

NAZI ECONOMIC POLICIES

1. GENERAL: BALANCE OF TRADE

Problems - general

- A healthy economy needs a healthy balance of trade – ideally, the cost of imports should always be outweighed by the profits made by exports, otherwise the country will develop a massive national debt.
- Germany needed to import
 - (a) food – German farmers were not efficient enough to feed the nation;
 - (b) raw materials like copper, aluminium and rubber, and oil products like petrol (because these were not produced in Germany).
- This meant that Germany was usually importing more than it exported, resulting in a mounting national debt.

Problems – the Nazis

- Some relief was given by the fact that
 - (a) Papen and Schleicher had negotiated the end of reparations and
 - (b) The recession of 1929-32 made Germany so poor that it could not afford imports.
- However, these were only palliative measures. The obvious fundamental solution was to conquer new territories (*lebensraum*) and make Germany as self-sufficient as possible (*autarchy*) – to the extent that she could even export more than she imported. However, these aims conflicted – because the factories needed to produce armaments to conquer new territories were the same ones necessary to increase the production of other goods.

Solutions

Long term: Lebensraum

- Hitler intended to conquer the Ukraine and use this to make Germany self-sufficient in food and most raw materials. This solution would require a war, however, and Germany was not ready for war yet.
- The Nazis hoped to pull the small nations of eastern Europe into a kind of common market centred on Germany. This was called *Mitteleuropa*.

Short term: Schacht's New Plan, 1934

- Hitler appointed **Hjalmar Schacht** first as President of the Reichsbank and then as Minister for the Economy with dictatorial powers (August 1934).
- Schacht designed a complicated programme to make the best use of Germany's foreign exchange. This was called the **New Plan** and was introduced in September 1934. The Plan made it illegal to pay foreigners in their money (e.g. British firms in pounds) without Government permission. This enabled Schacht to decide what could be bought and from which countries.
- In addition Germany began making *bilateral* agreements with as many countries as would agree to them. This means trading in ways which didn't use up as much of Germany's foreign exchange (e.g. by barter).

Assessment

- Schacht's schemes were successful in that they enabled the government to control imports. This meant they could direct imports to the things they thought were most important, i.e. food and raw materials, without using up industries which they wanted to use for rearmament, and that these industries would still be able to buy the raw materials that rearmament needed.
- They failed in that Germany's foreign trade stayed low (exports were worth over 12 billion RM in 1928, only 5 billion in 1938) and therefore Germany could not afford to buy all the things it needed. This created a 'guns or butter' crisis – *either* Germany could buy butter, *or* it could buy the raw materials to make armaments, but not both.
- This crisis came to a head in 1935 (see later notes).

2. INDUSTRY: EMPLOYMENT

Problems

- The number of registered unemployed reached a peak of 6 million in 1932, and there were probably another 2.5 million who weren't registered.
- Hitler had gained votes by criticising previous governments and saying he would do better (without saying how). His government needed to make progress on jobs *very* quickly if he was to keep his national popularity.

Solutions

- In fact the number of unemployed came down very quickly. This is the main thing people mean when they talk about the 'Nazi economic miracle'. This was due to a variety of factors:

International trade begins to pick up again. Six million were on the unemployment register in January 1933; by January 1934 there were 3.8 million. The number went on falling until 1939, when it was 0.3 million (in January), but the first year was the biggest fall. To the Nazis this was a propaganda victory: Hitler becomes Chancellor, and immediately afterwards there were lots more jobs. To historians, however, it seems more likely that this means the cause was further back, in 1932, since the Nazis did not do very much in the first few months and since these things generally take time. What was happening in 1932 was that the economy showed the first signs of recovery:

- The output of industrial goods began to rise by the middle of 1932
- Profits began to increase (which encouraged further expansion of production)
- Unemployment started to decrease towards the end of the year (though it is always highest in summer when outdoor work is difficult).

Work creation was planned by the Schleicher government and taken up by the Nazis after a few months during which they were suspicious of it. It operated according to the 'Reichardt Plans', announced in June and September of 1933, but probably didn't really get going until 1934. Therefore it's too late to account for the first big drop. Most historians think the numbers involved were also quite small at the beginning – 84,000 for the motorway-building (Volkswagen) programme, for example. Later they rose, perhaps to as many as 1.7 million by the end of 1934. The government also tried to make sure that the work was done manually rather than by machines, which means a small knock-on effect (not many other people got jobs besides the ones who actually did the work).

Agriculture benefited from immediate action by the new Minister of Agriculture, Alfred Hugenberg. Within a few weeks (i.e. in the spring and early summer of 1933) he banned foreclosure (i.e. he prohibited banks from selling farms where the farmers were in debt), put import taxes (tariffs) on many agricultural products and made butter manufacturers put more margarine in it (which they had to buy from the farmers). Hugenberg was made to resign in June but already farmers were earning more money (17% more in the first year) and the number of jobs in agriculture had started to rise.

The civil service increased in size rapidly under the Nazis. In the first year they spent twice as much extra money on it as on work creation, and the effect was many thousands more jobs (especially as they were very mean in keeping salaries down, which meant extra money employed a lot of officials).

Rearmament was very important to Hitler: his *first* aim when becoming Chancellor was to 'make Germany ready for war again'. However it was difficult to do this quickly because

- a) he had to conceal it from the Allies (Britain and France) and
- b) the armed forces were still so small that they couldn't spend all the money he offered them.

Because spending had to be concealed a lot was hidden in the work creation programme (making new runways and barracks, for example, and the motorways had a military function). Much of the rest was involved in expensive machinery and therefore only provided a few, very highly-skilled, jobs. Later on,

spending rose to very high levels, but probably rearmament was not the most important factor in the *initial* increase in employment.

Fiddling the statistics: There is no doubt that the government did everything it could to get people off the unemployment register: they were very strict in interpreting the rules, took married women off, and so on. They also gave loans to women who got married if they promised to give up their job (which they hoped would then go to someone else, preferably a man). It is impossible to work out how many 'jobs' were invented in this way.

Assessment

- There is no doubt that the unemployment figures came down (see above). At the same time as the number registered as unemployed decreased by 5.7 million the number of people with jobs went up by 7.3 million, so the improvement was even better than it looked.
- It is also true that they came down most rapidly in the first year, when they did the most propaganda good for the Nazis ('The Führer gave us jobs.')

Tasks:

1. Highlight what you consider to be the 10 key points in this account.
2. There are three deliberate mistakes in this account. Correct them.
3. Provide a written answer to this question:
"To what extent could the Nazis take the credit for the decline in unemployment from 1933 onwards?"

3. AGRICULTURE: MODERNISATION

Task

Read through the following information and then write down what you consider to be the most important 5 points. If you can, make these points analytical / judgemental rather than merely factual.

Problems (a) General

- German farmers had been having problems for a long time. This is basically because
 - (a) World food prices had been low for many decades, which meant cheap imports into Germany, which in turn meant that German farmers could not sell their food at a price which would enable them to make a good living;
 - (b) Many German farms were very small – typically worked by a family – and did not have the wealth necessary to modernise; which meant that they produced food in inefficient and expensive ways. About 35% of the German population was involved in agriculture, which was a very high level (it's about 1.5% in Britain today). Many books call them peasants, which means farmers who grow food to eat and don't sell much, and this is not entirely untrue.
- These problems had got worse after 1928 because
 - (a) The harvest of 1928 had been poor (because of bad weather; but there were also outbreaks of cattle disease);
 - (b) The recession of 1929 on meant that people bought less food, which meant even less money for farmers: so that farm incomes, already low, went even lower.
- Consequently a lot of farmers borrowed money from the banks and then had to make regular interest payments. If they failed to pay them, the banks would *foreclose*, which means they would sell the farm and put the farmer out of his home.
- This is of course the reason why the Nazis got so many votes from agricultural communities – the Weimar Republic, heavily influenced by Marxist socialism, did not take much care of farmers and was unwilling to put food prices up because it would upset their working-class supporters. In contrast, Hitler declared that "the ruin of the German peasant will be the ruin of the German people."

Problems (b) The Nazis

Helping the farmers would be difficult however because the Nazis were pulled in several directions.

1. Ideology: blood and soil

The Nazis believed that intermarriage with other races happened less in rural populations, so that German peasants were pure Aryan. The country was where heroes came from. The Nazi dream was of a great Aryan empire, so they needed lots of peasants to make soldiers and later on settlers in the new territories.

But they also believed that Germany must be self-sufficient in food, because otherwise the British could starve Germany into submission if there was a war, as had happened in the war of 1914-18. The best way of achieving this would be modernisation of farms; but modernised farms needed to be big farms, using machines instead of hand labour, which meant fewer peasants. Thus these two aims were directly in opposition to each other.

2. Farm prices versus workers' breakfasts

The Nazis also did not want to pay high wages to industrial workers; but if they put food prices up (e.g. by making imported food more expensive) this would force them to do so. But if food prices didn't go up, how could they help the farmers?

3. Guns versus butter

Similarly, the Nazis wanted to concentrate on rearmament. But the arms industries needed to import materials like copper, aluminium, rubber and petrol. Germany could not afford to import food as well. But Germany did not produce enough food for its population (and when the depression was over, the population would eat more, which would suck in more imports). Unless Germany could increase agricultural production, either the workers would have to go hungry or rearmament would slow down.

Questions

Are these three problems connected in any meaningful way? Explain your answer.

Summarise the internal contradictions of these three policies in your own words.

Solutions

The first minister to tackle the problem was Alfred Hugenberg – see above. His policies had a temporary effect in increasing farm incomes and thus stimulating agriculture, but he was soon got rid of and replaced by a Nazi, Richard Darré.

The policies of Richard Darré

Darré set up the **Reich Food Estate** and passed the **Entailed Farms Law**, both in September 1933. He also announced a 'battle for food' to increase grain production.

- The Reich Food Estate was a gigantic organisation which controlled every part of agriculture. This enabled the government to control farmers' incomes, as it determined both the cost of what they used and the price of what they sold. They used this to allow farmers' incomes to increase by 41% by 1938.
- However he tried to prevent the decline of the peasantry (something which is almost inevitable if you try to modernise) by passing an Entailed Farms Law. Entail means a rule that only the eldest son can inherit a property – the idea was to protect a hereditary peasantry. The government also introduced ideas like using Bau (the word for peasant) as an honourable title and talking about 'blood and soil', with the idea of making peasants feel important.
- The 'battle for food' was an attempt to persuade peasants to grow more food even though the government did not aim at rapid modernisation.

The policies of Hermann Göring

• Göring launched his **Four Year Plan** in 1936, declaring a "Battle for Production" which would ultimately achieve autarchy. Göring introduced government help in farm modernisation (e.g. by helping farmers to buy tractors) and lower prices for things like fertilisers. Consumer imports were nearly eliminated, price and wage controls were enacted, and vast state projects were built to manufacture raw materials.

Assessment

These policies were *successful* in that they

- increased farmers' incomes (by about 41% up to 1938);
- increased food production in Germany: by 1938 Germany produced enough to be self-sufficient or almost self-sufficient in bread grains, potatoes, sugar, meat, vegetables and eggs. Food production had gone up by 20% since 1928;
- German people were to some extent persuaded to eat less butter and more jam, or fish instead of meat.

They were *less successful* in that:

- Germany still only produced about half the vegetable fats (e.g. butter) it needed;
- there were severe shortages of labour on the farms;
- Germany still did not produce enough food to feed its people; and the diet of ordinary Germans had not improved much since before the depression. In fact, it was still very similar to what they had been eating in the worst year (1932) – in 1938 the average citizen was eating only 5% more calories than in 1932; and
- many peasants lost their enthusiasm for the Nazis: probably mainly the older farmers. The reaction to Nazi policies was mixed but there was considerable hostility.

Task

- Compare and contrast the roles played by three key characters in Nazi economic policies. You may wish to discuss which three characters you would like to choose in class first.
- Do you think that Darre, Goering, Scacht and Hugenburg deserved to be found guilty at the Nuremberg Trials after World War Two? Explain your answer carefully by defining what your criteria for 'guilt' would consist of.

CONCLUSION

- The above are notes on how far the Nazis solved the immediate problems which the economy faced when Hitler became Chancellor. However he aimed eventually at solving Germany's problems more permanently by conquest of Lebensraum (living space – i.e. extra territory). To do this he needed to make Germany a major military power, which it was not in 1933.
- Similarly, the normal development of the German economy would have been for exports to rise, employing more people at higher wages, and to be matched by increasing imports and increasing production of consumer goods as people had more money to buy the things they wanted. If people got richer too fast, this would result in inflation.

Success in the sense of...

- Germany spent massive amounts of money on rearmament, especially after 1936. He was able to pay for this by keeping taxes very high (at the emergency levels introduced for the recession).
- He was able to make German industrialists co-operate in this. This was probably partly because he allowed them very high profits, which came partly from government spending and partly because the Nazis prevented trade union activity.
- The rearmament was probably intended to be complete by between 1940 and 1942. However Germany actually went to war in 1939, and was therefore not very well prepared.
- The standard of living of ordinary Germans rose as many got jobs, but did not recover to the levels of Weimar Germany.

Failure in the sense of...

- German exports remained low, and the export industries were diverted into rearmament. Making weapons does not improve people's standard of living very much as it stores up production in useless things like tanks instead of goods which can be used to make people's lives better.
- However, it is probable that employment would not have recovered to such a high level by 1938 if the war industries had not taken on so many workers.
- Consumer goods production did not recover quickly and the general standard of living was lower than would be expected in a period of boom.
- Industry, instead of getting its freedoms back after the emergency of the early 1930s, saw government controls getting tighter and tighter as time went on¹. The Reich Economic Chamber was established on top of all these associations. It consisted of seven national economic groups, twenty-three economic chambers, seventy chambers of handicrafts, and one hundred chambers of industry and commerce. From these bureaucracies and the numerous offices and agencies of the Ministry of Economics and the Office of the Four Year Plan rained down a flood of decrees and laws, which in turn created for businesses the need on the one hand for lawyers and a legal department to understand these rules, and on the other, for a systematic regime of bribing officials.
- Some historians think that the massive spending on rearmament caused such serious shortages in labour and crucial materials that Germany had no option but to go to war to finance further progress.

¹ Walther Funk, who replaced Hjalmar Schacht as minister of economics in 1937, admitted that "official communications now make up more than one half of a German Manufacturer's entire correspondence" and that "Germany's export trade involves 40,000 separate transactions daily; yet for a single transaction as many as forty different forms must be filled out."