Chapter XXIX

The Nazi State to 1938. II, Economic and Social

There can be no question that the promise which won Hitler the most votes in the black depression days was to end unemployment. The figure of six million unemployed was ferocious. This was a challenge which had to be met immediately, and the Nazi government lost no time. The astonishing fact is that in a very short period the promise was redeemed and Germany approached full employment. However, this statement must be hedged about with qualifications in view of the methods used to achieve the goal. Certain classes of society (e.g., Jews, Communists, etc.) were declared incapable of filling certain sorts of jobs, and in many cases positions were created for jailers to control them in concentration camps. Every effort was made to remove women from employment; there was no element of feminism in Nazism, which instead preached a traditional social order dominated by males. In any time of unemployment one of the groups to suffer most is that composed of young men who have just completed their education and cannot find jobs. The Nazis took care of these people by creating the Labor Service (Arbeitsdienst). All young men were required to spend six months in camps in the countryside working on such projects as reclamation of land, prevention of erosion, etc., which were allegedly noncompetitive with private industry. After 1935 they then spent their period of conscription in the armed forces, an effective method of keeping them out of the labor market. Finally, the new impetus given to normal industrial production by rearmament, road building, and public works further lessened the number of unemployed.

In fact, during the mid-thirties Germany enjoyed a boom period. The industrial plant that had been built during the Weimar years was now producing for Hitler and the Nazis. Credit was extended freely and the production figures mounted steadily. Germans had lost their freedom;
they had exchanged it for a sort of economic security that had been lost during the depression.

The government and numberless speakers announced as their economic goal the achievement of autarky or self-sufficiency. They deplored the earlier dependence of Germany on other nations and promised that she would stand on her own feet. It was made clear that this aim would require much sacrifice and deprivation from the population, but this was glorified as a heroic effort by such slogans as “guns before butter” or “Gemeinnutz über Eigennutz” (“the general good before the individual good”). In fact, the goal of autarky for Germany was impossible because she was not overly endowed with natural resources except for coal. Since the heavy emphasis on production was on capital goods rather than consumer goods, it was obvious that Germany was going to have to import huge amounts of raw materials. Furthermore, because the government was always conscious of the likelihood of war, there would have to be large-scale stockpiling of strategic materials. These needs raised difficult problems of financing and payment.

One of the most astounding aspects of the whole Nazi story is the way in which the Germans managed to finance their operations. Shortly after he assumed power Hitler reappointed Hjalmar Schacht to his old position as president of the Reichsbank, and some months later, after Hugenberg’s resignation, Schacht also became minister of economics. He had several basic problems to surmount. In the first place, Germany’s gold reserves were dwindling rapidly and frighteningly, until it was hardly possible to speak of her being on the gold standard. On the other hand, the government insisted on importing great quantities of raw materials, a program that was bound to give Germany an unfavorable balance of trade, no matter how much effort was devoted to building up exports. Schacht maintained his reputation for wizardry by devising a number of novel expedients.

He established a strict control of all German currency and international trade. No one could take out of Germany more than ten marks without special permission. No one could import anything without approval. Every possible effort was made to increase German holdings of foreign exchange: exports were increased as much as possible, tourists were encouraged to visit Germany by granting them extremely favorable rates for money bought outside, and foreign firms were required not to remove their assets from Germany but to spend them there.

The German government made barter agreements with other countries to which they sent German finished goods in return for raw materials. In particular, eastern Europe, the Near East, and Latin America were chosen for these treaties. The foreign countries soon found them-
selves in a state of bondage to Germany or glutted with unsaleable merchandise, e.g., thousands of Leica cameras. The treaties had obvious political implications and paved the way for Hitler's conquest of the Balkans, which until then had been dominated by French influence. A combination of unorthodox devices and economic daring made possible German recuperation and rearmament under the Nazis.

By 1936 Hitler came to the conclusion that the period of recovery was over and that new goals had to be instituted. He further seems to have felt that it was time for the government and party to tighten their control over industry. Up to that time business and industry had not been much disturbed by the new government, except of course for Jewish businessmen, many of whose firms had been "Aryanized." Now it was time to take off the gloves, at least partially. Accordingly in October Hitler decreed the Four Year Plan for the German economy and appointed Hermann Goering head of the Four Year Plan organization as a sort of economic dictator. Schacht took this appointment as an affront to him and his ministry.

The year 1937 was the decisive year in which Nazi Germany moved from the defensive to the offensive in the international sphere. The economic reflection of this change of course is seen in the replacement of Schacht by Walther Funk in the ministry of economics. Although Schacht was willing to attempt daring expedients and to tread the doubtful side of the line of orthodoxy, he was basically an old-fashioned economist, conservative as compared to some of the Nazis who were prepared to flout all the laws of classical economics. He was also apparently willing to tell the Führer that some of his wildly ambitious plans were impossible to achieve. As a result, in November 1937 the more pliant party man, Funk, replaced Schacht, although Schacht remained president of the Reichsbank until 1939. At about the same time the word autarky was heard less frequently and replaced by Wehrwirtschaft ("defense economy"). The decision for aggression was made.

It is very difficult to decide what the Nazi economic philosophy really was. Probably there was none, certainly not a fully developed, coherent philosophy. In this realm, as in so many others, Hitler was an opportunist, an improvisor. The old "unchangeable" twenty-five-point program of the early days is no guide for the analysis. It had called for extensive nationalization and freedom from the "slavery of interest." After 1933 very little nationalization occurred except in the case of Jewish-owned enterprises, in which the usual procedure was to sell the businesses or to surrender them to some dependable non-Jew as trustee. The general tendency was in the direction of monopoly.

Some have insisted that Nazi economics was a sort of state socialism.
This is undoubtedly true in some aspects, but it is far from being the whole story. Most of German industry remained legally private. Men like Krupp, Thyssen, and Röchling remained at the head of their respective enterprises, unless, like Thyssen, they committed political offenses. In fact, they were heaped with honors and new holdings. However, at the next level it is instructive to note the infiltration of boards of directors by deserving Nazis: government officials, Gauleiter, etc. The network of interlocking directorates was impressive. On the other hand, the government by no means always refused to establish direct ownership and control of industry. This was particularly the case if the industry in question were one which might not be immediately profitable, but would be useful for the wartime economy (e.g., the utilization of low-grade ores or the synthetic fuel industry). The principal example of direct government participation in industry was the huge Hermann Goering combine, which by the end of its career managed operations ranging from steel mills to the control of canal-boat shipping. Yet even in this case ownership was really vested in the party rather than in the state.

As the war drew near, and especially during the war years, it becomes more difficult to apply the phrase private enterprise to the German economy. It is of course normal in any country in the conditions of modern warfare for the government to dominate industry. In Germany the situation was more far-reaching than elsewhere. The proliferation of control offices, chambers of commerce, and officialdom of one sort or another resulted in a bureaucracy which was very difficult to penetrate. The businessman was plagued by a series of import quotas, raw material allocations, price controls, limits on output, labor regulations, and the like, which must have made him feel bound and fettered in every direction. He was for all practical purposes a servant of the state. Perhaps the best phrase to describe the economy as fully developed under the Nazis is "command economy," a term used by Franz Neumann in his remarkable book Behemoth (New York: Oxford University Press, 1944).

As management gradually lost control of its operations, so even more rapidly did labor. The German Labor Front, which replaced the old unions in 1933, became a patent fraud as far as the protection of labor was concerned. It was a party "formation" rather than a governmental agency and became an instrument for the control of individuals and for Nazi indoctrination. Before long it included all German salaried workers except for the civil service. Its true character became clear in 1936 when all the basic functions of a union (wages, hours, etc.) were transferred to other agencies, mainly the ministry of economics. Much was
made of groups concerned with the uplift of labor, such as Schönheit der Arbeit ("beauty of labor") which persuaded employers to such good deeds as decorating factories with gardens and window boxes or installing modern bathing facilities. Even more lauded was the Kraft durch Freude ("strength through joy") organization, a part of the Labor Front, which provided leisure-time entertainment and vacations for the chosen few, including trips on special cruise ships to countries friendly to Germany.

One of the most telling methods of controlling labor was the workbook. Every worker had to have one. It contained the basic facts of his life, the jobs he had held, why he no longer held them, and a statement of any acts of insubordination or political deviation. A German worker could get a job, but he had to be careful to keep it or to get another.

Other classes of society were watched and guided at every step just as much as labor. A list of all the National Socialist associations for various groups of the population would fill many pages. There were Nazi associations for civil servants, teachers, students, women, farmers, lawyers, doctors, etc. Each devoted itself to the same task: control and indoctrination at the intellectual level deemed suitable by the propaganda ministry.

In addition to the various professional leagues, there were the general associations for the whole population which kept a careful eye on all Germans. Needless to say, tremendous emphasis was placed on the indoctrination of youth, the reservoir of the future party. Most of this was under the supervision of the Reichsjugendführer ("national youth leader"), Baldur von Schirach, later Gauleiter of Vienna. From the moment of dawning consciousness a child was subject to indoctrination. His fairy tales and schoolbooks were all slanted to develop a love for Führer and Germany. When he was ten, he was eligible to join the uniformed Hitler Jungvolk ("young people"), or, if a girl, the Bund deutscher Mädel ("league of little German girls"). Four years later he almost had to join the Hitler Jugend ("youth"), which had constant meetings, went on camping trips, and took part in Nazi festivals, often at times when the members would otherwise be at church. Next came his months in the labor service followed by the armed forces. Then he might join the party, and perhaps the S.A. If he were a fine Nazi physical specimen, he might be admitted to the ranks of the S.S. If he were among the most perfect, he might be selected to attend for four years the course at the Ordensburgen ("castles of the order"—the reference is to the medieval Teutonic Knights), where in romantic spots, famous for their connection with some heroic moment in German history, he
would be trained to be one of the leaders of the future. If he were not eligible for any of these honors, he would enter vocational work, still under the watchful eye of the party.

A similar gamut of organizations was available to girls, although the antifeminism of the Nazis prevented the development of these organizations as completely as their male counterparts. Women were under the direction of Frau Gertrud Scholtz-Klink, the Frauenführer ("leader of women").

Obviously one of the most important influences on youth is the educational system. The Nazis lost no time in synchronizing it. This action had important implications because it brought the party squarely into conflict with the churches, which had always been an important influence on education. However, it was too basic a matter for the Nazis to neglect. They had to achieve an education in Germany which would be technically competent but also nationalistically German and ideologically Nazi. Therefore a purge of teachers and curricula was high on the party agenda. Jews, Communists, and socialists were dismissed out of hand and replaced by "clean" German racial types. The textbooks and curricula were revised to present the Nazi outlook in its completeness. The crucifix on the wall of a Catholic classroom was replaced by a photograph of the Führer.

Even the austere and aloof German universities felt the impact of National Socialism. They had always been corporate bodies, supported by the state but sacrosanct in their autonomous self-government. The faculties actually ran their institutions and elected their own Rektoren ("presidents"). This happy arrangement had to end; the Führerprinzip was to prevail. Despite some resistance from the professors, the ministry of education appointed new officials. Jews and opponents of the regime were either dismissed or resigned voluntarily and in many cases left Germany to the immense advantage of their adopted homes. Their roll call is a roll of honor of German learning.

Probably the most appalling single act in the muzzling of learning in Nazi Germany was the famous burning of books in the courtyard of the once-great University of Berlin in late 1933. While students danced around the pyre waving swastika flags and singing Nazi songs, hundreds of banned books from the university library were consumed by flames. The list of books is a partial roster of German greatness. Not only works by Jews and Marxists were burned but, to give only one example, the works of the distinguished non-Jew and non-Marxist, Thomas Mann. It is hard to imagine a longer step in the return to barbarity. The Nazis were thorough in pursuit of their aim.

All these formations, organizations, and leagues were inspired by a
sound psychological principle perverted to evil ends. The principle was
the establishment of a community of thought, word, and deed. The com-
mon flags, songs, uniforms, meetings, and indoctrination gave to the in-
dividual a sense of identity, mutuality, and belongingness that he had
missed in the impersonal and businesslike atmosphere of the Weimar
Republic. Human warmth was cultivated to produce inhuman brutality.
This is unquestionably an important factor in accounting for the success
of the Nazis in winning popular support. Hitler was able to respond to
the old longing of the free corpsmen for a community of destiny, but
the quality of that destiny became fully clear only in the courthouse in
Nuremberg in 1946.