

The National Socialist Economy: Difficulties of Interpretation

The National Socialist regime in Germany, despite the inhuman certainty of its racial doctrines, has since its founding presented historians with many difficulties in interpretation. Chief among these difficulties is the question of National Socialist economics: just where does the Nazi regime stand in relation to capitalism and socialism? On one hand the party's name was the National Socialist German Worker's Party (NSDAP), which would imply a strong embrace of socialism, yet one of the defining aspects of the party was its virulent anti-Marxism. Since the days of the regime the study of the German economy under National Socialism has been controversial, little more than an ideological battleground between communists and anti-communists. Accordingly, for many decades simplistic theories were advocated in efforts to tar one's opponents with guilt by association: communists declared Nazism and its crimes the logical and inevitable culmination of capitalism, while anti-communists developed totalitarian theories showing little difference between Hitler's Germany and Stalin's Russia. Unfortunately, because this fruitless debate has dissuaded serious research and the fact that attention has focused on the Nazi instigation of the Second World War and execution of the Holocaust, the German economy under the Nazi regime has been relatively neglected by historians. Such neglect has limited a full appreciation of the many novel and unique aspects of the Nazi economy, the study of which should prove fruitful to understanding National Socialism in its totality.

However, in the last three decades renewed attention has been focused on the regime's economic policies and ideology, and new theories have been developed that

accept the complex nature of Nazi thought and action in relationship to the economy.

David Schoenbaum was key in developing this middle ground of interpretation with his thesis in 1967 of a “social revolution” in Germany under the Nazi regime, soon followed by Tim Mason in 1968 with the notion of the “primacy of politics.” These two authors, but especially Mason, have influenced immensely historians who have followed after them in examining the Nazi regime. Rich Overy and Avraham Barkai have both built on Mason and Schoenbaum's work to develop theories of *dirigisme*, with special attention to the “primacy of politics.” A less developed, though interesting, theory is that of Ian Kershaw, who seeks to explain the Nazi regime in terms of a “polycratic power-cartel,” in agreement with Franz Neumann's “Behemoth” thesis and in opposition to Mason's “primacy of politics.” The first four authors listed above will be examined in detail in this paper, while Kershaw, due to the limited scope of the piece referenced here, will be used to provide additional insight at various points in the investigation.

Tim Mason presents the notion of the “primacy of politics” in Nazi Germany based on the assertion that politics became separate from the influence and control of economics in the regime. He believes that “both the domestic and the foreign policy of the National Socialist government became, from 1936 onwards, increasingly independent of the influence of the economic ruling classes, and even in some essential aspects ran contrary to their interests.”¹ As such, the Nazi state was able “to assume a fully independent role”² in German society and dictate to the economy. Mason explains that

1 Tim Mason, “The Primacy of Politics. Politics and Economics in National Socialist Germany,” *Nazism, Fascism and the Working Class*, Jane Caplan, ed. (Cambridge: Cambridge Univ. Press, 1995) 54.

2 Mason, “Primacy of Politics,” 54.

such a development is unique among modern bourgeois societies, which otherwise can be explained by the Marxist understanding of the primacy of economics. As such he suggests that “far-reaching structural changes *must* have taken place both in the economy and in society”³ for this exceptional situation to occur.

Another method of interpretation is provided by David Schoenbaum's notion of “double revolution.” He suggests that in the Nazi regime one sees both “a revolution of means and a revolution of ends.”⁴ Schoenbaum describes the “revolution of ends” as “war against bourgeois and industrial society.”⁵ Of the “revolution of means,” he says, “It was bourgeois and industrial since, in an industrial age, even a war against industrial society must be fought with industrial means and bourgeois are necessary to fight the bourgeoisie.”⁶ Thus National Socialism can be understood as fundamentally anti-modern, yet simultaneously pragmatic enough to recognize the irrefutable primacy of the industrial economy. Such a dualistic view of the world suggests something fundamentally schizophrenic in Nazi ideology. Thus these dueling revolutionary elements of Nazi ideology would explain the many seemingly contradictory elements of economic policy under the Nazi regime.

Richard Overy suggests that Hitler was a “reluctant *dirigiste*,” who came to his position based on the belief that “the economy, like everything else in German life, had to serve Germany's struggle for existence.”⁷ One can understand *dirigisme* to mean state

3 Mason, “Primacy of Politics,” 54; The emphasis here and in other citations, unless otherwise noted, is the original author's.

4 David Schoenbaum, *Hitler's Social Revolution: Class and Status in Nazi Germany 1933-1939* (Garden City, N.Y.: Anchor Books, 1967) xxii.

5 Schoenbaum, xxii.

6 Schoenbaum, xxii.

7 R.J. Overy, *War and Economy in the Third Reich* (Oxford: Clarendon Press, 1994) 2.

direction of the economy. However, Overy believes that Nazi involvement in the economy did not end at providing direction and “led, in an unplanned, incremental way, to the establishment of a kind of command economy.”⁸ He explains Hitler's *dirigisme* and the subsequent slide towards a command economy in part in terms of the Nazis' approach to the economy: “In general Nazi politicians blamed economic decline on political causes ... and they offered political solutions.”⁹ As such one can view Overy's *dirigisme* as a somewhat more sophisticated version of the “primacy of politics” in which a desire to dictate to the economy is supported by a *Weltanschauung* which sees all problems as political.

The notion of *dirigisme* is not exclusive to Overy. Avraham Barkai also suggests that for Hitler the economy was a tool to which to dictate:

“Hitler tended to ignore the claim that economic processes evolved according to an inherent regularity of their own. All that was necessary, in his view, was to provide economic leaders with the appropriate orders and see to it that 'experts' supplied them with the necessary paraphernalia to execute those orders.”¹⁰

However, the Nazi form was different than globally popular notions of *dirigisme*; this “national *etatism*” was heir to a specifically German vein of anti-liberalism in which the state is supreme and intervenes “in all spheres of life, including the economy.”¹¹ Barkai explains that what made this form of *etatism* distinct from “traditional” or “regular” forms was “the state's political and military considerations were to receive absolute priority,”¹² rather than society's general welfare or prosperity. Barkai takes pains to

8 Overy, 2.

9 Overy, 4.

10 Avraham Barkai, *Nazi Economics: Ideology, Theory, and Policy*, Ruth Hadass-Vashitz, trans. (New Haven: Yale Univ. Press, 1990) 21.

11 Barkai, 10.

12 Barkai, 102.

emphasize that this system of “national *etatism*” was “a unique and distinctive economic system.”¹³ With his emphasis on “national *etatism*” one might not be surprised that Barkai announces, “an essential aim of my argument is to prove the 'primacy of politics', or rather of ideology.”¹⁴ However, he is rather critical of Mason, suggesting that Mason ignores the influence of Nazi leadership and ideology on policy-making.¹⁵ Barkai places a great emphasis on the existence and motivational strength of Nazi ideology, meaning that the “primacy of politics” might be better understood as the “primacy of ideology.”

Finally one comes to Ian Kershaw's “polycratic power-cartel.” He suggests that the Nazi regime was a system of “complex and changing multi-dimensional ('polycratic') power-structures,”¹⁶ in contrast to notions of a totalitarian command economy and monolithic state or of a monolithic rule of financial capital. Likewise he is critical of the use of a simple division between the “primacy of politics” and the “primacy of economics” as the basis of one's interpretation.¹⁷ Kershaw cites Franz Neumann and Peter Hüttenberger as the sources of the notion of the Nazi regime as a “power-cartel,” in which “the Nazi regime [is] an unwritten 'pact' (or 'alliance') between different but interdependent blocs in a 'power-cartel'.”¹⁸ He explains that this “power-cartel” was initially composed of the NSDAP, industry, and military, all relatively equal in strength,

13 Barkai, vii.

14 Barkai, x.

15 Barkai, 15; He also says, “Mason consistently emphasizes the decisions taken by Hitler alone and does not discuss the influence of Nazi ideology. In this manner primacy of politics presents itself as arbitrary rule by a single individual, largely cut off from its ideological context and the political movement created and personified by Hitler himself,” Barkai, 15.

16 Ian Kershaw, “Politics and economics in the Nazi state,” *The Nazi Dictatorship: Problems and Perspectives of Interpretation* (London: Arnold, 2000) 57.

17 Kershaw, 56.

18 Kershaw, 58.

but the Party strengthened overtime and after 1936 the SS, SD, and police conglomerate became a fourth member of the cartel.¹⁹ As Kershaw is quite critical of stark distinctions between politics and economics, he is rather ill disposed toward Mason's theory. He claims:

“Much emphasis on 'the primacy of politics' concentrates rather simplistically and misleadingly on merely the question of whether decisions in the Third Reich were taken directly in the interests of German capitalists. This line of argument remains in essence little more than a superficial attack on naïve versions of the instrumentalist 'agent theory' – of the Nazi leadership as the puppets of 'big business'. Reality was somewhat more complex.”²⁰

This criticism of “primacy of politics” is somewhat surprising, considering that the “primacy of politics” theory seeks distance from theories such as of totalitarianism that might make such an emphasis.²¹ However, Kershaw does make one critique of “primacy of politics” that may be stronger, particularly with respect to Barkai, when he says that its arguments “imply a clarity of purpose and intent and a decisive command-role of Hitler and the Nazi leadership which might again be subject to qualification.”²²

In seeking to understanding the Nazi economy several points of consideration should be considered through the exploration of these four works. First is the question of economic ideology: did the Nazis have one, and if so, did they base many of their economic decisions on it? Germany when the Nazis took power in 1933 was a capitalist economy, with large industrial companies organized into powerful cartels in controlling positions in the economy. Therefore the second consideration must be the relationship

19 Kershaw, 58.

20 Kershaw, 63.

21 This criticism is even more peculiar when one considers the fact that Kershaw suggests that Mason's original “primacy of politics” article is closely related to Bonapartist theories of Nazism; Kershaw, 53.

22 Kershaw, 52.

between the Nazi regime and large industrial concerns, or “big business.” Keeping these points in mind, the four authors address several main areas of consideration and contention. Naturally the first and the most complicated is the relationship between the Nazi state and the economy, in both ideology and practice. When examining this relationship the question of the role of socialism and corporatism will have to be addressed, along with the question of continuity and novelty of economic programs.

In looking at the relationship between the economy and the state one finds the regime's actions to often appear contradictory. However, an understanding of the overriding power of the “primacy of politics” can help resolve the many disparate threads. Mason declares that “the needs of the economy were determined by political decisions, principally decisions in foreign policy.”²³ He understands this position of preeminence to have developed, with the Nazi state as “interpreter of the interests of the economy, by sole virtue of its financial resources.”²⁴ Thus it appears that the separation of state and economy in Nazi Germany uniquely came about because of the state's economic preponderance. However, Mason does acknowledge complexities in this relationship. He approvingly cites Keitel's characterization of the relationship as “a war of all against all,”²⁵ and suggests that a “closed system” of “almost complete mutual dependence” developed.²⁶ However, he is categorical in stating that “it is in fact very difficult to demonstrate the participation of economic leaders or organizations, even in an indirect

23 Mason, “Primacy of Politics,” 71.

24 Mason, “Primacy of Politics,” 65.

25 Mason, “Primacy of Politics,” 72.

26 Mason, “Primacy of Politics,” 70.

way, in the formation of overall policy in the Third Reich.”²⁷ Thus one can only understand the mutual interdependence of the state and economy in limited terms.

Finally, Mason gives the example of the Law on the Organization of National Labor (*Arbeitsordnungsgesetz*, AOG) as “one of the most all-embracing and rigorous legislative products of National Socialism, and few enactments bore a clearer stamp of Nazi ideology.”²⁸ The law's emphasis on “factory community” (*Betriebsgemeinschaft*) suggests that the law was instituted in an ideological, rather than economic, effort to “shape the whole economy on the model of the independently responsible owner and factory leader.”²⁹ At the same time, Mason explains the law as a reaction to the early radicalism of the DAF and NSBO on behalf of workers.³⁰ Likewise finding limits to the “primacy of politics,” Mason states that “the law appears as an inevitable consequence of industrial, economic and technical progress, of the appropriate representation of interests and the unbridled pace of economic development peculiar to industrial capitalism.”³¹ Thus a conclusion seems to suggest itself, with the AOG understood as ideologically motivated and yet an inevitable development of capitalism.

Like Mason, Schoenbaum sees the Nazi regime as one in which the economy was subordinate to the state.³² However, he makes some distinctions:

“The status of business in the Third Reich was at best the product of a

27 Mason, “Primacy of Politics,” 61.

28 Tim Mason, “The Origins of the Law on the Organization of National Labour of 20 January 1934. An Investigation into the Relationship Between 'Archaic' and 'Modern' Elements in Recent German History,” *Nazism, Fascism and the Working Class*, Jane Caplan, ed. (Cambridge: Cambridge Univ. Press, 1995) 80.

29 Mason, “Origins of the Law,” 83.

30 Mason, “Origins of the Law,” 99.

31 Mason, “Origins of the Law,” 102.

32 Schoenbaum, 118.

social contract between unequal partners, in which submission was the condition for success, but even then, in the case of thousands of small businessmen, no guarantee of it.”³³

Thus business was reduced to a subordinate position but it still maintained a position of limited influence. He describes this situation as a series of pyrrhic victories, in which the successes of industry over unions and then the *Mittelstand* (middle class) lobby is followed by greater pressures on business by the state.³⁴ Schoenbaum describes Nazi economic policy as free of dogma or principle,³⁵ and yet he declares that “probably never in peacetime has an ostensibly capitalist economy been directed as non- and even anti-capitalistically as the German economy between 1933 and 1939.”³⁶ In “the anti-economy of the Third Reich, traditional labels, distinctions between 'market' and 'planned' economies, between 'private' and 'socialized' ownership, fell short of reality.”³⁷

Schoenbaum's notion of a “revolution of means” can then only be understood if one recognizes that, despite such antipathy to capitalism, pragmatic concerns came before ideology.³⁸

Schoenbaum, under his rubric of a “revolution of ends,” sees National Socialism as “socialist” and revolutionary. However, this “socialism” is not that of Marxism or other traditional uses of the term. He suggests that the Nazis distinguished it from “socialization” and that “what characterized this socialism was not the ownership of capital but its relationship to the State.”³⁹ Property was not done away with, but its basis

33 Schoenbaum, 116.

34 Schoenbaum, 149.

35 Schoenbaum, 150.

36 Schoenbaum, 114.

37 Schoenbaum, 114.

38 Schoenbaum, 116.

39 Schoenbaum, 51.

changed. Nazi ideology held that, “since in the Third Reich this distinction [between State and society] had ceased to exist, property was thus no longer a private affair but a kind of state concession, limited by the condition that property be put to 'correct' use.”⁴⁰ Such a fundamental change in the ideological basis of the economy to a notion of absolute state supremacy helps explain why National Socialism could tolerate the continued existence of capital and industry despite their many criticisms of capitalism.⁴¹

In Overy's notion of *dirigisme* one finds the common view that the economy was subordinate to the state. He explains that Hitler saw the economy as an “instrument of power” and says that “economic policy, in this sense, had to be judged by the criterion of strategic necessity as well as social utility.”⁴² One Nazi memorandum declares, “politics must take care that defense and economy correspond to one another and increase each other's power.”⁴³ Such a focus inevitably leads to a rejection of the free market, as “there could be no guarantee in a free market economy that the interests of race or state as Hitler defined them would take priority over the interests of businessmen or consumers.”⁴⁴ Likewise Overy describes the creation of the Reichswerke Hermann Göring in 1937 as “one of the major steps towards restricting private industrial capitalism and substitution a 'völkisch', state-run industrial economy.”⁴⁵

Despite state intervention in the economy Overy does not believe ideological concerns always won out. Instead he suggests an initial measure of restraint in the regime,

40 Schoenbaum, 146-147.

41 Schoenbaum, 118.

42 Overy, 1.

43 Overy, 202.

44 Overy, 1.

45 Overy, 146.

giving as an example Hitler's statement, "the economy must be handled with extraordinary caution."⁴⁶ Likewise, Hitler's pragmatism can be seen in the following claim: "We have the power to throw out every general director. There are no doubt many who deserve to be chucked out, but we must ask ourselves: can bread be provided for workers like this?"⁴⁷ It is only in 1936 with the Four Year Plan that the relationship between industry and the state reaches a crossroads, after which point autarky is developed.⁴⁸ The demand for limited resources lead to a competition between civilian and military industries that the latter invariably won, thanks to strong political support. Kershaw is supportive of a notion of transition such as Overy has, though he draws it out through the entire lifetime of the regime, rather than the first three years, suggesting that in the creation of the Reichswerke Hermann Göring "heavy industry suffered more a temporary setback than the permanent defeat which Mason posited."⁴⁹ However, both suggest a greater level of willing cooperation between industry and the state than the other authors examined in this paper, and Kershaw approvingly cites the following passage from Milward: "nothing could have more clearly demonstrated [than the creation of the Reichswerke Hermann Göring] that, however sympathetic to the business world and however dependent on it, the Nazi government had its own interests which it was prepared to pursue."⁵⁰

46 Overy, 13.

47 Overy, 13.

48 Overy, 14.

49 Kershaw, 60.

50 Kershaw, 61.

Like Schoenbaum Barkai credits the Nazi regime with developing novel approaches to the economy. Barkai explains:

National socialist policies “produced an *economic system* of nationalist etatism that was unique at the time. Ideologically this system proclaimed the rejection of liberalism, that is, free competition and regulation of the economy by market mechanisms; these were to be replaced by the dictum of state supremacy and the state's duty to intervene in all spheres of life, including the economy.”⁵¹

As evidence for state intervention Barkai approvingly cites Schoenbaum's passage, seen above, on the existence of an unequal partnership between the state and business.⁵² As such, big business shared in the plunder of the Nazi regime but had no say in the objectives of economic policy. The creation of industry groups in which membership was mandatory and that the regime used to dictate projects it desired is an example of this intervention in the economy.⁵³ Barkai describes industry as “sleeping partners” of the regime and states, “I believe that this was the prevailing state of affairs not just from 1936 onward, but right from the beginning of the Nazi regime.”⁵⁴ Thus business merely implemented the economic goals of the regime rather than helped form them. For another example of state domination of the economy he gives the example of the labor trustees (*Treuhänder der Arbeit*) created to oversee wages and working conditions, which gave the state “direct control of and exclusive authority over the entire field of wage and labor conditions.”⁵⁵ Unfortunately Barkai is quite inconsistent on this point,⁵⁶ suggesting at

51 Barkai, 10.

52 Barkai, 17.

53 Barkai, 130.

54 Barkai, 17.

55 Barkai, 124.

56 He suggests that the Nazis did not completely rule by decree: “As long as the Nazi rulers were able to achieve their objectives through the willing cooperation of leading economic interests, that is, by exploiting the latter's economic motivations for their own ends, they willingly relied on the economy's self-management, keeping direct administrative intervention to a minimum;” Barkai, 136. Likewise he

various points in his work that state dictation only became pronounced once widespread rearmament begun under the Four Year Plan in 1936, a view much more similar to Overy. Finally, Barkai's most original contribution is his focus on the importance of the notion of *Lebensraum* in Nazi economic ideology, or better put, how it *was* their economic ideology. As Barkai puts it, *Lebensraum* “included the vision of a national economy that would enable the German *Volk* to live on the bounty of its land, that would be immune to crises, owing to its autarky and independence from the world economy.”⁵⁷ Such a connection of the economic thought to *Lebensraum* is valuable, as it connects the study of the Nazi economy to larger Nazi thought and plans for the future.

Following the consideration of the relationship of economy and the state a series of questions about the nature of the historical development of the economic regime must be addressed, as they will help inform all the authors' theories and provide a better understanding of their positions. The first to consider is the success of National Socialist regime to rapidly slash unemployment upon coming to power and to eventually achieve a state of full employment. Two questions are immediately suggested: how was this achieved, and why was this achieved? For the former the two dominant responses are simple enough: civilian works projects or military rearmament. The latter is a question of ideology, namely, were ideological considerations primary in the desire to end unemployment or were practical concerns for the maintenance of power ascendant?

The elimination of unemployment has long been considered one of the main

qualifies state dictation to the economy, saying: “The actual utilization of controls and decrees became widespread only when full employment was achieved [in 1936-1937] and the objectives of accelerated rearmament could no longer be accomplished by means of purely economic motivations;” Barkai, 137.
57 Barkai, 22.

achievements of the National Socialist regime, yet disagreement on how and why this came about remains. Mason suggests the successful recovery could only be brought about by overcoming the basic contradiction of the Weimar era: “the working classes had the possibility of gaining political power but no social guarantees, and the propertied classes possessed social power, but no political guarantees.”⁵⁸ Thus for economic recovery a force was needed that could satisfy various elements of the economy and control workers. In addition Mason cites the need to control inflation and control foreign exchange reserves.⁵⁹ “In short, the reproduction of society could only be guaranteed through radical political means.”⁶⁰ Thus the establishment of the Nazi regime and a sharp break with the past would seem to be the only ways to improve the German economy. However, Overy disagrees with such the notion that a break with the past and authoritarian control of industry and labor brought prosperity. He says, “the Nazi politicians came to rely on existing economic plans and economic institutions to carry them through the first months in office.”⁶¹ While Overy does not deny that the regime did institute capital controls and other restrictive measures on economic freedom to revive the economy, such as 1934 New Economic Plan, he places importance on public-works schemes that created employment.⁶²

Barkai might be seen drawing from both Mason and Overy, emphasizing both the novelty of the regime's actions against unemployment and the importance of labor-

58 Mason, “Primacy of Politics,” 56.

59 Mason, “Primacy of Politics,” 58.

60 Mason, “Primacy of Politics,” 58.

61 Overy, 4.

62 Overy, 6.

creation programs. He explains, “This rapid economic recovery was the result of the implementation of an active economic policy by state agencies which established deficit spending on a scale unprecedented in a capitalist industrial economy during peacetime.”⁶³

With this stress on the unprecedented nature of deficit financing Barkai can be understood as unreceptive to Overy, saying that historians who “consider the policies the Nazis employed as a large-scale continuation of measures initiated by previous governments” are misguided.⁶⁴ Barkai declares that the end of unemployment and the economic recovery to be the results of the particular way the regime went about rearmament. He states, “The economic impact of these policies [of rearmament and preparation for war] arose from the manner in which additional government expenses were financed and not from the way they were specifically allocated.”⁶⁵ Thus Barkai sees the deficit financing of rearmament as the source of full employment, not rearmament itself nor public works projects.

Showing that this question of continuity is a contentious one, Schoenbaum says the key element of German economic recovery “was an assiduous fiscal conservatism perpetuating the deflationary measures of the Brüning government.”⁶⁶ Likewise he disagrees with the emphasis on deficit spending put forward by Barkai, saying, “The tax reductions and deficit spending of a 'capitalist' Keynesian theory were never considered.”⁶⁷ Thus the consensus on the causes of full employment is limited, sticking

63 Barkai, 1.

64 Barkai, 2.

65 Barkai, 221.

66 Schoenbaum, 117.

67 Schoenbaum, 117.

strictly to indisputable events: the creation of Mefo bills to finance industrial production and the restriction of foreign trade to protect domestic producers and conserve foreign reserves.

As seen in questions of economic recovery, rearmament is an area of investigation, with the question of a war economy intertwined with it. In the topic of rearmament one finds the questions of when it commenced and how it was financed. Similarly the question of the Nazi economy's relation to a war economy is in dispute, with one line of theory suggesting that the Nazi economy was a war economy in peacetime, while another retorting that in fact the German economy was a peacetime economy in war for at least several years. These notions of rearmament and war economy are related, as the nature of financing and the extent of military production are seen as determinate factors in both.

Rearmament is related to the issue of Nazi efforts to revive the economy. Mason believes rearmament began around 1936 and was “a great change in the structure of the German economy.”⁶⁸ He describes this change as very destabilizing:

“In a liberal or in an authoritarian state, profitable and lasting co-operation between the state and the economy might perhaps have been possible on the basis of this modern corporativism, to the end of achieving a gradual imperialist expansion, *without* further extending the political power of industry. But the consequences of the forced rearmament drive eliminated this possibility.”⁶⁹

Thus, by forcing an extensive program of rearmament the regime alienated big business.

Furthermore, Mason understands rearmament to have had contradictory consequences on

68 Mason, “Primacy of Politics,” 63.

69 Mason, “Primacy of Politics,” 62.

Nazi ideology. On one hand, “demagogy” and “political practice” were put in opposition,⁷⁰ yet on the other, “nothing, not even the smooth running of the arms economy, was allowed to impede [the DAF's] efforts.”⁷¹ Schoenbaum provides a similar analysis, declaring that a discrepancy between “claims and limits” existed. He declares that the totalitarian aspirations of the regime were not achieved in peacetime and that the Nazis did not create a war economy in peacetime.⁷²

Like Mason, Overy sees rearmament as beginning only several years after Hitler came to power. Overy describes this as a pragmatic choice to initially give priority to the “politically prudent” task of re-employment, to avoid international repercussions, and to avoid the economic problems that rearmament in such a weak economy would bring.⁷³ He also says a “problem of mediation” occurred, in which the Nazi regime initially relied on an established bureaucracy that continued the economic programs of Weimar.⁷⁴ However, Overy gives examples of preparations for rearmament and a war economy in Weimar Germany.⁷⁵ Thus the problem of mediation seems to have little basis, though Overy's other reasons for the slow development of rearmament are compelling. Likewise he suggests that a distinction should be made between “direct” and “indirect” rearmament, the latter being the “strengthening [of] the economy in ways which would be strategically

70 Mason, “Primacy of Politics,” 67.

71 Mason, “Primacy of Politics,” 66.

72 Schoenbaum, 113.

73 Overy, 9.

74 Overy, 10.

75 He mentions General Groener, Defense Minister in various Weimar governments from 1928, who developed the notion of *Wehrwirtschaft* (the defense-based economy). This notion was backed by action, with bureaus devoted to war economy planning established during the 1920's and secret rearmament increased in 1928; Overy, 178.

useful.”⁷⁶ Thus one can understand the period between the beginning of the Nazi regime and the overt militarization of the 1936 Four Year Plan as one of indirect rearmament, in which the economy as a whole was strengthened, both to satisfy popular demands for work and to prepare an economic basis for rearmament. Overy sees little direct rearmament during this period, giving the statistic that only 18% of all public works projects were military in nature.⁷⁷

On the question of whether Nazi Germany had a war economy in peacetime Overy would be inclined to answer in the affirmative. He cites the example of the creation of the Reichswerke Hermann Göring as an example of the growing state control of militarily vital industries, not only in iron ore but also in aircraft and other militarily essential industries. He explains, “When the regime wanted additional industrial capacity or resources for the military economy which the private sector could not provide, it was created (or conquered) by the state.”⁷⁸ Just as the the state involvement in the economy is seen as a defining factor in a war economy, so to is the shifting from civilian to military production in an economy. Overy sees civilian privation present before the 1939 invasion of Poland, as evidenced in the *Existenzminimum* (minimum living standard) developed by the regime to keep consumption, while low, at a politically acceptable level.⁷⁹ Based on the existence of a large, state-directed economy and limited civilian consumption Overy concludes that Germany should be understood as having a war economy in peacetime in the immediate years before the outbreak of the Second World War.

76 Overy, 8.

77 Overy, 5.

78 Overy, 16.

79 Overy, 281.

Barkai develops a somewhat confusing understanding of rearmament and war economy that can be best put into dialog with Overy. He suggests, unlike Overy, that rearmament existed from the beginning of the regime. He explains that “from 1933 to 1936 this primacy [of politics] demanded the liquidation of unemployment and the initiation of rearmament as immediate goals.”⁸⁰ Likewise he observes that private consumption rose from 1933 to 1936, while public consumption greatly increased and corporate profits jumped. In addressing this he says, “Today there is no doubt that this was the result of deliberate policies, intended to channel maximum resources into rearmament and the infrastructure of industry and transport.”⁸¹ In reference to historians such as Overy who would see rearmament as beginning in 1936 or later he replies:

“The statistical evidence also refutes claims made by certain German historians and economists who support the apologetics of some of the individuals involved, Schacht in particular. According to them, one should distinguish between a period of civil works projects, which ended approximately at the beginning of 1935, and the period of rearmament.”⁸² However, despite such strong statements Barkai seems to contradict himself by also suggesting such a periodization. He states that “the preparation for war was Hitler's primary project, and his orders were to direct allocations for job creation accordingly. This order was not carried out at once because during the first few years the army could not absorb larger sums for technical reasons.”⁸³ From the conflicting nature of these statements one might conclude that Barkai is falsely conflating a *desire* for rearmament before 1936 with the *existence* of rearmament after 1936.

80 Barkai, 222.

81 Barkai, 196.

82 Barkai, 218.

83 Barkai, 159.

If one might say that Barkai is somewhat in disagreement with Overy on the beginning of rearmament, so one would say that he is somewhat in agreement with Overy on the existence of a war economy. Using two economic parameters as his guidelines for war economics,⁸⁴ he declares, “Thus both qualitative criteria show Germany's economy entering upon a stage of accelerated war preparation at the earliest in 1936.” Thus, like Overy, Barkai appears to conclude that Germany had a war economy after 1936. However, he also makes several statements that weaken the certainty of his conclusion and suggest viewing the economy for the whole duration of the regime as a war economy. For example, Barkai approvingly cites Samuel Lurie, who says, “Clearly the case of the German economy between 1933-1939 was more than that of a military economy operating in peacetime.”⁸⁵ Likewise he says, “if the German economy up to 1936 was by economic and institutional standards less of a war economy than many assumed, it was at the same time more than just a war economy. It was an attempt to mold a new economic order based on ideological norms that were to some degree rooted in the German past.”⁸⁶ A solution to this confusion suggests itself in Barkai's last sentence, in that the Nazi economy from the beginning had a level of government intervention greater than even a war economy, yet at the same time the high levels of military production and civilian austerity took some years to develop. In fact, Barkai does not see civilian consumption much affected, with military production occurring “only to a small extent at the expense

84 They are: 1) “rearmament and military expenditure in relation to the GNP and total state expenditure,” and 2) “the existence and actual utilization of institutional control and steering agencies that channel economic resources into rearmament;” Barkai, 219. He later adds the subsequent additional qualification: “when 50 percent of total state expenditure on goods and services flows into military and related expenses;” Barkai, 220.

85 Barkai, 18.

86 Barkai, 224.

of current civil consumption, although the growth of the latter was slowed down.”⁸⁷ Thus the restriction of civilian consumption that one considers a standard part of a war economy seems missing. However, Barkai allows that “covert austerity” did exist, such as in the substitution of jam for butter.⁸⁸ Thus Barkai appears to agree with Overy that a war economy in peacetime existed, though he is unsure about when it began. Likewise he does not see the same restriction of civilian consumption that Overy does.

Finally there is the question of the Blitzkrieg thesis, put forward by Alan Milward, and the huge leap in military production starting in 1941 and 1942, again related to the previous area of inquiry. The Blitzkrieg thesis can be divided into two distinct theses, one suggesting that the Nazi instigation of war in 1939 was an attempt to divert growing political dissatisfaction through a series of short and easily-supported wars, while the other suggests that it was an effort to prevent economic crisis so that total war could be fought at a future date. As the first thesis has found few supporters, attention will be focused on the second. Despite general consensus that the rationalization of production and increased efficiency were the immediate causes of the leap in production more than two years into World War II, several explanations have been put forward to explain this increase. One, related to the Blitzkrieg thesis, suggests that plundered resources were essential in revitalizing a taxed system. Others return to the questions of rearmament and war economy, with the common thesis being that this rationalization was the shift to the war economy that had not occurred earlier. Overy is unique in arguing that this increase in production was able to occur only because a war economy already existed and the

87 Barkai, 232.

88 Barkai, 232.

increase was merely the culmination of the development of a war economy able to sustain total war over a long term.

Finally one comes to the question of the Blitzkrieg thesis and explaining the wartime production spike. Schoenbaum declares that “rather than creating a war economy in peacetime, the Nazis in many respects carried a peacetime economy with them into war.”⁸⁹ Thus the regime was only able to achieve, to the extent it did, “total control of the economy; total command over resources; total direction of wages, prices, production; total organization of credit, manpower, transportation, and planning” in total war.⁹⁰ Schoenbaum explains the production spike as the achievement of a war economy that had only come into being, with a complete shift from civilian to military production.

Overy disagrees with the Blitzkrieg explanation for early limited mobilization, that the war Hitler unleashed was designed to be a short war that the German people would support, unlike total war.⁹¹ He dismisses claims of the instability that some claim to see in 1939, saying, “To claim that political conflicts and administrative discordance of themselves were a determinant of economic and social instability is to greatly distort the reality of economic policy-making, and to underplay the powerful coercive effects of economic intervention in a one-party state.”⁹² Similarly, in reference to a March 1939 discussion Hitler held on seizing resources in central and eastern Europe Overy says, “There were certainly economic *motives* at work here, but these are not the same as

89 Schoenbaum, 113.

90 Schoenbaum, 113.

91 Overy, 233.

92 Overy, 220.

economic *pressures* produced by impending crisis at home.”⁹³ Furthermore, Overy describes the war-time production jump as not being caused by a shift to a war economy. Rather, he explains that long term military production programs put in place in the 1930's were only being finished or cut short in the middle of the war.⁹⁴ As such the rationalization, centralization, and elimination of bureaucratic infighting that occurred were successful because they were tapping into a vast, unexploited, yet pre-existing war economy.⁹⁵

However, Kershaw disagrees with Overy, seeing economic crisis as forcing war. He gives as one example a statement of Hitler's in August 1939: “We have nothing to lose; we have everything to gain. Because of our restrictions, our economic situation is such that we can only hold out for a few more years. Göring can confirm this. We have no other choice, we must act.”⁹⁶ Thus Kershaw agrees with the Blitzkrieg thesis and disagrees with Overy, seeing economic crisis causing the Second World War. He states that “given the particular development of German capitalism during the Third Reich, especially since 1936, the imperialist war of plunder was a logical necessity—increasingly the only option available.”⁹⁷ Thus the Nazi economy had been structured such with the Four Year Plan and subsequent decisions that it could not survive on the resources found only within the existing territory of Germany, even with the incorporation of Austria and Czechoslovakia. Barkai is in agreement with Kershaw,

93 Overy, 221.

94 Overy, 195.

95 Overy, 30.

96 Kershaw, 62.

97 Kershaw, 63.

categorizing the economy of 1939-1941 as one of Blitzkrieg. However, he is unique in suggesting the novel idea that the Blitzkrieg economy was not a sign of weakness but of flexibility.⁹⁸ Thanks to an economy that was not yet full turned over to war production industrial output could be shifted with the changing demands of campaigns, such as boats in 1940 in preparation of an invasion of England and tanks in 1941 for the invasion of Russia. Beginning in the end of 1941 the German economy shifted to one of Total War.⁹⁹ It is only then under the guidance of Todt and Speer that the economy is rationalized and central planning is introduced. However, one wonders how well this thesis of a late war economy can be reconciled with Barkai's thoughts seen earlier on rearmament and a war economy. In fact, his understanding of the economy's full productive capacity only being fully realized as the demands of the war change might be reconcilable with Overy's critique of the notion of a peacetime economy in war.

In this examination of the National Socialist economy several conceptual frameworks of explanation have been put forward. The explanations of “primacy of politics,” a double revolution of means and ends, *dirigisme*, national *etatism*, and polycratic “power-cartel” all find some points of agreement. The state is understood to have intervened in the economy and dealt with business from a position of strength, its intervention coming from a rejection of liberalism and free market capitalism and from a focus on political objectives. However, it was simply a rejection of one form of capitalism; despite various ideological antipathies toward capital as a whole, capitalism remained. This state intervention played a fundamental role in solving the employment

98 Barkai, 235.

99 Barkai, 235.

crisis the Nazis inherited when they came to power, and subsequent intervention led to a comprehensive rearmament program. However it was only in 1942 that the state took absolute control of the economy, with a fundamental rationalization and centralization of the economy that was to enable the regime to continue to wage war for three more years.

Throughout this entire consideration of the Nazi economy, the questions of how unique was this system of organization and what was its relationship to the various actors in society have come up. Mason and Schoenbaum are strenuous in their claims that the Nazi regime was unique, or as others have put it, an aberration in Western political development. Barkai and Kershaw emphasize the novelty of the regime, though they make fewer claims that the Nazi economic program could never be matched, though admittedly the specificity of their frameworks to National Socialism suggests that no other regime has or will meet their criteria. Only Overy, using the existing term of *dirigisme*, seems to possibly allow for the potential for comparison with other economic regimes, though his framework too seems to be defined exclusively in terms of National Socialism. In searching for comparable economic systems even the Fascist regime of Italy in the same period seems inadequate, and it would seem that the only non-liberal capitalist systems that have existed in the modern era would be those of the 16th and 17th Centuries. The mercantile systems of absolutist monarchies appear to have similar elements of autarky and state intervention in the economy. However, the totalitarian state so fundamental to National Socialism and the notion of *Volksgemeinschaft* that underpinned it are absent. One must come to the conclusion that despite similarities and appropriations the National Socialist economic system was a singularly unique creation.