KEY ISSUE

What type of war was Hitler planning?

F *The role of rearmament 1936–9 – early research on Germany's war effort*

What was the level of German rearmament in the 1930s? Was the economy fully mobilised for war? Historians' answers to these two questions have changed over time as the availability of sources has grown and the technique of statistical sampling has become more sophisticated. A further complication is added by misconceptions about the size of the armed forces. The Nazis always exaggerated their size, especially the number of aircraft, for propaganda purposes. This meant that some contemporaries, such as Churchill, and later the Allies in the Second World War, thought that the Nazis must have been preparing for war as fast as they could. Also, in spite of the mass of material about Nazism, there are gaps in information about the 1930s and, in any case, it is difficult to isolate armament expenditure from other investment. Hitler's autobahns were part of his 'battle for work' campaign, but they also had a military significance in their capacity to move large numbers of men and materials quickly by road. Consequently historians have not been able to agree whether the building of the autobahns should be included in rearmament. Another area of doubt is the issue of **MEFO bills** which were a means of raising money to finance the recovery of heavy industry. It is difficult to say what proportion of the MEFO bill issue was for financing arms, though one source claims it was as much as 50 per cent in the mid 1930s.

MEFO bills a form of deficit financing, named after the Metallurgische Forschung GmbH (Metallurgical Research Inc) used to camouflage their secret purpose in financing rearmament

Given the limitations of the sources, historians until the mid 1980s tended to agree that:

- Hitler was planning a series of short sharp lightning wars or ***Blitzkrieg*** which did not require the tremendous rearmament associated with total war. He was concerned that there should not be a repeat of the hardships suffered by the German people in the First World War which had cost the Kaiser his throne.
- The economy did not become fully mobilised until at least 1942, when Albert Speer became Minister of Armaments, while a full-scale commitment was not achieved until 1944.
- Hitler's ambitions were out of phase with economic and military planning.

Blitzkrieg lightning war

HISTORIANS' DEBATE

The nature of Germany's war effort

A.J.P. Taylor: 'Hitler and the Origins of the Second World War', in E.M. Robertson (ed.), *The Origins of the Second World War* (Macmillan, 1971).

He took the most extreme view that 'Hitler was not really planning for war in 1939 and the proof of this lay in the level of German rearmament which by 1939 was by no means great enough to sustain a European, let alone a world, war'. Few of the statistics available since the 1960s support Taylor's interpretation. The limited character of German rearmament which, according to Taylor, proves that he did not want a war, is only really supported by the early figures published in 1959 by B.H. Klein (Germany's Economic Preparations for War) *when the study of the German economy under the Third Reich was still in its infancy and source material was unsatisfactory and incomplete.*

Since the publication of Taylor's view there has been much debate about German levels of armaments in the 1930s and the question whether Hitler planned to go to war. The fierceness of the debate led to the critical testing of his interpretation using revised statistics on the German economy. The figures compiled by Klein were superseded by those of B.E. Carroll in 1968.

TABLE 46
Klein's estimates of armament expenditure, 1933–9 (RM million)

1933–5	5
1935–6	6
1936–7	10
1937–8	14
1938–9	16
April–Sept 1939	4

T.W. Mason: 'Some Origins of the Second World War' in E.M. Robertson (ed.), *The Origins of the Second World War* (Macmillan, 1971).

He criticised A.J.P. Taylor for ignoring the effects of rearmament on the German economy which saw a change in its structure in the 1930s: an increase in public spending which put greater importance on heavy industry, the trend towards autarky, and the suppression of consumer spending. By 1939 a long-term crisis had appeared associated with a huge labour shortage, inadequate exports and a generally overheated economy. This put important restraints on Germany's ability to rearm which could only be overcome if new sources of raw materials, food and labour were found. Hitler was forced to go to war to divert attention away from these structural strains which had first appeared in 1937 and were inherent in the economy. According to Mason, German armaments were not sufficient in 1939 to sustain a long war, so that 'Hitler was planning to employ *Blitzkrieg* or 'lightning war' tactics rather than preparing for long campaigns of trench warfare'.

A.S. Milward: *The German Economy at War* (Athlone Press, 1965)

He argues that there was an ultimate connection between economy, strategy and Nazi ideology. The lack of raw materials meant that short wars were the preferred method. This avoided mobilising the whole German economy for war which would have placed enormous strains on the economy and led to civilian unrest. Hitler did not trust the German people, so he had to offer them victories at least cost because he could not expect them to agree to sacrifices. Hitler did not mobilise totally for war so that 'at no time was anything like the full capacity of the German economy devoted to war production'.

B.E. Carroll: *Design for Total War: Arms and Economics in the Third Reich* (Mouton, 1968)

The title is misleading in so far as she does not agree with the view that the Nazis planned a total war. Her conclusions are that from 1934 onwards Germany moved towards a war-orientated economy. In 1936 armaments dominated government expenditure for goods and services as well as investments. In 1938 the economy was on a

war footing but military expenditure did not dominate the economy until 1942 when 50 per cent or more of economic resources were devoted to war purposes. By 1939 Britain was spending a similar percentage of gross national expenditure which would suggest that Germany was not more prepared for war than Britain – except of course that it was growing from a wider armament base as a result of stockpiling from 1934.

TABLE 47
Comparison of German and British military expenditure as a percentage of GNP/National Income (taken as Equivalent), 1933–9

	Germany (RM billion)		Britain (£ billion)	
Year	GNP	%	National Income	%
1933	59	3	3.7	3
1934	67	6	3.9	3
1935	74	8	4.1	2
1936	83	13	4.4	5
1937	93	13	4.6	7
1938	105	17	4.8	8
1939	130	23	5.0	22

GNP exceeds National Income, but for the purpose of this table the two may be taken as the same.

Who was more prepared for war in 1939?

G *Recent research on Germany's war effort*

R. J. Overy in 'Hitler's War and the German Economy – a Re-interpretation' (*Economic History Review*, May 1982), has rejected the prevailing interpretation that Hitler planned for a limited war with limited resources. He argues that historians have ignored the detailed figures. Hitler planned for a total war and when war broke out Germany mobilised as fast as it could. Overy supports this argument by citing:

- The revolution in politics and the economy from the mid-1930s, particularly after 1938 when Hitler appointed people who agreed with his idea of a large-scale war effort.
- Economic planning which aimed to transform the economy in readiness for war. It would occur in two stages: expansion in central and eastern Europe to provide a big resource base for raw materials and gold for the war effort. This stage was not completely achieved until the absorption of Austria and Czechoslovakia in 1938, followed by Poland in 1939. The second stage, introduced in 1936, was a policy of autarky in preparation for the big war effort.
- Göring's references in 1938 to what he called a 'war of great proportions' which could last a long time (15 years), and which would begin in around 1943 or 1944, and to Speer's 'victory buildings' which would be completed by about 1951.
- Hitler's speeches which saw Russia as the enemy whose super-economic power potential Germany would have to equal.

The dominant role of rearmament in the economy between 1936 and 1939, when two-thirds of industrial investment was devoted to war preparation including expansion of the chemical, aluminium, aviation and engineering industries. By 1939, over a quarter of the industrial workforce was working on orders for the armed forces. This commitment was much bigger than was needed for *Blitzkrieg*.

Germany was to 'leapfrog' Britain and France to face the USA and the USSR. Plans for the American Bomber, an intercontinental bomber, were authorised in 1938, the German airforce was to be expanded five-fold, a vast battle fleet would be built and the army would be motorised. These plans were not to be completed until the mid-1940s. 'This will not be like 1914', Hitler told his generals in 1939. It was a high-risk policy because there were many among the elites, army and business owners who did not agree with Hitler's strategy and its risks to the economy. However, these plans failed to materialise. Hitler did not think the Polish war would spread because he did not believe the British would do anything since they were pressing Poland to give up Danzig. Hitler, badly advised by German intelligence that Britain was ill-prepared, believed that any war with Poland would be small and localised. Germany was not really ready for war in 1939, and, according to Overy, the limited mobilisation was not planned but resulted from the great inefficiency of German economic planning.

TABLE 48
Percentage of German industrial labour forces working on orders for the armed forces by 1939

	1939
All industry, including	21.9
Raw materials	21.0
Metal manufacture	28.6
Construction	31.5
Consumer goods	12.2

KEY ISSUE
How successful were these plans?

TABLE 49
Select statistics comparing German and British war effort by 1939

Comparison	Germany	Britain
Index of consumer expenditure (per head) 1938 = 100	95.0	97.2
Employment in war industries % of all employed	21.9	18.6
% of women in the total of civilian employment	37.3	26.4
% of war expenditure in total national income	32.2	15.0

The production goals were never achieved (see Table 45 on page 355) because of the problem of finance. There was an attempt to solve this by increased government control as part of a 'capitalist command economy'. Taxes were increased, **promissory notes** were issued and prices were controlled (1936–7).

There was some success with the second Four Year Plan, for war in 1939 could not have happened but for the Plan, despite Schacht's doubts. His successor, Walter Funk, believed that the Four Year Plan should divert resources away from other sectors, especially consumer to meet armament and war needs. This meant discrimination against consumer goods and workers, which had been demanded by industry, the

promissory notes signed documents containing a written promise to pay a stated sum to the named person or the bearer at a specified date or on demand

army and civil service who wanted priority to go to armaments. This demand was rejected by the Nazi leadership who 'feared' the people and doubted their loyalty in a crisis, as had occurred in 1918. The policy of terror and propaganda had a limited success and this led the leadership to provide material concessions. Workers were provided with housing estates through the 'Strength through Joy' initiative and with leisure activities especially for the low paid (see Chapter 10). There was the promise of car ownership, whilst labour shortages meant that workers demanded and won higher wages though these were absorbed by the rising cost of living.

Labour mobilisation was a major indicator of the level of economic mobilisation as a whole. Heavy industry and metalworking, the latter suffered from a labour shortage, expanded their labour supply whereas building and consumer industries contracted up to 1941, but then numbers in the consumer industry went up again in 1943. In the metal manufacturing industry, which included most arms production, the increase in numbers working on orders for the army was most marked, rising from 28.6 per cent in 1939 to 68.8 per cent by 1941, but only to 72 per cent by 1943. The proportion in the consumer sector working on military orders rose from 12.2 per cent in 1939 to 27.8 per cent in 1941, at a time when there was a fall in total numbers working in this sector from 3.58 million in 1939 to 2.56 million by 1942. In 1941 the services took 40 per cent of textiles output and 44 per cent of all clothing, which left much less capacity for civilian needs than output figures suggest.

Overy also rejects, as a statistical illusion, the claim that Germany, unlike Britain, failed to mobilise women for war work. His most recent statistics show that by 1939 women already constituted a much larger part of the workforce in Germany than in Britain, 37.3 per cent compared with 26.4 per cent, and this lead was maintained overall.

6 RELATIONSHIP BETWEEN THE REGIME AND BIG BUSINESS

The position of big business under the Third Reich has been the subject of some debate amongst historians. Was the relationship based on subservience, co-operation or opposition? Equality or subservience? The debate highlights that this is an area where research is still in its infancy. The relationship is important for it is relevant to the question – how did Hitler come to power?

A *Was Hitler the 'pawn' who was submissive to the interests of big business?*

The question central to the Marxist analysis of the whole phenomenon of Nazism is the 'agent' theory – was Hitler merely the pawn of German monopoly capitalism in its imperialistic ambitions? This was certainly the view taken by the Comintern, the Soviet-controlled international

federation of Communist parties in 1935 when it described German fascism as 'the openly terroristic dictatorship of the most reactionary, the most chauvinistic and most imperialist elements in finance Capitalism'. Even the propaganda of Social Democratic parties in the 1930s was often not very different, and portrayed Hitler simply as an agent of big business. According to those historians who take a determinist view of history, the Third Reich was the creation of powerful economic forces. They claim that big business interests sought to use Hitler's ability to attract and control the masses to stave off a challenge from the rising socialist/communist forces in Germany. Through financial assistance and pressure-group manoeuvring, they handed him the chancellorship though real power would remain in their hands. They expected Hitler to crush the political left, suppress the labour movement and thus allow their businesses to function freely.

KEY ISSUE

Was Hitler the pawn of big business?

The best discussion of big business in control of the Nazis is A. Merson's 'Nazis and Monopoly Capital' in H.A. Turner (ed.), *Nazism and the Third Reich*. His argument is that the Nazis soon lost their anti-capitalist stance because setting up the Labour Front put employers in control. According to his interpretation, Nazi Germany in the 1930s saw a rapid development in monopoly capitalism where priority was given to rearmament. Monopoly capitalism is a Marxist term to describe big business. It means the concentration of the means of production/industry in one or a few hands. Industry was concentrated in the Ruhr Basin, North-Rhine, Westphalia and the Saar, and it included such families as the Krupps (armaments), Farben, Flick and Mercedes-Benz. One example already mentioned in the preceding pages is the massive chemicals firm, I.G. Farben, which was Germany's largest private business. The company controlled the production of synthetic chemicals, rubber, petrol, oil and textiles.

In Merson's view, the power of the great monopolies expanded not only during the armament boom of the 1930s but also during the period of conquests, 1938–42. Göring became the economic chief, not as the Nazi spokesman against big business but, on the contrary, because he enjoyed the confidence of the monopolies concerned. Some of the great monopoly firms, such as I.G. Farben, Krupp and Flick exploited the defeated countries. Friedrich Flick used slave labour in his Ruhr industries, the majority of whom died, while Alfred Krupp's armament company, Krupp von Böhlen und Halbach, plundered the industrial plant of occupied Europe and exploited concentration camp labour. After 1942 the interests of monopoly capital found expression through Speer, and Göring's influence declined. Merson commented on what he regarded as a significant absence of important representatives of monopoly capitalism in the bomb plot of July 1944. According to him, the leading sections of monopoly capital backed Hitler to the end – 'until Anglo-American armies began to take over'.

Such views have not found a great deal of favour or support among western writers on Nazism. Writers, such as Karl Bracher in his influential *The German Dictatorship* (Weidenfeld & Nicolson 1971), and H.A. Turner, 'German Big Business and the Rise of Hitler' (*American*

Historical Review, LXXV, 1969), have denied any real connections between Nazism and capitalism. Turner's argument is that although big business did not like Weimar and parliamentary democracy, neither did they support the Nazis. Most recent research suggests that substantial amounts of money were not paid by the big families; the one million marks contribution by Fritz Thyssen, heir to one of the great steel enterprises of the Ruhr, was an exception. Most of the big business money went to the conservative opponents of the Nazis, especially to Papen. Many hoped that the NSDAP would not come into power except as an alternative to a communist takeover of the State. Hitler only got money once he had become Chancellor and this helped in his consolidation of power. Most of the financial support came from small and medium-sized businessmen who were the real victims of the depression. They cannot be described as 'monopoly capitalists'. The giant businesses of the country knew from past experience that their importance to the national economy was so great that no government could afford to let them go bankrupt. Anyway, big business was too divided and too uncertain to play a crucial role in bringing Hitler to power and they believed Papen, not Hitler, would be the key figure in the new government of January 1933. If there was any link between Nazism and capitalism, it was the benefit that Hitler gained from the long-term economic and social problems which affected the economy 1928–33. In that respect 'National Socialism was thus undeniably a child of the capitalist order'.

B *Was big business submissive to National Socialism 1933–45?*

The best discussion of the Nazis in control of big business is T. Mason's 'The Primacy of Politics – Politics and Economics in National Socialist Germany' in H.A. Turner (ed.), *Nazism and the Third Reich* (1972). Mason's argument is that the Nazis always claimed to set up the 'primacy of politics'. The Nazis came to power pledged to solve the economic crisis and set up a new social harmony. In this process of reconstruction, there is little evidence that economic pressure groups had any say in the formulation of the economic policy of the Third Reich. According to Mason's argument, the 1930s was a difficult period for the industrial power block as a result of the lack of foreign exchange, of new materials and labour. Heavy industry lost its old political supremacy and the chemical industry rose to influence. Other firms squabbled amongst each other for new materials and labour. The rapid success of the army in extending Germany's sphere of influence made plunder possible, but also necessary, because of Germany's lack of raw materials and labour.

In his attempts to create a new Germany economically, socially and morally, Hitler had to re-inflate the domestic economy to achieve full employment and growth. This required policies which purposefully broke the links between the German capitalist economy and that of the

rest of the world, especially with Europe and America. This is evident in the introduction of extreme controls on trade, on exchange, and on the granting of import/export licences. Scarcity of foreign exchange meant that exports could not pay for the imports required and currency speculation was organised on a large scale. By 1935 international economic controls against German trade also became more extreme and by 1936 it was evident that there was no way that the Nazi economy could blend with the rest of Europe. The regime's aggressive foreign policy further contributed to its isolation. At the same time, in 1936 domestic economic planning began to take second place to rearmament. The proportion of domestic expenditure devoted to work-creation schemes was reduced as the second Four Year Plan sought to create new industries – synthetic rubber and oil – and to develop to a larger extent old industries such as steel.

KEY ISSUE

Was big business the pawn of National Socialism?

Introduction of a capitalist command economy was not necessarily in the best interests of all industrialists and businessmen. Bilateral trading agreements discriminated against some export-based industries. The regime was not interested in helping private businesses to foster economic ties with other countries. As part of the massive rearmament programme Hermann Göring's industrial empire was allowed to develop steel works which were hostile to private business interests. Hitler was furious at criticisms in business circles about production costs and he threatened, if the private sector could not comply with the demands of autarky, to resort to state intervention to achieve his purpose. The setting up of the state-run Hermann Göring-Werke to process low grade steel ore was just such a response to opposition from steel magnates to the high production costs of such ores.

In his chapter entitled 'Fascism and the Economy' in W. Laquer (ed.), *Fascism, A Reader's Guide* (Penguin 1979) Alan Milward argues that the anti-capitalist nature of Nazi policies became more evident during the war. War benefited the munitions-based industries as production expanded on a vast scale. The directors of I.G. Farben became public officials directing the second Four Year Plan, whereas many industries, particularly those which relied on consumer demand, found their interests were increasingly squeezed out. Government control of research, development and production in a war economy increased against the interests of some businesses. Labour was difficult to recruit because work permits ensured that it would be diverted to war industries to the disadvantage of consumer industries. But even more serious for industry was that from 1941, despite the clear need for more workers, Hitler embarked on the extermination of the Jews and the brutal treatment in the camps of peoples of the east who died from starvation or diseases. Moreover, transport of Jews to the camps was given priority on railway lines instead of raw materials for war production.

Milward acknowledges that his interpretation is not based on objective statistical analysis, but on his belief that capitalism and Nazism had different visions of society. Confirmation of this interpretation is impossible because it requires an answer to one of the great 'ifs' in history – what would have happened if Germany had won the war?

C *Did big business co-operate with Hitler?*

The present state of statistical evidence gives greater weight to a relationship based on co-operation rather than antagonism. In recent years historians, such as Ian Kershaw, have emphasised the importance of ideology in determining policy. He argues that leading capitalists, recognising that the Weimar Republic could not solve Germany's economic problems, were prepared to accept Nazism because it could further their interests. They believed that Hitler's government would solve the economic crisis by political measures starting with the crushing of the left. The holding down of wages by the regime in the years which followed, coupled with the massive increases in government investment, profits and dividends, showed clearly that they could benefit from the Nazi dictatorship. Businessmen during these mid-years of the 1930s concentrated on rebuilding their firms and increasing their profits, with great success in some cases.

Even though the Four Year Plan did not benefit those industries that were geared to the export or the consumer market, it showed how closely state and industrial leadership were tied together. The directors of I.G. Farben, who administered the Plan, found that their interests and profits became so closely identified with its success that it came to be known as the 'I.G. Farben plan'. Kershaw believes that the industrial leaders did not realise that the regime's policies would end in destruction not reconstruction until the end phase of the war in 1944 when defeat was obvious. He sees no conflict between war-orientated elements of industry and the National Socialistic leadership as evidenced by the absence of representatives of big business, or specific sections of it, among the 1944 July conspirators. The war economy brought profits to considerable sections of capitalist enterprise while the racialist policies of the regime, especially from 1941 onwards, did not conflict with the interests of big business. There were no protests from the latter against the extermination of the Jews, major camps such as Auschwitz had workshops employing slave labour and capitalists, like the Krupps, were prepared to run slave camps/factories 'employing' eastern peoples.

This further knitting together of the interests of the regime with that of some industry was symbolised by the close co-operation of the SS and industrial leadership through Himmler's 'friendship circles' (*Freundeskreis*). These met regularly, once a month, to discuss policies to serve their mutual interests and help the SS make decisions in running its expanding economic empire. The future SS State was one, therefore, in which capitalist enterprise still had a major role to play. Kershaw regards such developments as producing a capitalist society of a 'peculiar' kind which would, once war ended, produce a 'New Order' in the east.

TABLE 50
Profits in German firms, 1933–7 (figures in RM millions)

Firm	*1933*	*1934*	*1935*	*1936*	*1937*
United Steel	8.87	21.24	22.85	27.01	27.60
Krupp	6.65	11.40	16.60	17.61	17.80
Mannesmann	2.09	3.39	5.84	7.30	8.35
Daimler-Benz	2.47	4.12	4.10	6.23	2.51
Ford, Cologne	–	–	0.06	0.36	0.41
Total for the 1400 largest companies	36,000	45,000	50,000	59,000	–

7 LIMITATIONS TO THE REGIME'S ACHIEVEMENTS

KEY ISSUE
Were the regime's successes short lived?

By 1939 the economy had been revived under the regime's control, but economic self-sufficiency was not achieved as the shortfalls in the targets of the Second Four Year Plan indicate.

Weak spots remained: in finance; in shortage of labour, of raw materials and of foreign exchange. The strains produced by competing demands on scarce resources and the difficulties these represented for the regime were perceptively assessed in the following report by an SPD analyst in July 1938 (quoted in Noakes and Pridham, *Nazism 1919–1945, A Documentary Reader, Vol 2*):

> Under the lash of the dictatorship, the level of economic activity has been greatly increased. The exploitation of labour has been increased; female employment has been increased despite the totally contradictory Nazi ideal of womanhood; and a large number of the *Mittelständlern* [self-employed people] have been transformed into wage-labourers despite the totally contradictory Nazi ideal of their status... But even Nazi trees cannot grow up to the sky. It is true...each year 12–13 billion RM are squeezed from the national income for rearmament... But one cannot do everything at once with the extorted billions...to increase armaments for the land and air forces ad infinitum, to build up a massive battle fleet, to fortify new extended borders, to build gigantic installations for the production of ersatz [synthetic] materials, to construct megalomaniacal grandiose buildings...one can do either one or the other or a bit of everything, but not everything at the same time and in unlimited dimensions...

Q
How does this source help to explain the relative failure of the Four Year Plan? (Look also at Table 43.)

However, these strains were not sufficient to create, as some historians have argued, an economic crisis in 1939 which persuaded Hitler to go to war. They did mean that there were limitations to the regime's achievements for several of the different economic interest groups which Hitler had promised to protect and reward.

A *For the worker*

The regime's success in reducing unemployment, to the extent that there was even a labour shortage by 1938, and stabilising the economy,

was achieved at a cost to some workers. These economic achievements, however, require qualification. Improvements in German standards of living fell behind those of other western economies and did not return to the pre-1914 levels. The reward of a radio, car, holidays and leisure activities, sports fields and swimming baths was accompanied by long hours, primitive conditions and a fall in the purchasing power of wages. Amongst low-paid civil servants and salaried workers, there was a decline in the consumption of important foodstuffs – beer, tropical fruit, meat, bacon, milk and eggs – and a rise in the consumption of cheaper substitutes such as potatoes and rye bread. Private consumption as a percentage of national income fell from 64 per cent in 1936 to 59 per cent by 1938. This was a third below that of Britain and a half below that of the USA. There were two main reasons to explain this. Firstly, Hitler's concern to control inflation meant that any significant improvement in workers' standards of living was sacrificed. Secondly, the idea of a planned economy in which the material situation of all social groups was subordinated to the over-riding aim of rearmament ('guns before butter') demanded the cutback of the consumer sector. This meant that not all workers suffered a similar deterioration in living standards and so the response of the working class was varied and complex. Those employed in consumer-based industries, such as the cotton industry, suffered from short-time working and reduced wages in contrast to those employed in the capital goods sector. Boom conditions produced a fierce competition for scarce labour and led to the 'poaching' of workers and offers of wage increases in defiance of the regime's wage controls. Miners, metalworkers and construction workers experienced a rise in real incomes by 1939 but at the expense of increased tiredness with the introduction of a longer work day, night shifts and overtime. The regime failed to win the support of workers who resented being regimented and directed. They could articulate their discontent only to a limited extent, but as the reports of the Reich Trustees of Labour indicate, sections of demoralised workers, particularly in the mining, building and metalworking industries showed passive resistance in the form of sickness, breaches of contract, refusal

TABLE 51
Real wages and private consumption in Germany, 1932–8 compared with 1928

	1928	*1932*	*1934*	*1936*	*1938*
Real wages (1913/14) = 100)	110	120	116	112	112
Real earnings (1925/29 = 100)	106	91	88	93	101
Wages as a percentage of National Income	62	64	62	59	57
Private consumption as a percentage of National Income	71	83	76	64	59

Real wages – the value of money wages in terms of the amount of goods and services that can be bought.
Real earnings – the value of all earned income, as above, taking account of overtime, short-time and absenteeism.

Q *Can it be claimed that 'economic recovery was achieved at a cost to the workers'? (Use Table 43 on page 351 with Table 51)*

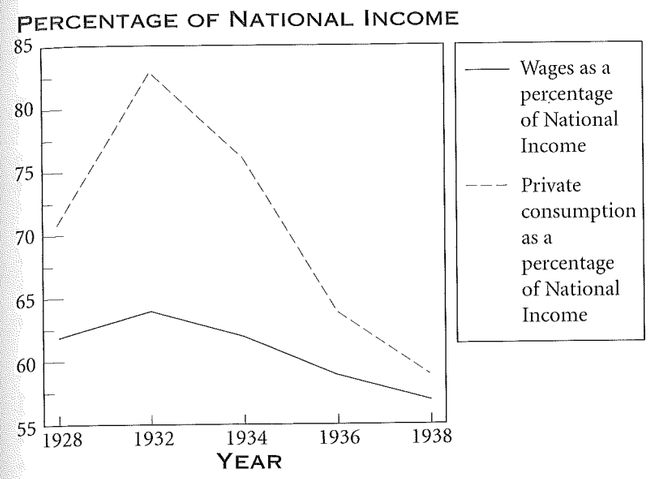

DIAGRAM 7
A graph showing real wages and private consumption in Germany, 1932–8 compared with 1928 (see Table 51)

to work overtime due to tiredness and, more openly, sabotage and bodily harm. Despite these negative features, many workers did nothing more than grumble and for many Hitler's *Volksgemeinschaft*, which had provided them with work, was a stabilising and integrating force.

B *For the farmer*

Some short-term gains were experienced in the early years of the regime by some sections of the farming industry. Large and medium-sized farmers were helped to offset the burden of their debt by providing low interest rates and part cancellation of debts but smaller farmers did not see this money until 1935. Arable farmers were helped with subsidies but livestock farmers had to rely on expensive imported fodder. Restrictions on the rise in people's wage levels and price controls on foodstuffs meant that food consumption and hence farmers' markets by 1938 showed only a marginal rise from the crisis-year of 1932. All farmers suffered from a shortage of labour because of the flight from the land. Under these conditions farmers' incomes, which rose by 41 per cent, lagged behind that of industry's 116 per cent. The effect of the regime's policy to achieve autarky was over-regulation and control which strangled commercialised initiative and encouraged black barter and trade in black market goods. As with industry, many complained of overwork and disease and a feeling that their interests had been sacrificed to the rearmament drive.

Flight from the land, see page 297

C *For businessmen*

There was a general benefit to all businessmen stemming from the regime's regulations to reduce its foreign debt, stabilise the credit struc-

ture and take over control of banking. After 1933 many businessmen found it possible to borrow from state-managed banks to finance their operations, but increasingly those in the consumer-based goods industries were discriminated against. The regime introduced a whole range of controls – on imports, the distribution of raw materials, prices, wages and deployment of labour – which determined production levels, market prices and profit levels. Business remained in private hands but the performance of the consumer-based industries was lower than in the 1920s, forcing business owners either to sell up or move into the armaments sector. Resentment was blunted by the general prosperity of the later 1930s but those businessmen who were not prepared to work with the regime left the country.

8 ⤺ BIBLIOGRAPHY

There is no comprehensive history of the Nazi economy although a number of collected editions of primary sources are readily available. For the themes covered in this chapter J. Noakes and G. Pridham (eds), *Nazism 1919–1945, A Documentary Reader, Vol 2 – State, Economy and Society 1933–1939* (University of Exeter Press 1984) is probably the most accessible for students. It is as useful for the commentary as for the documents. Amongst the numerous secondary sources are general histories covering economy in general terms such as D.G. Williamson, *The Third Reich* (Longman Seminar Series 1982). There are a number of specialist texts on specific themes explored in this chapter. For an analysis of the relationship between big business, industry and the regime consult H.A. Turner, *German Big Business and the Rise of Hitler* (Oxford UP 1985); and *Nazism and The Third Reich* (1972). The historiography of the relationship between the regime and big business is covered in T.W. Mason, 'The Primacy of Politics – Politics and Economics in National Socialist Germany' in H.A. Turner (ed.), *Nazism and the Third Reich*; Alan Milward, 'Fascism and the Economy', in W. Laqueur (ed.), *Fascism. A Reader's Guide* (Penguin 1979). The most recent research on the economy and Göring is by R.J. Overy, *The Nazi Economic Recovery 1932–1938* (Macmillan 1982) and *Göring The Iron Man* (Routledge, Kegan & Paul 1984). He has also written several articles for A Level students, 'Hitler and the Third Reich', *Modern History Review*, November 1989; 'German Domestic Crisis and War in 1939', *Past and Present*, August 1987; 'Hitler's War and the German Economy, A Re-Interpretation', *Economic History Review*, May 1982; 'Business and the Third Reich', *History Review*, 13, 1992. For a detailed account of the peasantry and agriculture read J.E. Farqharson, *The Plough and the Swastika* (Sage 1976). On the Nazi economy are B.E. Carroll, *Design for Total War: Aims and Economics in the Third Reich* (Mouton 1968). For the German economy at war, see A. Milward, *War, Economy and Society, 1939–1945* (University of California Press 1977).

9 ⤺ STRUCTURED AND ESSAY QUESTIONS

A *This section consists of questions that might be used for discussion (or written answers) as a way of expanding on the chapter and testing understanding of it.*

1. (a) Did the Nazi government embark on a state-led economic revival which was not assured until after 1936?
   (b) Was the revival achieved at a cost to the worker?
2. Was Germany facing an economic crisis from 1936 onwards?
3. To what extent did Hitler go to war to escape an economic crisis?
4. To what extent was the economy geared for war during the years 1933–9?
5. What kind of war was Hitler planning for?

B *Essay questions.*

1. How successful were Nazi policies to reinflate the economy?
2. How successful were Nazi methods to make the German economy ready for war?
3. 'Full employment was Hitler's sole gift to the masses.' To what extent is this a valid assessment of Nazi policy towards the workers?
4. Who made the greater contribution to the economy of the Third Reich, Dr Hjalmar Schacht or Hermann Göring?
5. How valid is the Nazi regime's claim to have achieved an economic miracle in Germany by 1939?
6. Assess the relative contribution that rearmament made to Germany's economic revival by 1939.
7. 'Germany's economic miracle was shortlived and achieved at tremendous cost.' How valid is this as a verdict on the Nazi economic recovery of 1933–8?
8. How far had the Nazis established a strong economy in Germany by 1939?

10 ⤺ MAKING NOTES

Read the advice section about making notes on page xx of Preface: How to use this book, and then make your own notes based on the following headings and questions.

1. *Recovery of the economy 1933–9*

(a) What were the main economic problems facing Germany in 1933?

(b) Identify the five main strategies of Nazi economic policies for recovery represented by each of the following:
   i propaganda campaigns;
   ii appointment of Schacht;
   iii a planned economy/four year plans;