrikanerdom". After it attained power in 1948, with a large majority of the Afrikaner vote and a negligible English-speaking vote, its leader and now prime minister, DF Malan, said in his victory speech, "for the first time since Union [1910] South Africa is ours". "Ours" did not refer to whites or even all Afrikaners. Every prime minister since 1910 had been an Afrikaner. It referred to Afrikaner nationalists: people whose primary goal was advancing Afrikanerdom. Before 1948 the government used the civil service and the twenty-two public corporations, which supplied most of South Africa's iron, steel, electricity, telecommunications, railway services, weapons, petrochemicals, etc, to provide work for whites. Malan and his successors made the government a huge mechanism for Afrikaner occupational advancement. Between 1950 and 1979, the government's share of gross fixed investment rose from 35% to 53%. In 1936 59% of white civil servants were Afrikaners, about the same as their proportion of the white population; and the better-educated English-speakers dominated the higher civil service ranks. By 1980 36% of Afrikaners were government employees; and over 80% of government officials were Afrikaners, including over 90% of the top civil service positions. The government also gave a huge boost to Afrikaner managerial and professional employment indirectly, through lucrative government contracts with Afrikaner businesses and firms of Afrikaner professionals (accountants, lawyers, engineers, architects, etc.). In fact, the boards of direc-

tors of Afrikaner-owned businesses often included cabinet ministers and interlocked with the boards of state corporations.²²

Crucial to understanding this blatant favouritism is that under NP rule, from 1948 until 1994, all South Africa's heads of state, most cabinet ministers, most NP members of parliament and nearly all heads of civil service departments and government corporations were members of the *Broederbond* (Band of Brothers) (Giliomee 1979, pp.247-9). One of the requirements for membership in the *Broederbond* was, "Does he give preference to Afrikaner...persons and companies in economic, public and professional life?" (Moodie 1975, p.102)

Nevertheless, the *Broederbond*, (and the NP, with which it was intertwined) completely failed to accomplish the goal it set itself in the 1930s: to "mobilize the *volk* [(Afrikaner) people] to conquer the capitalist system and to transform it so that it fits our ethnic nature". This *Volkskapitalisme* would subordinate economic considerations to the aim of Afrikaners investing in and buying from Afrikaner-owned businesses (Moodie 1975, pp.203-6). Before the NP attained power, Afrikaner nationalists tried to implement this goal with boycotts of Jewish and Indian retailers, especially in small towns. However, as always, "while patriotic Afrikaners made some effort to 'buy Afrikaans', the rank and file have been more interested in prices, quality, design...credit terms and the location of the business" (Giliomee 1979, pp.156, 167). So, "despite all the demagoguery, the Afrikaner masses traded with Indians rather than with the less competitive Afrikaner businesses" (Williams 1989, p.107).

Coloured (mixed-race) retailers also constantly complained of "unfair" Indian competition; and hostility was even greater among black customers, who saw Indians as "exploiters", than among white and Coloured competitors. The only major race riot in South African history was a black anti-Indian riot in Durban in 1949, in which 142 people were killed. However, as always, when non-Indians made economic decisions they chose self-interest over morality, patriotism and indignation at perceived exploitation. Consequently, competitors had to resort to government legislation. In 1950, over half a century of laws designed to curb Indian business success culminated in the provisions of the Group Areas Act that restricted Indian businesses mostly to Indian areas. But Indian businesses continued to prosper, obviously because whites, Coloureds and blacks, who collectively composed 97% of South Africa's population, bought from them. Between 1950 and 1976 the number of moderate-sized Indian businesses in Natal, where most South African Indians live, rose from 120 to 900.²³

Much more significant is that the NP totally failed to end Jewish economic dominance, an enemy that they personified as "Hoggenheimer", a name derived from the (racially) Jewish mining magnates, the Oppenheims. In 1937 Hendrik Verwoerd, who would be prime minister from 1958 to 1966, explained the NP position in a 4000-word essay entitled "The Jewish Problem Viewed from a National [Party] Standpoint",²⁴ which other NP leaders, including JG Strydom, who would be prime minister from 1954 to 1958, immediately accepted as definitive (Moodie 1975, p.167). It rested on the premises that caused the Holocaust, Armenian genocide, and every case of institutional discrimination in the world today. Verwoerd strenuously denied accusations of racial or religious bigotry. The problem was that "the Jewish community" "blocks Afrikaner economic wellbeing [*welvaart*]" because it "controls the businesses that offer important economic opportunity". Jews' "inequitable dominant position" (*oneweredige oorheesingsposisie*) also injures English-speaking Gentiles, whose "children are becoming clerks in businesses their parents owned". "The policy of the NP is to ensure that its ethnic group will share proportionally in the opportunities and privileges that the country offers. It does not begrudge to any other ethnic group its fair share, proportionate to its size."

Nevertheless, in 1987, after half a century of the NP's unscrupulous use of a monstrous government machine, Jews, who were 2.3% of the white population, controlled 62% of the total value of the shares listed on the Johannesburg Stock Exchange, English-speaking Gentiles controlled 27%, Afrikaners only 17%. (These percents add up to more than 100 because of overlap.)²⁵

At the beginning of this section I quoted Nelson Mandela's statement that an "important element of our policy...is [that] in its ownership and management, this economy increasingly reflects the racial composition of our society". But the post-1994 black South African government has been no more successful than the Afrikaner-nationalist government that preceded it. The front-page headline of the Johannesburg *Star* of November 7, 1997 was "Affirmative Action Scams Exposed". It reported that it is "commonplace" for South African "corporations [to] use black front companies and hire 'ghost' black directors to win contracts". These scams have been extremely lucrative for some blacks. Between 1996 and 1999, the net income of blacks who earned over 300,000 rands a year jumped from 5 billion rands to 13.5 billion rands. But the income of middle-income blacks did not change and that of low-income blacks fell.²⁶ By 1999, thanks to below-market-price sales and gifts by South African conglomerates, black-owned businesses accounted for 6% of value of shares traded on the Johannesburg Stock Exchange. That fell to 2% by February 2001; and most of that 2% was one company, Johnnic Holdings, owned by Cyril Ramaphosa, the man in charge of enforcing black economic "empowerment".²⁷

At the beginning of this section, I quoted Mandela's accusation, "many are driven by the unhampered pursuit of self-interest, and...money has forcefully taken the place of fundamental values". Previously, Afrikaner nationalists and white racists had constantly made this accusation. However, probably the most socially valuable human characteristic, the characteristic that saves us from self-destruction, is that when people act individually, economic self-interest is usually stronger than morality. It is a great misfortune that this is often not true when people act collectively and that there are people who have no interest in material self-aggrandizement but are driven by the desire to purify social interactions and human nature and to enhance their countries' greatness. If only Lenin, Stalin, Mao and Hitler had cared about nothing but making as much money as they could, they would have devoted themselves to providing products and services that other people want, instead of murdering tens of millions of innocent, defenceless people.

4 The United States

Before the 1950s, businesses in the Southern states of the United States opposed or tried to circumvent state and municipal segregation laws because of the expense and effort involved in implementing them. A much-studied case is the resistance of railroad and streetcar companies, which were privately owned, to the laws passed between 1880 and 1910 requiring them to segregate their passengers by race (Roback 1986). In addition to non-compliance, the streetcar companies fought the legality of these laws up to the Supreme Court. They lost in *Plessy v Ferguson* (1896), in which the Court ruled that “separate but equal” laws are constitutional. The streetcar companies were accused of “as usual...putting profits ahead of the welfare of the region” (Ayers 1992, p.143, cf. 144, 433).

Even before slavery was abolished, white Southern individuals put economic self-interest above racial prejudice. Consequently, throughout the ante-bellum South, white workers and artisans demanded and sometimes got legal protection against competition from free blacks, who were willing to work for lower wages (Sowell 1978, p.20; Taylor 1992, pp.28-9).

In the 1960s government-enforced anti-white discrimination replaced anti-black discrimination. As always, racial discrimination has “worked” in education. American colleges give preference in admission to a black whose parents are in the upper one-tenth of American SES (socio-economic status) (as determined by educational level, income and occupation) over a white with a higher IQ whose parents are in the lowest tenth of American SES. So the son of a black corporate executive, who was raised in an upper-class suburb, has a better chance of admission to an American college than the more intelligent son of a single, white mother who supports her family as a waitress. Preferences in grading and graduation are such that the average black American with a post-baccalaureate degree has approximately the same IQ as the average white American with no more than a high school diploma. So a white American who is intelligent enough to graduate from high school would be intelligent enough to get a post-baccalaureate degree if he were black.²⁸

Who employs most of these affirmative-action black university graduates? The answer will not surprise anyone who knows anything about economics or discrimination elsewhere. Over 60% of black American professionals work for the government but only a quarter of white professionals.²⁹ Blacks have been disproportionately represented among government employees since the 1950s, and their overrepresentation keeps increasing (Thernstrom 1997, pp.188-9, 581n7).

Blacks, and especially university-educated blacks, are concentrated in government employment despite enormous pressure on businesses since the middle 1960s to hire and promote blacks and massive assistance that has been given to black-owned businesses. In 1995 alone, \$5.8 billion in federal procurement funds were shovelled into just one set-aside program, the one known as 8(a), after the most important section of the statute that established it, for “small, disadvantaged [i.e. minority-owned] businesses”. The federal government is by far the largest consumer in the United States, contracting with private firms for huge amounts of military and civilian construction, and buying everything from toilet paper to airplanes.³⁰ In 1996, more than 90% of the contracts governed by 8(a) were awarded without competition. And this is just one of many such federal programs. Most states and cities have similar programs.

Who benefits from these programs? Black columnist William Raspberry summed up the irony of affirmative action in the *Wilmington News Journal* of August 30, 1990. Upper- and middle-class blacks cite statistics “to prove that blacks in the aggregate are under-represented in college, graduate school or top management”. As a result, “black executives who hold good jobs get promoted to

better ones; blacks who already sit on important corporate boards get other directorships. The people who provide the statistical base get nothing.”

An audit conducted in September 1994 of fifty of the “small, disadvantaged businesses” that are beneficiaries of the federal set-aside program 8(a) mentioned above found that thirty-five of the owners had a net worth of more than a million dollars and five lived in houses valued at over \$800,000. One business received \$440 million from the program.³¹

Furthermore, the legal maximum wealth that an owner of a “small, disadvantaged business” can have to be eligible for 8(a) is much less than for many other government programs. For instance, in the program by which the owner of a “small, disadvantaged [i.e. minority-owned] business” gets a 10% bidding edge for government contracts, the maximum net worth of the owner of a “small, disadvantaged businesses” is three times as high as in 8(a) (La Noue 2000, pp.92-3).

Even these beneficiaries are small fry compared to those who profit from other government programs. For example, tax deferrals for sales of communications businesses to “minority-led investor groups” has benefited Secretary of State Colin Powell and black multi-millionaires like Bill Cosby, OJ Simpson, “Mr T”, Patrick Ewing and Julius Erving. In 1994 Viacom decided to sell its cable television systems to a company owned by a black man named Frank Washington for 2.3 billion dollars. The tax deferral was worth about \$600 million to Viacom. In return it would charge Washington’s firm \$40 million less than the market value. This was the fifth such deal in which Washington was involved (Eastland 1996, pp.177-80; Thernstrom 1997, p.443).

The fraudulence of this deal is typical. When the US Department of Transport studied the composition of the companies that got contracts between 1982 and 1984 that were “set-aside” for Minority Business Enterprise (MBE) road building firms, they found that half were ineligible or questionable (Taylor 1992, p.139; Belz 1991, p.201). Timothy Bates and Darrell Williams (1995), in an article that favours government assistance to MBEs, summed up the situation:

In many areas of the country, the façade of statistical success in preferential procurement rests on a foundation of misinformation and fraud. According to the Baltimore County Grand Jury, “A great number of certified minority businesses have traded the opportunity to gain a foothold in the construction industry for the quick profit available from selling the use of their MBE name to non-minority firms”.... The MBE vendor groups with the highest government mean sales was [*sic*] construction...[Among them] government sales...[are] a negative and statistically significant determinant of firm survival....selling to the government is clearly associated with going out of business.

Someone has to pay for this: for contracting with MBEs to do jobs for more money than non-MBEs would charge, for the expenses that non-MBEs incur buying MBEs’ names, setting up dummy MBEs or paying MBEs to pretend they are their partners or subcontractors. Moreover, litigation is constant. Each year about six thousand affirmative-action lawsuits are brought at a cost of \$300 million (Epstein 1992, p.259). Even the cost to contractors of trying to handle the complex regulations of the Office of Federal Contract Compliance Program (OFCCP) is 6.5% of total costs. And the OFCCP regulates the affirmative action programs of nearly 200,000 government contractors and subcontractors, which employ 24% of the entire American workforce (Zelnick 1995, pp.29, 44). If the reader suspects that this estimate was exaggerated by anti-government bias, I will observe that in 1993 the Task Force on Reinventing Government, appointed by President Clinton and chaired by Vice President Gore, estimated that the “cost to the private sector of complying with regulations is at least \$430 billion annually – 9% of our gross domestic product”.³²

I have discussed only two types of government support to MBEs: government contracts and tax deferrals. There are many others. One is the huge loans that the federal government and many states and municipalities make to MBEs. For example, less than 1% of American farmers are black, but they receive 3.2% of all loans made by the US Department of Agriculture. In addition, US governments force banks to make a substantial proportion of their loans to minorities. Significantly, black-owned banks make a considerably smaller proportion of their loans to blacks and in black neighbourhoods than do white-owned banks. The reason can only be that they are under less government pressure than white-owned banks to consider race (Taylor 1992, pp.57, 184-7; Williams 1982, pp.29-30).

Despite this massive assistance, native-born and immigrant-origin blacks are the American ethnic groups among whom the lowest proportion of working men are self-employed;³³ and 60% of the revenue of black-owned businesses is from the government (D'Souza 1995, p.496; Taylor 1992, p.141).

I mentioned that Bates and Williams (1995), whom I quote above, favour government assistance to MBEs. They praise in particular (p.7) Atlanta, Georgia for its "ambitious and innovative MBE preferential procurement programs". Atlanta is often cited as a showcase of government assistance to MBEs. So it is worth considering its MBE programs in detail.

In Atlanta, the going rate that white construction firms pay to blacks to sign contracts for them is 15% of the contract's value. Already in the late 1960s this game was called "rent-a-skin" (Jacoby 1998, p.384). That does not include the cost of the contract not going to the lowest bidder. In 1995 a contractor estimated that a building job that costs \$60,000 in a nearby county, costs \$100,000 in Atlanta (Thernstrom 1997, pp.424, 451).

The Atlanta MBE program that first caught the nation's attention was the \$500 million reconstruction of its international airport between 1975 and 1980. Before any business could bid for work on it, it had to submit detailed plans for ensuring that MBE subcontractors would do 20-25% of its work. Then banks were forced to loan money to these MBEs. On its completion, in September 1980, the airport was ballyhooed as a model of successful affirmative action. But even before that, an investigation found that of the \$70 million subcontracted to black firms, 17% went to white companies headed by a black figurehead; 12% went to white businesses by way of black middlemen, who took a rake-off; 15% went to white businesses that passed as MBEs without even bothering to put up a front and 10% went to companies that really were black-owned but were so inefficient that they were already bankrupt. That totalled 54% of all MBE subcontracting. Another 6.5% were bankrupt seven years later. Two large, well-established, black-owned companies got 85% of the rest. Of the MBEs that had joint-ventures in rebuilding the airport, three-quarters were no longer in business less than a decade later. Thirteen of the shops and restaurants at the airport were also set aside for black owners, all of whom were rich and/or politically connected, including the mayor's ex-wife and the head of the Atlanta Urban League. By 1988, only five were still in business (Jacoby 1998, pp.387-89, 400-402, 437).

Atlanta's next municipal mega-building project was renovating its centre with an underground entertainment complex. The municipal administration studied the airport MBE program carefully to avoid similar mistakes. It resolved to award concessions on the basis of business skill, not political connections, and gave each of the 27 minority tenants business training and nearly \$300,000. The entertainment complex opened in June 1989. One of the first MBEs to fail was a seafood restaurant, which left unpaid \$60,000 in rent, \$75,000 in taxes and insurance premiums, and \$250,000 it had borrowed from the city and a bank at below-market interest. When five other MBEs were on the verge of failure, the city stepped in with seminars, one-on-one counselling and \$250,000 more. In a

few years, the tenants owed \$1 million in rent. Many of the rents owed were ignored, but by 1994, only five years after opening, 21 of the original 27 original minority tenants had gone out of business, and the remaining six were barely hanging on. The top Atlanta executive of the major contractor argued that this was not a failure because “the survival rates were better than normal” (Jacoby 1998, pp.476, 479-88).

As always, these programs did have beneficiaries. One was black contractor Hermann Russell, whose “political connections reached wide and deep”. By the end of the 1980s, Russell’s company was involved in ten of the fifteen major municipal construction projects and had an income of \$150 million a year. For the city-centre renovation, he made a token investment of \$167,000, which guaranteed him an annual management fee and a large share of annual sales revenue, but no liability for losses (Jacoby 1998, pp.398-9, 417-24, 473-8). City councilman John Lewis observed that as a result of these programs, “Those who were driving a Mercedes are now driving a Rolls-Royce. But those who were walking are still walking” (Jacoby 1998, p.420).

The final question must always be: why do black-owned businesses fail and why are blacks poorer than whites? The media frequently and uncritically report studies that claim to show anti-black discrimination in hiring, promoting, lending money etc. These claims are then invariably shown to be bogus, but the counter-evidence receives little or no media attention.³⁴

Moreover, anyone who knows anything about racial discrimination in other countries knows that it could not explain the economic situation of black Americans. Surely white Americans are not as bigoted as white businessmen in white-dominated South Africa were generations ago, who paid fines to be able to hire black workers and promote them to skilled positions, or as Afrikaners in the 1930s, who ignored the appeals of the political leaders that they elected to boycott Jewish and Indian businesses, or as Afrikaans farmers, who formed the core of support and leadership for extreme right-wing parties but hired black managers and trained skilled black workers instead of unemployed Afrikaners.

These *a priori* considerations are supported empirically. In 1989 the Supreme Court ruled in *City of Richmond v Croson* that city and state governments could use racial criteria for contracts only to redress past discrimination, which included “passive discrimination”, when a government did not end private discrimination in its jurisdiction. In the next five years, state and municipal governments spent \$55 million of the taxpayers’ money for 140 studies to prove past discrimination. The federal government also used taxpayers’ money for this purpose. Atlanta’s 1034-page study covered the city’s contracting history since the Civil War. Significantly, a city in the Deep South had to go back to the Civil War to try to find evidence of government discrimination, including passive discrimination. More significantly, not a single one of these studies that has been brought to a trial has ever been found to be valid (La Noue 1993; 2000, p.95; Taylor 1992, pp.139-40). But their validity is irrelevant.

No matter how poorly done, a several-hundred-page disparity study “proving discrimination” will quiet critics in the political and business community, just by its existence. Few will actually read it and fewer will have the time or tools to analyse it. Once a study exists, the relatively... inexpensive trial tactic of seeking a preliminary injunction is usually eliminated. A case...involving a disparity study will end up as a costly duel of experts, with the jurisdictions having an enormous advantage in intellectual and fiscal resources [supplied by the taxpayers]. If the contractor wins, the jurisdiction may commission a new study and put the program back in place, until challenged again in court.

There are considerable risks for a...contractor challenging an MBE program. The litigation will be long, costly, and uncertain in outcome....the charge of racism will often be made...Further, [he is] suing...the government, which controls so much of the environment in which contractors work. Contractors [have been]...warned by politicians not to challenge MBE programs....Jurisdictions have proven adept at protecting their overall program by granting waivers or settling out-of-court before a ruling is made...When, after three days of trial, the Dade County study was shown to have serious flaws, the county paid \$490,000 settlement to the plaintiffs so it could continue its program (La Noue 1993, p.61).

Dade County, like Atlanta, is in the Deep South, but it could not come up with evidence of past discrimination that could withstand three days of trial. New York also paid for a huge study that proved nothing. Nevertheless, its mayor then announced that 20% of city contracts would go to businesses owned by minorities and women. San Francisco's report also could find no evidence of past discrimination, but its mayor told department heads that their budgets would be slashed if 12% of their suppliers were not MBEs. By 1992, 234 American jurisdictions had MBE set-aside programs, 19 more than in 1988, the year before *Croson*. Then, in 1993, Memphis began a MBE set-aside program and the states of New York and New Jersey reinstated the set-aside programs they had suspended because of *Croson*.³⁵

In 1995, in *Adarand Constructors v Peña*, the Supreme Court, in essence, extended the *Croson* ruling to the federal government. The federal government immediately spent \$1.7 million to try to find evidence of past discrimination (Eastland 1996, p.191). This search was necessary since when Congress passed the minority business set-aside law, the only evidence for the prior discrimination that the law's supporters offered was the small proportion of contracts that minority contractors obtained. They did not offer even anecdotal evidence of past discrimination (Epstein 1992, pp.429-30). In 1996, the Justice Department proposed a study for each industry to show "the level of minority contracting that one would reasonably expect to find in a market absent discrimination or its effects". In 1998, after two years of research, the Department of Commerce issued the study. It urged that the 10% advantage for bids from minority businesses be extended to nearly three-quarters of the federal procurement budget. Incredibly, this study, which was of such constitutional and budgetary importance, was only twelve pages long. Despite repeated attempts, Congress could get no information on how the study was conducted. But enough data was forced out of the Justice Department by litigation to show that the study's methodology was blatantly flawed and its conclusions often deliberately fraudulent. One point that the Justice Department did state clearly was that it could find not one instance of anti-minority discrimination by a federal procurement officer. President Clinton then ordered the Commerce Department to prepare a new study. To support it, the government paid private consulting firms to recruit 30,000 minority-owned businesses *a year* to seek certification as "small, disadvantaged businesses" (SDBs). Since the premise on which these studies is based is that "absent discrimination or its effects" the same proportion of SDBs would receive government contracts as the proportion of SDBs in that industry, the huge increase in the number of SDBs proves that many more should be granted government contracts (La Noue 2000).

So American federal, state and municipal governments are spending huge amounts of white taxpayers' money to enable them to continue discriminating against whites by awarding contracts to companies that will cost taxpayers more to do work than the companies who would have gotten the work if there were no discrimination.³⁶

On August 10, 2001 President George W. Bush's Justice Department filed a brief with the Supreme Court to allow it to continue the programs that the *Adarand* decision ruled were illegal, so that "public dollars" will "not serve to finance the evil of private prejudice". Its proof of discrimination was, as always, statistical underrepresentation.³⁷

The question imposes itself again and even more strongly: why are black-owned businesses so few and feeble, even in mostly black cities? Why must the various governments of the United States resort to expensive frauds to enable them to practise massive racial discrimination?

Most black Americans say in surveys that they prefer to buy products made by black-owned businesses, but only 4% of their spending goes to black-owned businesses (Wynter 1994; D'Souza 1995, p.496). Even on Harlem's West 125th Street, the main business street in the most famous black American community, foreign-born merchants, mostly Koreans, own three times more stores than blacks (Treadwell 1991).

The reason is that prejudice is free, but discrimination has costs.

5 Nazi Germany: The ultimate test

The Nazis called the Holocaust “the final solution [*Endlösung*] of the Jewish problem”. The nature of that problem had been obvious for a long time to Germans and non-Germans alike. Quoted below are some observations, concluding with those by Hitler, who solved it.

The problem

The motive of this anti-Semitic fury [in Germany] is simply the growing prosperity of the Jewish colony...High finance and small business are both in [Jewish] hands...In the liberal professions he absorbs everything: he is the lawyer with more briefs and the doctor with more patients (Portuguese novelist Eça de Queiroz, 1880 (Stern 1977, p.519)).

[The Jews] inhabit the best houses in the best quarters of the town [Berlin], drive about the parks in the most elegant equipages, figure constantly in the dress circle at the opera and theatres, and in this and other ways excite a good deal of envy (Shepherd Thomas Taylor, *Reminiscences of Berlin during the Franco-Prussian War*, London, 1885, pp.236-7).

The purpose of the association formed under the title “League of Anti-Semites” is to...strive...towards the one aim of saving our German fatherland from complete Jewification...by making it its task to force the Semites back into a position corresponding to their numbers (This is the beginning of the program published in 1879 by the *Antisemiten Liga* (“League of Anti-Semites”), the first organization anywhere to bear that title (Pulzer 1988, p.49)).

Year after year across our [Germany’s] eastern border, out of the inexhaustible Polish cradle, pours a host of ambitious pants-selling youths whose children and grandchildren will one day dominate Germany’s stock exchange and press.... Right into the most educated circles, among men who would reject with disgust every thought of religious intolerance or national arrogance, we hear from every mouth: “The Jews are our misfortune” (Professor Heinrich von Treitschke in *Ein Wort über unser Judentum* (*A Word about Our Jews*), which reprinted articles published in 1879 and 1880. Treitschke was the most highly regarded authority on modern German history. “The Jews are our misfortune” (*Die Juden sind unser Unglück*) became a rallying cry of German anti-Semites. The Nazis plastered it throughout streets and squares when they attained power).

Recently a corpse was found...The corpse was examined – and at hand were a Jewish doctor, a Jewish surgeon, a Jewish judge, a Jewish lawyer – only the corpse was German (Adolf Stöcker, *Die Juden Frage* (*The Jewish Problem*) Berlin, 1880, p.138).

[Jews] control banking and commerce, the arteries of finance; they dominate the press and, on a scale completely out of proportion to their numbers, they are flooding the institutions of higher learning (From Adolf Stöcker’s first anti-Semitic speech, in 1879 (Rürup 1975, p.20) Stöcker was a preacher at the Kaiser’s court. He founded the first anti-Semitic mass movement. He and Treitschke made modern anti-Semitism, which was just emerging, respectable. In Germany there was no more prestigious endorsement than by a professor and a pastor).

In Berlin a few years ago, I read a speech which frankly urged the expulsion of the Jews from Germany; and the agitator’s reason was...that eighty-five percent of the successful lawyers in Berlin were Jews, and about the same percentage of the great and lucrative business of all sorts in Germany were in the hands of the Jewish race! Isn’t it an amazing confession? It was

but another way of saying that in a population of 48,000,000 of whom only 500,000 were... Jews, eighty-five percent of the brains...was lodged in the Jews....The man claimed that in Berlin, the banks, the newspapers, the theatres, the great mercantile shipping, mining and manufacturing interests...were in the hands of the Jews. Here in Vienna last summer, an agitator said that all these disastrous details were true of Austria-Hungary also; and in fierce language he demanded the expulsion of the Jews. When politicians come out without a blush...in this frank manner, unrebuked, it is a very good indication that they...know where to fish for votes....His [the Jew's] success has made the whole human race his enemy (American author Mark Twain in *Concerning the Jews*, which he wrote for *Harper's Monthly* in 1899, while he was living in Vienna. The quotation is from pages 20-22 of the reissue in 1985 by the Running Press of Philadelphia.).

Before the Hitlerite Government took office the Jewish problem in Germany was admittedly becoming a serious one. It is obvious to any observer that the average German...is distinctly inferior in an artistic sense and even in a purely intellectual sense to the German Jew. Wherever imagination, financial acumen or business flair comes into play, the Jew tends to outdistance his German rival, and in every domain of intellectual effort the achievements of the Jews are entirely out of proportion to their numbers....Medicine, the law, the press, imaginative literature, architecture and the like, might, in time, become completely monopolised by the Jewish element (The explanation for German anti-Semitism by the British ambassador to Germany, Sir Horace Rumbold, in an official report on March 28, 1933 (Woodward and Butler 1956, p.5)).

A self-respecting nation cannot, on a scale accepted up to now, leave its higher activities in the hands of people of racially foreign origin (The explanation in the *Deutsche Allgemeine Zeitung* of April 27, 1933 for the law enacted by the Nazi government of Germany to restrict the proportion of Jewish students at German universities. As could be expected from the Nazis, the law was draconian. It limited the proportion of Jewish university students to three times the proportion of Jews who were of university age in the German population, and that did not include the children of Jewish World War I combatants, who were many).³⁹

The most important chairs at so-called German universities were [before the Nazi take-over] filled with Jews [who]...were then rewarded with Nobel Prizes (From "a violently anti-Jewish speech delivered...by [Nazi] Education Minister Rust" (Friedländer 1997, p.57)).

The five big "D-banks" of the country were in Jewish hands; practically the entire theatre; a large section of the daily and periodical press, business in every field (Kurt Lüdecke's description of the Jewish problem (1937, p.33). Lüdecke was an ardent Nazi since 1922 and a personal associate of Hitler's).

This legislation is not anti-Jewish, but pro-German. The rights of Germans are thereby to be protected...The Jews, who formed less than one percent of the population, tried to monopolize the cultural leadership of the people and flooded the intellectual professions, such as law and medicine (From Adolf Hitler's justification for the Nuremberg Laws, which deprived Jews of German citizenship (Baynes 1942, pp.732-3)).

The million workmen who were in Berlin in 1914...[are now] thinner, worse clad, poor; but the 100,000 Jews from the East who entered Germany in the early years of the War arrived in poverty and they are now "made men" riding in cars (From a speech by Hitler in 1922 (Baynes 1942, p.7)).

We see that in Germany Jewification progresses in literature, the theatre, music and film; that our medical world is Jewified, and the world of our lawyers too; that in our universities ever more Jews come to the fore (From a speech by Hitler on August 31, 1928 (Friedländer 1997, p.102)).

One may well exclaim: “Cowardice thy name is bourgeoisie!” Although the Jew has seized the levers of control in the Anglo-Saxon world – the press, the cinema, the radio, economic life...the bourgeois of the two countries [Britain and the United States], with the rope around their necks, tremble at the idea of rebelling against him [the Jew] even timidly. What is happening in the Anglo-Saxon world is absolutely identical with what we experienced here [in Germany] in 1918 (Hitler 1988, p.394).

If five thousand Jews were transported to Sweden, within a short time, they would occupy all the leading positions there (Hitler 1980, p.241).

Jews can prosper anywhere, even in Lapland and Siberia (Hitler 1988, p.397)).

If all Jews were no more intelligent than Stein, then there wouldn't be any trouble (A comment that Adolf Hitler used to make to members of his regiment during World War I. Stein was their telephone operator (Toland 1976, p.66)).

Let the numbers speak

In 1934 the Nazi government of Germany issued a pamphlet for mass distribution entitled “Why Aryanization?: A Contribution to [Solving] the Jewish Problem”. Its Foreword explained that its purpose was to show “the dominant sociological position of Jewry, how it dominated the German people economically, intellectually and politically. The motto of this work is: *Let the numbers speak*” (italics added). The pamphlet contrasted the small number of German Jews with their huge proportion in elite occupations. After a historical introduction, the section-titles were (pp.13-20): “The Social Standing of the Jews in Comparison to that of Germans”, “The Dominant Position of Jews in Commerce”, “The Significance of the Jews in German Cultural Life”, “The Jewification of the University System”, “The Jew-ification of the Student Body at Universities”, “The Jewification of University Faculties” and “The Jew in Theatre and Film”.⁴⁰

Since the problem that the Final Solution solved was numerical, let us now look at the numbers.

In 1871, Jews constituted 1.25% of the German population. By 1930 that had fallen to 0.74%, which includes Jewish converts to Christianity, who were 10% of the German Jewish population. In 1930, twice as many German Jews as German Gentiles were over sixty years old and 26% of employed Jews were women, compared with 34% of employed Gentiles, so the proportion of Jews in the work force was considerably lower than 0.74%. Also, nearly a quarter of employed German Jews were recent immigrants from the East, who were poorer and less educated than native German Jews; although, as Hitler pointed out in the speech quoted at the beginning of this section, they were much richer than Aryan Germans.⁴¹

Nevertheless, in the early 1930s, 16.5% of German doctors, 22% of German lawyers and over 50% of German theatre directors were Jews. Jews also owned 41% of German iron firms and 57% of other metal businesses.⁴² In 1908 in Prussia, where over 60% of Germany's population lived, eleven of the twenty-five richest men (44%) were Jews. In 1912 of the 125 economically most influential men in Germany – board chairmen and managing directors of the largest corporations, senior partners in the largest private companies – between 40 (32%) and 50 (40%) were Jews (Mosse 1987, pp.7-8, 204).

The problem of stunning Jewish overrepresentation in desirable occupations was greatly exacerbated by Jews being vastly more successful than their Gentile colleagues in those occupations. For example, in 1933, eleven of the twenty-five (44%) members of the board that governed the German Attorneys' Association were Jews (Jaraush 1991, p.177); and Jews owned 6% of all German retailing businesses, but they accounted for 26% of retail sales and 79% of all department-store and warehouse sales (Barkai 1989, p.7; Gordon 1984, p.328n29). In Prussia in 1886-87, 10% of university students were Jews (Massing 1949, p.293); but in 1905-06 Jews constituted 34% of the graduate students in German Philosophy faculties, which contained the natural sciences, social studies and humanities (Gordon 1984, p.13).

“Anti-Semites never tired of citing these and other statistics to ‘prove’ that Jews enjoyed an unfair and privileged status” (Pauley 1987, p.155; italics added).

Jewish hyper-success was predicted by performance on academic examinations. In 1911, the President of the Provincial Supreme Court of Silesia in a report on the Jewish problem in the legal profession observed,

In the years 1908 to 1910, 386 trainees were appointed articled clerks in the district of Breslau, of whom...21.76% were Jewish...[even though only] 0.95% of the population is Jewish. Of the above-mentioned 386 articled clerks, 11.1% of the Protestants and 7.7% of the Catholics passed the examination with...[the highest] grade...but 23.8% of Jews...This is a strong warning against formal over-estimation of examination results. Exclusive consideration of them would have the inescapable consequence of a large increase of the Jewish element (Pulzer 1983, pp.203-4).

Similarly, among medical students, “Jewish students were long known to be especially successful in examinations, hence they posed a grave competitive threat” (Kater 1989, p.172).

Furthermore, since German Jews attained full civil rights only between the early 1860s and 1871, the statistics I cite above for the period before World War I understate the gravity of the Jewish problem when the Nazis attained power, in 1933. For example, the number of seats on the boards of directors of banks held by Jews rose from 211 in 1913 to 718 in 1928 (Gordon 1984, p.12). Moreover, the Jewish problem would have been even more serious if Jews did not try to mitigate it.; for example, by appointing Gentiles to the boards of directors of corporations and hiring and promoting Gentile journalists and firing Jews to decrease ethnic imbalance.⁴³ However, this tokenism did not fool the anti-Semites. So Karl Lueger, the anti-Semitic mayor of Vienna when Hitler moved there and whom Hitler praised boundlessly,⁴⁴ said in a speech that was quoted for decades, “almost all journalists are Jews and they keep a token Christian editor here and there” (Hamann 1999, p.282).

The Jewish problem was even worse in the sciences and arts than in the professions and business. During the Weimar Republic (1919-33) five of the nine Germans who won Nobel Prizes were Jews (Niewyk 1980, p.40). Nobel Prizes are not awarded for mathematics, but when Nazi Education Minister Bernhard Rust asked the eminent mathematician David Hilbert whether his institute had suffered because of the expulsion of its Jews, he answered, “Suffered? No, it hasn’t suffered, Herr Minister, it just doesn’t exist any more” (Grunberger 1971, p.339). In 1930 Jews wrote 75% of the plays produced in Germany. As the German historian Sebastian Haffner (1979, p.103) observed, “There is no doubt that German Jews played an outstanding part, during the first third of the twentieth century, in helping Germany – for the first time – to outstrip Britain and France in the intellectual and cultural sphere”.

This was the problem. In 1936 Goebbels said (correctly) that the period before the Nazis attained power was one of “Jewish overrunning of German culture”, dominated by a “Jewish critic-aristocracy” (Reuth 1993, p.221). In 1937 Hitler observed, “In the cultural field...the influence of the Jews was paramount”. In 1935 he referred to “the Jewish regime” (Baynes 1942, pp.577, 585).

German anti-Semites, like contemporary champions of affirmative action, realized that if the problem of unequal success can be solved in a non-violent manner, the solution must begin where the problem originates, in the schools. German anti-Semites constantly pointed out the “truly stupendous disproportions” in Jewish attendance at academic high schools and universities, always with the assumption that it was a problem that must be solved.⁴⁵ Paul Massing provides (1949, pp.288-94) an English translation of an exchange in the Prussian parliament on this subject in 1890. Adolf Stöcker, the founder of the first anti-Semitic mass movement, began a speech on the Jewish problem by advocating what became known as progressive education.

To me the ideal school system would be one that attempted to make the mind so eager and able to learn that it would be able to apply the capacities it has acquired...in one field to some other field as well. This is certainly a shortcoming of our German training...The joy of learning, the capacity of probing deeply have not been sufficiently developed.

Anti-Semites before Stöcker also criticized German education for concentrating on knowledge and analysis rather than broad understanding and “learning how to learn”. Hitler and the Nazis repeated this criticism.⁴⁶ It is still a favourite stratagem of advocates of affirmative action. By making the goals and criteria of education vague and un-measurable, they eliminate any way of justifying the overrepresentation of any group.

Then Stöcker read statistics on Jewish enrolment in academic middle schools, introducing them with the statement, “I want to begin by reading a few figures to you, otherwise you may not realize how great is the harm that has already been done.” He then said, “The matter gets even worse when you consider the upper grades; there the Jewish element is even greater.” He then read statistics on the Jewish proportion in various academic high schools, ending, “At the *Wilhelmsgymnasium* 13 boys passed the *Abitur* [school graduation examination needed for university admission] including nine Jews. You will admit that this is really going too far. It is precisely this enormous percentage that is so dangerous.” Stöcker proceeded, “In the higher schools for girls things are even worse.” He read a series of statistics and observed, “This is the situation that will eventually develop into a kind of Jewification of the higher schools for girls.” Each statistic that Stöcker read was greeted by shouts of “Very True” and “Hear! Hear!” Stöcker concluded, “This is certainly not equality of rights. I should rather call it preferential treatment (cries of ‘Very true!’)....Something can and must be done to protect our German people.”

Then the Prussian Minister of Education assured the parliament, “The *problem* [italics added] raised by Deputy Stöcker...is one of the thorniest confronting the administration of education” and added, “The problem becomes much more involved in the field of higher education.” He then read statistics on the vast Jewish overrepresentation at universities and concluded, “I followed Herr Stöcker’s speech attentively and my own feelings are the same.”

The anti-Semites’ evidence was obvious and irrefutable. In 1895, a leading anti-Semitic member of the Reichstag, Hermann Ahlwardt, pointed out, “If you walk out of this building, you are right in Berlin’s west side....Do you see those splendid villas?...We would like to see members of our people live in those villas and not Jews” (Massing 1949, pp.300-303). In 1879, the Chief of the Berlin Police reported to the Ministry of the Interior that the anti-Semitic movement was extremely difficult to combat because it was impossible not to notice “that the Jews have the best residences and

the finest carriages, that they alone fill the theatres, the superior restaurants” (Rürup 1975, p.20). Nearly a century later, Gitta Sereny (1974, pp.89-90) asked Dieter Allers, who had been a high Nazi official, and his wife how they felt when they first heard about the Final Solution. They answered, “Well of course terrible, awful”. However, Herr Allers then explained (his italics),

But, on the other hand, if one realizes what the situation was in Germany in the early 1930s...when I said I wanted to study law, someone in my family took me to the Ministry of Justice in Berlin. We walked along the corridor and he told me to read the names on the office doors as we passed. Almost all of them were Jews. And it was the same for the press, the banks, business....That wasn't right. There should have been *some* Germans.

Even non-anti-Semites thought that Jewish hyper-success was a serious problem

Allers was repeating what people who prided themselves on not being anti-Semites said. A striking illustration is Albert Speer, who was the chief architect of Nazi Germany, then head of its military production and finally in charge of its entire economy. In the Foreword to his *Inside the Third Reich*, he says that its purpose is “to reveal some of the premises which almost inevitably led to the disasters” and that *the* Nazi crime was the murder of the Jews. He stresses (1970, pp.112-13; 1971, pp.171-2) that he subjected himself to “agonized self-examinations” during the twenty years he was in prison after the war. He says (1970, pp.16, 19-20; 1971, pp.46, 51) that when he joined the Nazi Party and afterwards, he did not have “any trace of anti-Semitic feelings” and had Jewish friends and acquaintances “like virtually everyone else”. The terrible crime with which he reproaches himself is ignorance of the murder of the Jews, ignorance for which he says, (1970, pp.112-13; 376; 1971, pp.171-2, 507) “No apologies are possible.” His culpable ignorance began (1970, pp.19-20; 1971, pp.49-51) when he joined the Nazi Party in 1931 without having read its programs. This was inexcusable since “had I only wanted to, I could have found out even then that Hitler...was a rank anti-Semite”. He explains that he could not have known that from the Nazis’ public statements because,

The party at that time was confining itself...to denouncing what it called the excessive influence of the Jews upon various spheres of cultural and economic life. It was demanding that their participation in these various areas be reduced to a level consonant with their percentage of the population.

Speer prided himself on never having had “any trace of anti-Semitic feelings” and on two decades of pitiless self-examination and rigorous analysis of the premises that caused the Holocaust. But it never occurred to him that reducing the proportion of Jews in German economic and cultural life to their proportion in the German population (0.74%) was in any way unreasonable, immoral or anti-Semitic. This explains another anomaly. Speer reproaches himself fiercely for not having known about the Holocaust. But he never mentions the many restrictions on Jewish economic, professional and cultural activities during the 1930s or the boycotts of Jewish businesses and professionals, even though they were accompanied by shrill and ubiquitous publicity. Clearly he did not think there was anything wrong or anti-Semitic about them. If Speer felt this way in the context of his memoirs, how much more did the vast majority of Germans feel that way at the time?

Unlike Speer, Hjalmar Schacht, German Economics Minister from the August 1934 until November 1937, never joined the Nazi Party, and he denounced the *Kristallnacht* pogrom of November 1938 at a meeting of the German Central Bank as “a crime that ought to make the face of every decent German flush with shame” (Barkai 1990). Most historians accept his claim in his autobiography, *76 Jahre meines Lebens*, which was published in 1953,⁴⁷ that he tried his best to shield Jews and Jewish economic activity from the anti-Semitic assaults of the government for which he worked. However, he also wrote there (p.450),

No one begrudged him [the Jew] the fact that he could freely engage in commerce and industry. But when the legal and medical professions showed an unusually high percentage of Jews...[and the theatre, the press and music] were under Jewish control, then this constituted the incursion of an alien spirit [*Geist*] into the spirit of the host people.

Nobel Laureate Thomas Mann wrote in his diary on April 9, 1933 (1984, p.150): “[It is] no great misfortune that Jewish domination of the legal system has been ended....I could to some extent go along with the rebellion against the Jewish element.” By that time Mann had already gone into self-imposed exile from Nazi Germany with his Jewish wife.

Nearly all Germans agreed that the Jewish problem had to be solved.

From the impression of a variety of observers representing a wide range of viewpoints...the public recognized the necessity for some solution to the Jewish problem (Bankier 1992, pp.68-70).

It was the method rather than the aim of Nazi policy which [the German] people condemned....There was “approval”, “understanding” and “satisfaction” shown at the draconian but “legal” measures taken to exclude Jews from Germany’s economic life alongside the wide condemnation of the violent and destructive [*Kristallnacht*] pogrom (Kershaw 1981, pp.280-81).

The failure of the Nazis’ pro-Aryan affirmative action programs must be assessed in the light of the omnipresence of the desire to solve the Jewish problem.

The failure of non-violent solutions to the Jewish problem

Law

By March 1933, in many cities Jewish lawyers were being dragged from their offices and even from courts during proceedings and beaten. Beginning in April, to end the “dominant position” of Jews in the legal profession, many were officially disbarred, especially in “those cities in which the Nazis deemed the disproportion to be unbearable”. At the same time Jews were excluded from government employment, which included judges and district attorneys (Jarausch 1990, pp.127-9; 1991, pp.181-2).

Violence, legal exclusion and the (justified) fear of potential clients that courts would be biased against their cases if they were represented by Jewish lawyers took a heavy toll. By June 1933, 30% fewer German Jewish lawyers were practising than in February, but they still constituted 16.25% of all German lawyers, 23 times the proportion of Jews in the German population.⁴⁸

In 1935, Jewish lawyers were prohibited from representing even Jewish clients as court-appointed lawyers for the indigent, defence lawyers and trustees in bankruptcy proceedings. However, in 1937, 55% of the Jewish lawyers who had been practising in the beginning of 1933 were still working (Barkai 1989, p.68, Strauss 1980, p.334n43). The Jewish population of Germany had declined by 27% since then. Furthermore, more than 60% of the emigrants were between twenty and forty-five years old and most were men. The proportion of the German Jewish population that was 60 years old and over rose from 16.3% in 1933 to 27.5% in the beginning of 1938, and by 1939, the ratio of German Jewish women to men was 1.37 to 1. Consequently, Jewish overrepresentation in the legal profession with respect to the proportion of Jewish men of working age was probably not much less in 1937 than it had been in June 1933.⁴⁹

Medicine

During 1933 Jewish doctors were barred from government positions and public hospitals. Beginning in May 1934, patients in government-supported health-insurance programs could no longer be reimbursed for the medical expenses they incurred with a Jewish doctor. This was serious. In 1928, a third of Germans were in these programs, and the Nazis increased that proportion rapidly when they attained power. Meanwhile, "Time and again, Jewish doctors were picked up at their homes or from the street and taken to camps or jails, sometimes never to be seen again."⁵⁰ In September 1935, many Jews lost the service of their secretaries, receptionists and (in the case of doctors) nurses, when Jews were prohibited from employing Gentile women under the age of 45. Innumerable additional local and national impediments were put in the way of Jewish doctors. For example, in October 1936 a national law forbade government officials to visit Jewish doctors; in some places, Nazi Party members stood in front of Jewish doctors' offices and registered the name of every Gentile visitor (Kater 1989, p.195).

However, even in June 1937, 10% of German doctors were Jewish (Kater 1989, pp.187, 221). As in the case of the legal profession, Jewish overrepresentation in the medical profession with respect to the proportion of Jewish men of working age in the general population was probably not much less in 1937 than it had been in 1933.

The statistics I cite for the number of Jewish professionals are from the German government. So government officials knew that they were not solving the Jewish problem. Yet solving that problem was their highest priority, and a goal that much more moderate anti-Semites had constantly insisted was vital. In April 1933 Hitler promised the German Medical Association "the speedy elimination of the excessive number of Jewish professionals" (Baynes 1942, p.728). But for years after that German medical journals kept publishing statistics that showed that the medical profession was still overrun with Jews [*überjudung*] (Proctor 1988, pp.147, 153).

The Nazis' embarrassment at the slowness with which they solved this crucial problem is obvious from the following passage in a textbook written by Rudolf Ramm in 1942 on the professional, ethical and legal responsibilities of doctors, which was required reading for all German medical students.

One of the first measures of the National Socialist medical leadership [in 1933] was cleansing the profession from politically unreliable and racially foreign elements...When one reflects on the fact that in 1933, among 50,000 physicians active in Germany, 13% were Jewish, and that in Berlin, this was more than 60%; if we consider Austria, too, where the figures for Vienna were close to 67%, then one gets a sense of the enormous influence wielded by the Jew within medicine (Proctor 1988, pp.90, 154).

In fact, Ramm understated the Jewish problem: Jews constituted 16.5% of all German doctors at the beginning of 1933, when they were 0.74% of the population (Proctor 1988, p.149). But he still conveyed the enormity of the problem that the Nazis solved. However, he greatly exaggerated the speed with which they solved it.

There is only one explanation for why the Nazis compromised their most deeply-felt principles. "Hitler took into account German public opinion" (Friedländer 1997, p.69). For many generations, nearly all Germans regarded the overrepresentation of Jews in the professions as a serious problem. The public opinion that impeded Hitler was the aggregate of German individuals, who preferred Jewish lawyers and doctors no matter what impediments were placed in their way. That is why Jewish professionals were always so numerous and successful.

These individuals included many civil servants, whose conduct was closely scrutinized and whose jobs were terminated for political indiscretions, and even Nazi Party members.

Civil servants and even members of party organizations were reluctant to surrender their trusted Jewish doctors....The NSDAP [Nazi Party] in Baden passed an edict in June 1935 announcing their exclusion from the German civil servants' union should they not drop their Jewish doctors (as well as lawyers). In Ulm...where the party had managed to obtain the patient list of two Jewish panel physicians, the authorities were shocked by the large number of civil servants still frequenting those doctors. But the wrath of the Nazis knew no bounds when they found out how many of their own number still engaged Jewish doctors – those people were traitors...

In Thuringian Erfurt...the local NSÄB [Nazi Physicians' League] and KVD [Association of German Health-Insurance Physicians] functionary Dr Curt Staeckert issued a circular complaining about the increasing popularity of Erfurt's sixteen Jewish panel physicians. Charging that those doctors had at least doubled their incomes (which he was in a position to know as local head of the KVD) and that the incomes of some "Aryan" physicians had receded accordingly, he vented his rage against the real culprit, the National Socialist patient...Staeckert served notice that henceforth he...would cause the immediate dismissal of recalcitrant party and SA members. Civil servants and even private employees would not escape his punishment either. [But] "Aryan" patients, including civil servants and party cadres, were reluctant to leave their Jewish doctors (Kater 1989, pp.190-91, 194).

They included Adolf Hitler. In 1935 Hitler developed a lump on his larynx. His mother had died of cancer and he was terrified that it was cancerous. He asked the world's foremost otolaryngologist, Professor Heinrich von Neumann of Vienna, who had treated the kings of Britain, Spain, Rumania and Greece, to examine it. Professor von Neumann, a Jew, refused (*Time*, November 11, 1938, p.55). In the same year, a Jew, Dr Martin Marx, treated Hitler's mistress, Eva Braun, after she tried to commit suicide (Toland 1976, pp.377-8).

Business

Gentile competitors, acting individually and through municipal chambers of commerce and national trade associations, devised many means of depriving their Jewish competitors of trade partners and credit.⁵¹ They found an eager ally in the government. It called for a nationwide boycott of Jewish professionals and Jewish-owned businesses beginning on April 1, 1933, a Saturday, the day on which Germans did most of their shopping. The directive that announced the boycott stated that its goal was that "the number of Jews employed in all professions [be] in keeping with their percentage of the total German population", which had always been the basic anti-Semitic demand (Barkai 1989, pp.18).

Jewish businesses were covered with posters and graffiti urging Germans not to shop there. SA men, who were now auxiliary policemen, stood in front of many Jewish business, chanting and passing out leaflets. Sometimes they tried to use force to stop customers from entering and/or showered them with insults, rubber-stamped their faces with abusive slogans, took their pictures and/or wrote down their names and then posted lists of "traitors to the people" on bulletin boards or published them in newspapers with their pictures. All these tactics were repeated in subsequent boycotts.⁵²

The boycott could have had a powerful impact. Forty-five percent of employed German Jews were in retailing. However, the Nazi press bemoaned the lack of co-operation against the "enemies of the

people". In fact, the announcement of the forthcoming boycott triggered panic buying in Jewish stores before it took effect.⁵³ In large Jewish businesses, Nazi organizations of employees protested that their jobs were being endangered.⁵⁴

The boycott's failure was not caused by deficient anti-Semitism. George Messersmith, the American consul general in Berlin, reported both that Germans ignored the boycott and that anti-Semitism was pervasive (Breitman 1998, pp.20-21).

However, this boycott was only the proclamation of a war. During the rest of 1933, local boycotts were implemented in several cities, some lasting two weeks. Beginning in October 1933, many regional Nazi Party organizations and government agencies forbade government employees and Party members to buy in Jewish stores. In March 1934, the national government prohibited recipients of vouchers that were issued to welfare recipients and young married couples from using them in Jewish stores (Barkai 1989, pp.35-6, 56).

A new wave of boycotts erupted throughout the country in the spring and summer of 1935, accompanied with an unprecedented level of violence against Jews, their property and customers (Bankier 1992, pp.34-8). However,

Given the massive extent of the intimidation and coercion, it is remarkable how difficult the Nazis found it to break the ties between Jews and their non-Jewish customers. Reports from all parts of Germany...indicate how little the mass of Germans were persuaded by Nazi propaganda...In Pomerania, for example, where the NSDAP [Nazi Party] had some of its best [electoral] results before 1933, the Gestapo office at Stettin reported...that a large proportion of the population...even *Beamte* [civil servants] and Party members...were still shopping overwhelmingly in Jewish stores, saying they were cheaper, had a better range of choice...Reports from Baden and in the South-West noted that Jewish shops were "overcrowded" and that people, undeterred by harassment and intimidation, were going where things were cheapest. In Mannheim...Jewish department stores were doing "splendid business"...One Jewish firm in Pirmasens had allegedly been making *Arbeitsdienst* [government-service] uniforms at favourable prices for the "Aryan" concern which had farmed them out.⁵⁵

In Falkenstein one is not allowed to buy from the Jew. And so the people in Falkenstein travel to the Jew in Auerbach. And the Auerbachers in turn buy from the Falkenstein Jew....If you run into someone from the same town, no one has seen anyone (Klemperer 1998, pp.67-8)).

[These actions] were determined wholly by material considerations and by economic self-interest...nor was there any notable sign of support for the Jews as Jews...Nazi pressure on the boycott issue encountered, therefore, no solid principled objections and no opposition from any institutions, such as the churches.⁵⁶

In the Trier area....Notices were posted demanding a boycott of Jewish shops, windows were smashed and Jews were beaten up in the streets....Yet...the majority of the population...continued shopping at Jewish stores. In one shop during Easter sales there were so many customers that the Jewish shopkeeper was forced to close several times, in order to serve all of them properly....We rarely find rejection of Nazi anti-Semitism on ethical principles, or indignation based on humanitarian values....The real motives...[were] self-interest (Bankier 1992, pp.72-3).

The Gestapo stations in Cologne and Düsseldorf observed, “When the worker is asked why doesn’t he support small German enterprises, he answers that he goes where things are sold cheap” (Bankier 1992, p.93).

Among the Nazis who made large purchases in Jewish stores was Hermann Göring, who organized much of the economic war on the Jews. High Nazi Party members also ignored official boycotts to stay at Jewish-owned hotels and some even formed business-partnerships with Jews (Friedländer, pp.126-8, 232-3).

In rural areas, the peasants’ dependence on Jewish commerce and finance, especially Jewish cattle-dealers, who bought their cattle and loaned them money, had been regarded for a long time as a serious problem by the Jews’ enemies and defenders (Lindemann 1997, pp.150-54). Nevertheless,

Despite vicious intimidation and ceaseless propaganda... ideology was less important than economic self-interest. Most peasants were unconcerned with the racial origin of the cattle-dealer as long as his prices were good and his credit readily forthcoming....The authorities noted with disgust the basic pragmatism and blatant economic self-interest of the peasantry...In the Palatinate the mood among small winegrowers was reputedly very poor in 1935 because the Nazis were driving out the Jewish dealers and replacing them with “Aryans,” who were unable to provide the same supply of credit. Similar complaints were made in Bavaria. “Aryan” cattle-dealers had little capital and could not offer prices comparable with those of their Jewish rivals (Kershaw 1981, p.267).

The wholesale cattle trade in the Ebermannstadt area was in 1935 still “to a good ninety per cent” in Jewish hands... “When questioned, the peasants explain almost in unison that the Jew pays well, and pays cash, which is not the case with Aryan dealers”...Even Party members and village mayors were not adverse to keeping ideological precepts and practical profits separate...Peasant attitudes were determined almost wholly by material considerations and economic self-interest....The fourfold increase in sales of the [fanatically anti-Semitic newspaper] *Stürmer* during the first ten months of 1935...was testimony...to the fact that anti-Semitism was gradually gaining ground in popular opinion. And certainly the fact that peasants continued to trade with Jewish dealers does not make them pro-Jewish....The only question that mattered was the price of the cow (Kershaw 1983, pp.241-4).

Farmers demanded that the Jews remain, maintaining that they were gifted capital-owners who paid higher prices than German dealers and were more skilled at trading in stock....The will to continue trading had nothing to do with sympathies for the Jews....The official in charge of propaganda ...reported...“Every child learns about the Jewish menace; anti-Semitic propaganda is delivered in lectures everywhere; at every meeting the Party raises the Jewish question – and despite all this, the campaigns have not the slightest success”....In all these cases we do not find peasants criticizing Nazi policy from opposition to anti-Semitic principles. What they disliked was anything that interfered with their interests (Bankier 1992, pp.96-7).

Economic self-interest prevailed even over the danger of physical violence. To use again the examples of stores and cattle dealers: Nazi thugs “not only attack[ed] Jewish stores in broad daylight but also assault[ed]...their customers, and sometimes even their Aryan employees”. Farmers who dealt with Jewish cattle-dealers, like customers of Jewish stores, were denounced by name in newspapers, and, “for example, approximately one hundred SA men descended on the cattle market...and indiscriminately attacked both [Jewish] dealers and their customers, causing some to suffer severe injuries”. This incident occurred in July 1935, but in November 1935, a Gestapo report stated, “The

Jews almost completely control the cattle trade...they have transferred their activities to late evening or to night time” (Friedländer 1997, pp.137-8, 233).

This situation prevailed even in Middle Franconia, which had long been one of the most anti-Semitic regions in Germany, if not the most anti-Semitic, and one of the few regions in which the population joined in anti-Jewish violence. It was also a region in which those labelled as “‘friends of the Jews’ were exposed to nearly the same danger as Jews themselves” (Kershaw 1983, pp.235-8).

In 1936-7 the Party...made renewed attempts to destroy trading contacts with Jews. The revitalized boycott encountered little sympathy...Those who stood to gain economically through trading in Jewish shops, trafficking with Jewish cattle-dealers, providing accommodation for Jewish visitors to tourist resorts, or finding work in Jewish-owned firms were not eager to...boycott Jews. Economic self-interest clearly prevailed over ideological correctness (Kershaw 1983, p.240).

In late 1935...hop-growers from communities around Hersbruck (Middle Franconia) who dared sell to Jewish traders were branded as traitors and marched through villages with signs round their necks. Such measures hardly met with instant success, for as late as mid-1937 long lists of those who kept dealing with Jews were drawn up and direct pressure applied. The situation was the same across Bavaria (Gellately 1990, p.105).

In early 1938 most of the Jewish small businesses that had existed in Berlin before the Nazi take-over were still functioning, which means that Jews were still vastly overrepresented. In 1939 a German crowd, watching Jews who had been transported to the French border and sent back to Germany by the French, remarked that the Aryans who had taken over Jewish businesses “are more expensive and have poorer quality goods” (Friedländer 1997, pp.233, 235, 237, 302, 317, 323).

Even Hitler bought drapery from the Jewish textile-manufacturing firm of Wallach. In fact, the curtains on the windows of his retreat, the Berghof, were clearly identifiable by their distinctive designs as being Wallach’s (Göring was another of Wallach’s customers) (Barta 1993, p.56n16).

The Nazis’ failure had many precedents. Wilhelm Marr, who founded the League of Anti-Semites in 1879, “accused women of causing the failure of the anti-Semitic effort ‘Don’t Buy from Jews’”. The women broke the boycott by buying from (presumably cheap) Jewish stores and by filling the theatres...[owned] by Jews.”⁵⁷

Implications

Biographers have often observed that Hitler did not differ from most people in his ideas, but in the absolute literalness with which he held those ideas, the relentless logic with which he followed them to their conclusions and the ruthless thoroughness with which he implemented those conclusions: “[Hitler has] a strange ability to reason logically...He is able to develop something from a given premise with a compelling conclusiveness” (Heiden 1936, p.346); “Hitler’s originality lay not in his ideas, but in the terrifying literal way in which he set to work to translate these ideas into reality, and his unequalled grasp of the means by which to do this” (Bullock 1962, p.408).

People who knew Hitler, even those who were reluctant to grant him any positive qualities, acknowledged this unique gift: “Hitler often did find astonishingly simple solutions for problems which often seemed to others insoluble...His solutions were often brutal, but almost always effective” (Schacht 1949, p.381); “He did possess this gift of simplification, even in a creative sense...of

breaking through the wall of prejudices and conventional theories of the experts, and in so doing, he has frequently discovered amazing truths” (Rauschning 1939, p.30).

Hitler said about himself, “I have a gift of reducing all problems to their simplest foundations” and “I have the gift of simplification...Difficulties exist only in the imagination” (Rauschning 1939, pp.16, 30).

Hitler’s solution to the Jewish problem is an excellent example. He saw what few others did, that if the superior success of a group of people is a problem, biological elimination is the only solution.

I observe above that in *Inside the Third Reich* Albert Speer did not think that reducing the proportion of Jews in German economic and cultural life to their proportion in the German population was anti-Semitic. However, later, Gitta Sereny (1995, p.362) recorded,

Over the four years I knew Speer, it was always he who brought up the subject of the Jews...time and again, on one pretext or another...He said [he]...had grown up in a society riddled with anti-Semitism. “It was simply there,” he said, “even where, like, God knows, in my family, it was never overt....Later I vaguely recalled remarks about Jews owning this or running that, and I suppose...I was preconditioned to the anti-Semitic rantings of Hitler’s earlier speeches.”...Summing up, he said once more that Hitler’s anti-Semitism in the early years, directed against the disproportionate influence of Jews in Germany’s economic and cultural life...was at least politically or propagandis-tically “understandable. But if you are asking me what it was in Hitler that could issue such an order for the murder of a people, then I can only tell you again, I don’t know, and I’m quite convinced that no one else understands it either.”

Here, Speer realized that anti-Semitism is regarding disproportionate Jewish success as a problem. That his family shared this attitude illustrates its universality, since his father was “a convinced liberal”, who subscribed to liberal newspapers and magazines, including *Pan-Europe* by Richard von Coudenhove-Kalergi, an ardent opponent of anti-Semitism (Speer 1970, p.8; 1971, pp.35-6). However, like most people, Speer and his father lacked Hitler’s ability to disregard conventionality to find solutions to problems that no one else could solve.

Hitler has sometimes been called a lunatic, but if he was, it was only according to Chesterton’s definition: a lunatic is someone whose only mental faculty is reason.

6 The holocaust: Uses and abuses

Plato in his *Republic* tried to explain the nature of morality in individual conduct by showing how it would function in an extreme type of utopian society. The Nazis have provided us with an extreme example of immorality. We live in a world that is permeated with racial and ethnic antagonisms and desperate attempts to solve them. We must not shirk the responsibility of trying to understand the Holocaust and fighting its causes, wherever they arise.

Surely the most obvious lesson of the Holocaust should be the terrible danger that inheres in the belief that the greater success of some groups of people than others is a problem.

I will now briefly outline a further lesson from the Holocaust and then its main misuses, which have obscured what should be its obvious lessons. Because of the space restrictions of this essay I can support my observations only sparsely. I will support them fully in my book on the Nazism and the Holocaust. In the meantime I will be glad to discuss these topics with anyone who emails me (far-rons@ananzi.co.za).

The Nazis regarded their main mission to be to murder every Jew in the world not only because they were passionately devoted to social justice (Zitelmann 1999, pp.93-4, 120) and consequently to ending racial/ethnic inequality, but even more because they shared a pervasive misunderstanding of the nature of capitalistic interactions. The Nazis thought that the Jews caused the First and Second World Wars; they thought of themselves as humane, tolerant, peace-loving people who had been forced to defend the human race from Jewish aggression, tyranny and ultimate annihilation. How could they have thought that when none of the political leaders in the world were Jews? Anyone living in contemporary South Africa should be able to understand their reasoning. President Mbeki constantly says that he is obsessed with ending racism by “empowering” blacks. Blacks control the South African government. President Mbeki, the entire South African government and the heads of every major private and public institution assume without question or challenge that occupational/economic success is power. As I point out above, in 1987 Jews, who were 2.3% of the South African white population, controlled 62% of the total value of the shares listed on the Johannesburg Stock Exchange. So it was Jews, not Afrikaner nationalists, who had the power in South Africa. On the basis of the same premise, Jews controlled Britain, France and the United States and, therefore, caused World Wars I and II.

The Nazis and their predecessors also thought they knew how Jews attained their success. To take an example that they constantly used (e.g. *Mein Kampf*, pp.58-9, 303), because Jews owned the most highly regarded newspapers, they hired Jewish editors and writers, who, in turn, praised plays, novels, etc. written by Jews. Nearly every Nazi and nearly every earlier anti-Semite was certain that his personal career had been thwarted by conspiracies of this nature. After all, how else did Jews come to “dominate” the German press and literature?

Hitler’s first public threat of annihilation (*Vernichtung*) against the Jews was in a speech to the Reichstag on January 30, 1939, which he and other Nazis constantly quoted afterwards to justify the Final Solution: “If international finance Jewry [*Finanzjudentum*]...manages once more in plunging the nations into a world war, the consequence will be...the annihilation of the Jewish race in Europe.” Immediately before that, Hitler said,

What they possess to-day, *they have...gained at the cost of the less astute German nation by the most reprehensible manipulations....[They] were capable of snatching all the leading positions...* We have hundreds of thousands of intelligent children of peasants and workers. We

shall have them educated...and we wish that one day they...will hold the leading positions (Baynes 1942, pp.738-9; italics added).

If socially useful abilities are equally distributed among all groups of people, the more successful must have snatched their success “by the most reprehensible manipulations” and have prevented the less successful from developing their abilities. How could they have done this without controlling the governments of the world? Why did no government before the Nazis stop them?

Since Jews at all times and in all places have been hyper-successful and since the Nazis assumed that socially useful characteristics are equally distributed among all groups of people, they inevitably assumed that Jews must have an innate racial predisposition to such pernicious conspiracies. The attribution of this racial predisposition to Jews was central to Nazism; and as I will point out, it was the only way that the Nazis were racists.

This explanation of Jewish hyper-success ignores the crucial fact that in a free society people can succeed only by being better than other people at supplying the public with what it wants. If newspapers hired editors and writers because they were Jews and praised plays because Jews wrote them, then the public, nearly all of whom thought that Jewish “domination” of the press was a serious problem, would have bought newspapers that hired editors and writers on the basis of journalistic ability that praised plays because of their appeal to audiences. In fact, the German National (i.e. Gentile) Theatre, which was established in Vienna in 1898 to present plays written, directed and acted by Gentiles, lasted only five years despite subsidies from the anti-Semitic Viennese government (Berkley 1988, p.108). More strikingly, Hitler’s first reference to Jews in *Mein Kampf* (in its preface) was to the “Jewish press”, which was the universally-used ellipsis for the German-press-which-is-controlled-by-Jews. But later in *Mein Kampf* (p.53) Hitler recalled that when he arrived in Vienna, “I zealously read the so-called world [i.e. Jewish] press (*Neue Freie Presse*, *Wiener Tageblatt*, etc.) and was amazed at the scope of what they offered readers and the objectivity of the individual articles.” That was why in Vienna “Jewish” newspapers had a daily circulation of 1.3 million, compared to 400,000 for Gentile-owned newspapers; a fact that Viennese Nazis cited to prove “the unlimited domination [by] ...the Jewish press” (Pauley 1992, pp.198-9).

I will now briefly outline some of the misconceptions and distortions that have obscured the lessons that the Holocaust should clearly teach.

Since the monstrosity of the Holocaust so powerfully de-legitimises hostility to its victims, it is natural that many groups have claimed that they were among them. Since the publication in 1981 of Frank Rector’s *The Nazi Extermination of Homosexuals* the claim has been repeatedly made that the Nazis murdered hundreds of thousands of homosexuals. In fact, homosexuals were no more persecuted in Nazi-controlled Europe than anywhere else in the contemporary Western world, and Hitler’s attitude to homosexuality was remarkably tolerant for his time.⁵⁸ An older claim, that the Nazis targeted Gypsies for destruction, has also been conclusively disproved (Lewy 2000).

Especially popular among Jews is the belief that Christianity contributed to the Holocaust. But the Nazis and most of their predecessors were fanatically hostile to Christianity (although not to any other religion). Kurt Lüdecke (1937, p.454) summed up Nazism as “anti-Jewish, anti-Christian, anti-capitalist”, and the Nazis intended to wage an all-out war against Christianity as soon as they concluded their war against the Jews (i.e. World War II). If Christianity contributed to their anti-Semitism then every recorded public or private explanation they gave for their anti-Semitism was mistaken. Indeed, one need look no further than the Biblical book of *Esther*, written at the latest in the second century BC, but probably considerably earlier, to see the assumption that all the Jews in the Persian Empire in the fifth century BC could have been murdered (on the basis of race, not reli-

gion) and that the Persian Empire was filled with mortal enemies of the Jews (eg 9.16). In the first century AD between 50,000 and 100,000 Jews were murdered by mobs in the Roman Empire, despite the Roman government's attempts to maintain order. Contemporaries, both Jews and Gentiles, ascribed the riots to Jewish economic success. The Roman Empire was Christianised in the fourth century but widespread lethal riots against Jews did not recur until 1096, in the Rhineland; and they were nowhere near as savage as those perpetrated by the pagan inhabitants of the Roman Empire (or by the Muslim Almohads in north Africa and southern Spain fifty years later).

The absurdity of attributing the Holocaust to eugenics and Social Darwinism should be equally obvious. Nearly every eugenicist, beginning with the introduction (pp.3-4) to the book that began the eugenics movement and the study of genetic determinism, Galton's *Hereditary Genius* (1869), singled out Jews as a (and often the) superior race. The Nazis agreed that Jews are much more intelligent than Gentiles. Hitler said, "The Aryan and the Jew...are as far apart as a beast and a man. Not that I would call the Jew a beast. *He is much further removed from the beasts than we Aryans*" (Rauschning 1939, p.238; italics added). As Jean-Paul Sartre observed in his classic study of anti-Semitism, *Réflexions sur la question juive* (1954, p.26), "For the anti-Semite intelligence is Jewish." Because the Nazis and their predecessors misunderstood the nature of capitalistic interactions, they regarded intelligence not as the source of social well-being but as a means to swindle, manipulate and ultimately dominate. Statements like "the Jews again dupe the dumb *Goyim* [Gentiles]" (*Mein Kampf*, p.325) abound in Hitler's writings and speeches.

Consequently, as Fritz Stern observed (1977, p.523, cf. 509), "anti-Semitism and anti-capitalism were inextricably intertwined". Peter Pulzer pointed out that the connection is even closer (1988, pp.43-4): "anti-Semitism is anti-capitalism". For example, Karl Lueger, the mayor of Vienna when Hitler moved there and whom Hitler called "the greatest German mayor of all time" (*Mein Kampf*, p.55), said that anti-Semitism is "co-terminous with the struggle against capitalism" because, "only fat Jews can survive the murderous competition of economic freedom" (Pulzer 1988, p.200; Berkeley 1988, p.97); and in a speech that was compared with William Jennings Bryan's Cross of Gold speech because of the impact it had on its audience, Lueger called for a return to "love, justice and mercy in contrast with the...relentless hegemony of the strong over the weak" (Lindemann 1997, pp.344-5). Hitler himself referred to (*Mein Kampf*, p.93) "the basic Jewish tendency of Manchester liberalism [ie *laissez-faire* capitalism]" and said, "Socialism...is entirely alien to the Jew. The Jew will always be the born champion of private capital" (Baynes 1942, p.26).

The Nazis gained and maintained the support of the German middle class and allayed the hostility of the Western powers by exploiting their terror of Communism. In reality, they admired the Soviet Union and especially Stalin. Hitler said to the commanding generals of the German army on August 22, 1939, "There are only three great statesmen in the world, Stalin, I and Mussolini. Mussolini is the weakest, for he has been unable to break the power of either the crown or the church. Stalin and I are the only ones who envisage the future and nothing but the future" (Lochner 1943, p.11); and Goebbels wrote in his diary on September 23, 1943, "The Duce [Mussolini]...is not a revolutionary like the Führer and Stalin. He is so bound to his own Italian people that he lacks the qualities of a worldwide revolutionary and insurrectionist."

On the other hand, the Nazis despised the Western powers as Jewish-dominated, reactionary and capitalist. Goebbels wrote in his diary on April 24, 1942, "The war...is being conducted by the capitalists of all countries against the German social commonwealth. Were the latter...to lose the war, the world would lapse into darkest social reaction". The Nazis also despised the German middle class, which provided their support, for being conventional, narrow-minded and above all indifferent to the suffering of the poor. When Hitler was a struggling young artist in Vienna, he spent whole days wandering through working-class slums and obsessively drew plans to demolish them

and build new housing (Toland 1976, pp.33-4; Hamann 1999, pp.139, 147-50). He loathed the bourgeoisie because in their smug ignorance of the workers' lives they did not see the justice of their demands. They either rejected them or grudgingly granted cosmetic reforms as charity (Zitellmann 1999, pp.122-7, 188). Worse, they did not understand that it was poverty that made poor people lazy, alcoholic and brutal and their children incapable of learning in school; and, to use current jargon, they "blamed the victim".

Since ideas are constantly attributed to Hitler that would make him a vicious psychotic idiot, whom no sane person could ever have taken seriously, it is worth quoting, in the following three paragraphs, something that he really did write (*Mein Kampf*, pp.26-33):

The woman, for the children's sake, opposes him [her husband]...The woman...has to fight to get even a few pennies out of him; and, to make matters worse, this usually occurs on his way from the factory to the barroom. When at last he comes home...drunk and brutal, but always parted from his last cent, such scenes often occur that God have mercy! I have seen this in hundreds of instances. At first I was repelled or even outraged, but later I understood the whole tragedy...and its deeper causes. These people are the unfortunate victims of bad conditions! Even more dismal was the housing...Even today it fills me with horror when I think of the wretched caverns...garbage, repulsive filth, and worse....

Social activity must never and on no account be directed toward philanthropic flim-flam, but rather toward the elimination of basic deficiencies in the organization of our economic and cultural life....[The italics are Hitler's.]

Imagine, for instance, the following scene: In a basement apartment, consisting of two stuffy rooms, dwells a worker's family of seven. Among the five children there is a boy of, let us assume, three years. This is the age at which the first impressions are made....[Because of the] overcrowding of the room ...quarrelling and wrangling will very frequently arise...Such visual instruction [as]...brutal attacks of the father against the mother, of drunken beatings [which are] hard for anyone who does not know this milieu to imagine. At the age of six the pitiable little boy...morally poisoned, physically undernourished...goes off to public school. After a great struggle he may learn to read and write, but that is about all. His doing any homework is out of the question. On the contrary, the very mother and father...talk about his teacher and school [with contempt]....When at the age of fourteen the young man is discharged from school...he begins the same life that during his childhood years he has seen his father living.

The last and probably most serious misconception about Nazism that I will discuss is summarized in a statement by Robert Melson in his popular book, *Revolution and Genocide* (1992, p.208): "Fundamental to Hitler's racist anti-Semitic worldview was the notion that...among the human races, there is only one, the white, blond, and blue-eyed Aryans who are the creators of culture and civilization." Melson substantiates that claim by citing *Mein Kampf*. However, in the 685 pages of *Mein Kampf*, in Hitler's other book, which was not published until 1961, in the four thick volumes of his speeches compiled by Domarus and the two thick volumes compiled by Baynes *Hitler never provides a physical description of Aryans*; nor does Goebbels in the thousands of pages of his diaries or his voluminous articles and editorials; nor does Martin Bormann in his private or public writings. On pages 637-40 of *Mein Kampf* Hitler says that Japan is the Aryans' bulwark against "Jewish world dictatorship" and Jewish "despotism over defenceless beings". In April 1933 the Nazis enacted a law barring anyone with one non-Aryan great-grandparent from the German civil service. A senior civil servant in Hamburg had a Chinese grandmother. His case was considered and he retained his position (Berenbaum and Peck 1998, p.316). Hitler even (1980, p.279; 1988, p.314) attributed the origin of the swastika, which represented "the struggle for victory of the Aryan man"

(*Mein Kampf*, p.497), to the Japanese and Chinese. Certainly Indians were quintessential Aryans. Heinrich Himmler, the head of the SS, admired the Vedas, the sayings of the Buddha and especially the Bhagavad-Gita, for its “great Aryan qualities”. His favourite passage was, “wherever men lose their respect for law and truth, and the world is given over to injustice, I will be born anew”. In times of trouble Himmler also consulted the Koran (Kersten 1956, pp.149, 152, 221). Typical of Third World admiration for Nazism was that in 1935 Reza Shah, the ruler of Persia, changed his country’s name to Iran, the land of the Aryans.

Earlier, Arthur Dinter in his novel *The Sin against the Blood* (*Die Sünde wider das Blut*), which was published in 1918 and sold more than 100,000 copies by 1920, stressed that Jewish traits are so infectious and poisonous that if an Aryan woman has sexual relations with a Jewish man only once, she and her descendants would transmit them for all time. The Jewish villain is, of course, a financier, who “sucked human blood to transform it into cash, no matter whether it flows from the veins of white men or black, yellow or red, Christians or heathens”. The Aryans in the novel were Germans because it was set in Germany. But they could have been Nigerians, Malays or Sioux Indians.

As Yehuda Bauer observed (1978, p.10), “‘Aryan’ actually had only the quality of distinguishing it from ‘non-Aryan’; and the only non-Aryan was the Jew. Anti-Semitism was therefore not a result of Nazi racism”.

(The Nazis gradually stopped using the words *Aryan*, which originally meant the Indo-European languages, and *anti-Semitic* because they might be mistakenly construed as anti-Arab and impede the Nazis’ close ties with Arab anti-imperialists and widespread support among the Arab masses.)

I must add that Hitler did not snub the black American athlete Jesse Owens at the 1936 Olympics in Berlin (Mandell 1971, pp.226-8). In fact, Owens and Korean marathon runner Kitei Son were the heroes of the official Nazi cinematic record of the Olympics, *Olympiad*, directed by the Leni Riefenstahl, who was in charge of Nazi cinematic propaganda. Later Riefenstahl mounted a “well-received” exhibition of photographs of the Nubian people of the Sudan, which manifested “her professed enthusiasm for Africa” (Gilroy 2000, pp.172-3, cf. 156-7, 174-6; Mandell 1971, pp.262-70). Owens himself said about Hitler, “I think the writers showed bad taste in criticizing the man of the hour in Germany” (Mandell 1971, p.227) and, typically of non-white people throughout the world, frequently praised him, describing him as “a noble man”.⁵⁹

A more famous black American than Jesse Owens was in Germany in 1936. WEB du Bois was certainly the most highly regarded and brilliant black American intellectual and civil rights crusader of the first half of the twentieth century, probably of all time. He began campaigning for multi-cultural education before World War I and was one of the founders of the Pan-African movement, to foster world-wide unity among people of African descent. In the face of vehement opposition, he got the 1919 Pan-African Congress to proclaim that the greatest modern problem was “the outrageously unjust distribution of world income”. Two years before he visited Germany, he broke with the NAACP, which he had been instrumental in founding, because he argued that black Americans should forgo the goal of integration and concentrate on improving the economic situation of the black masses along socialist lines. An admirer of the Soviet Union from the 1920s, he was awarded the Lenin Prize in 1958 by Soviet premier Nikita Khrushchev. He then renounced his American citizenship and moved to the newly independent black African country of Ghana, where he died in 1963, at the age of 95. In short, Du Bois was not a person to ignore or understate white racism or give white people the benefit of the doubt.

For more than five months in 1936, Du Bois, who spoke German fluently, toured Germany, supported by a grant from Gustav Oberländer, a wealthy American Nazi, who had received an award

from Hitler and dined with Goebbels. Du Bois reported on his experiences and impressions in the "Forum of Fact and Opinion" section of the *Pittsburgh Courier*, a Negro weekly. He denounced unsparingly the Nazis' tyranny and anti-Semitism ("Their [the Jews'] success...brought all the envy and jealousy of the wretched" (December 19, 1936)). He also saw clearly the propagandistic nature of what he called (January 2, 1937) "the smoke-screen of Communism":

[Hitler] and his followers denounce communism...and at the same time imitate nearly every method and adopt theoretically nearly [the] identical goal that Russia has followed or announced. Germany today is next to Russia the greatest exemplar of Marxian socialism in the world, and at the same time posing as the bulwark of Europe against the Red Menace! (December 26, 1936).

Germany and Russia are the two greatest Socialistic states of the Modern World (January 2, 1937).

However, the point that du Bois emphasized the most was,

I have been treated with uniform courtesy and consideration. It would have been impossible for me to have spent a similarly long time in any part of the United States without some, if not frequent cases of personal insult or discrimination. I cannot record a single instance here (December 5, 1936).

In Germany [as opposed to the United States] I can go to any hotel which I can afford; I can dine where I please...I can go to any theatre...I can join a sightseeing tour without comment, etc. In fine, I have complete civic freedom and public courtesy (December 19, 1935).

Sebastian Haffner, one of the scholars who has tried to dispel the misconceptions that pervade popular (and some professional) ideas about Nazism, pointed out (1979, p.82),

[By] the racial struggle...[Hitler] means not a struggle between white and black and yellow-skinned people (the real racial differences between white, black and yellow-skinned people did not interest Hitler at all), but a struggle...between the 'Aryans' and the Jews. In other words, between the Jews and all the rest, who...against the Jews, all belong to the same side.

However, Haffner was not completely correct. Hitler did think (incorrectly) that, as he said to Hermann Rauschning (1939, 230), "in the scientific sense there is no such thing as race". However, he saw before nearly anyone else that the hostility of non-Western to Western peoples would be one of the basic movements of the twentieth century, and he had no doubt as to which side he was on. In 1932 Kurt Lüdecke, who was an ardent Nazi since 1922, said to Hitler that the Nazis must hide their goals until they solidify their power because (1937, 451) "The challenge inherent in Nazi philosophy [is] in reality a challenge to the political, economic, social, cultural, and spiritual systems of the White World – in fact, to its whole structure." Hitler accepted this analysis completely (The capital letters are Lüdecke's.) Towards the end of his life, Hitler summed up his philosophy and career in a series of monologues to Martin Bormann.⁶⁰ Typical statements were,

I am sure that the Japanese, Chinese and Islamic peoples will always be closer to us than, for example, France, in spite of the fact that we are related by blood (April 2, 1945). (Hitler said "France", not "French" because the German word for France is *Frankreich*, literally "kingdom of the Franks", and the Franks were a German tribe.)

The white races did, of course, give some things to the natives [of the areas of Africa and Asia that they conquered]...those grievous scourges of humanity – materialism, fanaticism [i.e. Christianity], alcoholism and syphilis....These peoples possessed qualities of their own that were superior to anything we could offer them (February 7, 1945).

Endnotes

- 1 Thomas Sowell provides examples (1990, pp.19-40) from many parts of the world. This essay's title, "Prejudice is free, but discrimination has costs", is his explanation (1990, p.22).
- 2 In 1994, while eastern Asian economic growth was being described as a miracle, Paul Krugman pointed out in "The myth of Asia's miracle" (*Foreign Affairs*, November/December, pp.62-78) that eastern Asian economic growth, like the earlier rapid economic growth of the Soviet Union, was caused by enormous increases and improvements in material and human inputs, not increased efficiency. For example, if ten men are clearing rubble from a demolished building with shovels and one bulldozer is added, their productivity is multiplied enormously. But six bulldozers are not more productive than five. Or, if half of a population is illiterate and then everyone is provided with only three years of education, so that they can read labels and warning notices, the way many activities are conducted will be revolutionised. The Malaysian economy expanded rapidly until recently through enormous increases in inputs, especially foreign investment, which was drawn to it by its government's macroeconomic policies – low inflation, positive real interest rates, stable exchange rate, nearly no restrictions on trade or capital flows, discouragement of unions, no minimum wage law – and its abundant natural resources: oil, rubber, tin, etc (Emsley 1996, pp.74-6, 79-81, 108-10).
- 3 Musa 1999, pp.97-9, 113, 188; Faaland *et al.*, pp.16-22; Wu 1983, p.115; Snodgrass 1980, pp.211-12.
- 4 Wu and Wu 1980, p.51; Faaland *et al.*, 1990, p.53.
- 5 Lin 1984, pp.48-50; Heidhues 1992, p.14; Cohen 2000.
- 6 Musa 1999, pp.140-41.
- 7 Snodgrass 1980, pp.226-8; cf. Lin 1984, pp.47-8.
- 8 Heidhues 1992, p.13. In 1997, 64% of respondents to a survey, the vast majority of whom were Chinese in the private sector, had given bribes to government officials (Musa 1999, pp.247-8, 261).
- 9 Asia Pacific Press, Singapore.
- 10 "Mahathir's Change of Heart?", p.20.
- 11 Sowell 1996, p.176, 186-90, 203-212, 219-20; Tanzer 1994; Heidhues 1992, p.15; Eitzen 1968, pp.222-5; Wu and Wu 1980, p.51; *Economist* April 7, 2001, "Asian Business Survey", p.5; Petersen 1978, p.63.
- 12 Stanford University Press, pp.6-8.
- 13 The moneylenders whom the Burmese government replaced, with disastrous results, were Indians, who constituted 8% of all employed Burmese but more than half of Burmese doctors, businessmen and bankers. They were rewarded with discriminatory legislation, mob violence and expulsion (Thompson and Adloff 1955, pp.83-7; Sowell 1996, pp.345-6).
- 14 Herrnstein and Murray 1994, pp.272-6, 300-301, 359; Storfer 1990, pp.314-23; Seligman 1992, pp.121-4, 130-33; Lynn 1992, pp.367-8, 371.
- 15 The relative economic success of different countries is determined largely by their economic systems, as North and South Korea and the former East and West Germany illustrate.
- 16 This and the following quotations are from Williams 1989, pp.97, 126.
- 17 Lipton 1986, pp.111-14, 183, 261, 265; Williams 1989, pp.36-8, 46—60, 71; Davenport 1987, pp.279-83.
- 18 Williams 1989, pp.60-3, 71, 114-20; Lipton 1986, pp.114-17, 259-60, 409-10.
- 19 Lipton 1986, pp.19-20, 38-9, 239; Williams 1989, pp.38-9, 67-77, 80, 86-7, 101.
- 20 Williams 1989, pp.85-6; Standish 1985, pp.151, 154, 159, 162.
- 21 Lipton 1986, p.151; cf. 141, 143, 146-7, 153-4, 159-60, 162, 179, 254, 315.
- 22 Lipton 1986, pp.235, 243, 283-4, 307, 312-13; Sowell 1990, p.29; Giliomee 1979, pp.160-61, 164-6, 168; Yudelman 1975, pp.88-9.
- 23 Williams 1989, pp.106-11; Lipton 1986, p.268; Davenport 1987, pp.513-14; Sowell 1996, p.330.
- 24 "Die Joodse Vraagstuk Besein vanuit Die Nasionale Standpunt", *Die Transvaler*, October 1.
- 25 *Economist* March 15, 1997, p.50.
- 26 "Black income to outstrip white", Johannesburg *Sunday Times*, March 21, 2001, p.A1.
- 27 "Skin Deep", *Economist*, July 21, 2001, pp.56-7.
- 28 Herrnstein and C Murray 1994, pp.319-22, 463-8, 488, 502-3, 573-5, 758, 764n.41; Gottfredson 1986, pp.398-406.
- 29 D'Souza 1995, p.495. The proportion of black professionals who work for the government is often reported as half. In fact, half of black professional men and two-thirds of black professional women are government em-

ployees. Among blacks who work, the proportion of professional women is 46% greater than the proportion of professional men, and more black women work than black men (Taylor 1992, p.25; *Journal of Blacks in Higher Education*, Summer 1998, pp.86-7).

Thernstrom 1997, pp.440-42. On July 19, 1995, the “Press briefing on the President’s affirmative action position” observed, “there are government contracts for staplers, there are government contracts for accounting services, for janitorial services, for construction – over \$200 billion a year in government contracting”.

Thernstrom 1997, pp.424, 442-3, 458, 460. According to the Code of Federal Regulations, “Individuals who certify that they are members of the named groups (Black, Hispanic, Native American, Asian-Pacific, Subcontinental-Asian) are to be considered socially and economically disadvantaged.” So there are 19 separate federal regulations to provide preferences to “disadvantaged bankers [i.e. bank-owners]”. In normal discourse “disadvantaged bankers” would be an oxymoron (Chavez 1999).

A Gore (editor), *From red tape to results: Creating a government that works better and costs less* (US Government Printing Office, Washington DC, 1993), p.32.

The highest are Israelis (28.6%) and Koreans (27.6%). The native white rate is 10.1% (Fairlie and Meyer 1996, 764-6) (Jews are not a category in US censuses, from which this data comes).

D’Souza 1995, pp.276-81; Zelnick 1996, pp.321-33; Thernstrom 1997, pp.446-9, 503-5; Taylor 1992, pp.55-6, 59-61.

Taylor 1992, pp.139-41; La Noue 1993, pp.55-6; Jacoby 1998, p.461.

In 1982, Benjamin Shapiro, an Atlanta lawyer who opposed racial discrimination, brought suits for two Atlanta subcontractor groups challenging the legality of Atlanta’s minority set-aside program. In October 1984, the Georgia Supreme Court ruled unanimously that the Atlanta ordinance violated the city charter’s requirement that contracts be awarded “to the lowest or best bidder”. The city council then added the word “responsible” to the charter’s requirement and the mayor increased the minimum amount of business reserved for MBEs from 25% to 35%. Shapiro brought another suit. The Georgia Supreme Court waited until the US Supreme Court decided the *Croson* decision. When Shapiro heard the decision, he told his clients that it “sounded the death knell” for municipal set-asides. The Georgia Supreme Court again ruled unanimously that Atlanta’s set-asides were illegal. Atlanta retaliated with the 1034-page study mentioned above. Although, “there is not a single reported case in the study where a minority or woman firm in Atlanta is the lowest bidder and didn’t get the contract”, Atlanta extended mandated set-asides to private as well as public contracting. Shapiro decided it would be a waste of time and effort to sue again (Jacoby 1998, pp.434, 441-2, 449-60).

National Review, September 3, 2001, p.6, and J O’Sullivan, “Preferred numbers”, pp.19-20.

In this section I sometimes change the translations in the sources I cite to bring them closer to the German original.

Friedländer 1997, pp.30-31. The law limited the number of Jews matriculating to 1.5% of total applicants. As will be discussed, 0.74% of the German population was Jewish, but because of a low birth rate, twice as many German Jews were over 60 years old as German Gentiles. This law is often said to have limited the number of Jewish university students to the proportion of Jews in the German population. That was the wording of the law itself, but not even the Nazis were initially prepared to undertake such a savage anti-Semitic step. The decree implementing the law, which was issued simultaneously with it, set the proportion of Jews at 1.5% (Dawidowicz 1976, pp.42-4 prints the law and implementing decrees).

The section “The Jewification of the Student Body at Universities” points out that the “frightening” disproportion of Jewish university students is compounded by the facts that Jewish students are concentrated at the best universities and “Jewish students are better able [than Aryan students] to continue through [i.e. pass] the examinations”.

This pamphlet can be found at www.calvin.edu/academic/cas/gpa/index.htm, where the title is “Why the Aryan Law? A Contribution to the Jewish Question”. But *Arierparaph* in the German title was a collective term for the laws that Aryanized (ie de-Jewified) Germany. *Frage* usually means “question”, but *Judenfrage* means “Jewish problem”. The full title of Theodor Herzl’s Zionist manifesto was *Der Judenstaat: Versuch einer modernen Lösung der Judenfrage* (*The Jewish State: An Attempt at a Modern Solution of the Jewish Problem*). The Nazis sought a final solution to the Jewish problem (*Endlösung der Judenfrage*). This site has other Nazi propaganda publications. For instance, in “The Eternal Jew”, published in 1937, under the title “A Picture of German Economic Life in 1930” was a bar-graph, each bar of which represented an area of the German economy – metal, textiles, banking, etc. On each bar the (huge) proportion owned by Jews is in black.

Pulzer 1988, p.8; Gordon 1984, pp.8, 11; Friedländer 1997, p.151; Marcus 1934, p.123.

For theatre directors and ownership of metal businesses, see Gordon 1984, pp.11-14. I use Marcus 1934, p.121 for the proportion of German lawyers who were Jewish, but the percentage of German doctors he gives who

were Jewish is too low (Proctor 1988, p.149; Kater 1989, pp.220-21) So his figures for lawyers may also be too low.

For example, Mosse 1987, pp.285-7, 294-53, 368-71; Eksteins 1975, pp.229-30.

Mein Kampf, pp.55, 69, 101. The page numbers I cite from *Mein Kampf* are from R Manheim's translation, Houghton Mifflin Company, Boston, 1943.

"Truly stupendous disproportions" is a direct quote from an anti-Semitic article published in 1875 (Massing 1949, p.14).

Stern 1961, pp.108, 167; Hitler, *Mein Kampf*, pp.14, 35-6, 421.

Kindler and Schiermeyer, Bad Worishofen.

Friedländer 1997, p.29. The ratio 23:1 is calculated on the number of Jews in Germany in June 1933, which was fewer than in January (Strauss 1980, p.317).

For the changes of the German Jewish population from 1933-39, see Strauss 1980, pp.317-22 and Barkai 1989, pp.55, 154. Emigration was not the only cause of the decline in the number of German Jews. Between January 1933 and 1939, 5% of German Jewish doctors committed suicide (Kater 1989, p.221).

Kater 1989, p.188-92; Proctor 1988, pp.91, 144, 148; Barkai 1989, pp.26, 29-30, 56.

Kater 1984, pp.153-5; Barkai 1989, p.64.

Fischer 1998, pp.244-5; Barkai 1989, pp.18-19; Gellately 1990, p.109.

Friedländer 1997, pp.22-3; Kershaw 1998, pp.473-4. The original boycott announcement was that it would be indefinite. On the evening of March 31, Goebbels announced that it would last for one day. But in many places it lasted for several days and on April 1 most people still thought it would be indefinite.

Friedländer 1997, pp.24-5. Employees' concern for their jobs was based on the realization that if Jewish businesses were "Aryanised", their Aryan owners would not be as successful and would have to close down or decrease the number of their employees. That is, in fact, what happened, which is why Jews owned such a large proportion of German businesses (Bankier 1992, p.93).

Kershaw 1981, p.266. This type of subterfuge is, of course, the inevitable accompaniment of affirmative action, as I document above for Malaysia and the United States.

Kershaw 1981, p.268. In fact, "The widely read Protestant Sunday press published numerous commentaries on the overrepresentation of Jews in cultural life, the economy, law and medicine, and the need to do something about it, within the bounds of what was sanctioned by the Bible" (Burleigh 2000, p.281).

Zimmermann 1986, p.101. Sporadic, always unsuccessful, boycotts of Jewish businesses and professionals were conducted in Germany since the 1870s (Morgenthaler 1991).

Berenbaum and Peck 1998, pp.334-57; Lüdecke 1937, p.777.

"Hitler praised above Roosevelt by Jesse Owens", *The Philadelphia Tribune*, October 29, 1936, p.2.

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