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Volume Title: Nazi War Finance and Banking

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Volume Publisher: NBER

Volume ISBN: 0-87014-335-2

Volume URL: <http://www.nber.org/books/nath44-1>

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Chapter Title: The Scope of the German War Effort

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Chapter URL: <http://www.nber.org/chapters/c9475>

Chapter pages in book: (p. 1 - 2)

Nazi War Finance and Banking

THE SCOPE OF THE GERMAN WAR EFFORT

Germany's mobilization for war started in 1933. On the day of Germany's invasion of Poland, Hitler boasted that from 1933 to 1939, the Nazi government had spent 90 billion reichsmarks in preparing for war. The magnitude of this peacetime expenditure for war purposes becomes clear when it is realized that in 1932, the last pre-Nazi year, the total national income in Germany amounted to about 45 billion reichsmarks, and in 1938, the last year before the outbreak of war, it had risen to about 80 billion reichsmarks. Hence, all the income of the entire German people in 1938 — with practically full employment and long hours in some industries — would not have sufficed to produce the material that went into German prewar military preparations. Moreover, all the men and women who were employed in Germany in 1932 would have had to work about two full years to satisfy the requirements of the German war machine built up in times of peace. Although this outlay for military purposes was very large and absorbed an increasing share of the total national product, it was relatively small compared to Germany's military expenditure after the actual start of hostilities. For the calendar year 1941, German war cost is estimated at over 80 billion reichsmarks¹ — more than three times as much as in the fiscal year 1938 (April 1938 to March 1939) and about equal to the entire national income in the last prewar year. The tremendous increase in war expenditure would obviously not have been possible without exploitation of the manpower and resources of many other European countries. Germany alone could not possibly have increased war production to a level equivalent to the whole national income of the last prewar year, a year in which there was virtually full employment.²

¹ *Wochenbericht des Deutschen Instituts für Wirtschaftsforschung* (1942) p. 39.

² The comparison between war expenditure and national income is not intended to assess the significance of Nazi war expenditure for the German economy, but is merely meant to emphasize the magnitudes involved. For this purpose, it did not seem necessary to analyze the underlying concept of "national income" or to adjust the figures for reported price changes which, however, were not very considerable in the years under review.

In preparing for war, Germany proceeded methodically and systematically. Nothing was left to accident or haphazard experimentation. The Nazi leaders had realized even before taking office that their militant objectives, which might ultimately lead to war, could not be accomplished within the framework of traditional capitalism and political democracy. They were determined to make any change that was considered necessary to the attainment of their military designs. By the time hostilities actually began in 1939, a novel economic system had been erected which constituted a coordinated organism of government planning, integrating every aspect of German life within the framework of a skillfully developed military economy. In two important respects, therefore, the war effort in Germany differs from that in the United States and Great Britain: the war economy was fully developed in time of peace, and it was evolved within the structure of a planned economy. An analysis of the financial aspects of the German war effort hence must start with 1933 and must be based upon a critical description of the Nazi economic system and particularly of its financial institutions. After a brief discussion of the organization of the economy as it evolved during the years of Nazi rule, we shall analyze the structural changes in the banking system and the methods used by the German government in raising the funds needed for its huge war expenditure.

At the end of the study a more detailed statistical survey of the financial implications of the German war effort will be presented. We shall then emphasize the inadequacy of the statistical material and the unreliability of available Nazi information. Our study has been made within limitations imposed by the necessity of working from outside the country, without opportunity for personal observation, and without access to the detailed information available to those functioning in the Nazi bureaucracy itself. Hence it is quite possible that the total expenditure of Germany for the war was larger or smaller in the years mentioned than the figures given above. But that is of no great significance in a study of this kind. What matters is not whether Germany spent a few billion more or less during a certain period, but the financial techniques, methods, and devices that were applied in raising and spending these funds.