

Strengths of the nazi economic policies history essay



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There are three points that would help us understand the great economic depression of 1929. These are “ The business cycle, effect of US economy on the world and the importance of the share market”.

1. The business cycle is a graph that depicts the real-output of the economy with respect to time. Although the growth of an economy is linear but it is noticed that the economy trend is like a roller-coaster, reaching a pinnacle and dipping down to the trough. It is classified as the boom phase when the economy is performing above the growth trend, and a recession when it underperforms. With the use of fiscal and monetary policies, the government bodies try to increase the ceiling of the peak and sustain it longer. And reduce the depth of the trough and the time span.
2. After the Great War (WW1) USA provided many European nations loans to repair their industry and infrastructural damage caused by the war, this meant that the money lent by the USA was also circulated to their colonies. And this means that the money lent by the USA was circulated in a large portion of the world and therefore most of the economies were dependent on these loans.
3. A economy is heavily dependent on the stock market and its performance guides investments of the economy like FDI and FFI

As the USA's stock market failed all the loans and investment around the world by the USA withdrew and both the world and US economy entered into a recession, which developed into a depression and later into the great economic depression. Most economist also speculate that the great economic depression was 4 consecutive depression within each other. And

could have been saved by the USA government's intervention before the catastrophe.

The great economic depression of 1929 caused a major havoc in the international economy. Germany was especially hard hit because of The Peace Treaty of Versailles that imposed sanctions & restrictions and a heavy reparation on it. Thus barring Germany's growth & stagnating economic development. American loans to help rebuilt the Germany economic, which were successful to achieve the pre-war output and a pseudo-stable economy, stopped because of the great depression. As a result, unemployment soared to 30%; the war reparation due by Germany was suspended by the Lausanne conference of 1932. By that time, Germany had already repaid 1/8th of the war reparation assigned to it by the peace treaty of Versailles. The Nazi party comes in power in 1933. Moreover, the shortcomings of the Weimar Republic were set as an example of failures and were used to drive the economy out of the great economic depression.

When the conventional neoclassical theory failed to provide any panacea to overcome the predicament, many economies turned towards Keynesian economic policies for a solace. Keynesian policy suggested government intervention to help the economy revive. This idea contradicted the conventional neoclassical school of thought, which suggested that, the economy would revive on its own.

When the Nazi came to power in 1933, they had three major domestic economic issues; unemployment, hyperinflation, improving living standards; all the issues were inter-related and had a common solution. The economy

was now state control and rearmament was its main goal. Socialist effect on the economy made it unnecessary for women to work.

There was an increase in the number of marriages and childbirths. Suicides committed by the youth below 20 years dropped by 80% between the years 1933-1939, suggesting better living standards than in 1933 indicating economic stability. The world economic situation supported the theory of “the stab in the back”, as leading economists were Jewish and the economic failure was an ongoing plot by the Jewish people, as a whole, to achieved global domination. These banking organizations influenced Nations States by extensions or with holding of credits. These events linked with Nazi prospective of Jewish people. Consumption pattern of Nazi Germany changed, although with a decrease in real income by 25% the employment rate zoomed to 100% the downward stickiness of labor price were countered by rules and regulation of employment policies banning 'strikes and labor rights to negotiate'. Private Property rights were defused. Profit incentives for business owners were retained, to guide the economy according to the needs of the state. “ Although fixing of profits was, not their suppression, but was the official policy of the Nazi party”. The heavy taxes on profits guaranteed the direction of the economy.

Hitler & the early Nazi party did not consider economic policies as a major contributor to popularity, but the economic depression changed Nazi prospective of the economy.

By understanding the economic policies and comparing them with the real life events, we can conclude the success of Nazi economic policies and the

effectiveness of it against the great economic depression of 1929 with respect to the real life example

Nazi Economic Policies

As soon as Hitler moved into office, the three major issues that needed urgent addressing were

1. Unemployment
2. Hyperinflation
3. Improving the living standards of the middle class.

All the listed issues were interlinked or interdependent and the solutions were under one umbrella. To combat unemployment Nazi took refuge of the Aryan culture. After World War 1 Germany witnessed an increase by 37% of women in the work force. Aryan culture depicted women as homemaker & men as breadwinners. This made it as unnecessary for women to work & thus they were excluded from the unemployed category.

To cover up this step posters & propaganda that suggested the contribution of women to the economy was extremely high & could not be quantified or priced. The two major programs implemented by Nazis to generate employment were the rearmament program and the Reinhardt program for infrastructural development. Both of these programs suggest war preparation of the Nazi German for World War II. German men were projected as either soldiers or laborers. The wages were now controlled by the government, which decreased the real income by 25%. This is against economic rules, which suggested that labors would not work under wages less then what they previously received. However, because trade unions

were banned worker could not oppose this norm. Strikes and any other form of protest were also banned. Change in employment was strictly regulated & even farmers had rules & norms of what to cultivate, at what price. This also meant that prices of products in the market could be controlled.

Hyperinflation was thus countered by the above mention strategy. We should know that one policy would never solve an economic issue so huge.

Expenditure on public goods, and increased provision of merits goods like infrastructure, education, healthcare, and schemes promoting “ Aryan Population” were placed to encourage consumption, trade, & production, activities that help the economy to achieve full employment. Production in private sector was highly encouraged by provision of cheap labor from concentration camps. Hitler himself felt private property rights should be encouraged but the need of the hour suggested collaborative & controlled acceleration of economy out of the great economy depression. The military spending constituted of 10% of the GDP of the nation, higher than any other European nation. This practice is termed as Military Keynesianism.

High levels of imports were kept secrets until 1936 to boost consumer confidence & discourage crowding out in the domestic market. Although these methods caused a huge deficit for the government, a part of the Keynesian economic policy being implemented by Nazi Germany. Total state control was not a Keynesian police. It was the effect of dictatorial and situational political scenario.

Improving middle class living standard was the key objective of the Nazi party. Being a socialist party Nazis encouraged socialism amongst the society. Nazi self-help group that were created by before they come to power <https://assignbuster.com/strengths-of-the-nazi-economic-policies-history-essay/>

suggested the economy would have a blend of right & left objectives.

Production of cheap consumer goods was encouraged; an example of this is the foundation of Volkswagen in the year 1937. Provision of subsidized goods can also be inferred as a method to provide cheap consumer goods meant increased public consumption meant an increase in demand, which increase consumer confidence and encouraged production. The cash flow cycle had less leaks and high injections leading to a better lifestyle and increased production. The per capita buying capacity also increased. The solution to one issue would cause domino effect on the other issues. Although there is a decrease in real wages, full employment meant that every individual had the buying capacity. The number of government created jobs increased and the perks that government officer received helped improve the living standards. Socializing effected the competition of in the domestic market as profit was not the main goal of the economy or the firm. This meant better products at cheaper prices. The middle class living standard was upgraded from where they were in 1933.

Nazi Economic Policy: Effect

The economic growth of the economy was state controlled and it intended to rapidly overcome the great economic depression. This meant the faster the state achieved its goal the faster the people became richer.

Unemployment causes unrest in the society, hunger breeds revolutions.

Hitler was willing to do anything that would help increase employment. If we look at German employment programs it reveals the motive of the programs was not revenue seeking but socialist in nature, these programs intended to

serve two purposes at a time like rearmament , better infrastructure or anything that German need.

Improvement of the German infrastructure industry was a war preparatory procedure for war where military or the armed forces could be mobilized throughout the nation and its border. In June 1933 the ambitious “ Reinhardt Program” was introduced for development of infrastructure. It was supported by indirect incentives such as tax reduction and direct public investment in waterways, rail-roads and highways. The Programme was followed by similar initiatives resulting in the great expansion of the German construction industry between 1933 to 1936.

Many international companies that dealt with The Third Reich used Jewish slaves to run the industrial plants like Daimler-Benz also used prisoners of wars to run their plants; Krupp made gas chamber; Bayer worked as a small part of the enormous IG Farben chemistry monopoly; and Hugo Boss designed the SS uniforms. Many companies now claim that either they did not know the truth of Nazi motives or had lost control of their plants or units in Germany. Provision of cheap labor from the concentration camps lured business throughout the world to open production plants or unit in Germany. This led to an increase in production of manufactured goods in Germany. It was Germany’s chief export. Thus, these products were available to the German masses at a cheaper rate. This led to an increase in the German Gross Product (GNP) by an average of 9. 5%, the rate of industrial development rose by 17. 2% between the year 1933-1936. Consumption and private-public consumption during the same period increased by 18. 7% and 3. 6% annually respectively. This expansion propelled the German economy

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out of a deep depression and into full employment in less than 4 years.

According to the historian Richard Evans, prior to the outbreak of the war the German " Economy had recover from the depression faster than its counter parts in other countries. Germany's foreign debt had established interest rates had fallen to half their 1932 level; the stock exchange had recovered from the depression the Gross National Product had raised by 81% over the same period. Inflation and unemployment had been concurred". these are indicators of the economic stability

Nazi viewed private property right as conditioned upon the mode of use. Privately Hitler started in 1942, " I absolutely insist on protecting private property. We must encourage private initiative". Under Nazi free completion and regulation by a market, greatly decreased. If the private property did not correspond with Nazi goal was nationalized. Threats of takeover were used to encourage compliance with government production plans even if it would cost profits. Although Nazis transferred public ownership and services to the private sector. They increased state control regulations and interference in economic affairs. Even farmers had to follow the central plan of agriculture, which tied the farmers to their land. Farm ownerships were private but discretion of operations and profits were taken away. Production & prices were controlled via quota system. Cartels were compulsory and permanent in all industries. Eventually these were dissolved to be replaced by bodies that are more authoritarian. Profit incentives for business owners were retained, though greatly modified through various profit making schemes. Guiding allocation of investments according to the economic planning by Nazi government agencies. Government finance

eventually dominated investment process, which the proportion of private securities issued falling from half of the total in 1933 and 1934 to approximately 10% in 1935-1938. Although large firms were mostly exempted from taxes on profit unlike small businesses, the Government control was so extensive that it only left "The shell of private ownership". Although taxes and subsidies were used to direct the economy, the use of terror as an incentive for compliance and agreement was the underlying policy. For any business owner who persuaded his self-interest in place of the state was deemed to death or concentration camps. The firm's in spite of such control by the state had significant freedom in planning their own production & investment activity. Although following Italy's lead German economy aimed towards achieving Autarky (autocracy) that is self-sufficiency but because Germany lacked raw material this was not possible. Germany reduced imports of raw materials in order to help German heavy industry. World prices for raw materials were on the rise. At the same time world prices for manufactured goods, Germany chief exports, were falling. A large trade deficit was inevitable but Autarky helped sustaining the economy. Germany did not and could not, strive for full Autarky as it lacked resources. The Government tried to limit its number of trade partners, and, when possible, only trade with countries within the German Sphere of influence. Suggesting protectionist methods for the domestic market. German businesses were encouraged to form monopolies and oligopolies whose interest was protected by the state. Cartels & quasi-cartels, whether big business or small set prices, engaged in limiting production and agreed to classify consumer to realize monopoly profit. The Government and big business formed a symbiotic relation where the business leader supported

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the government's goals in return of economic policies that maximize their profits. The rearmament industry was supported by the state to reach their military goal to support such industry labor books were introduced, trade unions and collective bargaining and right to strike was abolished.

Nazi economic policies: analysis

Keynesian And Military Keynesian Policies

Keynesian policies introduced government intervention in a free market economy. The previously popular neo-classical method explained that an economy would recover on its own without government intervention on the contrary it could create havoc in the economy and disturb its balance. Neo classical the school of thought would explain that the demand and supply would mutually reach equilibrium. Keynesian policies proposed a balance where the private sector was the primary dominator but was supported by the public sector and the government, a combination of monetary and fiscal policies is used to balance out the effects of the business cycle on the economy. It was fairly a new concept introduced in the nineteen thirties it was a midway between laissez-faire capitalism and socialism. This model was used by countries after world war one to recover from the great economic depression of 1929. The German economy was driven by these policies, they were modified by the nation to suit their needs, it provided the economy with support it needed after the great economic depression. The economy was focused at rearmament and all the programs that were deployed were aimed at the military goal of the nation. War preparation dominated the German economy after 1933. Initially the economy was state driven and controlled by the state, the demand and supply were control and government intervention

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was increasing in all sectors. Huge amounts of deficit spending on provision of public goods helped pave a path for businesses and would later helped in mobilization of the armed forces. The economy intended to achieve economic self-sufficiency or autarky. It is also were considered a form of military Keynesianism. Although the economy entered into the war it was successful in overcoming the great economic depression and achieved fully employment it could not work without government intervention or did not have the opportunity to function without government intervention or support.

In Keynes's theory, there are some micro-level actions of individuals and firms that can lead to aggregate macroeconomic outcomes in which the economy operates below its potential output and growth. Some classical economists had believed in say's law, that supply creates its own demand, so that a "general glut" would therefore be impossible. Keynes contended that aggregate demand for goods might be insufficient during economic downturns, leading to unnecessarily high unemployment and losses of potential output. Keynes argued that government policies could be used to increase aggregate demand, thus increasing economic activity and reducing unemployment and deflation.

Keynes argued that the solution to depression was to stimulate the economy ("inducement to invest") through some combination of two approaches: a reduction in interest rates and government investment in infrastructure.

Investment by government injects income, which results in more spending in the general economy, which in turn stimulates more production and

investment involving still more income and spending and so forth. The initial <https://assignbuster.com/strengths-of-the-nazi-economic-policies-history-essay/>

stimulation starts a cascade of events, whose total increase in economic activity is a multiple of the original investment.

A central conclusion of Keynesian economics is that, in some situations, no strong automatic mechanism moves output and employment towards full employment levels. This conclusion conflicts with economic approaches that assume a general tendency toward equilibrium. In the 'neoclassical synthesis', which combines Keynesian macro concepts with a micro foundation, the conditions of general equilibrium allow for price adjustment to achieve this goal. The policies are still in use by U. S. A. and the UK in a moderated and democratic way.

The economy intended to increase that real wages of the workers, or at least the lifestyle they led to. Every German worker was promised a car and therefore a sum of their wages and was set to be deducted for the car. The German workers did not see the car even after they paid the necessary amount set by the government the cars were not delivered to any of the workers in the Nazi years. There were many such traps in the German society where the workers had many forms of deductions from their wages such as old age insurance, dues to the labor front and at other voluntary contributions to the Nazi party. Although everyone was employed but the real wages decreased to half their level in 1928, in addition to get to fifteen to thirty-five percent of their wages were deducted as taxes and voluntary contributions.

The opportunity cost that the government faced was reduction in investment in education healthcare and quality consumer goods. These

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policies were also used to create Allies who was then forced by the bilateral agreements to create an increase dependency on Germany therefore they not only supported in Germany they would depend upon it for consumer goods [Germany's main Export] when in Germany entered the war these nations for dragged along into the war with Germany.

The socialist impact on the economy

Post world war one Germany was under the dilemma of whose fault it was, The peace treaty of Versailles declared That Germany was solely responsible for world war one.

A conflict of an identity struck the German masses and the blame game began many theories came forward suggesting whose fault it was. The Nazis seized this as an opportunity and generated a huge amount of following. The German ambition got the better of German sensibility. In 1933 Hitler requested then Those in Hindenburg to dissolve the government and re-elect a government as the nation entered a full blown recession. After the elections The Nazi party became the largest party in opposition and Adolph Hitler became the chancellor of Germany, President Hindenburg and the cabinet to of ministers believed that they could control him but as the course of history unfolded, it was prominent that they were unsuccessful. The further course of history is known to all.

Socialism means equal distribution of wealth in the society. The gap between the rich and the poor was intended to reduce. All of the policies that the Nazi government introduced were The Perceived short comings of the Weimar Republic and to increase the domestic support for the party. The

Rearmaments program intended to prepare the nation for the war The Goering's Four year plan was a turning point in the Nazi regime. The control on industries in Germany tightened up under this program. Although the production of oil, rubber and armaments fell short of what the Nazis wanted. Production of other goods such as aluminum increased greatly. By the end of 1938 Germany's industrial production had increased by hundred and five percent since 1933 although successful in the economy was not prepared for the war. After 1937 Schacht resigned, he was replaced by "funk" a Nazi puppet, Goering became the real economic dictator. The program intended to make German self-sufficient in industry and agriculture.

Before the Nazi came to power they had organized self-help groups with the slogan " Anyone who does not have a shirt, Can always put on a green one (Nazi shirt)" the camps would organize Food, shelter and work. This was also an initiation of creating a stronghold in Germany and its masses, this represented that the Nazi party could to make a difference even when not in power, the loyalty that these programs induced Was Too high for logical reasoning. The use of mass rallies was intended to convey the facts but without causing a stir. It was not the speeches but the tone That mesmerized the audience. Socialism was a prominent feature in the Nazi party.

Community gatherings, Lunch and dinner And celebration was a common Happening. Distribution of gets during Christmas by the prominent a Nazi leaders was a common sight. Hitler Was many a times depicted As a grandfather like image When he grew old. The remained a bachelor all his life To be fantasized by women as the perfect of bachelor. In 1933 Hitler said: ' In my state the mother is the most important citizen.' But in Nazi

Germany all mothers were not treated equally. Women who bore racially undesirable children were punished and those who produced racially desirable children were awarded. They were given favoured treatment in hospitals and were also entitled to concessions in shops and on theatre tickets and railway fares. To encourage women to produce many children, Honor Crosses were awarded. A bronze cross was given for four children, silver for six, and gold for eight or more.

Conclusion

According to me, the German economic policies were anti-democratic and in the long run unsustainable but the it worked just like the plaster on a fractured arm, it helped the economy heal but the collateral damage by the war was extensive and the economy was not ready to take a blow.

In my opinion, the economy worked and would be a success if Germany did not enter the war and eased out to a combination of state control and free market form. Releasing the tension and unrest between the government and the distressed subjects

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