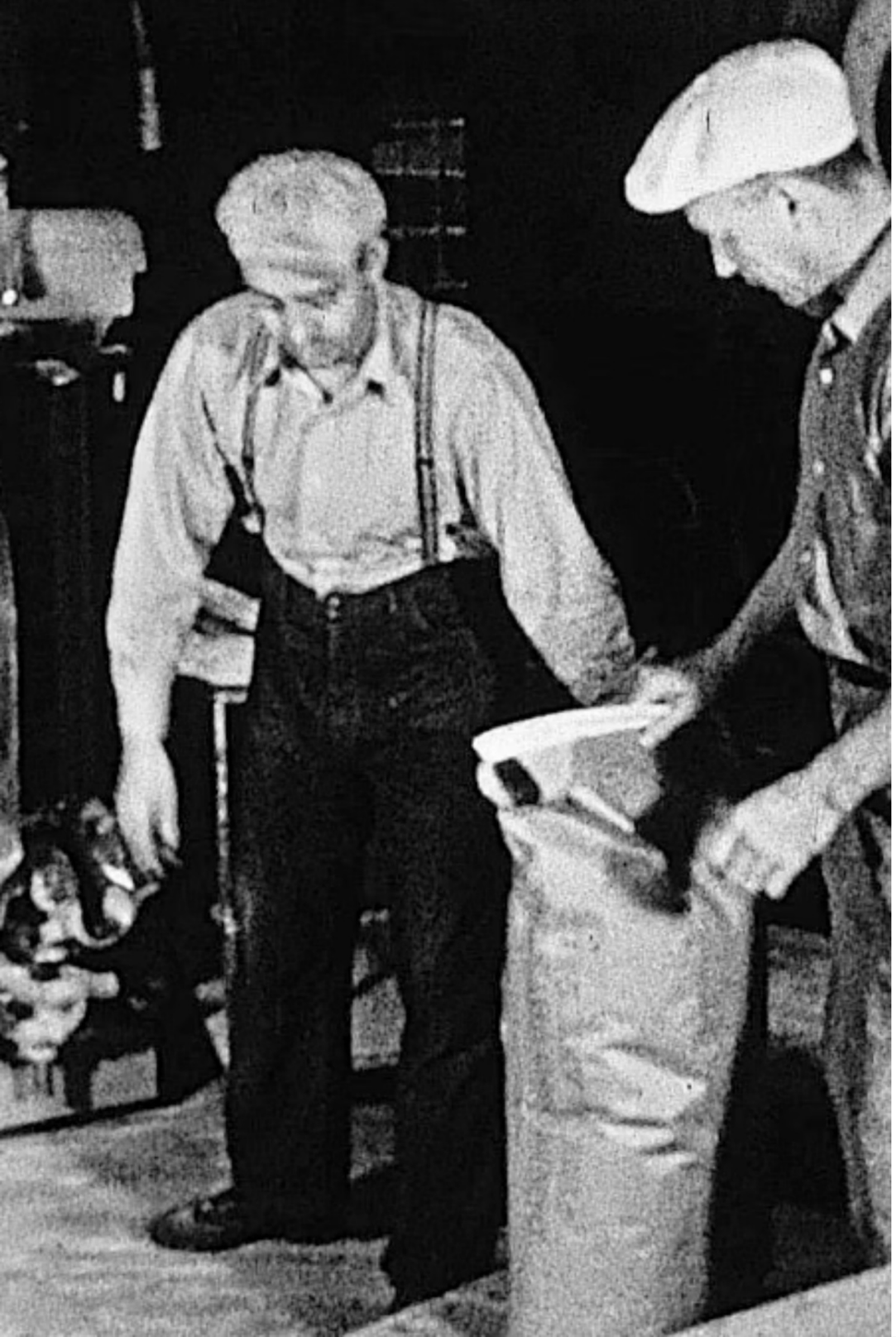


The Nazi Economic System: Recovery, Autarky and the Road to War

Examining of Nazi Germany's economic transformation from 1933-1939, exploring recovery policies, autarky strategies, and the impact on German workers and society

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Summary

Economic Problems Facing Nazi Germany in 1933

When Hitler became Chancellor in January 1933, Germany was in the grip of the Great Depression. The Nazi regime inherited a devastated economy that required immediate action to maintain political stability and public support.

Mass Unemployment

Over 6 million Germans unemployed by 1933, creating social instability and threatening Nazi legitimacy.

Industrial Decline

Production had fallen by 40% since 1929. Key industries like steel and coal were operating well below capacity.

Depression Impact

Germany deeply affected by the global economic crisis, with collapsed international trade and investment.

Political Necessity

Economic recovery essential to consolidate Nazi power and fulfil promises made during the rise to power.

Schacht and Economic Recovery

Hjalmar Schacht's Role

Appointed President of the Reichsbank in 1933 and Economics Minister in 1934. Schacht was a financial expert who provided the Nazis with economic credibility and implemented innovative recovery measures.

Deficit Financing

Government spent more than it earned to stimulate economic growth, funding public works and job creation schemes through borrowed money rather than taxation.



Mefo Bills

Credit notes issued by the Metallurgische Forschungsgesellschaft (a dummy company). Businesses received Mefo bills instead of cash, which could be exchanged at the Reichsbank after five years. This disguised government spending and rearmament from international observers.

Public Works Programmes

A cornerstone of Nazi economic recovery was the ambitious public works programme. These large-scale construction projects provided immediate employment for millions while modernising Germany's infrastructure and serving as powerful propaganda tools.

Autobahn Construction

Massive motorway building programme begun in 1933. Created thousands of jobs whilst improving infrastructure and demonstrating Nazi efficiency. Over 3,000 km built by 1939.

Housing Projects

New housing estates built across Germany, providing employment in construction and related industries. Improved living conditions and showcased Nazi achievements.

Infrastructure Development

Railways, bridges, and public buildings modernised. These schemes absorbed unemployed workers whilst creating propaganda value and genuine economic benefits.

Public works programmes reduced unemployment from 6 million in 1933 to under 1 million by 1937, though compulsory military service and exclusion of women from statistics also contributed.

Labour Policies and Unemployment Reduction

Reich Labour Service (RAD)

Compulsory six-month labour service for men aged 18–25 from 1935. Workers received minimal wages whilst undertaking manual work on land reclamation, farming, and construction projects. Removed young men from unemployment registers whilst instilling Nazi discipline and values.

Law for the Reduction of Unemployment (1933)

Allocated 1 billion Reichsmarks for job creation. Funded infrastructure projects, housing schemes, and agricultural improvements. Provided loans to newly married couples on condition wives left employment, removing women from the workforce.

Manipulated Statistics

Official figures excluded Jews, women who left work, part-time workers, and those in compulsory service. Unemployment appeared to fall faster than it actually did, boosting Nazi propaganda claims about economic miracle.

Aims of Nazi Agricultural Policy

Agriculture held special significance in Nazi ideology and economic planning. The regime implemented comprehensive policies to support farmers, increase food production, and achieve self-sufficiency in preparation for future conflict.

Food Security and Self-Sufficiency

Reduce dependence on imported food to protect Germany from blockades in wartime. Aimed to achieve autarky in food production through increased domestic output.

Support for the Peasantry

The Nazis idealised the peasant farmer as racially pure and essential to German strength. Agricultural policies aimed to reverse rural-urban migration and maintain a strong farming class as the backbone of society.

Blood and Soil Ideology

Connected agricultural policy to Nazi racial theories. The land and its cultivators were seen as vital to German identity and future expansion in Eastern Europe.

Tariffs and the Reich Food Estate

Price Controls and Production Quotas

Government fixed agricultural prices to guarantee farmers' incomes and prevent price collapses. Production quotas set for different crops and livestock to ensure sufficient food supply. Tariffs on imported food protected German farmers from foreign competition.

Organisation of the Reich Food Estate

Established in 1933 under Richard Walther Darré. A centralised organisation controlling all aspects of agricultural production, from farming to food processing and distribution. Farmers compelled to join, with strict regulations on what and how much to produce.



Tariffs and the Reich Food Estate

Impact

Farmers

- Guaranteed prices provided financial security
- Heavy bureaucracy and regulations frustrated farmers
- Loss of independence in decision-making
- Young workers left for better-paid industrial jobs

Consumers

- Higher food prices due to tariffs and fixed prices
- Limited choice of products
- Food shortages in some areas
- Resentment over restricted diets



Reich Entailed Farm Law, 1933

Protection Measures

Farms between 7.5 and 125 hectares declared hereditary estates. Could not be sold, divided, or mortgaged. Passed intact to a single heir, preserving farm size and preventing land fragmentation.

Social Impact

Aimed to maintain a stable peasant class rooted to the land. Protected approximately 35% of German farmland. Reinforced traditional rural values and Nazi "blood and soil" ideology about German racial purity.

Economic Limitations

Prevented farmers using land as collateral for loans, limiting investment. Younger sons denied inheritance left for cities. Law proved unpopular and was not rigorously enforced by late 1930s.

Key Limitation: Despite ideological commitment to agriculture, the policy failed to halt rural depopulation as industrial jobs offered better wages and conditions.

Schacht’s New Plan

As rearmament accelerated, Germany faced a critical shortage of foreign currency needed to purchase essential raw materials. Schacht's New Plan of 1934 addressed this crisis through strict import controls and innovative trade agreements.

Balance of Payments Crisis

By 1934, Germany faced severe shortages of foreign currency. Rearmament required imported raw materials, but exports were insufficient to pay for imports. Germany risked defaulting on international debts.



Schacht’s New Plan

Import Controls

Government prioritised imports essential for rearmament—raw materials like iron ore, oil, and rubber. Luxury goods and non-essential imports strictly limited through licensing system. Foreign exchange carefully rationed to approved industries.

Bilateral Trade Agreements

Schacht negotiated barter deals with countries in South-Eastern Europe and South America. Germany exchanged manufactured goods for food and raw materials without using foreign currency. Created German economic sphere of influence.

Success: The New Plan temporarily solved the foreign currency crisis and sustained rearmament.

Limitations: Germany remained dependent on imports; system could not provide all materials needed for total war. By 1936, Schacht's cautious approach conflicted with Hitler's accelerated rearmament plans.

Goering’s Four Year Plan, 1936

By 1936, Schacht's cautious economic approach could no longer satisfy Hitler's aggressive rearmament ambitions. The Four Year Plan marked a decisive shift towards a full war economy, with Hermann Goering appointed to drive Germany's preparation for conflict.

Aims: Preparation for War

Announced in 1936 with the goal of making Germany ready for war within four years. Prioritised rearmament over consumer goods production. Aimed to achieve maximum possible autarky, reducing dependence on imports that might be cut off during wartime.

Creation of a War Economy

Economy increasingly centrally planned and directed towards military needs. Private businesses forced to accept government contracts and production targets. Labour and raw materials allocated according to military priorities rather than market forces.

Role of Goering

Hitler appointed Goering as Plenipotentiary of the Four Year Plan, bypassing Economics Minister Schacht. Goering had little economic expertise but unquestioning loyalty to Hitler's vision. His appointment signalled that political and military aims would override economic rationality.

Development of War Industries

The Four Year Plan drove massive expansion of industries essential for warfare. Germany invested heavily in steel, synthetic materials, and armaments production to achieve self-sufficiency and military readiness.

Steel and Coal

Massive expansion of steel production through state investment. Hermann Goering Works established 1937 to produce steel from low-grade German iron ore. Coal mining intensified to provide energy for industry and produce synthetic fuels.

Oil and Synthetics

Germany lacked natural oil reserves, crucial for mechanised warfare. Huge investment in synthetic oil production from coal. Also developed synthetic rubber (buna) and artificial textiles. Expensive and inefficient but reduced import dependence.

Armaments Production

Aircraft, tanks, submarines, and weapons production expanded rapidly. By 1939, approximately 25% of German GDP devoted to military spending. Armaments industry became largest employer and recipient of investment.

The “Gun or Butter” Debate

The Nazi economy faced a fundamental choice between military production ('guns') and consumer goods ('butter'). As rearmament accelerated, this trade-off became increasingly stark, with profound consequences for German living standards.

1933–36: Balance

Initial recovery phase maintained some consumer goods production alongside rearmament. Living standards improved, building Nazi support.

1936–39: Guns Priority

Four Year Plan decisively prioritised military production. Consumer goods increasingly scarce and expensive. Propaganda emphasised sacrifice for national greatness.

Economic Strain

By 1939, economy overstretched. Labour shortages, raw material bottlenecks, and financing problems emerged. System unsustainable without conquest of new resources.

Long-term Sustainability: The Nazi war economy was inherently unsustainable. It required continuous territorial expansion to seize resources and labour, making war economically necessary as well as ideologically desired.

Employment and Working Conditions

While the Nazis achieved remarkable success in reducing unemployment, the reality for German workers was more complex. Full employment came at the cost of longer hours, stagnant wages, and the loss of fundamental workplace rights.

Employment Rates

Dramatic reduction in unemployment was the Nazis' most impressive economic achievement. Full employment restored by 1937, with labour shortages emerging by 1939. However, workers had little choice of employment and were directed to priority industries.

Working Hours and Wages

Working hours increased significantly as rearmament intensified. Average working week rose from 43 hours (1933) to 49 hours (1939). Wages remained below 1929 levels in real terms. Workers could not strike or change jobs freely. Prices increased faster than wages, reducing living standards.

German Labour Front and Loss of Rights

Destruction of Trade Unions

May 1933: Storm troopers occupied trade union offices, arrested leaders, and confiscated funds. Independent trade unions abolished and replaced by the German Labour Front (Deutsche Arbeitsfront, DAF). Workers lost right to strike, negotiate wages, or elect representatives.

German Labour Front (DAF)

Led by Robert Ley, the DAF was the largest Nazi organisation, with over 20 million members by 1939. Membership compulsory for all workers and employers. Claimed to unite workers and bosses in national interest, removing class conflict. In reality, served employer and state interests, not workers.

Impact on Workers' Rights

No collective bargaining—wages set by government-appointed trustees. Workers could not change jobs without permission. Discipline enforced through workbooks tracking employment history. Political opposition dangerous; critics faced dismissal, arrest, or concentration camps. Control extended to workers' private lives through social programmes.

Strength Through Joy and Beauty of Labour

Kraft durch Freude (Strength Through Joy)

KdF was a DAF subsidiary providing leisure activities and holidays for workers. Organised subsidised theatre trips, concerts, sports events, and cruises. Promised a "people's car" (Volkswagen) through savings scheme—never delivered. Aimed to improve morale, reward hard work, and demonstrate Nazi care for workers.

Schönheit der Arbeit (Beauty of Labour)

Campaigned to improve workplace conditions—better lighting, canteens, washing facilities, and recreational spaces. Persuaded or pressured employers to modernise factories and provide amenities. Created more pleasant working environments whilst promoting Nazi aesthetic of order and cleanliness.

Impact: These programmes were popular and improved Nazi support among workers. However, they were propaganda tools disgu disguising loss of workers' rights and falling real wages. Leisure activities supervised and controlled, reinforcing Nazi ideology.

Summary

Recovery Phase (1933–36)

- Schacht's deficit financing and Mefo bills
- Public works and labour schemes
- New Plan addressing trade crisis
- Unemployment dramatically reduced

Agricultural Policy

- Reich Food Estate controlled production
- Entailed Farm Law protected peasants
- Failed to achieve food self-sufficiency
- Rural depopulation continued

War Economy (1936–39)

- Four Year Plan prioritised rearmament
- Goering replaced Schacht
- Synthetic materials developed
- "Guns over butter" policy

Workers' Experience

- Full employment but declining wages
- Trade unions destroyed; DAF created
- KdF and Beauty of Labour programmes
- Loss of rights masked by propaganda

Overall Assessment: Nazi economic policy achieved recovery and rearmament but at significant cost to living standards and economic sustainability. Success was short-term and dependent on eventual territorial conquest. Economic transformation served political and military aims rather than genuine prosperity.