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Chapter Title: The Nazi Economic System

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## THE NAZI ECONOMIC SYSTEM

In the six years between the Fascist victory in Germany and the outbreak of war, Nazism erected a system of production, distribution and consumption that defies classification in any of the usual categories. It was not capitalism in the traditional sense: the autonomous market mechanism so characteristic of capitalism during the last two centuries had all but disappeared. It was not State capitalism: the government disclaimed any desire to own the means of production, and in fact took steps to denationalize them. It was not socialism or communism: private property and private profit still existed. The Nazi system was, rather, a combination of some of the characteristics of capitalism and a highly planned economy. Without in any way destroying its class character, a comprehensive planning mechanism was imposed on an economy in which private property was not expropriated, in which the distribution of national income remained fundamentally unchanged, and in which private entrepreneurs retained some of their prerogatives and responsibilities in traditional capitalism. All this was done in a society dominated by a ruthless political dictatorship.

From the point of view of this study, the most important single change was the abolition of the traditional system of autonomous markets in which demand and supply meet, coordinating the economic activities of millions of individuals. In spite of the decline of competition and the growth of government intervention, no single agency regulated the economy in pre-Nazi Germany in terms of a specific, well-defined purpose. The Nazi government substituted conscious, over-all direction of the economy for the autonomy of the market mechanism and subordinated the economic system to a predetermined objective, the creation of a war machine. A vast network of organizations was erected to embrace individuals, corporations, manufacturers, farmers, dealers, small business and large business — in short, every factor of production, distribution, and consumption. By dominating this organizational structure through which orders could be issued to every businessman, and by insisting upon strict obedience from all, the government obtained complete control over the economy. Commodity prices, interest rates, and wages were not only fixed by the government, but they lost completely their traditional significance as regulators of economic activi

ties. The government decided and ordered what and how much should be invested, produced, distributed, consumed, or stored. A system of "direct" controls was substituted for the mechanism of prices which regulates economic activities "indirectly" in traditional capitalism. No institution in the economy remained unaffected by the fundamental change that German Fascism brought about.