

The Nazi Economy (1933 – 1939): Unemployment, Autarky and the Working-Class

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My paper contextualizes and evaluates the interwar economic policies of the National Socialist Workers' Party (NSDAP). I consider economic policies relating to unemployment, autarky, the working-class, as well their standard of living. I argue against the idea perpetuated by Nazi propaganda that the Party was able to achieve an 'economic miracle,' by 1939. Instead, I posit that the economic agenda of the NSDAP was not sustainable in the long-term and could only produce short-term measures to serious structural economic issues. Specifically, I posit that the NSDAP prioritized autarky through rearmament and the acquisition of Lebensraum, which was only sustainable in the case of a German victory in the Second World War. Furthermore, I argue that the working-class was especially affected by these policies. Yet, I concede that in some instances the standard of living did improve under the NSDAP. In sum, however, I believe the so-called 'economic miracle' was nothing more than a temporary mirage.

The interwar period in Europe can be defined largely as an era of economic instability. The effects of the First World War crippled many nations through inflation, scarce resources, high unemployment and a lack of international trade. These effects were exacerbated with the onset of the Great Depression in October of 1929. In Germany, these economic circumstances played a large role in the downfall of the Weimar Republic and the eventual election of the National Socialist German Workers' Party (NSDAP). The NSDAP transformed the German economic agenda between 1933 and 1939. The outcome of the new economic agenda depended significantly on the outcome of the Second World War. Nonetheless, domestic propaganda praised the economic shift and attempted to characterize it as an 'economic miracle.' Yet, the reality presented by the relevant statistical data is certainly more ambiguous. The prewar economic policies enacted by the NSDAP lowered unemployment with considerable success, attempted to reach autarky through rearmament with less success, and profoundly shaped the standard of living for the working-class.

The debate on the nature of the Nazi Economy has captured the mind of historians, and to some degree the general public, since the end of the Second World War. The Nazi Economy has undoubtedly been the subject of intense study and disagreement. Marxist historians have characterized the NSDAP as the agents of capitalism, their

economy as the suppressive tool of the *petit bourgeoisie*, and their ultimate goal to be the total defeat of Communism.¹ Other historians, such as Adam Tooze, have characterized the Nazi Economy as a purely reactive force and a product of limited pragmatic choice.² Still other historians, such as Ian Kershaw, have characterized the Nazi Economy as a product of ideology and pragmatism.³ The historiographical debate continues in a contemporary context with valuable discussions on ethical and ideological outcomes. My paper, however, will largely avoid discussion on the nature of the Nazi Economy and focus instead on an evaluation and contextualization of the enacted interwar policies.

The most immediate and visible economic issue facing the NSDAP in 1933 was the increasingly high unemployment rate (estimated at six million unemployed).⁴ Since the end of the First World War, the German economy had suffered under the reparation payments stipulated by the Treaty of Versailles (1919). The economic turmoil worsened when French troops invaded the Ruhr Valley in 1923, a German industrial epicenter, leading to hyperinflation and further unemployment. Through the implementation of the Dawes Plan (1924) and complicated diplomacy, the Weimar Government was able to stabilize the situation.⁵ Thereafter, Weimar Germany experienced a so-called 'Golden Age,' although such terminology is historically problematic. When the Great Depression began to affect the German economy in the early months of 1930 unemployment quickly intensified. By 1932, over thirty percent of the German workforce was unemployed.⁶

President Paul von Hindenburg appointed Adolf Hitler Chancellor of Germany on January 30th of 1933. Hitler was acutely aware of the role high unemployment played in the collapse of the Weimar Republic and acted quickly to change economic strategy. In his inaugural address, Hitler stated, "*It is an appalling inheritance which we are taking over... Farmers, workers, and the middle class*

¹ Tooze, Adam, *The Wages of Destruction*, (London: Allen Lane, 2006) 23.

² *Ibid.*, 12.

³ Kershaw, Ian, *Hitler*, (New York: W. W. Norton & Company, 1991) 220.

⁴ Rogers, Kelly and Jo Thomas, *20th Century World History: Causes, Practices and Effects of Wars* (London: Pearson Education Limited, 2010), 113.

⁵ Rogers, *20th Century World History*, 114.

⁶ *Ibid.*

must unite to contribute the bricks wherewith to build the new Reich.”⁷ Hitler quickly embraced the Keynesian model of economic recovery, which called for an increase in governmental stimulus spending. The *Arbeitsschlacht* (Battle for Work) was declared and the primary objective was to end unemployment in Germany.⁸

The primary strategy implemented by the NSDAP to combat unemployment was the increase in funding for public works programs. The Reinhardt Plan was approved in June of 1933, which provided 1 billion Reichsmarks for improved infrastructure, most importantly through the *Reichsautobahn* project under the direction of Fritz Todt.⁹ The autobahn highway system was initiated under the Weimar State, but would be significantly expanded under Todt’s direction. The project avoided the use of advanced technologies in favor of hard labour and wider employment practices. Yet, it is estimated that only 250,000 jobs were created directly or indirectly as a result of the program.¹⁰ Nonetheless, the project stimulated the German automobile industry, as well as the interest of the German public. Public work programs such as the *Reichsbahn* (railway systems) and *Reichspost* (postal service) provided further governmental subsidized employment for the working-class.¹¹ Consequently, the NSDAP was able to stimulate the labor force while achieving the practical goal of improving infrastructure. Funding for the Reinhardt Program, however, was largely abandoned in 1934 in favor of massive rearmament programs.

The strategy to combat unemployment in Germany dramatically changed in 1934 after the *Machtergreifung* or consolidation of power by the NSDAP. Capital was now directed toward the building of a war economy, and would have a significant impact on unemployment. The New Plan (1934) replaced the Reinhardt Plan and opted to run a trade deficit in order to import raw materials

⁷ Hitler, Adolf, “Appeal to the German People,” *German History in Documents and Images* (31 January 1933), Nazi Germany 1933 – 1945.

⁸ Ibid.

⁹ Redles, David and Jackson J. Spielvogel, *Hitler and Nazi Germany: A History*. 7th ed. (Boston, MA: Pearson Education Incorporated, 2014), 90.

¹⁰ Ibid.

¹¹ Ibid.

for the expansion the domestic armaments industry.¹² The processing of the raw materials, in turn, created a greater domestic need for labour. The short-term effect of the strategy was the achievement of full employment by 1939 as war became increasingly likely.¹³ However, the solution was by no means permanent, as it could not be sustained without further acquisition of *Lebensraum*, or living space, in Eastern Europe. Hitler's ultimate goal of autarky made employment through trade impossible and created a need for war to sustain economic growth.

It is crucial to question the validity of the full employment achieved by the NSDAP in 1939. First, women were not included in the assessment of the domestically unemployed.¹⁴ Fascist ideology confined women exclusively to the private sphere, with a few notable exceptions (such as Leni Riefenstahl in the film industry). Second, those considered 'work-shy' by the State for various reasons were simply taken to concentration camps - as many as 500,000 by 1933 (twice as many as employed by the *Autobahn* program).¹⁵ Those of Jewish descent were also excluded from the unemployed as a result of the Careers Civil Service Act (1933) and the Nuremberg Race Laws (1935), which revoked their citizenship.¹⁶ Finally, the Reich Labour Service (RAD) mandated that male Germans from the ages of 18 to 25 join the organization for a minimum of 6 months, excluding them from unemployment figures.¹⁷ The NSDAP believed, "*We are overpopulated and cannot feed ourselves from our own resources... a higher percentage of the people must gradually be deducted from the body of our nation.*"¹⁸ The manipulation of statistical data brings into question the actual effect of the economic policies on unemployment.

No sustainable long-term strategy was pursued by the NSDAP to lower unemployment. Public works programs were abandoned in favor of rearmament, and its success depended on the outcome of the Second World War. Short-term strategies, such as public works

¹² Buchheim, Christoph. "The Role of Private Property in the Nazi Economy: The Case of Industry." *The Journal of Economic History* 66, no. 2 (2006): 390.

¹³ Ibid.

¹⁴ Redles and Spielvogel, *Hitler and Nazi Germany*, 264.

¹⁵ Ibid., 265.

¹⁶ Ibid., 102.

¹⁷ Ibid., 91.

¹⁸ Hitler, Adolf, "Appeal to the German People," *German History in Documents and Images* (31 January 1933), Nazi Germany 1933 – 1945.

programs or rearmament, would likely not have created viable long-term economic industries, which could sustain significant employment indefinitely. Progress was made in employment, but not to the scale that would constitute an 'economic miracle.' Nonetheless, the Ministry of Public Enlightenment and Propaganda vehemently presented an image of success and growth. For example, Hitler was often pictured opening highways or conversing with the working-class in an attempt to further the myth of the 'economic miracle.'¹⁹ Moreover, the State acted aggressively to perpetuate the myth in public discourse through media and image.

The ultimate economic goal of the NSDAP was to achieve total autarky. To do so required the ability of the German nation to continually sustain and defend itself. Consequently, the principles of autarky and rearmament must be viewed as interdependent and inseparable. To reach autarky capital had to be directed toward the building of a war economy in the short-term, and the acquisition of *Lebensraum* would be required in the long-term. The process by which autarky was pursued came to define the economic agenda of the NSDAP after 1934.

The first and most crucial step in reaching autarky was the process of rearmament. The Treaty of Versailles limited the *Wehrmacht* to 100,000 soldiers, severely restricted the *Kriegsmarine* and *Luftwaffe*, and demilitarized various border regions such as the Rhineland.²⁰ The Weimar Republic, however, was able to bypass these restrictions in various minor instances. For example, the Socialist Democratic Party (SPD) signed the Treaty of Rapallo (1923) with the Soviet Union (USSR), which allowed the *Wehrmacht* to operate military technology in Soviet territories.²¹ Thereafter, Heinrich Brüning was able to create the Voluntary Labour Force (FAD) in 1931, which circumvented the soldier restrictions imposed on the *Wehrmacht* by training unpaid volunteers.²² Thus, despite restrictions by the Treaty of Versailles the German military did not ever become entirely irrelevant.

¹⁹ Lee, Stephen, *Hitler and Nazi Germany*, (New York: Routledge, 1998) 46.

²⁰ Rogers, *20th Century World History*, 75.

²¹ Redles and Spielvogel, *Hitler and Nazi Germany*, 22.

²² Redles and Spielvogel, *Hitler and Nazi Germany*, 22.

The NSDAP pursued vastly more aggressive rearmament policies. As discussed in conjunction with unemployment, rearmament began with the implementation of the New Plan in 1934. In the first phase of rearmament, the stockpiling of raw materials through trade would be crucial, despite the trade deficit that it created. Trade between Germany and the Balkans, as well as South America, increased dramatically.²³ Balkan trading partners were critical in the rearmament process. The Balkans could provide Germany with the required raw materials for their armaments factories, whereas Western European nations were unlikely to engage in such trade. The increased trade between the Balkans and Germany created an economic dependency, which perhaps made the annexation of the Balkans more desirable by 1940. The New Plan was limited, however, as it could not directly acquire military technologies. The stockpiling of raw materials was certainly questionable, but ultimately defensible through cautious diplomacy.

Rearmament entered the second and most aggressive phase after March 7th of 1936 when Germany remilitarized the Rhineland openly violating the Treaty of Versailles without major military consequence.²⁴ Thereafter, the NSDAP began to pursue rearmament more intently and more visibly. Consequently, the Four Year Plan was introduced in August of 1936. Hermann Goering replaced Hjalmar Schacht as Minister of Economics, and autarky became the predominant focus of the economic agenda.²⁵ The import of raw materials slowed as research into the creation of synthetic materials increased.²⁶ The focus on the creation of synthetic materials attracted large investment from the State. However, the project yielded minimal results, and the capital would likely have been best used elsewhere.

The long-term solution for autarky would have to be the acquisition of *Lebensraum* through military action. To achieve this, “*the German army must be operational in four years. The German economy must be fit for war within four years.*”²⁷ German military

²³ Ritschl, Albrecht. “Deficit Spending in the Nazi Recovery, 1933 – 1938: A Critical Reassessment.” *Journal of the Japanese and International Economies* 16, no.1 (2002): 575.

²⁴ Rogers, *20th Century World History*, 116.

²⁵ Lee, Stephen, *Hitler and Nazi Germany*, 59.

²⁶ *Ibid.*, 60.

²⁷ Anonymous, “Hitler’s Confidential Memo on Autarky,” *German History in Documents and Images* (August 1936), Nazi Germany 1933 – 1945.

expenditure increased from 750 million Reichsmarks in 1934 to 17 billion Reichsmarks in 1939.²⁸ By 1939, the military gained 65 new warships, 8214 new airplanes, and around 850,000 new soldiers.²⁹ The expansion was in large part achieved by military contracting given out by the NSDAP to large international businesses, such as IG Farben.³⁰ Thus, despite antagonistic rhetoric toward big businesses before 1933, the NSDAP had come to rely completely on their capital. Marxist historians have focused on this topic as it lends credibility to the idea that the Nazi Economy was a functionary of big armament businesses.

Autarky could only be achieved with the development and growth of German agriculture. Aryan ideology often emphasized the agrarian tradition and it was likewise valued by the NSDAP. Farmland, then, was to be owned by Aryans exclusively. The NSDAP seized on such ideology with the support slogan ‘blood and soil,’ advocating for the idealized relationship between German farmers and farmland.³¹ Racial ideology influenced legislation in 1933 with the *Reich Hereditary Farm Law*, which required birth documentation for the sale of farmland.³² Farm labour, however, was often delegated to non-Germans without monetary compensation. Agricultural yields remained inadequate to achieve autarky before the outbreak of the Second World War in 1939.³³ With the annexation of land in Eastern Europe by 1941 agricultural yields had increased, but was directly dependent on the continued control of the invaded territories.

The economic success of the NSDAP in regards to autarky was extremely limited and largely unsustainable. Autarky was completely dependent on certain raw materials that Germany severely lacked. Although there were several strategies implemented by the NSDAP to acquire these raw materials, only modest success was achieved. The stockpiling of raw materials became unsustainable by 1934 and capital

²⁸ Rogers, *20th Century World History*, 220.

²⁹ Ibid.

³⁰ Lee, Stephen, *Hitler and Nazi Germany*, 46.

³¹ Jaskot, Paul B. “Building the Nazi Economy: Adam Tooze and a Cultural Critique of Hitler’s Plans for War,” *Historical Materialism* 22, no.3 (2014): 324.

³² Ibid., 322.

³³ Redles and Spielvogel, *Hitler and Nazi Germany*, 99.

directed toward the creation of synthetic materials ultimately yielded no significant results. Furthermore, the remilitarization of the Rhineland in 1935 made trade more difficult, and land annexation more necessary. The lack of domestic agricultural development further limited the viability of autarky. Essentially, autarky depended the acquisition of *Lebensraum*, which in turn relied on the success of rearmament.

The economic policies implemented by the NSDAP directly affected the German working-class, as well as their standard of living. The expanding working-class would enjoy various benefits through State sponsored programs, while at the same time experiencing a significant loss of civil liberties. The working-class was consolidated by the NSDAP into a singular organization by the end of 1933. Trade unions were outlawed on May 2nd of 1933 and all German workers were integrated into the newly created German Labour Front (DAF).³⁴ Under the leadership of Robert Ley, the DAF came to encompass and coordinate all labour, while at the same time serving as a tool for indoctrination against Communist ideology.

The DAF functioned through sub-organizations such as the Beauty of Labour (SdA), Strength through Joy (KdF), and the Reich Labour Service (RAD) in an attempt to improve the quality of life for German workers. Beauty of Labour (SdA) aimed to improve working conditions, specifically inside armament factories.³⁵ Regardless of the ideological or political aims, the SdA achieved significant and pragmatic improvements. For example, workers safety conditions were improved, infrastructure was rebuilt, social recreational areas created and meals were provided. It has been argued that the improvements were superficial and merely completed as a means of neutralizing the working-class. Yet, such improvements must not be undervalued or ignored as they set a precedent from which to build after the Second World War.

Strength through Joy (KdF) was the most popular sub-organization of the DAF. KdF aimed to increase and better the leisure time of the working-class. As the name suggests, KdF proposed increased luxury amenities for the working-class in order to increase productivity. KdF offered the working-class paid-for destination vacations around Germany, Scandinavia and later in Austria.³⁶ The

³⁴ Redles and Spielvogel, *Hitler and Nazi Germany*, 94.

³⁵ Ibid.

³⁶ Redles and Spielvogel, *Hitler and Nazi Germany*, 41.

program was later extended to include leisure cruises, which became especially popular. It is estimated that over 7 million Germans took part in the KdF tour vacations.³⁷ Thus, in terms of participation, it was one of the most successful NSDAP programs. However, KdF was exclusively available to those deemed to be 'pure-blooded,' and destinations served to illustrate the achievements of the Nazism. There is no empirical evidence, however, to suggest that productivity increased as a result of KdF.

NSDAP subsidies and concessions were awarded to the working-class in an attempt to consolidate support by bettering their standard of living. Through KdF, working individuals were able to take advantage of a savings plan to purchase the *Volkswagen Beetle* (described by Hitler as the 'people's car').³⁸ Then, radios were often subsidized by the State and provided to the working-class as a means of propaganda, but was also used for entertainment purposes.³⁹ Paid holidays increased from three to twelve by 1939, as well as the slight increase in general wages.⁴⁰ In sum, the NSDAP often acted through subsidization in order to increase the general standard of living.

NSDAP interwar economic policy focused on the needs of the proclaimed *volksgemeinschaft* (German people's community). Yet, it is worth briefly considering those who were excluded from such an ideological conception of community. Aryan racial ideology did not imagine the inclusion of Jews, homosexuals, the mentally ill, certain Eastern ethnicities or political dissidents in the *volksgemeinschaft*. Consequently, the NSDAP prewar economic agenda reflected such an ideological exclusion. It is worth questioning the ethical dimension when we consider the outcomes of NSDAP economic policy. Essentially, it is imperative that we acknowledge the human cost of economic progress, especially in relation to the Nazi era.

The long-term success of the Nazi economy depended on attaining autarky through the procurement of *Lebensraum*. To achieve this end rapid rearmament and the support of the working-class would

³⁷ Ibid.

³⁸ Ibid., 96.

³⁹ Ibid., 160.

⁴⁰ Ibid., 96.

be critical. The invasion of Poland on September 1st 1939 began the attempted acquisition of *Lebensraum* by Nazi Germany. However, the defeat of Nazi Germany by the Allied Powers effectively ended the possibility of autarky. Instead, the German economy was partitioned into a Communist system in the East, and Capitalist system in the West. The illusion of the so-called 'economic miracle' vanished as everyday Germans were left in the shadow of the Nazi legacy.

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