

An Inquiry
into the Nazi
War Economy

by

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in the choice between war and peace—these broader problems, which belong to the sociology of war and peace, are touched at best tangentially in this volume. But scholars concerned more specifically with the sociology of the military profession and of civil-military relations (within the conceptual framework defined above) will find *Armed Forces and Society* rewarding in both substance and theory.

An Inquiry into the Nazi War Economy

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Design for Total War: Arms and Economics in the Third Reich

By Bernice A. Carroll. The Hague and Paris, Mouton & Co., 1968. Pp. 311.

The amazing strength and complex power-structure of the Nazi war economy have inspired numerous scholars, decade after decade, to explore its organization, objectives, and functions. The variations in their interpretation of key issues are striking, but fortunately can be resolved by an analysis of the assumptions and kinds of evidence used by the authors of the major works we shall examine.

Most writers on Nazi Germany in the late 1930s and 1940s, e.g. Gustav Stolper, Juergen Kuczynski, and Maxine Sweezy, were convinced that the resources of the German economy were concentrated on the preparation for, and prosecution of, war on a major scale. This thesis, however, seemed to have been overthrown by evidence that had been obtained in 1945 by the U.S. Strategic Bombing Survey and later was presented with great vigor by Dr. Burton H. Klein in *Germany's Economic Preparations for War*.¹ He argued persuasively that the Nazi economy had not been engaged in a full-scale war effort until three years after the outbreak of war in 1939. His heterodox conclusions were regarded with scepticism by some critics, e.g. Sir Hugh Dalton, but were confirmed, first by Sir Charles Webster and Dr. Noble Frankland in *The Strategic Air Offensive against Germany*,² then by Dr. Alan S. Milward in *The German Economy at War*.³

Klein's and Milward's works complemented one another on the history of the German war economy. While Klein focused most of his attention on the pre-1942 period, Milward devoted the bulk of his book to the 1942-45 period. Milward corrected Klein on an important point when he showed that Fritz Todt, not Albert Speer, first introduced effective central

¹ Cambridge, Mass.: Harvard University Press, 1959.

² 4 vols. London: H.M.S.O., 1961.

³ London: The Athlone Press of the University of London, 1965.

controls over the German economy between February 1940 and Todt's death two years later. But these two authors agreed that Hitler's desire to give the Germans both guns and butter led him to rely on the Blitzkrieg strategy and on an armament 'in width' rather than 'in depth'. They also gave Speer credit for creating a weapons-production miracle in 1943-44 despite the manpower and raw-materials shortages and the destructiveness of Allied bombing during these years.

Yet this impressive group of revisionist scholars stimulated a counter-movement by a third group of writers. Dr. René Erbe in a thoughtful volume published one year before Klein's book appeared, but ten years after Klein's first exposition of his thesis,⁴ reasserted the 'classic' thesis that the demands of rearmament so dominated German economic policy and life as to make Nazi Germany before the Second World War 'a war economy in peacetime'.⁵ This position was reinforced two years later by Dr. Gerhard Schulz, co-author of a massive work on the Nazi seizure of power in Germany, 1933-34.⁶ After analyzing the Nazi control of the German economy Schulz concluded that all the Nazi economic measures had rearmament as their primary objective. 'In place of many individual economic goals [the State] substituted the single one of "total mobilization" of the whole nation for "total war".'⁷

Support for this revival of the pre-1945 doctrine also came from Professor Arthur Schweitzer in his scholarly but controversial volume, *Big Business in the Third Reich*.⁸ He affirmed that even in the first years of the Nazi rule, 'The goal was not economic welfare but military power' (p. 348). But in his eyes 1937 represented the turning-point from the 'relatively small rearmament boom' of 1933-37 to the 'war economy in peacetime' of 1937-39 (p. 333). Schweitzer, however, differed with Schulz on one major question: whether the National Socialists dominated big business from the start, or only from 1937 on. Schweitzer believed that in the early period big business, the generals, and the NSDAP élite formed an alliance in control of Germany. On the other hand, Schulz thought big business capitulated from the start to the wishes of the National Socialists.

With this conflict between the Klein, Webster, Frankland, and Milward position and that of Erbe, Schulz, and Schweitzer, we are fortunate in

⁴ 'Germany's Preparation for War, a Re-examination', *American Economic Review*, XXXVIII (March, 1948), 56-77. Actually Nicholas Kaldor anticipated some of Klein's key points in an incisive essay 'The German War Economy', *Review of Economic Studies*, XIII (1945-46), No. 2, 33-52. So did John K. Galbraith in an insightful, but completely neglected article, 'Germany Was Badly Run', *Fortune*, XXXII (December 1945), 173-8, 196-200.

⁵ *Die nationalsozialistische Wirtschaftspolitik 1933-1939 in Lichte der modernen Theorie* (Zurich: Polygraphischer Verlag, 1958), p. 4.

⁶ *Die nationalsozialistische Machtergreifung*, by Karl Dietrich Bracher, Wolfgang Sauer, and Gerhard Schulz (Köln und Opladen: Westdeutscher Verlag, 1960).

⁷ *Op. cit.*, p. 672. Dr. Sauer, in his discussion of the relationship between Hitler and the German army, presented additional evidence that Hitler's entire economic policy was geared toward war and that the Nazi economic recovery rested entirely upon rearmament (pp. 785-828).

⁸ Bloomington: Indiana University Press, 1964.

having a valuable new work by Dr. Bernice A. Carroll, *Design for Total War*, that carries us beyond the present impasse. The author, on the basis of extensive research in primary World War II records in Germany and the United States, devotes the first three-fifths of her book to a scrupulously exact account of all the steps in Germany's economic mobilization for World War II, from 1924 to 1939. She focuses most of her book, somewhat unduly, on the career and ideas of General Georg Thomas, chief of the German army's central Economic and Armaments Office from 1934 to 1942. He was the most consistent advocate of total economic mobilization for war on a long-term basis. But he was frustrated in his major objectives by Hitler and the heads of rival economic agencies, all of whom were champions of the partial mobilization that the successes of Blitzkrieg permitted until 1942. In the last part of her book Dr. Carroll shows how total mobilization of the German economy was gradually achieved, under Fritz Todt before February 1942 and then, after Todt's death that month under Albert Speer. The latter, however, feared General Thomas as a competitor and, ironically enough, forced his retirement from the government in January 1943.

Many have debated the further question: *To what extent* was the Nazi economy a 'war economy' before, and after, 1939? No tenable answer can be given without measuring the relative weight of armaments in the economy of the Third Reich. Fortunately, Dr. Carroll has constructed with care and skill four highly useful tables.⁹ On the basis of these tables, we may safely conclude: The economy of the Third Reich was moving in 1934-35 towards a war economy (one in which fifteen percent of the G.N.P. was for military purposes), but had not attained that objective. In 1936-37 armaments began to dominate the German economy in the key areas of investments and government expenditures, yet not enough for Germany to be called a 'war economy'. While England's military expenditures rose from roughly three percent of its G.N.P. in 1933 to seven percent in 1939, Germany's increased from three percent of its G.N.P. to seventeen percent. By 1938 Germany could be described as a 'war economy'. (Throughout the 1930s, the United States maintained a constant figure of one percent.)

In 1939 an important shift occurred in the relative military efforts of Germany and England. Although Germany's military expenditures mounted from twenty-three to fifty-five percent of its G.N.P. between 1939 and 1942, this series of increases was more than matched by England's

⁹ *Design for Total War*, pp. 183-8. The first gives the percentage of the gross national product absorbed by military expenditures in Germany, England, and the United States, 1929-45. The second, the percentage of the G.N.P. absorbed by private consumption in Germany and the United States, 1929-45. The third, the proportion of government expenditures for goods and services absorbed by military expenditures in Germany, 1929-38 and in the United States, 1939-41. The fourth, the proportion of total investment for military purposes as opposed to investment for civilian purposes in the German economy, 1928-38.

leap from eighteen to fifty-seven percent in those years. England's expenditures absorbed more than fifty percent of its G.N.P. in 1941, one year before Germany hit a comparable level. (We may define a 'total war economy' as one in which fifty percent of the G.N.P. is devoted to war purposes.) In 1943 and 1944, however, Germany caught up with and even surpassed the English peak effort by devoting sixty-one percent of its G.N.P. to military purposes in 1943 and sixty-six percent in 1944. But this conversion to a 'total war economy' under the predominant guidance of Albert Speer was too late once the United States had entered the war and raised its military expenditures from two percent of its G.N.P. in 1940 to forty-two percent in 1943 and in 1944.¹⁰ The role of Soviet Russia, after the June 1941 invasion by Germany, was another crucial factor in the downfall of Nazi Germany, but Dr. Carroll does not go into the statistical complications involved in a comparative analysis of the Soviet war economy with that of Germany and other world powers.¹¹

Dr. Carroll's analyses confirm the main 'revisionist' theses of Klein, Webster, Frankland, and Milward on the relative slowness with which the Nazi German economy became converted to first, a 'war economy', then a 'total war economy'. Her conclusions inspire confidence because she has re-examined all the statistical and other evidence with critical caution and acumen. As a result, she has corrected certain shaky assumptions and estimates of Klein and Kuczynski on military and civilian investment and expenditures. She could, however, have strengthened her case against the defective German economic planning by citing Ramond W. Goldsmith's essay, 'The Power of Victory: Munitions Output in World War II'.¹² He demonstrates that in 1939 the United States, Britain, and Canada could account for about one-fourth of the combined output of combat munitions of Germany, Italy, and Japan and less than one-sixth of the output of these Axis powers and the U.S.S.R. In 1940 Germany and Italy outproduced Britain in new combat supplies by two and a half times. With the entry into World War II of the USSR in June 1941 and of the United States six months later, the stage was set by 1943 for a decisive swing in the balance of combat supplies and a turn in the tide of battle in favor of the U.S.A., Britain, Canada, and the U.S.S.R. In 1944 their aggregate supply of combat arms exceeded that of Germany, Italy, and Japan approximately three to one.

The conclusion I draw from these comparative statistics on munitions output, but one which Dr. Carroll nowhere in her text makes explicit, is that once Germany had to fight a two front war against the USSR, the

¹⁰ *Op. cit.*, pp. 189-90, 262-7.

¹¹ Cf. A. J. Brown, *Applied Economics* (London: Allen & Unwin, 1947), pp. 46-77 and Sidney Ratner, 'The Economic History of the Second World War', *Journal of Economic History*, XII (Summer 1952), 263-70.

¹² *Military Affairs*, X (Spring 1946), 69-80.

U.S.A., Britain, and Canada, the overwhelming superiority of the latter's equipment and manpower was a major, if not the decisive, factor in the defeat of Nazi Germany. The spectacular improvement in the efficiency of the Germany war economy under Albert Speer, along with the sustained combat morale, the tactical skills of commanding officers, and the invention of new weapons like the V2 only helped to prolong World War II and to increase the human and material cost of the war. But barring a weapon like the atom bomb, Germany was doomed to eventual defeat after Hitler made the fatal decision to support Japan by declaring war against the United States.¹³

Nevertheless, it is worth considering two other important questions: 1) Was the Nazi German economy totalitarian in the sense the Nazis had imposed one unifying objective upon the economy, to wit, the creation of a war machine, and had substituted conscious, over-all direction or controls for the autonomy of the free market mechanism? 2) Was the Nazi war economy as efficient as that of the British or American? On the first question, the evidence and analyses supplied by H. R. Trevor-Roper, Carroll, and other scholars sustain the conclusion that there was no single, central agency in Nazi Germany 'with the undisputed authority, and the administrative machinery, to guide and control the entire economy, according to any "unifying principle".' Yet the discipline and self-sacrificing labor of the German people was secured, paradoxically enough, through an 'appearance of totalitarian control' which was nearly as effective as the strictest authoritarian direction of the war economy would have been, in mobilizing whatever level of support for armaments or for war production was demanded by the regime.

The conflicts among the rival power élites and their leaders, e.g., Speer, Sauckel, the Nazi Party Gauleiter, and the SS, were sufficiently hidden from the German masses and most foreign foes to create an image of Nazi Germany as a unified, monolithic, totalitarian state and economy. Only after May 1945 could the illusion give way to the realization of the warring private empires that underlay the mask of Nazi unity and ruthless efficiency. As Dr. Carroll puts it, Germany's Third Reich was more '“totalitarian” in effect—through self-persuasion—than could be guessed from its administrative confusion' (p. 250).¹⁴

On the question of the relative efficiency of the Nazi war economy *vis-à-vis* the British and the American, Dr. Carroll leaves much for others to explore. She agrees with Klein in thinking that the acceleration of

¹³ Cf. Ernest R. May, 'Nazi Germany and the United States: A Review Essay', *Journal of Modern History*, XLI (June 1969), 207-14.

¹⁴ For an exploration of different theories of the Nazi dictatorship, see Andrew G. White-side, 'The Nature and Origins of National Socialism', *Journal of Central European Affairs*, XVII (April, 1957), 48-73; Edward N. Peterson, *The Limits of Hitler's Power* (Princeton: Princeton University Press, 1969); Wolfgang Sauer, 'National Socialism: Totalitarianism or Fascism?' *American Historical Review*, LXXIII (December 1967), 404-24.

German war production between the spring of 1942 and the summer of 1944 was primarily due to the Allied air attacks and the German losses suffered on the Eastern front. These stimulated the German leaders and people to supreme efforts. Here she takes sharp issue with Milward's exaltation of Speer's contribution. If I were to hazard my own tentative judgment on the differences between the German and Anglo-American war economies, I would say that the British and Americans were wiser in building their war economy in depth. The British also developed a tighter, more closely co-ordinated administration of war production than the Germans. The Americans had a less highly co-ordinated domestic war organization than the British, but were more efficient and innovative than the Germans. This was in part due to fewer ideological obstacles and rigidities, e.g. Nazi prejudices against Jews (even Einstein) and against women working outside the home. Both Britain and the United States moved much faster than the Germans in developing efficient techniques for determining military production objectives and for making sure that these targets were reasonably met. Many of Speer's 'revolutionary' measures were new only to Germany. One instance: his campaign to rationalize German fighter aircraft production in 1944 rested essentially on adopting practices already common in Britain and the United States.¹⁵

German utilization of its labor force was far less extensive and intensive than that of its Anglo-American foes. Throughout the war most German plants continued to work on only one shift. Only a few high-priority industries worked multiple shifts. Nor were long hours used as a substitute for two-shift operation, except in a few industries. Clarence D. Long, in a valuable study not cited by Carroll, points out that in the five years of World War II up to April 1945 the number of employed persons including civilian and military workers, increased forty-two percent in the United States. This was three times as much as in Britain and four times as much as in Germany. Female workers accounted for slightly more than half the wartime addition to the labor force in the United States; for eight-tenths in Britain; for minus zero in Germany. The Germans were less determined than the British in restricting nonessentials. Throughout the war domestic service, employing mainly native Germans, was almost undisturbed.¹⁶

A full examination of all or most of the major defects and errors in the German war machine, economic, military, and political, cannot be undertaken here. But I shall conclude with the observation that Hitler did not know how sufficiently to delegate authority to subordinates or specialists. He made too many decisions on too many subjects. Although successful up to 1941, after the spring of 1941 his judgment became increasingly bad.

¹⁵ Cf. Galbraith, *op. cit.*, pp. 176-8; Klein, *op. cit.*, pp. 236-8.

¹⁶ *The Labor Force Under Changing Income and Employment* (Princeton: Princeton University Press, 1958), pp. 16-19, 202-14.

Whereas Churchill and Roosevelt had to meet criticisms and to modify some of their plans under pressure, Hitler had few strong personalities who would stand up to him and get him to reconsider his position. Two cases must suffice as illustrations of this weakness of the Nazi dictatorship: 1) Hitler's snap decision to declare war against the United States without weighing the probability that Roosevelt would make the war against Germany top priority over the war against Japan. 2) His decision to convert the Messerschmitt 262, a remarkable fighter-plane, from a defensive weapon into a fighter-bomber that he wrongly hoped could be used to attack Britain. This error, luckily for the British-American invasion of France and Germany, prevented the German air force from blocking or minimizing crucial Allied air attacks on German forces and facilities.

In this period of alienation from 'capitalist democracy', it is ironic that a historian should assert what seems a patently false saying to many today: democracy in Britain and the United States, under a seemingly decadent, corrupt capitalism, had more strength, long-range vision, and efficiency than its most formidable rival, Nazi Germany, and such lesser rivals as Japan and Italy. Champions of Soviet Russia, e.g. Nikolai A. Voznesensky, have asserted that the military defeat of Nazi Germany demonstrated the superiority of the Soviet economy to that of the Nazi economy.¹⁷ Since Germany fought a two-front war and Russia a one-front war, this assertion seems an over-statement. In any case, there would be reason to doubt that the Soviet economy during World War II could compete with either the British or the American in efficiency.¹⁸ But the critical historian must take his stand on the best-tested evidence he can obtain, no matter how strong the pressures to rewrite the past in the service of some ideology or utopia.

¹⁷ Cf. Ratner, *op. cit.*, pp. 266-7.

¹⁸ Brown, *op. cit.*, pp. 69-72; Abram Bergson and Simon Kuznets, eds., *Economic Trends in the Soviet Union* (Cambridge, Mass.: Harvard University Press, 1963), pp. 333f.; Naum Jasny, *Soviet Industrialization 1928-1952* (Chicago: University of Chicago, 1961), pp. 382-6; M. M. Postan, *British War Production* (London: H.M.S.O. and Longmans, Green, 1952), pp. 387-466.