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Automobiles Autarky and Authority: The Effects of Nazi Centralized Economic Planning 1932-1942

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Automobiles, Autarky, and Authority:
The Effects of Nazi Centralized Economic Planning,
1932-1942

By
Andrew Lawrence Stinchfield

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Submitted in partial fulfillment
of the requirements for
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Abstract

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Automobiles, Autarky, and Authority: The Effects of Nazi Centralized Economic Planning, 1932-1945

This thesis examines the benefits and drawbacks of Nazi centralized economic planning. From an entirely political and economical standpoint, Hitler and the National Socialists' highly regulated and restrictive policies were initially beneficial for Germany because they created a centralized economic vision and improved national morale. The liberal ideology of the Weimar Republic resulted in major class divisions within the nation, where laissez-faire economics left middle-citizens marginalized and at the mercy of profit-seeking big businesses. The Wall Street Crash of 1929 exposed the weaknesses of liberalism and resulted in a massive rise in political resentment. The regime accumulated power because their economic plan was anti-capitalist and aimed at benefiting the entire German collective. The party continuously promoted the idea of *Volksgemeinschaft*, which was a plan to create a strong and unified German community. Many German industrial businesses opposed the regime's rise to power because their policies limited business freedom. Volkswagen, Bosch GmbH, and IG Farben are three companies that exemplify the pros and cons of Nazi centralization and the effect their policies had on the national economy.

The party attacked the nation's economic crisis by creating and subsidizing projects in the nation's automotive sector because Hitler believed a nation's standard of living could be measured by how many citizens owned a motorcar. Thus they created huge public works projects, such as the Autobahn and Volkswagen, to alleviate the labor crisis and improve the nation's transportation sector. Volkswagen was a massive project entirely sponsored by the state that aimed to make the motorcar a basic good owned by all German citizens. It was a piece of

Hitler's *Volksprodukt* campaign that was supposed to help Germany become a richer consumer society. The nation's automotive sector was also improved by the regime when they offered tax deductions for companies willing to participate in motorization projects. The incentive motivated private businesses to become involved in the nation's vision and led many companies to greatly prosper, such as Bosch GmbH.

As Germany's automotive sector developed, the regime began promoting policies that would strengthen the nation on a macroeconomic level. In 1936 the NSDAP announced the Four Year Plan, a policy that hoped to make the nation entirely independent and self-sufficient in four years' time. The party supported private businesses that bought into this vision, which prompted many companies to form close relations with the party. IG Farben, for instance, greatly benefited under Nazi rule because it rearranged its business to concentrate on the research and development of synthetic alternatives. Nazi centralized economic planning had Germany on course to not only become one of the most powerful nations in Europe, but the world.

The Third Reich's system eventually deservedly failed because it denied basic freedoms to private businesses and citizens and committed atrocious acts to races deemed inferior. Political centralization allowed the regime to accumulate too much power, leading to demands that the entire nation share their vision. Private businesses lost independence and were coerced to participate in national projects. In addition, Nazi law infringed on citizens' civil liberties since the party had the power to imprison, fine, or kill anyone that opposed their ideology. Nazi centralization ultimately failed when they began using their power and authority to exterminate Jews and other innocent races. Volkswagen, IG Farben, and Bosch GmbH are three companies that help demonstrate the benefits and drawbacks of Nazi centralized economic planning and the effect it had on industrial Germany.

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Introduction

Adolf Hitler and the National Socialists' centralized economic planning were both beneficial and destructive for German business and society. The regime's policies had a profound effect on the nation's economy, as they helped stimulate activity following the formidable Great Depression. Their centralized economic plan restored national morale and motivated businesses to produce and expand by ensuring financial support for their projects. The party's rule also helped Germany's economy achieve profits and earnings that were unprecedented for the nation. However, Nazi political centralization rightfully failed because of their monstrous moral beliefs and restrictions imposed on civil freedoms.

Prior to Hitler's rule, Germany flourished under the liberal jurisdiction of the Weimar Republic. During this time the government took the laissez-faire approach, where they believed unrestrictive capitalism policies would translate to immense profits and growths. The decentralized political system spread responsibilities and power from the federal government to local bureaucracies and private businesses, which allowed actors to freely operate in their best interest. The system caused a number of firms to prosper immensely and solidify an important role in the world market. Because authority and decision-making were taken from the national level and given to citizens and private enterprises, German society saw a remarkable cultural renaissance. In the 1920s German literature, cinema, theater, and music all entered a phase of great ingenuity. Each sector grew and blossomed because the Weimar Republic promoted free and open thinking. New schools were frequently established to engage students in new methods of learning. Theaters, concert halls, and art galleries opened throughout Berlin. And Albert

Einstein rose to public prominence and was awarded the Nobel Prize for Physics in 1921.¹

Decentralized governments promoted open-mindedness and free action, which led to business growth and cultural enlightenment. The Weimar's policies encouraged citizens to act freely and express themselves culturally. Their administration also gave German businesses the power to act in their best interest, which is why many of them became heavily integrated in the world market.

However, liberalism and self-determination also caused the Weimar Republic to fail because their policies created major divisions throughout German society. The system led businesses and citizens to act greedily and in manners that served their own self-interest, which in turn created a national identity crisis. The public lost a great deal of faith in their nation following World War I when a large number of soldiers and innocent civilians died. Majority of the nation developed a sense of despair because they believed Germany was no match compared to some of the other world powers. When the Weimar Republic came to power, they offered Germany no unified and cohesive vision. Instead businesses were given the freedom to act how they wanted. Citizens were encouraged to find new and different ways to express themselves. And the government took a backseat and let the nation control itself, leading to massive class divisions. The system ultimately failed when United States' banks crashed and Germany was launched into an economic depression.

The Weimar Republic stimulated the nation's recovery from World War I by accepting loans from American banks and redistributing them to German banks and businesses. This allowed capital to circulate through the economy and encouraged businesses the opportunity to freely engage in financial transactions. But the government accepted loans at too high of a rate,

¹“*The Nobel Prize in Physics 1921: Albert Einstein,*” *NobelPrize.org*, accessed March 1, 2013, http://www.nobelprize.org/nobel_prizes/physics/laureates/1921/.

causing their economy to collapse when American banks crashed. By 1931, over 6 billion Reichsmarks were withdrawn from German businesses and a crippling shock wave was sent through the nation. Businesses declared bankruptcy and millions of citizens became unemployed. More importantly, the Depression changed the public's opinion of a liberal economics and political decentralization. Many citizens attributed the collapse of Germany's economy to the Weimar Republic and free enterprise because they believed unrestricted capitalism left the public susceptible to dangers outside their control. Businesses and bureaucratic institutions were free to operate in ways that benefited only themselves rather than the entire nation. Thus political perception changed and many started to support the idea of strong state management. Centralized economic planning would ensure that the nation had a cohesive unified vision. The system would create a strict economic agenda that all German actors followed and contributed to, rather than the liberal Weimar system that resulted in divisions.

Adolf Hitler and the Nazi regime advocated a form of socialism where their political strategy was focused primarily on anti-business and anti-capitalist rhetoric. The party's main argument was that capitalism destroyed nations because it favored international finance and made big businesses economically dominant. The liberal Weimar Republic allowed private businesses to freely trade abroad with foreign countries, resulting in many to profit immensely. However, the policies caused Germany to become overly reliant on the world market and they required foreign commerce to fulfill the nation's domestic needs. Hitler vehemently the idea that private enterprise can steer national economies because he believed it created conflictions visions and inequalities. Therefore the Nazi party created policies that were less concerned with international relations and instead focused more on ways that strengthened the entire nation, such as becoming independent in the production of raw materials. These policies would restrict the

profit-seeking impulses of private businesses and force them to act in manners that benefited the German collective. The Nazi government's promise to strengthen the entire nation is a major reason for their rise to power. Millions had become unemployed following the Depression and many believed it was due to the selfish actions of big businesses. Thus the German public eagerly supported the regime because they would create a more unified and equal "national community," or *Volksgemeinschaft*. The NSDAP believed that with strong centralized power they could eventually erase class and political divisions and increase the standard of living of the Germany. Majority of citizens were ready for this type political system in 1932 because it would provide them with a stronger sense of purpose. Thus in 1933, Adolf Hitler was elected chancellor and the Weimar Republic transformed into the Third Reich.

To a point, Germany benefited from Nazi centralization because their policies helped stimulate economic growth, restore business confidence, and improve national morale. First and foremost, the party created a strict agenda in which the entire nation was both encouraged and forced to follow. The regime knew economic activity needed to be stimulated in some form or another, therefore they took it upon themselves to create huge public works projects that would help resolve the unemployment crisis and encourage business to invest. For instance, the regime initiated a road-building program that would pave thousands of miles of roads and create a huge need for labor. To encourage businesses to contribute in the nation's economic recovery, tax deductions were offered to any firm that worked in the automotive sector. Eventually, unemployment was resolved and the nation's economy was on track to surpass pre-World War I levels.

Morale was destroyed following the Great Depression and businesses were unwilling to invest during such unstable times. Nazi centralization resolved alleviated this hesitancy by supporting private enterprise's investments. Firms were willing to begin new projects or resume production were supported financially by the party. Over time, the regime's policies helped the nation rebuild and they soon were on track to become one of the most prosperous and dominant countries in the entire world.

However, Nazi economics eventually failed because the restrictions they imposed basic civil liberties and their atrocious acts against races they deemed inferior. Private enterprises lost independency under Nazi rule and they no longer had the power of decision-making. They were forced to follow the Nazis' agenda and engage in the production of materials that the regime believed were important to the national collective. In addition, basic civil liberties like freedom of expression were non-existent under Hitler's jurisdiction. The government had the authority to imprison, fine, or kill citizens that opposed the party's ideology. The Third Reich aimed to achieve *Volksgemeinschaft* by purifying their nation of races that were inferior. They used their authority and power to issue decrees that harmed Jewish civilians and eventually attempted to annihilate the Jewish race altogether.

Nazi centralized economic planning had positive effects on Germany society, but ultimately failed because the party accumulated too much power and their beliefs were too radical. Volkswagen, IG Farben, and Bosch GmbH are three companies worth examining because they each had similar and unique experiences under Hitler's rule. Volkswagen was a completely state owned entity that was both conceived and funded by the regime. IG Farben, on the other hand, was a huge independent chemical conglomerate that saw they could profit form

creating relations with the party. And lastly, Bosch GmbH represents was an electrical engineering firm that renounced relations with the regime and supported a resistance campaign.

The three companies are important because their experiences shows how Nazi centralized planning had a varying effect on German industry. Each business greatly profited from the party's economic policies and experienced huge surges in employment. Each company also had a specific role in the national agenda. Volkswagen would help the nation achieve *Volksgemeinschaft* by making the motorcar a standardized good owned by all citizens. IG Farben would cause Germany to become self-sufficient and independent from the world market in the production of raw materials. And Bosch GmbH would contribute towards the motorization campaign and the Four Year Plan.

Volkswagen, IG Farben, and Bosch GmbH all demonstrate how Nazi centralized planning was beneficial and destructive for the nation's economy. Each company experienced immense profits under the regime's rule, where they all opened new factories, developed innovative products, and grew in size and profits. But their experiences also display the negative effects of those policies and how they hindered decision-making and autonomy. All three businesses were forced to follow the government's agenda and fire Jewish workers, used forced laborers, and fuel the war effort. Each company helps show the experiences of industrial Germany and the transition from the liberal Weimar Republic to the strict totalitarianism of the Nazi regime.

Chapter 1: The Failures of the Weimar Years

On the eve of World War I, Germany possessed all the features of an advanced and expanding industrial economy. The country was structured around economic liberalism and free trade, where they relied heavily on foreign capital and world commerce. They were an industrial powerhouse and ranked first in iron, steel, and synthetic dye production. By 1900 their chemical industry dominated the world market for synthetic dyes, as BASF, Bayer, Hoechst, and other major German firms controlled close to 90% of the world dye production and sold 80% of their products abroad.² The nation was structured on the ideology of free enterprise and laissez-faire. The government provided little interference with economic activity and instead allowed unrestricted capitalism and commerce fuel national growth. The economic freedoms the German government granted private corporations caused many industrial firms to become heavily involved in the world market where they traded iron, steel, electrical equipment, textiles, and other industrial goods with foreign countries in exchange for essential raw materials and capital. “Before World War I Germany was one of the greatest creditor nations. Her foreign holdings in 1905 were variously estimated at 25 to 40 milliard Marks.”³ A creditor nation is a country whose investments abroad exceed in value the investments made in it by foreign countries. In essence, Germany had invested more resources in other countries than the rest of the world had invested in them. The nation’s relationship with the world market was created through the liberal policies of the government where instead of regulating economic activity, they allowed firms to freely pursue trade opportunities. The system caused Germany to become heavily reliant on

² Peter Hayes, *Industry and Ideology: IG Farben in the Nazi Era*, Cambridge (Cambridgeshire: Cambridge UP, 1987), 7.

³ Nehemiah Robinson, "German Foreign Trade and Industry After the First World War," (*The Quarterly Journal of Economics* 58.4, 1994), 625.

connections with foreign countries because they required world trade to satisfy their domestic needs. The nation's liberal and decentralized political system created a very weak economic structure and left the nation vulnerable to sudden changes in the world market.

With the outbreak of World War I in 1914, Germany found itself at a tremendous disadvantage. Because Germany depended on foreign trade for raw materials, Great Britain and other Allied Powers were able to use naval blockades as an effective military tactic to interfere with Germany trade routes.⁴ As previously mentioned, Germany was an industrial powerhouse that produced more coal, steel, and synthetic chemicals than any other country in the world. Their economy relied on the trade and export of these industrial goods in return for important raw materials and capital. The United Kingdom and British Royal Navy destroyed Germany by using naval blockades as an economic weapon. The blockades interfered the nation's trade and caused the public to starve from a lack of essential domestic resources. Britain's navy declared the North Sea a war zone destroyed all commercial ships headed towards Germany, causing their economy to suffer.⁵ Before the war, German exports supplied 22% of the national product; in 1928 the figure was only 16%.⁶ Their share in world exports dropped from 13.1% in 1913 to 7.1% in 1925.⁷ These decrease in percentages are astronomical for a country that required international trade as a means of functioning. The nation's liberal economic model caused businesses to form relations with overseas markets because it was most profitable for them. Unfortunately, it made the nation dependent on those connections where they required industrial

⁴ Leo Grebler and Wilhelm Winkler, *The Cost of the World War to Germany and to Austria-Hungary*, (New Haven: Yale UP, 1940), 12.

⁵ Spencer Tucker and Mary Roberts, *World War I*, (ABC-CLIO, 2005), 836.

⁶ Richard James Overy, *The Nazi Economic Recovery, 1932-1938*, (England: New York, 1996), 44.

⁷ Robinson, *German Foreign Trade and Industry after the First World War*, 620.

to satisfy their domestic needs. Britain rendered Germany's industrial products useless because they could no longer be exchanged for important raw materials.

Germany's liberal economic model caused the nation to form an unhealthy reliance on the world market. "Germany needed raw materials and food from overseas export markets to provide its population with work and bread."⁸ The public slowly began to starve from Britain's block of trade routes and it resulted in the death of hundreds of thousands of innocent civilians.

The German Board of Public Health in December 1918 claimed that 763,000 German civilians died from starvation and disease caused by the blockade up until the end of December 1918.⁹

The naval blockade were a major reason for the Allied Powers victory in World War I as it interfered with how the German economy operated. The irreparable damages that it created would later force Germany to re-evaluate their economic structure. The government's inability to provide essential domestic resources for the public caused many citizens to believe that liberalism and capitalism were wrong for the nation. The liberal system made the lower-middle class feel marginalized and at the mercy of profit-seeking businesses. The events of World War I allowed extremist parties such as the NSDAP (National Socialist German Worker's Party) to gain popularity because they advocated for the country's economy to shift away from liberalism and free commerce and instead become stronger and more conscious of the welfare of the entire nation.

Germany re-entered the world market after World War I at a tremendous disadvantage. The Treaty of Versailles was a document issued by the Allied Powers that imposed major punishments and restriction on Germany. The document restricted Germany's military such as

⁸ Adam J. Tooze, *The Wages of Destruction: The Making and Breaking of the Nazi Economy*, (New York: Viking, 2007), 54.

⁹ "The Blockade of Germany," *The National Archives*, accessed January 14, 2013, <http://www.nationalarchives.gov.uk/pathways/firstworldwar/spotlights/blockade.htm>.

prohibiting the exports and imports of weapons and limiting the German armed forces to less than 100,000 troops.¹⁰ But more importantly, it assigned Germany as fully responsible for causing the war. Article 231 of the Treaty of Versailles reads:

The Allied and Associated Government affirm and Germany accepts the responsibility of Germany and her allies for causing all the loss and damage to which the Allied and Associated Governments and their nationals have been subjected as a consequence of the war imposed upon them by the aggression of Germany and her allies.¹¹

With Germany and her allies deemed responsible for causing the outbreak of World War I, they became responsible for paying all of the damages experienced by the Allied Powers. The treaty demanded that Germany pay the total sum of 269 billion marks in war reparations.¹² The 269 billion gold marks, which is the equivalent of almost 100,000 tons of pure gold, were not within the means of Germany to pay. The 100,000 tons of gold is equivalent to more than 50% of all the gold ever mined in history.¹³

Germany's share in world exports, which got as low as 7.1% in 1925, slowly started to recover, as did world trade. In 1926 the figure had grown to 8.4% and in 1929 to 9.9%.¹⁴ Their economy was rebuilding and looking to reclaim their position as one of the major industrial exporters in the world market. However, the reparations called for by the Treaty of Versailles were disrupting their recovery. Thus in 1924 a committee formed to establish the Dawes Plan and a workable system was created that would help Germany could pay war debts without

¹⁰ "Treaty of Versailles, 1919," *United States Holocaust Memorial Museum*, last modified May 11, 2012, <http://www.ushmm.org/wlc/en/article.php?ModuleId=10005425>.

¹¹ Michael Duffy, "Primary Documents - Treaty of Versailles, 28 June 1919," *First World War*, last modified August 22, 2009, <http://www.firstworldwar.com/source/versailles231-247.htm>.

¹² Olivia Lang, "Why Has Germany Taken so Long to Pay off Its WWI Debt?," *BBC News*, last modified February 10, 2010, <http://www.bbc.co.uk/news/world-europe-11442892>.

¹³ Lang, *Why Has Germany Taken so Long to Pay off Its WWI Debt?*, 1.

¹⁴ Robinson, *German Foreign Trade and Industry after the First World War*, 620.

jeopardizing its financial stability.¹⁵ Yet, the plan did not offer enough financial aid and it was still too difficult for Germany to recover, therefore they modified the plan in 1929 and renamed it the Young Plan. The new plan softened the burdens by reducing payments from 269 billion gold marks to 112 billion gold marks that would be paid over a 59-year period.¹⁶

To help Germany to retain their position in the world market, the Weimar Republic began borrowing large sums of money from overseas countries, the bulk of it from the United States, and reinvesting the capital into the economy to rejuvenate struggling businesses. Foreign nations gladly loaned money to Germany because they were attracted to the nation's unique economy and huge returns they experienced from their investments. Germany was willing to pay high interest rates to investors who loaned capital and organizations such as J. P. Morgan, for example, issued loans totaling \$100 million to Germany to help them pay reparations and stimulate economic activity.¹⁷ As Germany accepted more and more foreign capital, they began to travel down an eerily similar slope. "The reliance on foreign credit tied Germany into a dangerous dependency on the world's financial markets at a time when there existed serious structural weakness in the world monetary and payment systems."¹⁸ After World War I, countries lacked economic stability and their financial structures were weak. As a result, private businesses became unwilling to spend money, which resulted in hyperinflation. In order to help circulate capital throughout Germany's economy, the Weimar Republic ordered for more currency to be printed. But German businesses were not hiring nor being productive and the nation's currency became meaningless. In 1919 one loaf of bread cost 1 mark; by 1923 the same

¹⁵ Tooze, *The Wages of Destruction*, 6.

¹⁶ Tooze, *The Wages of Destruction*, 6.

¹⁷ Tooze, *The Wages of Destruction*, 6.

¹⁸ Overy, *The Nazi Economic Recovery*. 11.

loaf of bread cost 100 million marks.¹⁹ The Weimar Republic hoped printing currency and accepting loans would help rebuild the nation’s economic structure. But instead it had a negative effect and launched the nation into greater debt.

Germany was accepting loans on both a long-term and short-term basis. The loans were re-invested into the economy as a way to support industrial and commercial reconstruction.²⁰ However this method was an extremely dangerous approach for rebuilding an economy because a number of countries lacked economic stability following the war. “But, [money loaned from foreign countries] tended to be re-loaned within Germany on a long-term basis, making it difficult to repay short-term lending should it be suddenly recalled.”²¹ Accepting capital from foreign countries and redistributing them on a long-term basis made it very difficult to locate these loans should they suddenly be recalled.

Table I. Borrowing from abroad: Germany’s foreign debt position, spring 1931 (million RM)

| | Long-term | Short-term | Total |
|----------------------|------------------|-------------------|--------------|
| United States | 5,265 | 3,143 | 8,408 |
| Britain | 1,100 | 2,053 | 3,153 |
| Netherlands | 1,174 | 2,069 | 3,243 |
| Switzerland | 512 | 1,878 | 2,390 |
| Other | 1,494 | 2,826 | 4,320 |
| Total | 9,545 | 11,696 | 21,514 |

Source: Adam J. Tooze, *The Wages of Destruction: The Making and Breaking of the Nazi Economy*, (New York: Viking, 2007), 7.

Table I indicates the amount of money that was loaned to Germany from the end of World War I to 1931. Germany was accepting short-term loans from the United States, Great Britain, the

¹⁹ Tooze, *The Wages of Destruction*, 6.

²⁰ Owen, Smith E, *The German Economy*, (London: Routledge, 1994), 5.

²¹ Overy, *The Nazi Economic Recovery*, 11.

Netherlands and other European nations and investing them on a long-term basis to rejuvenate German commerce and pay reparations. But, they were accepting money abroad on an alarming rate.

Between October 1925 and the end of 1928 the inflow of foreign capital was so large that Germany could make its reparation payments without even having to earn a surplus on its trade account. This was convenient for the British and French since it enabled them to insist on German payments without having to open their markets to billions of Goldmarks' worth of goods. At the same time it allowed Washington to insist that France and Britain honor the debts they owed America as a result of the war.²²

A very weak and unstable circle was created in which Germany borrowed money from the United States to pay reparations to Britain and France, who then used that money to satisfy their debts to America. The Weimar Republic believed it was helping economic recovery by accepting foreign capital and investing it into banks and businesses. And the United States was earning a substantial return on their investment. But as loans continued to pour in from foreign countries the German economy became more and more fragile.

Similar to before World War I, Germany was once again exposing themselves to dangers outside their control by becoming heavily dependent on the fragile world market. Prior to WWI, they relied on trade with overseas markets as a source for raw materials. Following the war, they again became dependent on global connections by tying themselves to foreign credit. Germany was once an industrial powerhouse that dominated the production of steel, coal, and synthetic chemicals. They were one of the biggest creditor nations in the world where they had a positive net investment. Now, they were losing that status and becoming a debtor nation, which meant that they had an unfavorable balance of trade, e.g. an excess of imports over exports or a net inflow of capital from foreign investors. This reliance on foreign credit tied Germany into a

²² Tooze, *The Wages of Destruction*, 6.

dangerous dependency on the world's financial markets at a time where there existed serious structural weaknesses.²³

On October 24, 1929, the United States stock market crashed, sending a severe shock wave through Germany. The German economy, which was supported by the granting of loans through the Dawes Plan and the Young plan, suffered enormously when foreign investors withdrew their loans. The United States withdrew all the loans they issued to Germany, which meant that the Weimar Republic needed to track down all the capital that had been re-loaned to German businesses.

What might have been a 'normal' business-cycle downswing turned into an economic catastrophe because of the recall of short-term loans and the drying up of long-term lending.²⁴

As foreign investors demanded payments for their loans, banks began to search and call in loans that had been lent to firms. "By the end of 1931 over 6.5 billion marks have been withdrawn from Germany or sent out by German investors seeking greater security."²⁵ Most of the capital supporting Germany's economy was withdrawn and there was no longer any structural support for banks and businesses.

The Wall Street Crash left Germany badly exposed and caused both commerce and employment to suffer tremendously.

The exceptionally high levels of unemployment in 1930-3 were produced by the near collapse of the German credit system in 1931 and the decline of foreign trade. The withdrawal of loans created a major liquidity crisis, while the value of German exports fell by almost two thirds between 1929 and 1932.²⁶

²³ Overy, *The Nazi Economic Recovery*, 7.

²⁴ Overy, *The Nazi Economic Recovery*, 14.

²⁵ Overy, *The Nazi Economic Recovery*, 14.

²⁶ Richard James Overy, *War and Economy in the Third Reich*, (Oxford: Clarendon, 1994), 41.

Since many German banks and industrial enterprises had used short-term credit from foreign countries to finance long-term investment programs, the withdrawal of loans quickly caused a cash-flow crisis.²⁷ The withdrawal of capital caused the backbone of the nation's economy to be ripped out. Businesses suffered, citizens were laid off, and unemployment engulfed the country. Germany's middle-class suffered the most as most became unemployed.

Table II. Registered unemployed, 1929-1932 ('000)^a

| | 1929 | 1930 | 1931 | 1932 |
|-----------------------|-------------|-------------|-------------|-------------|
| January | 2,850.2 | 3,217.6 | 4,886.9 | 6,041.9 |
| February | 3,069.7 | 3,365.8 | 4,971.8 | 6,128.4 |
| March | 2,483.9 | 3,040.7 | 4,743.9 | 6,034.1 |
| April | 1,711.6 | 2,786.9 | 4,358.1 | 5,739.0 |
| May | 1,349.8 | 2,634.7 | 4,052.9 | 5,582.6 |
| June | 1,260.0 | 2,640.6 | 3,953.9 | 5,475.7 |
| July | 1,251.4 | 2,765.2 | 3,989.6 | 5,392.2 |
| August | 1,271.9 | 2,882.5 | 4,214.7 | 5,223.8 |
| September | 1,323.6 | 3,004.2 | 4,354.9 | 5,102.7 |
| October | 1,557.1 | 3,252.0 | 4,623.4 | 5,109.1 |
| November | 2,035.6 | 3,698.9 | 5,059.7 | 5,355.4 |
| December | 2,850.8 | 4,383.8 | 5,668.1 | 5,772.9 |
| <u>Average</u> | 1,898.6 | 3,075.5 | 4,519.7 | 5,575.4 |

Source: Richard James Overy, *War and Economy in the Third Reich*, (Oxford: Clarendon, 1994), 39.

As Table II demonstrates, unemployment skyrocketed following the Wall Street Crash where the number of registered unemployed rose from 2 million in 1929 to over 6 million in 1932.

Economic liberalism and free trade failed Germany because it left majority of the nation at the mercy profit-seeking businesses.

²⁷ Volker R. Berghahn, *Modern Germany: Society, Economy, and Politics in the Twentieth Century*, (Cambridge: Cambridge UP, 1982), 23.

The unemployment crisis launched Germany and the Weimar Republic into economic distress. The government was unable to do anything that helped the issue, though what it did do made the situation worse. Taxes were raised, incomes reduced, and government spending was cut back. Eventually two out of every five Germans employed in 1929 were without work in the winter of 1932-3, and the nation's situation showed no signs of improvement.²⁸ As seen in table III, trade suffered infinitely as by 1933 exports were only 39 per cent of the level they were in 1928.

Table III. German Trade Statistics 1928-38

| | 1928 | 1932 | 1933 | 1934 | 1935 |
|-------------------------|-------------|-------------|-------------|-------------|-------------|
| Exports (bn RM) | 12.3 | 5.7 | 4.9 | 4.2 | 4.3 |
| Imports (bn RM) | 14.0 | 4.7 | 4.5 | 4.2 | 4.2 |
| Balance of trade | -1.7 | 1.0 | 0.7 | -0.3 | 1.0 |

Source: Richard James Overy, *The Nazi Economic Recovery, 1932-1938*, (England: New York, 1996), 45.

The Weimar Republic's liberal policies promoted free trade and gave businesses the freedom to form connections with foreign countries. Many private enterprises grew and expanded from this system and solidified dominant roles in the world market. But unregulated capitalism failed because it caused the middle-class to become marginalized, such as what happened with the Great Depression. "The recession exposed the weakness of the liberal market economy and turned German economists and politicians to the idea of state management of the economy and relative isolation from the world market."²⁹ The Wall Street crash brought attention to major deficiencies of Germany's liberal politics and many citizens started to support more radical alternatives like the Communist and National Socialist parties.

²⁸ Overy, *War and Economy in the Third Reich*, 38.

²⁹ Avraham Barkai, *Nazi Economics: Ideology, Theory, and Policy*, (New Haven: Yale UP, 1990), 9.

The Wall Street Crash and Depression were the last straw for majority of Germany. Political decentralization and liberal economics created a nation that was disconnected and unequal. Private businesses acted in manners that hindered the public and as a result major class divisions emerged. Hitler and the Nazi regime rose to power because they offered the German nation an entirely new direction. They promised the public that strong state management and restrictive policies would resolve the economic crisis and create a unified national agenda. Capitalism and unrestricted trade would no longer control the nation. Instead Hitler guaranteed that if elected a more equal, unified, and stronger Germany would emerge.

Chapter 2: The Rise of Hitler and the Nazi Regime

Adolf Hitler exploited the Weimar Republic's weaknesses and used their failures to his advantage. World War I and the Depression brought the inefficiencies of laissez-faire economics to attention and caused the German public to desire a political system that was new and different. In 1932 the nation was a mess and 6 million citizens were unemployed. Hitler promoted the party's values and ideology at this time, pledging that his party could bring the nation back from its current misery. The National Socialists party believed that a powerful centralized government would be beneficial because it would help create a unified economic agenda. The nation would follow a unified plan that benefited the entire German collective, rather than individual private businesses. The party highlighted how unrestricted capitalism caused the lower middle-class to suffer and become impoverished. The nation should therefore support the National Socialists because it would systematically change the way Germany operated and bring about national renewal. In 1932 Hitler promised Germany change; and he in fact delivered a revolution. "The Nazis saw their *Machtergreifung* (seizure of power) as more than simply a change of government: it represented the start of a revolution which would transform German society in accordance with their ideology."³⁰The regime wanted to completely revolutionize the working class and restore faith in the nation's economic and political system. They accomplished this by creating new policies that appealed to the lower-middle class. Thus the German youth, middle-class workers, and farmers all began to pledge their support to the National Socialists because their program aimed to destroy class barriers and raise the standard of living of the German collective.

³⁰ D. Welch, "Nazi Propaganda and the Volksgemeinschaft: Constructing a People's Community," (*Journal of Contemporary History* 39.2, 2004), 216.

The fundamental problem was Germany was not an affluent society. Following the Depression, millions of Germans were unemployed and there was little capital circulating through the nation's economy. In result Germany fell far behind other nations technologically, such as the United States.

By the 1920s the standard accoutrements of twentieth-century mass consumption—the car, the refrigerator, the radio—were already establishing themselves as the norm in the United States, at a time when the enjoyment of these same commodities was limited to a restricted circle of the European upper middle class.³¹

The nation experienced serious setbacks from the First World War and the great depression. Majority of the public lacked basic goods that average American citizens enjoyed. Part of the Nazis' agenda was to revolutionize the lower-middle class, which had been oppressed from the liberal and capitalist policies of the Weimar Republic, and create a *Volksgemeinschaft*, or “people's community.” *Volksgemeinschaft* was a Nazi socialist program that aimed to restore national unity and equality and raise the standard of living of Germany.

When asked by a journalist to describe his ultimate political objectives, Hitler said, “I have the ambition to make the German people rich and Germany beautiful. I want to see the living standard of the individual raised.”³² Hitler believed the German people deserved a political system better than the Weimar Republic. The nation should have a government that aimed to raise the nation to a higher level of life, more appropriate to the vision *Volksgemeinschaft*, which was a community of superior racial worth.³³ The NSDAP made it their mission to use their political authority to make Germany a more affluent society. They would accomplish this by collaborating with German industries to create a standardized and simplified version of key consumer commodities. These products would then be produced at the lowest possible price,

³¹ Tooze, *The Wages of Destruction*, 135.

³² Tooze, *The Wages of Destruction*, 135.

³³ Tooze, *The Wages of Destruction*, 135.

allowing the German population to achieve an immediate advancement to a higher standard of living.

The epithet, which was generally attached to these products, was *Volk*: the *Volksempfänger* (radio), *Volkswohnung* (apartments), *Volkswagen* (automobile), *Volkskuehlschrank* (refrigerator), and *Volkstraktor* (tractor).³⁴

The Nazi government used their powerful centralized authority to create socialist programs like the *Volks* campaign. Private businesses would cooperate with the regime, whether it is through force or freewill, to standardized basic goods and make Germany a more affluent society. The campaign would benefit the nation by helping erase class divisions and by putting the collective need ahead of individual greed.

Propaganda played a major role in the National Socialists' rise to power. The party used it to influence public opinion and promote their values of unity and collectiveness. Many of the posters promoted slanderous feelings towards liberalism, capitalism, and big business.

The four major themes that recur in Nazi propaganda during this period reflect the roots and antecedents of *völkisch* thought: 1) appeal to national unity based upon the principle: 'The community before the individual' (*Volksgemeinschaft*); 2) the need for racial purity; 3) a hatred of enemies which increasingly centered on Jews and Bolsheviks, and 4) charismatic leadership (*Führerprinzip*).³⁵

Volksgemeinschaft and national unity were values that the regime constantly announced. Hitler wanted to destroy class divisions and transform the feeling of alienation into one belonging to a pure community, or *Volk*. In order to revolutionize the nation's ideology, the party began issuing propaganda that urged the population to put "the community before the individual" (*Gemeinnutz vor Eigennutz*) and to place their faith in slogans like "One People! One Reich! One Führer!"³⁶

After securing power, the Third Reich made it their mission to use legal authority, coercion, and

³⁴ Tooze, *The Wages of Destruction*, 147.

³⁵ Welch, "Nazi Propaganda and the Volksgemeinschaft," 317.

³⁶ Welch, "Nazi Propaganda and the Volksgemeinschaft," 218.

propaganda to coordinate with industry to create standardized versions of key consumer commodities, ultimately making the nation more affluent. One aspect of Nazi centralized economic policies was that it aimed to cut the nation's ties with the world market, meaning that all *Volks* products would be created within the nation.

Political centralization was completely foreign to Germany. The Weimar Republic promoted open thinking and free action. But the Nazi regime used their legal authority to create a strict macroeconomic agenda that all actors needed to follow. One important part of this plan was to cut Germany's reliance on global connections and international trade, which also represented the mood of the public. "The new [Nazi] government also reflected the popular mood of economic nationalism, both in its desires to cut Germany off from unhealthy dependence on the world economy and in the pursuit of domestic sources of recovery."³⁷ The liberal policies of the Weimar Republic motivated German businesses to pursue financial opportunities in the world market, but caused majority of the nation to be susceptible to dangers outside of their control. The system resulted in hundreds of thousands of deaths during the blockades of World War I and a huge rise in unemployment after the Wall Street Crash in 1929.

The Third Reich represented a completely new and different ideology. The party wanted to restructure the nation's economy by abandoning their current liberal economic model that relied on exports and global connections. They believed Germany required state management and highly regulated policies if the nation was going to recover and rebuild. Centralized economic planning would give the nation a uniform direction and become isolated from the world market. Autarky and self-sufficiency were two key elements in the Nazis' plan to rebuild

³⁷ Overy, *The Nazi Economic Recovery*, 26.

the nation's economy because it would allow them to become independent in the production of important raw materials.

Future wars, Hitler believed, had to mobilize “the whole strength of the people.” Economic policy, in this sense, had to be judged by the creation of strategic necessity as well as social utility. This made Hitler an enemy of free-market economics, and inclined him to the currently fashionable ideas of closed economic blocs and autarky, and ultimately to the idea of seizing ‘living-space’ and resources by force.³⁸

Centralized planning would strengthen the nation by having all Germans work towards the same goal. Liberal and capitalist models have the opposite effect because it motivates businesses and citizens to act in their own self-interest, which is why the regime opposed economic liberalism. They believed it made the nation weak, divided, and vulnerable in future wars. As a solution, the National Socialists issued policies that promoted *Volksgemeinschaft*, national unity, and self-sufficiency. Strong government control would make all citizens work towards helping Germany become completely sovereign and independent. Hitler believed this would help make Germany a strong industrial and military power. By becoming self-sufficient, Germany would be able to provide basic resources for the public, resulting in a more stronger and unified community.

In 1936 Third Reich issued the Four Year Plan, which was aimed to make Germany self-sufficient in four years. Adolf Wagner, read out a proclamation from Hitler at a September rally:

I today present the following as the new Four-Year Plan. In four years Germany must be wholly independent of foreign areas in those materials which can be produced in any way through German ability, through our chemical and machine industry, as well as through our mining industry. The re-building of this great German raw material industry will serve to give employment to the masses. The implementation of the plan will take place with National Socialist energy and vigor. But in addition, Germany cannot relinquish the solution of its colonial demands. The right of the German people to live is surely as great as that of other nations. The success of this plan is merely a question of our energy and determination. National Socialists have never recognized the word “Impossible.”³⁹

³⁸ Overy, *War and Economy in the Third Reich*, 13.

³⁹ Horst Siebert, *The German Economy: Beyond the Social Market*, (Princeton, NJ: Princeton UP, 2005), 67.

Germany benefited from Nazi centralized economic planning because it created a unified vision and gave the nation a purpose, whereas the Weimar Republic caused citizens and private businesses to act in selfishly. The advantages of the regime and totalitarianism were that they mapped out a future for Germany's economy. They created a plan would make the nation entirely independent from the world market. Instead of worrying about individual relations abroad, companies would be working towards benefiting the entire nation.

The restrictive regulations issued by the government had a major impact on the attitudes of German businesses. The freedoms that these companies experienced during the Weimar Republic vanished under the authority of Hitler. The regime monitored and controlled Germany's economy to ensure all actors contributed towards their national goals. They limited exports, prevented capital from moving freely abroad, and had foreign earnings locked in bank accounts, only to be spent on German goods and services.⁴⁰ "Under such a system businessmen were regarded as economic functionaries serving the interests of the nation rather than as independent and enterprising creators of wealth."⁴¹ The Third Reich worked with private businesses in order to form close relations. For instance, they appealed to large corporations by exempting taxes on profits. Hitler also encouraged businesses to explore the production of raw materials by offering them financial support. The goal of the NSDAP was to destroy the nation's dependence on the world market and make them self-sufficient in the production of raw materials. For that to be possible, the regime would need to rely on either persuasion or coercion.

The restrictions and limitations imposed by the regime caused German businesses to develop a negative opinion of the party at first. However companies' resentment towards the regime did not concern Hitler because he had the support of the German public. If a business

⁴⁰ Overy, *The Nazi Economic Recovery*, 26.

⁴¹ Overy, *The Nazi Economic Recovery*, 57.

acted in a manner that contradicted with the nation's goals they would be labeled as enemies of *Volksgemeinschaft*. Hitler never felt threatened by German big businesses because he had absolute authority and control over the nation's military, local governments, and local police. He had the ability to crush any business that opposed his policies.

The Nazi revolution was compounded in to three elements: 1.) The Nazis utilized legal authority of the state to legitimize their control over the civil service, police and the armed forces. 2.) Use of terror and coercion in the absence of law to create fear 3.) Propaganda. A Society that was suffering from a deep sense of national humiliation, and weakened by inflation, economic depression and mass unemployment, was perhaps not surprisingly attracted to a National Socialist revival that proclaimed that it could integrate disparate elements under the banner of national rebirth for Germany.⁴²

The regime fueled their campaign by using anti-liberal, anti-big business, and anti-capitalist rhetoric, gaining a great deal of support from citizens who wanted to see a "national rebirth." The Third Reich believed their seizure of power would revolutionize Germany and distant themselves from the capitalist polices that once corrupted their nation.

The NSDAP monitored Germany and prevent political opposition because they had an intricate network of spies. The regime had the allegiance of the nation's military, local police, and local bureaucrats, therefore any attempt at nonconformist behavior would be met with terror and violence. The party used their legal authority to issue decrees that ended individual civil liberties, including freedom of press, speech, and assembly. Individuals also lost the right to privacy, meaning Nazi officials could read people's mail, listen in on telephone conversations, and search private homes without a warrant. The party's strong concentration of power enabled the regime to have complete surveillance over the nation; thus making it easier to locate actors that opposed the nation's ideology.

⁴² Welch, "Nazi Propaganda and the Volksgemeinschaft," 226.

The regime's absolute authority resulted in a loss of support from large corporations. *Interessen-Gemeinschaft Farbenindustrie AG* (IG Farben), for instance, chemical conglomerate that eventually benefited from Nazi rule. But initially divisions separated the company because some directors favored the classic liberal economic model that relied on exports whereas others favored the new self-sufficient approach.⁴³ In addition, Bosch GmbH opposed Hitler's principles and instead they too believed in the idea of *Gewerbefreiheit*, or business freedom.⁴⁴ Yet Hitler had support from majority of the nation, allowing him to bully, intimidate, and terrorize businesses into sharing his vision. IG Farben felt forced to initiate contact with the regime because the party threatened to import cheaper gasoline that would run counterproductive to their work.

The regime's ultimate goal was to create a larger and more unified national community. To accomplish the nation's goals Joseph Goebbels, the Nazi Propaganda Minister, used Nazi authority and their network of spies to discover what solutions the public wanted to see first.

Goebbels therefore regularly received (as did all the ruling elites) extraordinarily detailed reports from the Secret Police (SD) about the mood of the people and would frequently quote these in his diary. The SD, the Gestapo, the Party, local government authorities and the judiciary all made it their business to gauge the mood and morale of the people. Their reports were based on information received from agents throughout the Reich who reported on their conversations with Party members or on conversations they had overheard. It has been estimated that by 1939 the SD alone had some 3000 full-time officials and some 50,000 part-time agents.⁴⁵

The Gestapo, or Secret Police, was an effective tool that allowed them Hitler to penetrate every aspect of society. The Gestapo had the authority to investigate cases of treason, espionage,

⁴³ Henry Ashby Turner, *German Big Business and the Rise of Hitler*, (New York: Oxford UP, 1985), 56.

⁴⁴ Turner, *German Big Business and the Rise of Hitler*, 57.

⁴⁵ Welch, "Nazi Propaganda and the Volksgemeinschaft," 218.

sabotage, and criminal acts against the Third Reich and Germany.⁴⁶ More importantly, the Nazi government passed a law that allowed the group to operate without judicial oversight, meaning they had the power to imprison people without judicial proceedings. The Gestapo was a major reason for Hitler's accumulation of absolute authority because anyone politically opposed was imprisoned indefinitely.

The party's network of spies and officials allowed the NSDAP to measure public perception. From the reports, Goebbels was able to conclude that citizens were troubled by the unemployment crisis. Thus, Hitler began promising the German public that soon they would be back to work. Economic recovery would only occur, Hitler argued, "If measures are taken again and again with energetic attacks and fanatical tenacity against unemployment."⁴⁷ The regime promised to rebuild and revolution the lower-middle class, which suffered immensely from unrestricted capitalism and free trade. They would use their power to coordinate efforts with private industries and create standardized commodities. The *Volksgemeinschaft* project and the production of the people's radio, apartment, automobile, and refrigerator would benefit the nation in a number of ways. The products would improve national unity, create a more independent Germany, raise the standard of living, and resolve the unemployment crisis. Hitler's intention was to attack the labor problem through the *Volks* program and other state sponsored projects. "When he [Hitler] came to power, some 6.04 million people and possibly more were on the dole. Twelve months later that figure dropped to 3.7 million."⁴⁸

⁴⁶ Welch, "Nazi Propaganda and the Volksgemeinschaft," 218.

⁴⁷ Turner, *German Big Business and the Rise of Hitler*, 45.

⁴⁸ Overy, *War and Economy in the Third Reich*, 254.

One of the *Volks* products was the creation of a people's car. Adolf Hitler had been a motor enthusiast his entire life and he firmly believed that the car was a great symbol of a modern consumer lifestyle. He once said,

Just as horse-drawn vehicle once had to create paths and the railroad had to build rail lines, so must motorized transportation be granted the streets it needs. If in earlier times one attempted to measure people's relative standard of living according to kilometers of railway track, in the future one will have to plot the kilometers of streets suited to motor traffic.⁴⁹

Hitler's ideology was a country's standard of living could be gauged by their automotive industry. Unfortunately, Germany's was one of the smallest in all of Europe, as seen in Table IV.

Table IV. Vehicle ownership in Europe and USA, 1935 (per 1,000 pop.)

| Country | Vehicles | Country | Vehicles |
|---------|----------|------------------|----------|
| USA | 204.5 | Switzerland | 21.7 |
| France | 49.0 | Irish Free State | 17.8 |
| UK | 45.2 | Netherlands | 17.6 |
| Denmark | 41.6 | Germany | 16.1 |
| Sweden | 24.4 | Italy | 9.5 |
| Norway | 22.3 | USSR | 1.5 |

Source: Richard James Overy, *War and Economy in the Third Reich*, (Oxford: Clarendon, 1994), 73.

*Excluding motorcycles

Germany's automotive industry and transport sector were hit hard during the depression, resulting in production and ownership to fall far behind their European neighbors. "In 1932 there were only 486,001 licensed cars in Germany. In Berlin, a city of 4 million inhabitants, there were fewer than 51,000 cars.⁵⁰ To put in perspective in relation to the number of households, there was one car for every 37 households in 1933.⁵¹ The motor vehicle was a luxury reserved for the

⁴⁹ Andrea Hiott, *Thinking Small: The Long, Strange Trip of the Volkswagen Beetle*, (New York: Ballantine, 2012), 105.

⁵⁰ Tooze, *The Wages of Destruction*, 149.

⁵¹ Tooze, *The Wages of Destruction* 149.

German elite, where the marginalized lower-middle class did not have the means to purchase this particular product. Germany's road conditions was also proof that the nation had an extremely poor automotive sector. In 1933 only 25% of Germany's main roads had hardened surfaces that could withstand high-volume motor traffic.⁵² Quite simply, German society was far less wealthy and affluent than Britain, France, and the United States when gauging a nation's standard of living through their transport sector.

The National Socialists created a motorization program that would raise the German standard of living to a level similar to their European counterparts and the United States. They would create a huge state sponsored program that would improve the road conditions, increase automobile ownership, and resolve the unemployment issue. At the 1934 Berlin Motor Show Hitler announced that it was the intention of the:

National Socialist leadership not only to crank up the economy through the furthering of the motor-car sector, giving bread and work to thousands of men, but also to offer ever greater masses of people the opportunity to acquire this most modern means of transport.⁵³

Motorizing Germany was a "bread and work" project, meaning it would attack the issue of employment while also bringing the automobile to the masses. Road building would not only give German citizens a sense of literal unity, but also a sense of importance and self-worth. The program would bring Germans together from opposite parts of the country to work on a common project that unified and benefited the entire collective. The Third Reich deliberately used the motor sector and road building to restore the nation's economy and morale. Between 1932 and 1935, 60% of the funds released for work creation public works went to transport projects,

⁵² Tooze, *The Wages of Destruction*, 150.

⁵³ Overy, *War and Economy in the Third Reich*, 80.

mainly on roads.⁵⁴ Roads, which had greatly suffered from the lack of maintenance during the depression, were now being repaired by groups of unemployed laborers.

Senior Nazis were talking before the seizure of power about the place that road building would play in Nazi employment policy. Once in power, the Nazi regime used road works as a major element in the state-sponsored 'Battle for Works.'⁵⁵

A major program issued by the national government was the *Autobahn*, which would be state sponsored and call for over 6,500 kilometers (4,309 miles) of road to be paved.⁵⁶ The regime believed that work on this superhighway would cause citizens to feel a part of the grand project and a part of Germany's mission towards achieving *Volksgemeinschaft*. Centralized economic planning made the project possible because it gave the government the power to pool all the nation's resources towards one specific project. The regime's power and authority played to the advantage of the nation because it created a clear vision, which was restore and unite the nation through the construction of roads. In addition, the road building helped the nation in becoming self-sufficient because it would allow businesses to better communicate and transport goods. And it also helped address the unemployment crisis where the autobahn alone employed 992,500 people.⁵⁷

The Third Reich also stimulated economic activity by offering tax incentives to companies willing to invest in the regime's motorization campaign. Business morale was low following the Depression and many companies were unwilling to invest during such unstable times. To add, private companies were discouraged to grow and expand because Hitler's economic agenda instilled fear and concern. Thus the regime granted tax concessions for any work done in the motor sector in order to stimulate economic activity. The deductions motivated

⁵⁴ Overy, *War and Economy in the Third Reich*, 77.

⁵⁵ Overy, *War and Economy in the Third Reich*, 78.

⁵⁶ Hiott, *Thinking Small*, 105.

⁵⁷ Hiott, *Thinking Small*, 104.

businesses to invest and the nation saw a huge increase in car sales. There were twice as many cars produced in 1933 than in 1932, and in 1934 twice as many again.⁵⁸ The government's willingness to assist in companies' restoration motivated firms to employ more citizens. Over time Germany's automotive sector became one of their most important sectors in the nation's economy, employing more 1 million citizens, as seen in Table V.

Table V. Estimated Employment Created by Roads and Cars, 1938

| | |
|---|-----------|
| Reichsautobahnen | 120,000 |
| Ordinary Roads (1936) | 40,000 |
| Motor Industry (excluding parts) | 170,000 |
| Components and Parts | 150,000 |
| Garages (1935) | 100,000 |
| Supply Industry, Roads | 250,000 |
| Motor Trade | 60,000 |
| Chauffeurs, Drivers, etc. (1934) | 260,000 |
| Total | 1,150,000 |

Source: Richard James Overy, *War and Economy in the Third Reich*, (Oxford: Clarendon, 1994), 73.

The Nazis restored national morale through their motorization campaign. Germany greatly benefited from the party's policies because they helped restore an economy that was apprehensive and depleted. When the National Socialists came to power in 1933, there were roughly 6 million people out of work. In twelve months time that figure dropped to 3.7 million.⁵⁹

By 1938, the motor industry had become Germany's largest manufacturing employer. Car production and ownership were higher than what they had been in the last five years. The number of registered cars more than doubled from 486,000 in 1932 to 1.271 million by 1938.⁶⁰

⁵⁸ Overy, *The Nazi Economic Recovery*, 79.

⁵⁹ Overy, *War and Economy in the Third Reich*, 88.

⁶⁰ Tooze, *The Wages of Destruction*, 150.

Unfortunately Germany was still a poor society and only a small minority of citizens had the means to purchase cars. A comprehensive study by the *Institut fuer Konjunkturforschung* discovered that the minimum cost of purchasing a car and running it for 10,000 kilometers per year was 67.65 Reichsmarks per month.⁶¹ A working class family of four on an income of 2,300 Reichsmarks per year would have found that, after budgeting for housing, food, and utility bills, owning a car consumed their entire disposable income. The price of gasoline in Germany did not make car ownership any easier. In the late 1930s the price of a liter of petrol in Germany was 39 Pfennigs (around \$1.70 in 1990).⁶² At this price, a family traveling 160 kilometers in a car would have to use their money earned for an entire day's work.⁶³ The nation's automotive sector would require strong governmental support if it were to be restored.

The Third Reich aimed to revitalize the transport with the Volkswagen project, aiming to one day have every German citizen own a vehicle. The car would be called Volkswagen because it was affiliated with the regime's *Volk* campaign that aimed to raise the standard of living of the nation through the creation of standardized goods. It would also help destroy class barriers and promote national unity by having it be a commodity that every citizen owned. With Volkswagen, Hitler envisioned a four-wheel drive 30-bhp car with a three cylinder, air-cooled diesel engine, capable of holding two adults and three children. Most importantly, however, was that the cost should not exceed 1,000 marks.⁶⁴ The German nation had mixed emotions about the Volkswagen project. The project appealed to the middle class because a motorcar would become an accessible purchase. Private businesses, on the other hand, believed that the project was technologically impossible and harmful to the nation's transportation sector. Regardless, Nazi centralization

⁶¹ Tooze, *The Wages of Destruction*, 150.

⁶² Tooze, *The Wages of Destruction*, 151.

⁶³ Tooze, *The Wages of Destruction*, 151.

⁶⁴ Hiott, *Thinking Small*, 34.

ruled Germany and Hitler had the power dictate what was best for the nation. He did not want private businesses to be involved with the production of the car because he feared competing interests would cause the program to fail. "It was Hitler's intention to make certain that what had been contributed by the motor car to the revival of the economy should not be allowed to lapse."⁶⁵ Capitalism had failed the nation before and Hitler was unwilling to let private businesses compete over the manufacture of this vehicle. The people's car was not meant to symbolize competition and opposing interests, but rather be a symbol of unification because all German's would own it.

The Nazis' policies had an interesting effect on private industrial firms. Many businesses were upset with the regime's rise to power because their policies imposed limitations and restricted trade. Companies lost the freedom to trade abroad with foreign markets and instead were forced to act in manners that fit with the national agenda. For instance, IG Farben was a company that had become globally dominant due to economic liberalism as majority of their transactions occurred with foreign countries. They were very tentative to form relations with the regime because they feared they would lose some of their independence. However, their attitudes quickly changed when they saw the potential profits associated with forming relations with the party. IG would develop into the Nazis' most important business during their reign of power. Bosch GmbH was another industrial firm that profited immensely from the Third Reich's policies. The company predominantly focused on the production of electrical and automotive accessories. Thus when Hitler offered tax concessions to firms working the motor sector, they greatly expanded and became more powerful. However, a major distinction between the two firms was that Bosch opposed of forming relations with the regime because the firm disagreed

⁶⁵ Overy, *War and Economy in the Third Reich*, 89.

with their beliefs. Instead of forming a connection with the party, Bosch funded a resistance movement that aimed to overthrow the Führer.

Nevertheless, all private industries had interesting and similar experiences under the NSDAP. Nazi centralized economic planning benefited Germany at the time because it gave the nation a unified economic agenda. The Weimar Republic enabled private businesses to operate in ways that were destructive to the welfare of the nation. Hitler changed the nation's structure and forced businesses to conform to the nation's goals. The party's highly regulated policies helped stimulate the nation's recovery and put 6 million people back to work. They also put Germany on course to become a more affluent society through their *Volks* campaign. The Volkswagen project was particularly significant because it would help restore a motor sector that had suffered greatly from World War I. Furthermore, the project positively affected private businesses like Bosch GmbH, as they became encouraged to rebuild through the government's tax incentives. Nazi economics also helped strengthen Germany by helping the nation become independent in the production of raw materials, destroying their reliance on the world market. The project would have a profound impact on private business like IG Farben who felt motivated to explore synthetic alternatives.

However, Nazi centralized rule also had many drawbacks. Private businesses were slowly losing their independence and their actions needed conform to national economic goals. German citizens also were losing key civil liberties such as freedom of expression because the Third Reich wanted to guarantee that no one opposed their policies. Germany was on course to become one of the most powerful nations in the world. Yet the moral values associated with their policies started to surface and infringe on the basic freedoms of citizens.

Chapter 3: A Volkswagen for All

During the 1930s motorcycles had a much stronger presence in Germany compared to other countries. In 1934, 45 percent of the world's motorcycles were running in the nation, prompting one economic journal to comment, "The German people of the less affluent classes have thrown themselves on two wheels to become motorized because they are unable to pay for four."⁶⁶ In 1934, the number of motorcycles in the nation surpassed that of cars by a ratio of 1.3 million cars to 1.5 million motorcycles, over two-thirds of which were lighter models.⁶⁷ The depression hit Germany hard, resulting in most families only having the option to buy the cheaper two-wheel motorcycle. However this form of transportation did not fit in line with the Nazis' vision for Germany. Hitler wanted the nation to become more affluent society, meaning the German public needed to be wealthy enough to purchase the more luxurious motorcar.

After seizing power, the Reich's main goal was to raise the nation's standard of living to a level more appropriate with their Aryan race, a master race superior to all others. The *Volksgemeinschaft* campaign would create a stronger and more unified nation by erasing class divisions. Hitler was embarrassed that German society used motorcycles as a form of transportation and attributed this atrocious livelihood to an inadequate amount *Lebensraum*, or living space, which caused their low wages and inability to buy basic consumer goods. In *Zweites Buch*, Hitler's second book after *Mein Kampf*, he said, "If the German state could not secure sufficient *Lebensraum* for the German people, all social hopes were utopian promises without the least real value."⁶⁸ Expanding the nation's *lebensraum* was an essential element in

⁶⁶ Wolfgang König, "Adolf Hitler vs. Henry Ford: The Volkswagen, the Role of America as a Model, and the Failure of a Nazi Consumer Society," *German Studies Review* 27.2 (2004), 249.

⁶⁷ König, "Adolf Hitler vs. Henry Ford," 249.

⁶⁸ Tooze, *The Wages of Destruction*, 162.

the Nazi campaign because more living space meant a greater standard of living. Hitler credited the nation's struggles to an inadequate amount of land. If the nation were going to develop further economically, it would need the ability to expand and grow. Thus Hitler issued the Volkswagen project, aiming to put a motorcar within financial reach of every German without distinction of class, profession, and property.⁶⁹ The project would motorize the nation and urge citizens to expand and gather more resources. In July of 1941, Hitler said,

More than the railway— which is rather impersonal— automobiles will link people to one another. What a step on the way to a new Europe! Just as the autobahns are dissolving the internal German borders, so will they surmount the borders of individual European countries.⁷⁰

The road-construction program aimed to resolve the labor crisis and connect the nation. The Volkswagen project, on the other hand, would help Nazis' create a new motorized Europe.

Former United States President Herbert Hoover had an election slogan that read “a chicken in every pot, a car in every garage,” which evoked Hitler to create the German equivalent, “*ein Volksauto und ein Volkseigenheim für Jedermann*”— for everyone a car and house of his own.⁷¹ According to Hitler, the number of cars and miles of roads measured a nation's cultural standards. The Volkswagen project aimed to restore Germany's position in the world to a point that was more fitting with their superior Aryan race by providing a motorcar to the masses.

Adolf Hitler decided to work with Ferdinand Porsche, a German engineer, to produce a vehicle that had two essential features: four wheels and cost less than 1,000 Reichsmarks.⁷²

⁶⁹ Hiott, *Thinking Small*, 77.

⁷⁰ Frederic Spotts, *Hitler and the Power of Aesthetics*, (Woodstock: Overlook, 2003), 397.

⁷¹ Spotts, *Hitler and the Power of Aesthetics*, 397.

⁷² Hiott, *Thinking Small*, 8,

The regime believed that a four-wheeled car was more appropriate to the cultural level of the German people as opposed to the cheaper two-wheeled motorcycle. In 1939, statistically every German family owned slightly more than one motorcycle.⁷³ The United States was an affluent country and their motorcar ownership trumped Germany's. But Germany needed not worry because the *Volksprodukt* projects (people's car, radio, apartment, etc.) were harbingers of a new future.⁷⁴ Ideological beliefs fueled the Nazi economy and their economic plans were only effective because majority of the nation supported them. The Volkswagen project would boost national morale, unify the public, and drive economic improvement. But the German public was poor and citizens did not have the necessary capital to purchase a motorcar, which cost 2,000 Reichsmarks in 1933.⁷⁵ Low wages forced workers to obtain cheap motorcycles. In 1938 1.3 percent of car buyers compared to 48.7 percent of motorcycle buyers were workers.⁷⁶ To make the motorcar accessible, Hitler required that the Volkswagen be sold below 1,000 Reichsmarks because the average German was not capable of saving more. The price cap caused Volkswagen to become a symbol of unification and equality because all citizens would have the means to purchase it.

The project required the assistance of the federal government if it had hopes of accomplishing some of the goals it set forth. Fortunately, the regime's concentrated authority allowed the party to control and stabilize the cost by reducing the price of resources needed for production. A liberal decentralized government like the Weimar Republic would not have the power to create a project such as Volkswagen because that political system leads to competing

⁷³ König, "Adolf Hitler vs. Henry Ford," 250.

⁷⁴ Tooze, *The Wages of Destruction*, 162.

⁷⁵ Tooze, *The Wages of Destruction*, 162.

⁷⁶ König, "Adolf Hitler vs. Henry Ford," 250.

interests. Various actors would try and control, stronghold, or sabotage the project. The Third Reich's unprecedented political authority made the enormous project possible.

The regime aimed for production to begin in 1940 with 150,000 cars a year and rise to 1.5 million within two years.⁷⁷ No private car firm in Germany at the time had the resources to achieve such high production quotas. The company's ambitious goals display the Nazis' plan to launch Germany's automotive industry into a new era. In a few years time, hundreds of thousands of workers and low-level employers would own a car, creating a strong and unified nation in the process. At an Automobile Exhibition, Hitler said,

Over the past four years, and with continual improvements, we have developed the Volkswagen, which we are convinced not only can be sold at the price we want, but also can be manufactured in ways that use a minimum of workers to produce the maximum amount. The model that has resulted from years of work by Dr. Porsche will undergo testing this year. It will enable millions of new customers with limited incomes to afford a car. We owe the best cars in the world to our directors, engineers, craftsmen, workers, and salesmen. Today, I am convinced that in a short time we will also build the least expensive cars.⁷⁸

The regime's plan was to create a cheap, affordable motorcar by using their centralized control and authority; and in process create a stronger, wealthier, and more unified nation that was not separated by class distinction.

The Volkswagen project planned to set a precedent for future German business in the sense that they would be strongly regulated and controlled by the central government. By naming the vehicle Volkswagen or the "Strength through Joy Car," the regime promoted the project as something that was beneficial for the greater good of the nation. The project was not about individual profit or gain, but rather making the collective nation stronger and more unified. Volkswagen was a community project that promoted chauvinism, aiming to create a racial

⁷⁷Robert Nitske, *The Amazing Porsche and Volkswagen Story*, (New York: Comet, 1958), 117.

⁷⁸Randall Bytwerk, "The KdF Car (Volkswagen)," *German Propaganda Archive*, last modified 2006, <http://www.bytwerk.com/gpa/vw.htm>.

community that was superior to all others in the world. By spearheading the project, the government could ensure the project would not be sabotaged by capitalist and corporate greed. Volkswagen's vision was much greater than that as it planned to benefit not just some German citizens, but all. Volkswagen was a business venture that took into account the good of the nation. A project of this magnitude would only possible through strong government control and regulation.

In order to meet the production goals set forth by the regime, an all-new special purpose factory unlike any other had to be built. A completely new and original factory was to be constructed to house the project. Once completed, it would require a workforce of thirty thousand workers and have the ability to produce close to one million vehicles a year.⁷⁹ In the shadows of the factory, an entirely new city would rise that could accommodate 90,000 inhabitants.⁸⁰ The factory would be in proximity to necessary raw materials, such as coal, steel, and iron and near a main railroad line, autobahn, and waterway to keep the transportation of these materials cheap. The regime used their legal authority and power to bully landowners to forfeit their property for the greater good of the project and nation. Count von der Schulenburg, one property owner, was required to give up approximately 5,000 acres of his land, whereas twenty-eight smaller property holders were also involved making the 10,000 acres available for the project.⁸¹ The city would become known as the Strength through Joy City and it planned to include blocks of apartment houses and two-family residences, park and recreational facilities, wide shopping streets, and market places with parking areas.⁸² The Strength through Joy City

⁷⁹ Hiott, *Thinking Small*, 144.

⁸⁰ Hiott, *Thinking Small*, 144.

⁸¹ Nitske, *The Amazing Porsche and Volkswagen Story*, 144.

⁸² Nitske, *The Amazing Porsche and Volkswagen Story*, 147.

would serve as a National Socialist model city for the future because it was a residential center that incorporated the Third Reich's emphasis on unified work.⁸³

Just as the People's Car was supposed to be a car that *all* Germans would drive, Hitler wanted its city to be a model on which all industrial towns could be built. It was to be a place of common purpose, where men and women worked together toward the realization of a singular goal, the ultimate point being the strengthening of Germany.⁸⁴

The Strength through Joy City aimed to set a precedent for future Nazi industrial businesses, uniting German laborers together. Each person would have a special connection with one another because they all shared a particular purpose in the production of the people's car. Hitler's new city and factory model perfectly infused the ideas of loyalty and labor.

The design of the city and factory were modeled after the United States. Hitler attributed America's prosperity to the country's vast living space, or *Lebensraum*, and its economic resources and huge domestic market.⁸⁵ Germany could make strides in becoming more affluent by modeling their industrial factories and cities from Americas. As Hitler himself put it in a passage in *Zweites Buch*:

The European today dreams of a standard of living, which he derives as much from Europe's possibilities as from the real conditions of America. Due to modern technology and the communication it makes possible, the international relations amongst peoples have become so close that the European, even without being fully conscious of it, applies as the yardstick for his life, the conditions of American life...⁸⁶

Hitler believed the United States was an economic powerhouse because their immense living space allowed them to construct lavish factories. In the summer of 1936 and 1937, Ferdinand Porsche and other Volkswagen officials traveled to America and visited automobile factories from Detroit to New York City. The group yearned to see how America lived such a prosperous

⁸³ Hiott, *Thinking Small*, 8.

⁸⁴ Hiott, *Thinking Small*, 8.

⁸⁵ König, "Adolf Hitler vs. Henry Ford," 256.

⁸⁶ Tooze, *The Wages of Destruction*, 10.

and affluent lifestyle, and what they discovered was that their means of production were incomparable to anything else in the world. Henry Ford's River Rouge factory, for example, was one of the world's largest factories at the time.⁸⁷ In the early 1920's, the Ford Model T embodied the breakthrough to a new era of production.

At his factories at Highland Park and then on the River Rouge in Detroit, Henry Ford pioneered the essential elements of what was soon to become known as "Fordism:" high-speed assembly driven by conveyor belts; the use of new kinds of high-volume production tools, most notably grinders and automatic lathes; the development, wherever possible, of special-purpose machinery, designed specifically to optimize production of particular standardized products; a ruthless effort to force down the cost of raw materials and components through vertical integration from raw materials to final assembly; the employment of large volumes of semi-skilled and unskilled labour; and a shop floor bargain in which extreme effort levels were traded against astonishing wages.⁸⁸

Ford's factory revolutionized industrial business, as it coined mass production through its technological innovations of tools and high-speed conveyor belts. The factory had the ability to make a mass-produced standardized project at a remarkably low cost, which was what Hitler wanted Volkswagen to accomplish. He needed to build a factory that produced one million cars per annum and no factory served a better model in the world than the Ford's in the United States.

Nazi officials and Volkswagen technicians did not publicly acknowledge that the River Rouge factory served as a template. Hitler praised the Ford Company for what they achieved within the transport sector; however the American automobile company was competition and Hitler had plans to one day surpass their production levels.⁸⁹

Hitler forbade all party offices to buy Ford cars in a secret order in 1936. In 1938, Goebbels' Ministry of Propaganda stopped newspaper reports on a new cheap car Ford planned to produce in the United States, because this might degrade the Volkswagen in the German public. In early 1939 it ordered the press to ignore a ceremony held by Ford's representative office in Munich.⁹⁰

⁸⁷ König, "Adolf Hitler vs. Henry Ford," 256.

⁸⁸ Tooze, *The Wages of Destruction*, 141.

⁸⁹ König, "Adolf Hitler vs. Henry Ford," 253.

⁹⁰ König, "Adolf Hitler vs. Henry Ford," 253.

Powerful centralized control allowed the regime to issue legal decrees and censor news. The Nazis' power allowed them to censor Ford's presence abroad by forbidding all party officials to buy the company's vehicles. To add, the German media would not acknowledge any of their plans and accomplishments. Unprecedented authority was a drawback of political centralization because it enabled a few actors to dictate what is right and wrong for the nation. The regime believed it was best that German citizens knew nothing about Ford and his automobiles because it would only be detrimental to the Volkswagen project. Plus, the Nazis had aspirations of not only having all Germans own the product, but eventually all of Europe.

Volkswagen managers and Nazi leaders, of course, did not reveal the Volkswagen's American roots to the public. Nevertheless, the United States influenced German planning and propaganda as the Nazis attempted to surpass American production figures...Porsche, however, imagined building 300,000 Volkswagen each year already in 1934. Hitler went far beyond this. At a time when approximately one million cars were operating in Germany, he spoke of three to seven million that would exist in future. The Volkswagen alone was to bring millions of new buyers. The Volkswagen company oriented its planning toward the Führer's predictions. Its management intended to construct a production site in three sections each with a capacity of nearly 500,000 cars per annum. The propaganda, however, emphasized the figure of 1.5 million cars, which was greater than Ford's output. DAF-leader Robert Ley boasted that the Volkswagen plant would be "not only the largest automobile factory, but the largest factory in the world of any kind."⁹¹

Nazi centralized planning benefited Germany because it created a clear unified economic direction for the nation. The Third Reich used their immense concentrated power and authority to create a project that would make Germany's motor sector into one of the largest in the world. One report in Germany believed the nation would have the best highways, lead the nation in car racing, and have the world's largest and most modern car plant.⁹² "A plan of truly gigantic proportions is thus made reality on a scale unprecedented in the history of human

⁹¹ König, "Adolf Hitler vs. Henry Ford," 257.

⁹² Hiott, *Thinking Small*, 211.

development.”⁹³ The regime’s goal was to not merely bring a motorcar to the German public, but to completely revolutionize industrial production. Germany was going to set new high standards for production quotas and achieve a standard of living higher than any other nation. The regime firmly believed that the German Aryan race was superior to all others, and through motorization and the Volkswagen project, the National Socialists intended to erect the nation to a place parallel to no other country. Volkswagen was possible due to the strong centralized control of the Third Reich because their absolute power extended over the entire nation, causing all citizens and businesses to share their national vision.

Volkswagen would require a great deal of capital. The German Automobile Association (RDA) sponsored the project at first because they could provide the materials and tools at a reduced overall cost.⁹⁴ The RDA was an alliance between German automobile firms that attempted to pool their resources together to produce a car that cost less than 1,000 Reichsmarks. However after years of work the union was unable to construct a design that was below the price-cap. Volkswagen was too overwhelming for private enterprises to attempt. In addition, it created divisions as some firms tried to dominate the project. At a Berlin Auto Show, Hitler said, “There can only be one Volkswagen in Germany, not ten!”⁹⁵ Volkswagen was not meant to create tension throughout the nation, but instead strengthen and improve Germany.

The Nazi government sponsored the Volkswagen project entirely, as a division of the Nazi German Labor Front (DAF) called Strength through Joy financed it. The DAF was a corrupt financial empire, imposing monthly fees on German workers and making membership mandatory. The organization became one of the largest Nazi organizations, generating more than

⁹³ König, "Adolf Hitler vs. Henry Ford," 257.

⁹⁴ Hiott, *Thinking Small*, 120.

⁹⁵ Hiott, *Thinking Small*, 124.

\$200 million a year, because all German workers had no choice but to join. The capital accumulated was essentially free money, and the DAF allocated 10% of the funds towards the people's car project.⁹⁶ The project was promoted in a way that conformed to Nazi ideology, which was by advertising it as a social enhancement rather than something for profit. To hammer this idea into the public, the DAF and federal government utilized propaganda.

The concept of people's products remained a blend of propaganda and illusionary politics. In order to win the support of the people, the Nazis propagated consumer goods that were much sought after. They symbolized what the regime would give the people in a future Nazi society. In his illusion, Hitler actually believed that Germany could be transformed into a consumer society under the conditions of autarky and armament- and in contravention to Ford's formula of mass production, low prices, and high wages.⁹⁷

Political centralization allowed the Nazis to concentrate all resources and attention on specific issues. The regime greatly emphasized the *Volks* projects because it would transform Germany into a consumer society. A decentralized government, like the Weimar Republic, would have a more difficult time organizing a project like Volkswagen because there are so many varying actors influencing decision-making. Nazi economic planning was useful because it gave the government an immense amount of power and the ability to control all businesses and citizens, forcing them to act in a singular unified manner. The regime's policies, rules, and regulations would make the nation more affluent. Hitler did not create Volkswagen as a way to accumulate personal wealth, but rather as something that strengthened and improved the entire population.

Following the depression, the incomes of German citizens were low. The DAF created a savings scheme called the Strength through Joy Savings Book that helped citizens save money and purchase the car. The book required customers to make a weekly deposit of 5 Reichsmarks

⁹⁶ Hiott, *Thinking Small*, 134.

⁹⁷ König, "Adolf Hitler vs. Henry Ford," 260.

into an account on which they received no interest.⁹⁸ Once that balanced reached 750 Reichsmarks, the customer was entitled to their very own Volkswagen motorcar. The savings program was important for two reasons. One, the book locked citizens in a non-cancelable, nontransferable contract with the government and gave the regime immediate capital to fund the project.⁹⁹ And two, the savings program helped citizens put money away. “There was so much propaganda leading up to its introduction that on the day the stamp books were officially available, long line snaked around the post offices, where the books could be purchased.”¹⁰⁰ By the end of 1939, 270,000 people signed up for the contracts, causing the DAF to net 275 million RMs in deposits.¹⁰¹ The Strength through Joy Savings Book demonstrates the power and benefits of Nazi centralized planning. Hitler was able to create a unified vision and goal for the nation and thousands of eagerly citizens signed up. In addition, the regime used their power to benefit all of Germany. Hitler genuinely wanted Germany to flourish, which is why he used his political power to create the Volkswagen project and help citizens in purchasing the car.

The news that Germany had entered into war came as a shock to officials at Volkswagen. The company not yet discussed what would happen in a case of war, so the design, construction, and plans were all stalled.¹⁰² Many workers believed the war would be short and soon they would begin producing cars. But what the company did not know was that the Third Reich had plans for Volkswagen during the war. “Nazi leaders never stopped envisioning the car's success after a victorious war. Victory would supply Germany with cheap foreign labor and unlimited

⁹⁸ Tooze, *The Wages of Destruction*, 156.

⁹⁹ Tooze, *The Wages of Destruction*, 156.

¹⁰⁰ Hiott, *Thinking Small*, 145.

¹⁰¹ Hiott, *Thinking Small*, 145.

¹⁰² Hiott, *Thinking Small*, 160.

resources, it was argued.”¹⁰³ When the National Socialists spoke of production figures of 1 to 1.5 million Volkswagen per year, they now meant a “European” Volkswagen.¹⁰⁴ Albert Speer, the Minister of Armament, said Hitler planned to manufacture only the Volkswagen and no other cars in Germany after the war.¹⁰⁵ The war would help Germany expand, providing the nation with more resources and better incomes. Germany’s motorization campaign would be given a meaning, “A vast homogeneous continental economic space that includes Europe, Africa, and the connecting areas of the Near East.”¹⁰⁶ The regime invaded Austria and Czechoslovakia to increase Germany’s *Lebensraum* and make the nation more powerful. The expansion would have a profound impact on the expectations of Volkswagen, as the KdF factory would become larger and more advanced than any other industrial plant in the world. After completion, Volkswagen’s factory would produce more than 1 million cars per year at a price of 1,000 RMs. Eventually, all German citizens would own one and a strong, unified Aryan community would emerge. Germany’s invasion of its European neighbors highlights some of the drawbacks of Nazi centralized rule. Concentrated power and authority enabled a few actors to control the nation, giving them the authority to decide what is best for the entire nation. The Third Reich believed Aryans were a superior race and they forced this ideology onto the nation. Hitler was able to use his concentrated authority to decide what is right and wrong for the nation, meaning he had the power to make Germany start a war.

Unfortunately World War II lasted much longer than what Hitler and the regime anticipated. Only a small section of the KdF factory had been completed and all the funds that were allocated for construction had to be used to help the nation’s army. Over time, the firm felt

¹⁰³ König, "Adolf Hitler vs. Henry Ford," 259.

¹⁰⁴ König, "Adolf Hitler vs. Henry Ford," 259.

¹⁰⁵ König, "Adolf Hitler vs. Henry Ford," 259.

¹⁰⁶ König, "Adolf Hitler vs. Henry Ford," 259.

pressure from German armaments department to complete small military tasks like fixing old vehicles or producing specific parts. The amounting pressure caused Volkswagen to become a military facility when the war showed no plans of ending soon. The plant began to produce fuel tanks, airplane wing repairs, bazookas, and 20,000 V1 flying bombs.¹⁰⁷ The designs for Porsche's original people's cars were eventually stripped down and he was forced to begin scheming new vehicles that could be used for war.

The *Kübelwagen* and *Schwimmwagen*, both spin-offs of the Volkswagen motorcar, were soon produced in the factory. "In 1943, production of the military versions of Porsche's design accounted for 41.5 percent of factory sales, pulling in a total of 93 million RM out of the 225 million RM the factory made that year."¹⁰⁸ As Volkswagen's involvement in wartime production increased, they became required to use forced labor.

The use of forced labor spread quickly throughout Germany as Nazi forces captured ever more foreign towns and brought people back from them to work in their German plants; this was a common practice during the Second World War, not only for Germany but also the Allied countries.¹⁰⁹

German industrial plants were unable to function without forced labor because Germany had been at full employment in 1938. Thus if the regime had aspirations of growing and expanding, they would need millions of additional workers. The Strength through Joy Factory needed forced labor more than other facilities because the factory had never been fully staffed. In addition, the company was a brainchild of Hitler himself; causing the factory to experience an even greater extent of Nazi presence and control.

The Gestapo had its own office there [KdF factory]. Everyone in charge was part of the Nazi Party. And there was an additional policing force called the Werkschutz that patrolled the plant and the housing compounds and barracks, keeping a close eye on the

¹⁰⁷ Hiott, *Thinking Small*, 171.

¹⁰⁸ Hiott, *Thinking Small*, 172.

¹⁰⁹ Hiott, *Thinking Small*, 176.

workers—especially foreign ones—and operating as an instrument of punishment and surveillance, ensuring no one could escape. Beatings and brutality were commonplace, and for any workers who dared to rebel, including Germans, there were ‘reeducation camps’ where, according to the reports of the workers, torture was the norm.¹¹⁰

The Volkswagen’s staff consisted of 80 percent forced workers.¹¹¹ The working conditions imposed in the company’s facilities were dismal, as Hitler’s *Mein Kampf* was often read over the loudspeaker, public humiliations were executed, and many workers were inadequately dressed.

At first most of the forced laborers were of mixed nationalities, including Poles, French, and Soviets. But eventually concentration camp prisoners were used at Volkswagen as well. As early as 1941, Henrich Himmler suggested using forced labor to finish building the still-incomplete city of Strength Through Joy. However, Hitler did not want Jewish people to be in the town so the plan was put on hold.¹¹² But as the war progressed and labor needs increased, Albert Speer, the head of Nazi Armaments Division, gave official authorization for the use of concentration camp inmates in producing vehicles at the plant. Thus in 1944, Jews were taken from Auschwitz and sent to The Town of Strength Through Joy Car to build V1 bombs.¹¹³

Volkswagen had fascinating experiences when examining the effects of Nazi centralized economic planning. The Nazis’ plans greatly benefited Germany as they planned to transform Germany from a nation that used cheap motorcycles into one that used more expensive motorcars. The appeal of a centralized politics is that it gave a few actors the power and authority to prioritize projects. Germany’s road conditions were awful following World War I and majority of the nation was financially incapable of purchasing a four-wheeled vehicle. The Nazis used their power and authority to fix the nation’s poverty by creating a massive socialist

¹¹⁰ Hiott, *Thinking Small*, 177.

¹¹¹ Hiott, *Thinking Small*, 177.

¹¹² Hiott, *Thinking Small*, 179.

¹¹³ Hiott, *Thinking Small*, 179.

program, the Volkswagen project. Volkswagen was made possible due to the immense power and strength of the Nazi government, as they could financially support and organize the project. The project also shows the intentions of the regime and how they aimed to benefit the nation by creating a higher standard of living. Volkswagen would make Germany the most advanced nation in the world by destroying class inequalities and creating a strong people's community. However, the experiences of Volkswagen also show the drawbacks of Nazi centralization. Their Nazi government had too much power as they had the authority to dictate what is right and wrong for all citizens. The regime took away German civil liberties and prevented people from owning other motorcars. In addition, the NSDAP controlled the media and censored outside about Ford automobiles. Nazi centralized economic planning had many benefits and drawbacks. Even though it was wrong for the regime to completely control the nation, their policies put Germany's automotive sector on track to become one of the most powerful in the world.

Chapter 4: Farben's Cooperation Leads to Profit

IG Farben had established itself as one of the most prosperous enterprises in the world at the beginning of the 20th century. The company dominated the market for synthetic dyes, and by the 1930s they had over two hundred thousand employees with assets totaling over 1.6 billion Reichsmarks.¹¹⁴ Their board of executives had always upheld good relations with officials at key government agencies during the Weimar Republic, however the company was tentative to associate themselves with the Nazi regime. Many directors believed the regime's centralized political approach was counterproductive because it limited trade relations and the market's capabilities. Nevertheless, Hitler was elected chancellor and Germany abandoned capitalism and economic liberalism. However the change in the nation's political structure greatly benefited IG Farben, as they became globally dominant in the chemical and pharmaceutical sectors.

Dyes, pharmaceutical drugs, and photographic materials accounted for most of IG Farben's sales prior to Hitler's rise to power. In 1926 IG Farben embarked on the construction of the world's first facility for coal hydrogenation, the alchemical process through which coal was transformed into petrol, because the company believed one day the world would run out of oil thus making their synthetic alternative extremely valuable.¹¹⁵ In 1933 IG drafted a memorandum projecting a 50 percent rise in fuel consumption by 1937.¹¹⁶ Farben then invested 300 million Reichsmarks in Leuna, one of their plants, in hopes that coal-based technology would pay off in the future when oil wells dried and fuel prices soared. But the oil plan backfired completely. The fear of an oil shortage caused a dramatic wave of prospecting success. Effective drilling in

¹¹⁴ Tooze, *The Wages of Destruction*, 115.

¹¹⁵ Tooze, *The Wages of Destruction*, 115.

¹¹⁶ "The Development of I.G. Farben's Product Range," *Wollheim Memorial*, accessed February 22, 2013, http://www.wollheim-memorial.de/en/produktpalette_ig_farben_en.

Venezuela, California, Oklahoma, and the Permian Basin in west Texas caused the world market for crude to be oversupplied and world price to collapse, leaving IG's investment in Leuna economically irrational. The Third Reich could potentially sabotage IG and their synthetic fuel project by importing cheaper gasoline from the world market.

In the autumn of 1932, two IG men with connections to the far right traveled to Munich to brief Hitler on the national importance of their synthetic fuel project.¹¹⁷ The IG officials presented their plan by drawing on the Hitler's interest in self-sufficiency, and the regime agreed to help salvage their investment.

We National Socialists have the intention of generally expanding the German raw material base... from this position it is a matter of course that we desire an increase in the production of petrol from German raw materials. From a purely economic point of view it would be wrong to produce petrol domestically at a price of 19 Pfennigs, when the world market is 5 Pfennigs. But I have declared to the importers, what guarantees can you give me for the maintenance of world peace? For us National Socialists, apart from economic criteria... military reasons are decisive. I am therefore determined to promote fuel production from German raw materials by all means and to provide necessary and sales guarantees.¹¹⁸

The Nazi regime and IG Farben formed an agreement and created a scheme to produce several million tons of synthetic fuel.¹¹⁹ Economically, it would be wiser for the nation to import cheaper oil from the world market. However IG knew that did not fit with Hitler's vision for Germany.

Farben initiated the project from a capitalist perspective believing that oil would eventually become depleted and the company would profit immensely from the synthetic substitute. Once it became clear that their theory was false, Farben sought support from Hitler and the Nazi government as a bailout and insurance blanket. IG was not interested in the Nazi principles or ideas. But forming a relationship with the regime would save their poor investment

¹¹⁷ Tooze, *The Wages of Destruction*, 117.

¹¹⁸ Tooze, *The Wages of Destruction*, 117.

¹¹⁹ Tooze, *The Wages of Destruction*, 117.

by ensuring the nation did not import oil. Thus a strength of a centralized government the power they have the power to support and finance companies. Hitler believed decentralization and capitalism failed because it caused businesses to be greedy and left the nation vulnerable to their irrational actions. The regime's concentration of power gave them the authority to support businesses, like IG Farben and their investment in synthetic technologies. The Third Reich decided that self-sufficiency and independency from the world market was important, thus they salvaged IG's investment for the greater good of the nation.

Farben and their relationship with the NSDAP would have been much different had they not sought out the party's support. In February of 1933, the regime summoned twenty-five businessmen to explain their policies and vision for the nation.

The invitees included leaders of German industry, men such as Georg von Schnitzler, second in command at IG Farben, Krupp von Bohlen, who was both head-by-marriage of the Krupp empire and the current chairman of the Reich industrial association, and Dr Albert Voegler the CEO of the Vereinigte Stahlwerke, the world's second largest steel firm... As in his national address on 1 February, his [Hitler's] central theme was the turning point in German history marked by the defeat and revolution of 1918. The experience of the last fourteen years had shown that 'private enterprise cannot be maintained in the age of democracy.'¹²⁰

At this meeting, Hitler vehemently expressed his attitudes toward the liberal left and warned businesses, like IG Farben, that he planned to show no mercy towards anyone that favored economic liberalism. Private enterprise and capitalism failed Germany in the past and it was time for the nation to take a new direction. The National Socialists wanted a highly centralized government that controlled and regulated business transactions. Through absolute authority, coercion, and terror, the Nazi regime ensured that companies endorsed their political agenda.

The Third Reich agreed to support IG's Leuna synthetic fuel project, thus helping Germany take steps toward becoming independent and self-sufficient in the production of raw

¹²⁰ Tooze, *The Wages of Destruction*, 99.

materials. The basis of the contract were a commitment by IG to expand its facilities at Leuna to a capacity of 35,000 tons per annum, in exchange for a guarantee by the Reich that IG would make a profit of at least 5 percent on the capital invested. Any profits in excess of 5 percent would become the Party's.¹²¹

The change in power of January 30, 1933, posed a challenge for the top IG Farben managers, and the members of the combine's Central Committee felt compelled to take considerable efforts to show their loyalty to the new regime and gain influence over the key economics policymaking interfaces.¹²²

When Hitler became chancellor Germany's entire economic structure was changed. Local governments and private businesses were cut out of the national decision-making process. IG began forming connections with the regime to retain some of that power in influencing economic policies.

Hjalmar Schacht, President of the Reichsbank for the Nazi regime, received contributions from seventeen business groups following their meeting in 1933. The largest came from IG Farben at 400,000 Reichsmarks. According to a file kept by the IG Central Committee, IG donated more than 39.6 million Reichsmarks to the Nazi party by the end of World War II with payments made to the NSDAP, SS, SA, and mostly the Nazi movement's mass and professional organizations.¹²³ By the end of World War II, no company would donate to the party and benefit from their policies more than IG Farben. The National Socialists never wanted a big business to influence the course of government as it directly did during the liberal Weimar Republic. To ensure this, the party planned to accumulate unprecedented and persuade private enterprises into sharing their national vision.

¹²¹ Tooze, *The Wages of Destruction*, 118.

¹²² Hayes, *Industry and Ideology*, 353.

¹²³ Hayes, *Industry and Ideology*, 353.

What Hitler's regime positively enabled German business to do was to recover from the disastrous recession, to accumulate capital and to engage in high-pressure development of certain key technologies: the technologies necessary to achieve the regime's twin objectives of increased self-sufficiency (autarchy) and rearmament.¹²⁴

Businesses were persuaded into investing in technologies that helped Germany become independent from foreign relations. The Third Reich motivated companies to improve the nation's wellbeing and raise their standard of living, which is what happened with IG Farben. The synthetic fuel project was supported because it would benefit the entire German collective. Once IG saw how profitable relations with the NSDAP was, they became heavily intertwined in their policies. For instance dyes, drugs, photographic materials, and fertilizers accounted to 70% of IG Farben's sales in 1936. That figure dropped to as low as 31% in 1939.¹²⁵ This decrease is because IG Farben began concentrating attention on projects that the Nazis promoted. For instance, IG expanded their synthetic fuel project because the regime took away part of the risk of their investment. The regime also helped businesses by not taxing companies on profits that were earned at making the nation more self-sufficient. Thus IG started to produce more raw materials, such as heavy chemicals, light metals, technical nitrogen, and synthetic fibers, fuel, and rubber. Benzin (synthetic fuel) and Buna (synthetic rubber) previously accounted for none of Farben's earnings in 1933. Ten years later they brought in more than 20 percent of the combine's proceeds.¹²⁶ The Nazi regime offered incentives for business who were willing participate in their national vision. IG Farben took advantage of those incentives and concentrated their business around the production of material, causing them to greatly profit.

Following their huge donations to the party, top IG officials began heavily promoting the party's principles in hopes that IG would have an opinion in future legislative decisions.

¹²⁴ Tooze, *The Wages of Destruction*, 114.

¹²⁵ Hayes, *Industry and Ideology*, 327.

¹²⁶ Hayes, *Industry and Ideology*, 327.

Management and personnel [of IG] moved to effect a rapid Nazification on all levels of the concern. Top executives and plant managers demonstrated their support for the Nazi government in the company's bodies and committees. With these internal assurances, Carl Bosch and Carl Duisberg were freed to go to the public and use nearly identical phrases in telling how highly they valued the new regime, because it was finally taking strong measures and letting actions follow on its words. By late 1936 eight members of the board and/or the Central Committee had joined the NSDAP. One-third of the members in each of these executive bodies were now a registered National Socialist.¹²⁷

Centralized governments excluded majority of the nation from the decision-making process.

Thus IG Farben began campaigning and promoting the regime's policies in hopes that they would break into the inner-circle that dictated the direction of Germany. Many of IG's top officials thus became party members because they believed it would help advance their business, giving them a greater say in the nation's agenda.

A major issue with the Volkswagen project was the cost. Hitler adamantly demanded that the vehicle be below 1,000 Reichsmarks so the public could afford it. But the main reason the vehicle had to be so cheap was because the price for oil in Germany was so much high. As mentioned, the prospecting success of drilling companies caused the price for oil in the world market to become extremely low. The price of a liter of petrol in the Gulf of Mexico varied between 2 and 3 Pfennigs, which was around 10 percent of the price charged to German motorists.¹²⁸ After allowing for shipping and the cost of distribution and marketing, the cost of 1 liter of petrol was around 20 Pfennigs.¹²⁹ Germany, however, charged 39 Pfennigs per liter because they did not have oil-drilling sites like South America and the United States. With such a high price for oil, Germans had a difficult time purchasing and operating cars. In addition, IG

¹²⁷ "I.G. Farben Implements the Nazis' Racial Policy in Its Plants," *Wollheim Memorial*, accessed February 19, 2013,

http://www.wollheimmemorial.de/en/ig_farben_setzt_die_nsrassenpolitik_in_ihren_betrieben.

¹²⁸ Tooze, *The Wages of Destruction*, 151.

¹²⁹ Tooze, *The Wages of Destruction*, 151.

Farben did not have the resources or technology to produce synthetic oil at such a low price. Therefore the Nazi regime used their power to expand IG and lower the price for German oil.

When the National Socialists and IG formed their partnership, they were committed to expanding IG's Leuna facilities and increasing their capacity. At the time, IG and the Nazis agreed that the factory would produce 350,000 tons of synthetic oil per annum. However Hitler was concerned with those figures because they would only be a small step towards self-sufficiency. To satisfy the demands that Hitler expected in the future, the regime announced the Four Year Plan. The core of the plan was to increase the domestic production of important raw materials such as synthetic rubber, fuel-oil, and iron ore, which were all essential resources for war. Thus in the following years, Germany began building refineries, aluminum plants, and chemical factories. The country needed to increase its production in raw materials if it expected to expand its borders and avoid military blockades similar to World War I. With the announcement of the plan, IG and the Nazi regime took on a new intensity.

In late April of 1936 [Carl] Krauch took over the research and development section of Hermann Göring's new Raw Materials Office, which became the central component of the Four Year Plan organization unveiled five months later. As a result Carl Krauch became one of the two or three most powerful businessmen ever to serve in the economic hierarchy of the Third Reich. Charged with achieving maximum possible national self-sufficiency in some thirty major products (ranging from oil, rubber, and textiles to fats, albumen, and animal fodder), he and his staff allocated an average of 47 percent of annual German industrial investment between 1936 and 1939, exclusive of the coal and electrical industries, and a total of some \$3.5 billion in investment funds by 1942. At least half of this massive flow of capital was earmarked for fields in which Farben produced.¹³⁰

Previous IG employees were breaching into the Hitler's inner circle. Carl Krauch previously served as IG's executive director where he knew a great deal of information about the company and their capabilities. Now, he had control of 47% of the Germans annual industrial investment.

¹³⁰ Hayes, *Industry and Ideology*, 360.

A main reason for Farben and the Nazi regime becoming so close was because former IG employees became part of the centralized group that made national decision.

Raw materials are an essential commodity for any nation preparing to go to war. At the time of World War II a number of countries invested huge amounts of capital into chemical and industrial businesses that produced these important goods. Imperial Chemical Industries (ICI), a British Chemical company at the time, expanded greatly during the wartime period where in 1937 the British government entirely sponsored the production of eighteen new factories. During the war, the number of ICI's government plants increased to twenty-five and they supplied nearly all their nation's explosives, incendiary bombs, ammonia, chlorine, metal alloys, and basic chemicals.¹³¹ Similar to IG, former ICI employees were elected to state and national bureaucratic positions, including two members of the board of directors, five heads of production groups, and thirty-three middle managers and chemists sent to ministries, along with 3,345 trained personnel assigned to run the government installations.¹³² The company, which had invested a great deal in Britain's war effort, placed employees in governmental positions to have an influence on legislative decision-making and policy creation. In a similar situation, Dupont, an American chemical company, had the same increase in production and government support that IG Farben and ICI experienced during World War II. Following the events of Pearl Harbor, the US company expended almost \$222 million on factories commissioned, paid for, and owned by the United States government.¹³³ By the end of the war, the firm had participated in erecting fifty-four new factories primarily across the relatively unindustrialized South and West.¹³⁴ IG Farben, ICI, and DuPont all had similar experiences during World War II by becoming

¹³¹ Hayes, *Industry and Ideology*, 360.

¹³² Hayes, *Industry and Ideology*, 328.

¹³³ Hayes, *Industry and Ideology*, 329.

¹³⁴ Hayes, *Industry and Ideology*, 329.

components and beneficiaries of their respective nation’s war efforts. “Stimulated by patriotism and public pressure, the firms traded their skills and some of their autonomy for victory, good will, and growth.”¹³⁵ Each company profited by having production and expansion sponsored by the national government. Nazi Germany promoted jingoistic principles concerning a superior Germany and the Aryan race. Thus, IG Farben created a relationship with the regime because it allowed them to profit and expand from their policies.

Table VI. Growth of IG Farben, DuPont, and Imperial Chemical Industries 1929-1943 (‘000)^a

| | Employment | | | Assets | | | Sales | | |
|------|------------------------|-----|-----|----------------------|-----|-----|-----------|-----|-----|
| Year | IG | DP | ICI | IG | DP | ICI | IG | DP | ICI |
| 1932 | 68 | 80 | 63 | 83 | 110 | N/A | 62 | 61 | 96 |
| 1938 | 138 | 120 | 116 | 89 | 150 | N/A | 116 | 116 | 151 |
| 1943 | 204 | 180 | 236 | 155 | 203 | N/A | 219 | 302 | 318 |
| | Gross Operating Profit | | | Net Operating Profit | | | Dividends | | |
| Year | IG | DP | ICI | IG | DP | ICI | IG | DP | ICI |
| 1932 | 49 | 68 | 111 | 38 | 48 | 108 | 50 | 50 | 84 |
| 1938 | 169 | 161 | 161 | 153 | 158 | 146 | 57 | 68 | 114 |
| 1943 | 350 | 577 | 291 | 470 | 241 | 108 | 85 | 91 | 114 |

Source: Peter Hayes, *Industry and Ideology: IG Farben in the Nazi Era*, (Cambridge UP, 1987), 331.

As Table VI indicates, each company experienced huge growths during the wartime period because there was such a high demand for raw materials. Gross profit, employment, and sales all greatly grew for each chemical firm from before the war in 1932 to during the war. The table shows how much chemical and industrial companies grew from when a nation needed to prepare for war. State sponsorship led IG, ICI, and DuPont to greatly expand and prosper because they were financed by the national government. When the Four Year Plan was established in

¹³⁵ Hayes, *Industry and Ideology*, 330.

Germany, IG would have been foolish had it not tried to capitalize on the opportunity and benefit from the policy.

Henry Stimson, an American politician during the 1930s and 40s, once said, “If you are going to... go to war... as a capitalist country, you have to let business make money out of the process or business won’t work.”¹³⁶ This was true for a democratic and free state like the United States and Great Britain, but certainly not for Germany. Hitler opposed laissez-faire economics because destroyed nationalism and left the country susceptible to dangers outside their control. The NSDAP used their power to strongly regulate the economy, and forced private businesses to share their vision through legal authority and coercion. Following the announcement of the Four Year Plan, Adolf Hitler issued a “Führer Decree” appointing Hermann Göring as the “Trustee of the Four-Year Plan,” giving him extensive authorities compared to all other agencies of the Reich.¹³⁷ The Plan empowered directors with the authority to issue legal decrees and general administrative regulations to force private enterprises to support the Nazi agenda. Nazi officials became able to bully big businesses into expanding factories geared towards the production of synthetic rubber, textiles, fuel, and other raw materials.

As previously mentioned, Hitler was concerned with the inadequate scale of production at IG’s Leuna factory. At the time hydrogenation plants were expensive, costing between 250 and 300 million Reichsmarks for the first stage of production.¹³⁸ The state could have provided funding for the project, however they had other pressing commitments. As a result, Hitler called for a conference from the leading industrialists in the coal and mineral oil business to appeal to their interest. Hitler expected the companies to make contributions and share their vision of

¹³⁶ Hayes, *Industry and Ideology*, 331.

¹³⁷ Siebert, *The German Economy*, 377.

¹³⁸ Tooze, *The Wages of Destruction*, 118.

Volksgemeinschaft and self-sufficiency. But industrialists were taken back by this request, believing coal hydrogenation was uneconomic and the donating such large quantities of capital would prevent them from taking advantage of other opportunities in the course of the economic recovery.¹³⁹ Hitler was frustrated with the response he received, causing him to resort to the government's authority and force cooperation.

Having failed to obtain voluntary agreement, they [the Nazis] had the ministry draft a Decree for the Creation of Compulsory Economic Associations in the Brown Coal Industry (*Verordnung ueber die Errichtung wirtschaftlicher Pflichtgemeinschaften in der Braunkohlenwirtschaft*). Ten leading coal-mining corporations were conscripted on October 1934 to form the Braunkohlenbenzin AG (Brabag). Each was instructed to make out a check for at least 1 million Reichsmarks for immediate use. When more coal companies were added in November, Nazis threatened both unlimited fines and imprisonment for anyone refusing to cooperate. To satisfy the demands of the military, three new synthetic fuel plants built under the license from IG Farben were to be brought into operation by 1936.¹⁴⁰

Nazi centralized control allowed the regime to use legal documents to force businesses to comply. At first, the Third Reich typically let private businesses act on their own free will, such as the case with the industrial miners. However when voluntary agreement failed, the regime used their concentrated power to force support. A benefit of Nazi centralization was that it caused all citizens and businesses to contribute towards one national goal, therefore making projects more efficient and effective. On the other hand, centralized politics limited business freedom and caused companies to lose part of their independence.

Farben expanded with the help of Nazi political authority and coercion. By 1939 the company had twelve operational hydrogenation plants producing gasoline and mineral oils, with a total capacity of 3.85 million tons a year.¹⁴¹ In addition, they started developing other important raw materials such as synthetic rubber in their Buna facilities. For Germany to become

¹³⁹ Tooze, *The Wages of Destruction*, 119.

¹⁴⁰ Tooze, *The Wages of Destruction*, 119.

¹⁴¹ Tooze, *The Wages of Destruction*, 226.

completely independent and self-sufficient, the nation would need to cut all ties with the world market. As Table VII indicates, the number of natural rubber imports per year was at an all time high when the Four Year Plan was established. Over time, those figures drastically dropped as the production of Buna rose through the guidance of the German government.

Table VII. Rubber production with the Four Year Plan

| 000 tons | Natural rubber imports | Buna |
|-----------------|-------------------------------|-------------|
| 1932 | 50 | 0 |
| 1933 | 61 | 0 |
| 1934 | 72 | 0 |
| 1935 | 74 | 0 |
| 1936 | 83 | 1 |
| 1937 | 100 | 4 |
| 1938 | 92 | 6 |
| 1939 | 77 | 22 |
| 1940 | 19 | 41 |
| 1941 | 27 | 71 |
| 1942 | 24 | 101 |
| 1943 | 8 | 120 |

Source: Adam J. Tooze, *The Wages of Destruction: The Making and Breaking of the Nazi Economy*, (New York: Viking, 2007), 228.

The table also shows that IG reinvested capital into sectors that were important to the Nazi vision. Before Hitler came to power, no company produced Buna. But after Hitler announced the Four Year Plan, IG was motivated to partake in rubber production because the regime offered tax deductions. The plan led IG to accumulate immense wealth. From 1939 to 1943 the firm saw its revenues from synthetic fuels alone more than double from 162 million RM to 351 million

RM.¹⁴² The increase in production can be attributed to a number of factors, however Nazi centralized economic planning certainly played a part.

Similar to other German industries, the Nazi government had a plan for IG Farben during the outbreak of World War II. Whenever the *Wehrmacht* conquered another country, IG Farben followed and systematically took over the facilities. They participated in the plunder of Austria, Czechoslovakia, Poland, Norway, France, and a number of other countries

The leading bodies of I.G. generally would not wait long for negotiations to show results. Instead, using their experiences with Austria and Aussig-Falkenau as the templates, I.G. would dispatch sales and technical personnel immediately to newly-occupied territories, where they would work with the military's economics command in locating the plunder, advising in the resumption of production and preparing to take over ownership. These preparations served to greatly increase I.G. Farben's chances of taking over targeted properties.¹⁴³

The regime was synchronizing military and economic expansion by conquering foreign areas and allowing IG officials to follow and seize ownership of chemical plants. The Third Reich invaded neighboring countries in hopes of expanding Germany's border and raising their living standards to a position more suitable for the Aryan race. IG benefited from Germany's expansion because it allowed them to conquer factories, thus becoming larger.

When Austria became annexed into the German Third Reich in 1938, Farben began to develop the idea that they could completely dominate the world market for all chemical products.

The I.G. combine lost no time in pursuing a "new order" for the chemicals industry in the annexed territories, starting in Austria with a rapid takeover of the Skoda Wetzler AG nitrates plant and its subsidiaries. I.G. Farben had first bought into Skoda Wetzler in January 1938, before the occupation of Austria; it acquired the rest of the shares from Kreditanstalt-Bankverein in June, a few months after it. The Jewish executives Isidor Pollak and Franz Rottenberg (both of whom the Nazis had already arrested) and all other "non-Aryan" personnel were immediately fired. Hans Kühne, the director of I.G.'s Lower

¹⁴² Tooze, *The Wages of Destruction*, 257.

¹⁴³"The I.G. Farben Corporation's Confiscation of Firms in the Conquered Territories," *Wollheim Memorial*, accessed February 21, 2013, http://www.wollheim-memorial.de/en/raub_in_den_eroberten_gebieten.

Rhine region, was named as the new head manager of the Skoda Wetzler plants. Four months later, I.G. Farben took over the Austrian holdings of the Slovakian munitions maker, Dynamit Nobel Bratislava. These were merged with Skoda Wetzler to form a new subsidiary of I.G. Farben, Donau Chemie AG.¹⁴⁴

Similar to the Nazis' idea of New Order with the creation of a pan-German racial state, IG Farben looked to establish a complete and absolute monopoly over the production of all raw materials. The company did not agree with nor did they support all of the party's principles, but they were also unable to change the political system that governed Germany. Instead of looking at their situation morally, IG decided to form relations with the regime because of the possible financial gains.

In the winter of 1940-41 the NSDAP was concerned about the long-term raw material situation. Germany needed to produce rubber and oil at a more rapid pace to keep up with the country's growing territory. Thus in February 1941 Hitler set fuel expansion targets that aimed to raise Germany's fuel production from 4.3 million tons in 1941 to more than 6 million tons by 1943. The longer-term goal was to achieve production of more than 10 million tons of oil by 1945.¹⁴⁵ As Germany expanded, Hitler developed a plan to build a state-of-the-art chemical facility in Poland called IG Auschwitz. The factory would be situated on the ground level, close to coalfields, and with an excellent access to railways and water. The budget for the Auschwitz plant was set at 776 million Reichsmarks, making it the largest single investment in the entire portfolio of the Four Year Plan.¹⁴⁶

In fact, I.G. Auschwitz was designed from the very first to be an extremely complex chemical factory, producing, besides Buna, high-performance fuels (including aviation gasoline and fuel oil for naval use), various plastics, synthetic fibers, stabilizing agents, resins, methanol, nitrogen, and pharmaceuticals.¹⁴⁷

¹⁴⁴ "The I.G. Farben Corporation's Confiscation of Firms in the Conquered Territories."

¹⁴⁵ Tooze, *The Wages of Destruction*, 443.

¹⁴⁶ Tooze, *The Wages of Destruction*, 446.

¹⁴⁷ "The I.G. Farben Corporation's Confiscation of Firms in the Conquered Territories."

The factory would make an annual total of 30,000 tons of Buna, helping satisfy the military demand for fuel and Buna. When the war ended, the regime wanted the facilities at Auschwitz to make a switch to high-pressure Reppe chemistry and the promising manufacture of plastics.¹⁴⁸ Otto Ambros, a member of the IG executive board, believed the Buna plants were a “starting point for aldehyde chemistry, for solvents, plastics, resins, or softening agents.”¹⁴⁹ But as fighting progressed labor shortages made it difficult for Farben and other industrial businesses to reach their production quotas. The German Reich began to rely on forced labor in an attempt to resolve the issue.

Before the war, the National Socialists used forced labor to reprimand those who did not agree with their vision of *Volksgemeinschaft*. However once World War II started, it had become a staple of the German Reich war economy and a tool for systematic exploitation for those who were viewed as racially inferior. The country had been suffering from labor shortages from as early as 1937 when there was a high demand for workers in IG’s major building sites. In response, war prisoners were sent to fill the void. The foreign laborers made it very difficult for IG to conduct business effectively. Skilled and relatively well-treated western Europeans tended to slack off and the ill and malnourished were incapable of efficiently executing their duties.¹⁵⁰ The inadequate number of workers made it difficult to erect the new IG Auschwitz Buna plant, which was initially planned to be complete in two to four years. Thus, Krauch ordered that the SS provide the largest possible number of inmates for work on the site. To stress the urgency of

¹⁴⁸ "What Was I.G. Auschwitz Meant to Produce?," *Wollheim Memorial*, accessed February 20, 2013, http://www.wollheim-memorial.de/en/was_sollte_fabrik_produzieren.

¹⁴⁹ "Buna for the Wartime Economy – Planning and Large-Scale Production in the Years 1933–1945," *Wollheim Memorial*, accessed February 22, 2013, http://www.wollheim-memorial.de/en/buna_in_der_kriegswirtschaft_en.

¹⁵⁰ Hayes, *Industry and Ideology*, 347.

the project, Krauch warned Nazi officials in charge of construction that, “It must never happen that, for some reason, you show delay in employing the workers assigned, either because they do not include as many skilled workers as you wish or because of lack of housing.”¹⁵¹ In other words, anything goes.

Farben’s selection of Auschwitz may not have been contingent on the presence of the concentration camp that was already established there. Surviving records suggest that the regime’s insistence on an eastern location and specific geographic assets attracted Ambros and IG before the possibility of employing inmates emerged.¹⁵² Regardless, the combine’s decision to occupy the site contributed mightily to the camp’s expansion and its eventual evolution into a death manufacturer. The Nazis’ plan was to create a hub for housing around the industrial plant that could accommodate 30,000 prisoners after the war was finished. The NSDAP promised to furnish gravel and other basic materials, to supply, train, guard, and help feed up to 1,500 skilled inmates during 1941 and to double that number by 1942, and to construct a bridge and rail spur linking the camp with the construction site. In return Farben would pay the SS 3 to 4 marks for each worker’s eleven-hour shifts.¹⁵³ But problems arose during the construction process. First, the regime’s inability to construct a fence around the work area made inmates only employable during the daylight. Secondly, security guards administered frequent beatings to prisoners, which had a demoralizing effect on others.

By mid-1942 Farben’s Auschwitz plan had fallen badly behind schedule. From IG’s perspective, the fault lay with the Nazis and their failure to provide or transport essential materials and labor. As fighting progressed it became clear that World War II would do to Buna

¹⁵¹ Hayes, *Industry and Ideology*, 350.

¹⁵² Hayes, *Industry and Ideology*, 351.

¹⁵³ Hayes, *Industry and Ideology*, 353.

what World War I had done to dyes: create overseas competitors and reduce future markets. The United States, for example, was investing more than \$700 million dollars into the manufacture of synthetic rubber.¹⁵⁴ IG Farben began to realize it no longer had a dominant position in the world market in regards to the production of Buna. Farben worried about their investment because they were stuck between the regime's priority, immediate output, and their objective, ultimate competitiveness. Yet IG had committed too much economically and politically to reverse its course. The stalling of construction and the concern about their position in the world market led to the barbarization of IG-Auschwitz.¹⁵⁵ As impatience with construction grew, conditions for laborers worsened. Thousands of available beds in barracks could not be occupied because latrines, baths, and kitchens were absent. Workers were not supplied with shoes or socks. By November of 1942, nineteenth months after IG and the Nazis agreed on the project, the construction had only just begun. To expedite the process, Farben proposed that the SS sanction systems of bonuses and extra rations and offer early release from work for particularly productive inmates.¹⁵⁶ These suggestions led to improvements in labor efficiency and eventually sub camps, like Monowitz, formed in 1942 that were to provide slave labor for the Buna industrial complex. By winter of 1943, the worsening work conditions and deterioration of inmates' health provoked the first systematic "selection" at Monowitz. The horrific relationship between IG Farben, the NSDAP, and mass extermination was created.

Able-bodied Jews were brought from Auschwitz, billeted three to a bed in stifling and verminous barracks, provided minimal food and clothing supplements to the standard camp issue, subjected to lengthy predawn roll calls in all sorts of weather, and put to work on eleven-hour shifts hauling or carrying heavy loads at a trot. Within three to four months of their arrival, such treatment literally consumed the inmates, reducing them to

¹⁵⁴ Hayes, *Industry and Ideology*, 355.

¹⁵⁵ Hayes, *Industry and Ideology*, 356.

¹⁵⁶ Hayes, *Industry and Ideology*, 358.

walking skeletons. Those who did not drop dead were sooner or later reclaimed by the SS and gassed. Either way, they were replaced, and the cycle resumed.¹⁵⁷

Through this rotation, more than 35,000 people were passed through Monowitz during 1943 to 1944; the toll of confirmed deaths are estimated at 23,000, or an average of 32 per day.¹⁵⁸ So long as IG-Auschwitz maintained the flow of able-bodied workers, IG's managers morally excused themselves of allowing the prisoner's fate to lie with the regime.

Zyklon B, a granular vaporizing pesticide, was being used to asphyxiate and kill the Jews at Auschwitz's concentration camp in mass numbers. *Deutsche Gesellschaft für Schädlingsbekämpfung mbH* (Degesch), a subsidiary of IG Farben, controlled the production of this deadly chemical. IG had some control in Degesch's business where their 42.5% of the company's stock translated into three seats on their Administrative Committee, which were occupied by IG members Heinrich Hoerlein, Karl Wurster, and William R. Mann.¹⁵⁹ However, the group ceased to meet after 1940 and it is not certain that IG's members condoned the poisonous chemicals use at the Auschwitz concentration camp. Zyklon B would have been produced during World War II because it could be used to disinfect barracks, ships, and freight cars. It was this high level of toxicity that led the SS to test the substance on 850 Soviet prisoners in 1941. Therefore IG may never have known of its use in Auschwitz because the SS had never consulted with either Farben or Degesch about the construction of gas chambers at concentration camps.¹⁶⁰ "After learning in June 1943 from Kurt Gerstein of the SS that Zyklon had been used to murder 'large numbers of people... criminals, mental cases, and so on,' the general manager

¹⁵⁷ Hayes, *Industry and Ideology*, 359.

¹⁵⁸ Hayes, *Industry and Ideology*, 359.

¹⁵⁹ Hayes, *Industry and Ideology*, 361.

¹⁶⁰ Hayes, *Industry and Ideology*, 363.

of Degesch, Gerhard Peters, allegedly kept an oath of secrecy.”¹⁶¹ Officials from both Degesch and IG Farben had no knowledge about the use of the deadly chemical; and in the postwar trials no proof emerged that IG senior executives and directors knew about Zyklon B’s use in Nazi extermination camps.

IG Farben saw the advantages of Nazi centralized economics, causing them to form close ties with the regime. IG originally opposed the regime’s rise to power, which was the general mood of most private industries because the NSDAP limited Germany’s trade opportunities. But Farben developed connections with the regime because they believed they could greatly profit. The company bought into the nation’s Four Year Plan and expanded its facilities to meet the demands of the Reich. Many Farben employees became official members of the Nazi party because they hoped the company could influence national decision-making. IG Farben would eventually become one of the largest and most dominant corporations in the world because they restructured their business to support Hitler. The firm traditionally produced dyes, pharmaceuticals, and photographic materials, but abandoned those products when the regime offered incentives for work in the production of raw materials. Farben experienced immense profits when they switched to the production of oil, rubber, and other goods. The experiences of IG Farben showcase the benefits and drawbacks of Nazi centralized economic planning and the effects policies had on industrial businesses. Farben’s experiences are unique because the firm was so involved in the regime’s policies. But nonetheless, their experiences prove that Nazi centralization had a positive impact on Germany’s economy, except destroyed business freedom.

¹⁶¹ Hayes, *Industry and Ideology*, 363.

Chapter 5: Bosch's Minimal Compliance

By 1913, Robert Bosch GmbH was a global company that had branch operations in America, Asia, Africa, and Australia. The firm was heavily involved in the foreign market and generated 88% of its sales outside Germany.¹⁶² The firm focused primarily on the production of electrical and automotive accessories, including brakes, headlights, steering systems, and fuel and ignition systems. They benefited greatly from the nation's liberal economic model and had trade connections throughout the world. However, the economic crisis in the 1920s had a crippling effect on the automotive industry, causing Bosch GmbH to suffer huge losses. In the period between 1925 and 1926, sales for Bosch dropped by 35 percent, resulting in associates to be laid off and work in the plants to be cut back to three days a week.¹⁶³ To add, the company was forced to cut senior level executives as the board of managements was stripped from eleven members to just three members and three deputies.¹⁶⁴

The economic crisis caused Bosch to begin a rigorous program of modernization and diversification by expanding beyond the automotive market. In 1927 Robert Bosch, founder of Bosch GmbH, said, "We ourselves are trying to move away from automotive work if we can, or, to be more precise, to add more strings to our bow."¹⁶⁵ Bosch believed the company's heavy reliance on the transportation sector limited their potential. Thus they gradually turned to the production of household electrical appliances and began working with refrigerators, radio parts, televisions, and hand tools. The company also started to cooperate with competitors both in and outside Germany, hoping to secure a firm position on the international stage. In 1924, Bosch

¹⁶² Tooze, *The Wages of Destruction*, 150.

¹⁶³ Theodor Heuss, *Robert Bosch, His Life and Achievements*, (New York: H. Holt, 1994), 367.

¹⁶⁴ Heuss, *Robert Bosch, His Life and Achievements*, 341.

¹⁶⁵ Heuss, *Robert Bosch, His Life and Achievements*, 341.

merged with Eisemann, a Stuttgart-based company that manufactured products of similar nature. In 1928, they began a new joint venture with Lavalette in Paris, France. And in 1931, they partnered with British competitor Joseph Lucas Ltd and became CAV-Bosch and began producing fuel injection pumps.¹⁶⁶ By collaborating with foreign enterprises, the company was able to avoid high import tariffs. Economic liberalism and unrestricted capitalism permitted Bosch to freely operate in the foreign market without obstruction. The liberal economic structure helped them grow and profit.

Robert Bosch himself was a pacifist and pan-European; and he frequently spoke out politically in hopes of creating a united and peaceful European continent. In World War I many of Bosch's close associates were killed. The huge divisions that formed between France and Germany prompted Bosch to become a dedicated supporter of international rapprochement. In the spring of 1932, Robert Bosch drafted a memorandum hoping to make "Europe one big economic block."¹⁶⁷ He believed *Gewerbefreiheit*, or business freedom, would create a stronger, more united and peaceful Europe. Decentralization and liberalism would motivate businesses to form connections with foreign nations, resulting in peaceful alliances. Bosch's political activism caused the company to get off on the wrong start when Hitler was named chancellor of the Reich in 1933. Hitler and Bosch had virtually opposite political viewpoints, Bosch advocated for business freedom and free trade, whereas Hitler supported heavy restrictions and independency from the world market. Thus when the NSDAP consolidated power over Germany, Bosch and his colleagues remained silent. For example, when the Nazis ordered a number of chief German industrialists to attend a meeting in Berlin to hear Hitler discuss the party's principles, Bosch refused to attend. On February 20, 1933 Bosch wrote,

¹⁶⁶ Heuss, *Robert Bosch, His Life and Achievements*, 341.

¹⁶⁷ Heuss, *Robert Bosch, His Life and Achievements*, 534.

If I am not able to participate in an open discussion, with an exchange of views in which I can present the Chancellor with my profound concerns and the reasons for them; in a conversation at which many people are present I will certainly not accomplish anything,¹⁶⁸

Hitler's authoritative and coercive rule did not allow oppositionists like Bosch to express their concerns about the regime's highly regulated and limited market. Thus rather than say something wrong, Bosch kept most of his ideas concerning foreign policy and liberalism dormant.

Eventually Hitler learned about Bosch's political views and he invited him to schedule a time to meet. In a letter dating back to September 9th 1933, Bosch wrote,

Perhaps I will succeed in making a certain impression. He is said to know me very well by my actions... Earlier on, I was laughed at on account of my position on the social question, made fun of and hated. Today I seem to be recognized for it. If I could be of some use in that way, you have no idea how happy it would make me.¹⁶⁹

Bosch's political views of rebuilding relations with France were unpopular because citizens were still upset with the harsh reparations issued by the Treaty of Versailles. However, Bosch believed Germany could greatly prosper from forming economic ties with France and was confident Hitler would consider his plan. But the meeting did not go as hoped, and rather than Hitler listening to Bosch's opinion he used the time to speak about the policies the regime would pursue. The Führer made an effort to speak about his economic agenda to almost every German industrialist upon obtaining power, giving businessmen the opportunity to participate and share the nation's vision. But Bosch vehemently disagreed and attempted to keep the company distant from Nazis control. Bosch would meet Hitler personally on a few other occasions at automobile exhibitions and state receptions; however he never accepted invitations to political events.

Bosch GmbH complied with the regime's policies as minimally possible, which was a major reason for why they did not profit nearly as much as other companies. "If Bosch had

¹⁶⁸ Heuss, *Robert Bosch, His Life and Achievements*, 541.

¹⁶⁹ Heuss, *Robert Bosch, His Life and Achievements*, 541.

regarded the domestic political developments with the eyes of a businessman, he would have followed the example of a number of industrialists from the Rhineland and would have participated strongly in the financing of the National Socialism.”¹⁷⁰ Hitler addressed the economic crisis by restoring Germany’s transport and motor sector. One of the party’s very first legislative initiatives was a stimulus package that benefited businesses that supplied parts for motor vehicles and motorcycles. As previously mentioned, the program would have a huge impact on the economy, stimulating economic activity and employing more than a million Germans. But the program also benefited the nation psychologically.

The government’s willingness to invest capital into a sector that had struggled from the 1920s to the early 30s helped restored business morale. Daimler-Benz, Auto-Union, and Opel were three German automotive companies that pledged to higher more full-time employees starting in April of 1933. The same was true for Bosch. The year 1933, which started with 8,332 employees working an average of 45 hours a week at Bosch, ended with 11,235 employees and a 48-hour week.¹⁷¹ That number reached 13,000 by April 1934.¹⁷² Nazis policies motivated companies to conduct business within the nation’s borders by offering tax incentives. Bosch, a company that had a number of foreign connections, began refocusing their business. In 1934 the company’s domestic sales increased by more than 80 percent.¹⁷³ Even though German exports had declined significantly from 1933-1934, businesses were profiting like they had never before. Table VIII demonstrates the faith the NSDAP had in Germany’s transportation sector and the effect their policies had on the national economy.

Table VIII. Vehicle Industry: business statistics, 1928-1935

¹⁷⁰ Heuss, *Robert Bosch, His Life and Achievements*, 544.

¹⁷¹ Heuss, *Robert Bosch, His Life and Achievements*, 545.

¹⁷² Heuss, *Robert Bosch, His Life and Achievements*, 545.

¹⁷³ Heuss, *Robert Bosch, His Life and Achievements*, 545.

| Year | Profit (No. of firms) | Loss (No. of firms) | Profit (RMm.) | Loss (RMm.) | Employment (Yearly Peak) |
|-------------|----------------------------------|--------------------------------|--------------------------|------------------------|-------------------------------------|
| 1928 | 11 | 5 | 7.7 | 16.6 | 83,751 |
| 1929 | 14 | 3 | 8.0 | 11.7 | 76,441 |
| 1930 | - | 9 | 4.6 | 38.8 | 54,153 |
| 1931 | 3 | 13 | 0.2 | 42.2 | 46,134 |
| 1932 | 2 | 15 | 0.9 | 25.8 | 34,392 |
| 1933 | 9 | - | 8.2 | 23.5 | 51,036 |
| 1934 | 13 | 4 | 21.8 | 0.7 | 80,858 |
| 1935 | 15 | - | 27.3 | - | 100,937 |

Source: Richard James Overy, *War and Economy in the Third Reich*, (Oxford: Clarendon, 1994), 79.

The nation's automotive sector suffered greatly from World War I and the Depression, causing car firms to request government subsidy in order to survive. Only 3 automotive firms reported profits in 1929 and in 1930 the automotive firms only employed 50,000 citizens. Germany's automotive companies were not successful and their car ownership numbers reflect that. Regardless, Hitler chose to invest federal capital into a depleted sector, believing that the nation's economic recovery could be guided through the automobiles. The regime showed faith in the German nation when they invested capital and offered tax incentives for car firms, which resulted in a number of citizens and businesses buying into the regime's plan. The tax deductions led to an overwhelmingly positive response from car firms, as the number of firms that reported earnings rose from 2 in 1932 to 15 in 1935. Bosch GmbH suffered immensely following World War I and the Depression, but the government's confidence prompted the company to build a new facility for local sales and manufacturing purposes. Similar to Hitler's motorization program, the new factory had a propagandistic effect as it promoted the national recovery and improvement of living conditions, exhibiting the restoration of the German work force. A weaker and more liberal decentralized government would have greater difficulty executing what the

Nazis were doing because there are so many varying interests and no clear national vision. Decentralized governments are unable to generate cohesive support and interest. The Nazi regime had concentrated power and authority, making it easier to invest all capital and resources into the nation's automotive sector.

When the Autobahn project was announced in 1933, Bosch embarked on the creation of new innovative products. The new motor highway meant motorcars would be traveling at higher average speeds.

This resulted in new elements of danger, especially during the hours of evening and night when visibility was decreasing or absent, and when cars were following each other at differing speeds and it became necessary to brake suddenly. The braking system was twice as long as the reach of the normal low beams.¹⁷⁴ In 1935 Bosch created long-distance headlights by bundling the high beams of the two front headlights together over 800 to 1,000 meters.¹⁷⁵ The product had a clever tilting mechanism that shifted the headlight from high to low beam when a car was approaching. In addition, the firm updated old antiqued steering wheels. The government's investment in the transport sector fueled technological innovation, particularly at Bosch. The company was encouraged to create new original products because they received financial support from the federal government.

Two Nazi government projects during 1930s that benefited Bosch was the creation of the German air force and the *Volkswagen* people's car. Bosch had been working on ignition devices for airplanes for a long time. But German's military air force was disbanded under the terms of the Treaty of Versailles. When Hitler consolidated power, the regime reformed the project with the creation of the *Luftwaffe*, Germany's aerial warfare branch. Previously, the aircraft industry employed 3,200 people and had the capacity to produce no more than a hundred aircrafts per

¹⁷⁴ Heuss, *Robert Bosch, His Life and Achievements*, 547.

¹⁷⁵ Heuss, *Robert Bosch, His Life and Achievements*, 547.

year.¹⁷⁶ But Hitler invested into the sector and the number of people employed by the aircraft industry sharply rose to 45,000 in October 1934 and to 135,000 by April 1936.¹⁷⁷ As the sector expanded further, firms such as Bosch began experiencing huge surges in production and employment levels because of their experiences in engine pumps and valves. “ITT-Lorenz, Bosch and the Vereinigte Deutsche Metallwerke (controlled by the Metallgesellschaft) were all major Luftwaffe suppliers.”¹⁷⁸ In 1936 the assets of the air industry totaled more than 1 million Reichsmarks, with almost half from private sources.¹⁷⁹ Germany’s aircraft industry was unique because the military aircrafts that were being produced had little or no value commercially, meaning that one of Germany’s largest new manufacturing sectors was not merely state controlled, but a product of state initiative, state funding and state direction. Political centralization enabled governments the power to create massive projects. Private businesses benefited from Nazi economic planning because they were encouraged to participate in the nation’s recovery. Without the NSDAP creating and sponsoring the *Luftwaffe* project, Bosch would never have reached such enormous production levels during the 1930s.

Bosch also greatly benefited from the Volkswagen project. The regime had a difficult time lowering the cost of the vehicle; therefore they worked with Bosch to create unified electrical equipment.

The greatest difficulty was caused by the necessity of keeping the products within a very limited range of costs; the models available for generators and starter motors, either combined or as separate units, were well tested but too expensive.¹⁸⁰

¹⁷⁶ Tooze, *The Wages of Destruction*, 125.

¹⁷⁷ Overy, *War and Economy in the Third Reich*, 61.

¹⁷⁸ Tooze, *The Wages of Destruction*, 125.

¹⁷⁹ Overy, *War and Economy in the Third Reich*, 61.

¹⁸⁰ Heuss, *Robert Bosch, His Life and Achievements*, 549.

Bosch's task was to completely redesign the starter motor and generator to be the smallest possible size and weight at a capacity of 130 watts. While the firm worked on the project they also reached several production milestones. In August 1936 the five-millionth ignition device was manufactured; and in March, the five millionth headlight.

Bosch greatly expanded from the Third Reich's economic policies and incentives because they felt encouraged to produce new innovative products.

The effect of the government-subsidized boom was most vividly expressed in the growing number of employees at Bosch in the period leading up to the Second World War. In 1933, there had been 11,235 workers and staff members at the Stuttgart and Feuerbach plants; in 1934, there were 14,980; in 1935, 16,117; in 1936, 18,282; in 1938, 23,233.¹⁸¹

Bosch GmbH clearly prospered under the Nazi motorization campaign because their labor force more than doubled from 1933 to 1938. The party's investment into the motor sector motivated the firm to increase their production levels and take on new challenging projects where they eventually developed a monopoly over motorcar accessories.

In 1937 Bosch finally began to invest and show interest in the Nazi agenda and Four Year Plan. Within the framework of the Plan, German metal reserves were to be explored because the regime wanted the nation to be independent from the world market in all raw materials. Thus, Bosch bought the rights to various minefields from the German Montan GmbH in Wiesbaden, creating the metal mining company Westmark GmbH in Traben-Trarbach with a starting capital of 200,000 marks.¹⁸² The Nazi government regulated and monitored business activity to ensure it incorporated the regime's vision; therefore Robert Bosch's investment into metal mines was important because it displayed compliance. Bosch did not agree with the Nazis' agenda; but invested into metals as a way of showing that the business was contributing towards the nation's

¹⁸¹ Heuss, *Robert Bosch, His Life and Achievements*, 550.

¹⁸² Heuss, *Robert Bosch, His Life and Achievements*, 559.

vision. All German industrial businesses bought into the regime's policies in varying degrees. IG Farben allocated 300 million Reichsmarks for their Luna synthetic fuel factory. Bosch, on the other hand, invested .0006% of that capital into their exploration for raw materials. The company could have received financial aid from the Nazi government similar to what other German companies did. But Bosch did not want the government's support because the company did not agree with their policies. Bosch did not benefit from their investment in metals whatsoever, where their exploration in raw materials was actually counterproductive to their business. But the investment served as a façade and showed that Bosch was contributing in national goals. In reality, Bosch wanted to keep the company's independence. The firm would have greatly prospered had they looked for financial aid from the Nazi government because they produced in a sector that Hitler believed was extremely important. But Bosch disagreed with Hitler's policy and the company did not profit nearly as much as other industrial businesses.

Nazi demands started to grow as time went on and Bosch GmbH was forced to make further investments into the regime's vision. "The factory itself had to reach some kind of accommodation with the new powers if it was not to be threatened with interference."¹⁸³ To relieve some of the pressure, a number of leading Bosch officials joined the party or became supporting members of the SS. Party membership was a protective and preventative measure against the danger of being overtaken by Nazi officials. But the regime's pressure and authority did not stop there. In 1936 the party attempted to persuade Robert Bosch himself to join the NSDAP and donate money to the party. Bosch believed he had contributed more than enough financially to the German nation. Surviving records reveal that Bosch donated 100,000 marks to the Haus der Kunst, a museum in Munich and 50,000 marks to the Haus der Technik, a school in

¹⁸³ Heuss, *Robert Bosch, His Life and Achievements*, 568.

Berlin.¹⁸⁴ Thus Bosch was offended because he believed his donations to museums were at least tangible projects that benefited the entire nation. Official membership and party donations seemed unnecessary. Thus the requests went unanswered. On April 24, 1936 Robert Bosch wrote,

But I cannot see my way clear to doing that, for my responsibilities, which are both moral and essential to my life, simply must take precedence over those of the Führer, which I do not even know; and at the same time the continuing existence of the firm is also of the greatest importance for Germany.¹⁸⁵

Bosch believed the attitude and existence of his company took priority over the regime's goals and plan for Germany. When the government launched their rearmament campaign, the firm started to scale back. The expanding air force made Bosch's workshops in Stuttgart and Feuerbach indispensable. The firm worried that they would become too deeply involved in the production of military goods and Bosch himself felt consequences would come with the accelerating weapons production.

Bosch was a pacifist that was against the idea of war and violence. Therefore in September of 1936, he and colleague visited Lieutenant General Werner von Blomberg, minister of the Nazi Army, to persuade him to cut down Germany's military spending.

The purpose of the visit was to use economic and political arguments to gain an ally against the one-sidedness and rapidity of the arms race, and to remind him of the danger and likely course of a war considering the political tensions and the international situation that governed the supplies of raw materials.¹⁸⁶

But von Blomberg refused to engage in any sort of discussion because it was his duty to execute the Führer's orders. Following their failed meeting with von Blomberg, Bosch ordered that the firm be restructured. The firm began to withdraw from their partnerships with France and

¹⁸⁴ Heuss, *Robert Bosch, His Life and Achievements*, 570.

¹⁸⁵ Heuss, *Robert Bosch, His Life and Achievements*, 571.

¹⁸⁶ Heuss, *Robert Bosch, His Life and Achievements*, 572.

England and sold most of their shares in foreign subsidiaries.¹⁸⁷ In addition, Robert Bosch, who had served as the chairman of the supervisory board, became the sole business proprietor and authorized signatory for top management. He used this role to dissolve various sectors of the firm such as Eisemann Works, which produced haircutters, hand lanterns, and marine lighting.¹⁸⁸ He took all preventive measures to ensure that the firm would not be corrupted by the NSDAP.

In 1937 Bosch made an important hire that correlated with the attitudes of the firm during the Nazi reign. The company employed Dr. Karl Goerdeler; a man who had previously been mayor of Leipzig but retired because he no longer wanted to expose himself to interference and attacks by the NSDAP. During his time as mayor, Goerdeler opposed many Nazi principles and attempted to help Jewish businessmen that were threatened with the “Aryanization” economic policies.¹⁸⁹ Despite his early support for the party and pressure from the National Socialists, Goerdeler always refused to become a member.¹⁹⁰ Following his resignation as mayor, Bosch appointed Goerdeler as director of the overseas sales department. However, Goerdeler would have no real responsibilities at the firm and instead the position was used as a façade that allowed him to carry out anti-Nazi plots. Robert Bosch and Goerdeler were friends that had similar views on foreign policy and Germany’s relation to the world market. When the firm employed Goerdeler, him and Bosch formed a resistance group called the Stuttgart Circle, comprising of Goerdeler, Bosch, the managing director Hans Walz, Bosch’s private secretary Willy Schloobstein, and other members of the board of management.¹⁹¹ The group’s responsibilities included attracting like-minded people, helping the persecuted, forming relations

¹⁸⁷ Heuss, *Robert Bosch, His Life and Achievements*, 574.

¹⁸⁸ Heuss, *Robert Bosch, His Life and Achievements*, 575.

¹⁸⁹ Heuss, *Robert Bosch, His Life and Achievements*, 575.

¹⁹⁰ Hans Mommsen and Angus McGeoch, *Alternatives to Hitler: German Resistance under the Third Reich*, (Princeton: Princeton UP, 2003), 61.

¹⁹¹ Mommsen, *Alternatives to Hitler*, 62.

with the German Resistance, and establishing contacts with the outside world.¹⁹² The chief connection between the Stuttgart Circle and the Resistance was Goerdeler, who would use his position as a cover and received financial backing for his opposition activities.

Between 1937 and 1939 Goerdeler used his cover and traveled abroad to warn countries about Nazi Germany's aggressive and dangerous foreign policies.

Starting in June 1937, Goerdeler's grand tour took him to Belgium and Britain, and after a brief return to Berlin, to Holland, to France and thence in August to Canada and the United States and back to France. A second trip in March and April 1938 led again to France and Britain, and a third one, beginning in August 1938, to Switzerland and via Italy to Yugoslavia, Romania, and Bulgaria. A fourth trip, in March and April 1939, took him to France and Algeria, and finally a fifth one, in the spring and summer of 1939, to Britain, Libya, Egypt, Palestine, Syria, Turkey, and Switzerland.¹⁹³

Through a loose contractual agreement and a phony position, Bosch secretly funded Goerdeler's trips abroad, allowing him to share the German government's persecution of Jews to other countries and churches. Besides influencing foreign governments, Goerdeler also attempted to motivate the German army into considering an anti-Nazi *putsch*, or coup. Thus instead of buying into the Nazi vision, Bosch took the moral high road where he made it appear that the company participated in the economic agenda, where in reality it downsized and funded an underground resistance movement.

After Germany invaded Austria and prepared to enter Poland, Bosch and other businessmen knew that soon every industrial firm would have to make further contributions towards the war effort. In a letter to his daughter Margarete in 1939, Bosch wrote, "I am happy that the war is here. This is the only way we will get rid of the criminals."¹⁹⁴ Little evidence exists about Bosch's personal position or his judgment about the various phases of the war. "Like

¹⁹² Klemens von Klemperer, *German Resistance against Hitler: The Search for Allies Abroad, 1938-1945*, (Oxford: Clarendon, 1993), 51.

¹⁹³ Klemperer, *German Resistance against Hitler*, 93.

¹⁹⁴ Heuss, *Robert Bosch, His Life and Achievements*, 584.

his friends, he had learned to be silent.”¹⁹⁵ Many Germans buried their feelings inside themselves because there were few other options. As the fighting progressed, Bosch’s facilities at Stuttgart and Feuerbach were forced to produce tanks and air fleets and had become a central component of the nations armaments. In addition, the National Socialists began applying force to workshops, which was something disturbing to Bosch because historically he had treated employees well. In his factory regulations of 1934, Bosch had specifically failed to include any fines to be levied against workers or staff members.¹⁹⁶

Totalitarian regulation and its demands forced their way into the factory with its unique historical character, and the Bosch firm had to be satisfied to await the day when it would once more be free of such compulsions and could return to its old mission in its technical, business, and sociopolitical plans and decisions.¹⁹⁷

Nazi coercion pressured Bosch GmbH to engage in activities that it would not normally do. A major drawback of centralized politics is that it restricted business decision-making and freedoms, forcing them to share the Nazis’ vision. While Nazi economics caused Bosch GmbH to grow and profit, their policies also hurt the company’s independence. Bosch felt threatened by the NSDAP and it caused them to invest into sectors they normally would not. Eventually, the threats turned into action and the Nazis overtook their facilities. The Third Reich was too strong and powerful. The factories in Stuttgart and Feuerbach were forced to install more strict and oppressive labor laws and produce military goods. Bosch knew personally there nothing he could; which is why he let the Nazi centralized government run its course until it failed. However their power allowed them to take over control of the firm’s production, causing them to be targeted by Allied Bombers. In 1944 both Bosch’s factories were destroyed.

¹⁹⁵ Heuss, *Robert Bosch, His Life and Achievements*, 584.

¹⁹⁶ Heuss, *Robert Bosch, His Life and Achievements*, 586.

¹⁹⁷ Heuss, *Robert Bosch, His Life and Achievements*, 586.

Conclusion

Hitler and the National Socialists' highly regulated and centralized policies were beneficial for Germany's economy because they promoted industrial innovation, restored business confidence, and fueled economic growth. However the moral and ethical beliefs attached to these policies caused the system to rightfully fail. The advantage of a centralized government is that it concentrates power, authority, and decision-making responsibilities into an individual or small number of actors. The system is effective and efficient because it creates a focused and unified vision where all actors operate in the same direction; therefore preventing potential inconsistencies.

The model has been used for centuries and in 221 BC it helped China to achieve immense success, attain world dominance, and move far ahead of Europe and the Middle East in a number of technological fields. Previously, China had been separated into a number of distinct and separate kingdoms that were governed by various rulers. However during the late 3rd century BC, Qin Shi Huang conducted a series of military campaigns and conquered six Chinese kingdoms, becoming the first ever emperor of China. He abolished the nation's old feudal system and unified the various kingdoms by standardizing language, writing, measurements, and currency.¹⁹⁸ He ordered for the construction of a vast network of roads and canals that would connect areas, improve trade, and unify citizens. By standardizing the culture and connecting various regions, the nation became stronger because it was larger geographically and had greater trading opportunities. Qin Shi Huang used strong restrictive political policies to unify separate territories and create one large nation. To disperse some of the authority, Huang placed close associates in

¹⁹⁸ Heather Whipps. "How One Chinese Emperor Changed the World," *Live Science*, last modified March 9, 2008, <http://www.livescience.com/2363-chinese-emperor-changed-world.html>.

powerful bureaucratic positions so the government could better monitor economic activity.

However, all Chinese states abided by federal rule. Shi Haung issued a number of gigantic public works projects, including the Great Wall of China and the Terracotta Army, to unify the nation and build national morale.¹⁹⁹ Projects of that magnitude were only possible under the jurisdiction of a strong compacted government, like emperor Shi Haung, because the government had the power to organize funds and plan construction.

Hitler and the NSDAP's political agenda were very similar to the model used during the Qin dynasty. During the Weimar years, unrestricted commerce caused private enterprise to dominate and rule the nation. The government interfered little with market and trade, instead allowing businesses to fuel economic growth. The system worked for Germany, where by 1929 Germany was producing 33% more than it did during 1913.²⁰⁰ But laissez-faire economics and decentralization motivated firms to become heavily involved and integrated in the world market. For instance, IG Farben and Bosch conducted most of their business with foreign nations, where 80% and 88% of their sales were generated abroad, respectively.²⁰¹ Liberal and unrestrictive financial systems motivate firms to operate abroad because it maximizes their individual utility, as opposed to the nations. In other words, companies are predominantly concerned with their particular assets and wealth as opposed to the general welfare of the nation. Thus, Germany developed a very weak economic structure because private businesses were exchanging most of their capital abroad. When the American banks crashed, a severe shock wave was sent through all of Germany resulting in every citizen to suffer. Millions were left without work, capital was completely drained from the economy, which was all created due to business selfishness and

¹⁹⁹ "How One Chinese Emperor Changed the World."

²⁰⁰ Tooze, *The Wages of Destruction*, 156.

²⁰¹ Hayes, *Industry and Ideology*, 322.

unrestricted capitalism. Hitler and the NSDAP used this opportunity to rise to power because they promoted a new anti-liberal and centralized plan for the nation.

Centralization and the political policies implemented by the regime greatly benefited Germany for a number of reasons. They helped stimulate the economy, restore a depleted motor sector, fuel industrial innovation and business growth, and enhance the entire German collective. In the final years of the Weimar Republic, Germany's market was idle with little capital circulating through the economy. By the end of 1931, over 6.5 billion marks had been withdrawn from the nation and over 6 million people were unemployed.²⁰² In order to stimulate economic growth the NSDAP began creating state sponsored work projects and offering tax incentives to private companies that worked in the motor sector. The country needed guidance following the Depression, therefore the Nazi government used their power to create a number of giant public works projects to encourage business development and put citizens back to work. One of the largest projects issued by the regime was the road-building program and the construction of the Autobahn, which Hitler hoped would provide the nation with a source of national pride, as well as supplying jobs for those who had been unemployed during the Great Depression. The expansion and improvement of Germany's road had a profound effect on the economy, and it helped create more than 1 million jobs and pave over 6,500 miles.²⁰³ Hitler stimulated the economy and unified the nation in a similar manner to what Qin Shi Huang did with China when he became emperor. The roads unified various regions in Germany and boosted national morale, while at the same creating a number of job opportunities for citizens who desperately needed work. A decentralized government could not have restored Germany's economy the same way the NSDAP did. Political decentralization causes businesses to worry about their own well-being

²⁰² Tooze, *The Wages of Destruction*, 164.

²⁰³ Tooze, *The Wages of Destruction*, 145.

and financial status. IG Farben and Bosch GmbH were heavily integrated in the world market in the early 1920s because it was profitable to have trade relations with as many nations possible. They flourished during the Weimar Republic because they had the freedom to engage in business transactions that benefited the firm. However when the Depression hit Germany, they were more concerned with the financial status of their company compared to the nation. No private business was going to guide Germany out of its economic mess and employ German citizens who needed work. The nation needed the guidance of a strong and powerful government like Hitler and the Nazi regime. The party provided the nation with a plan and concentrated all their attention and resources in ways that helped the nation. Therefore Nazi centralized economic planning was beneficial Germany at the time because the nation needed their power to rebuild. The nation needed a strong centralized government to outlay funds for public works projects that would help alleviate the unemployment crisis. The regime generated a great deal of political support because their public works campaigns gave citizens a purpose. Middle-class morale was low following the Depression and many felt disconnected from the nation. When Hitler helped employ over 6 million people, he gained their loyalty because they felt apart of the nation, or *Volksgemeinschaft*.

In addition to the public works campaigns, the National Socialists' policies were good for German businesses because they encouraged economic growth by granting tax reductions to businesses that invested into the motor sector. The concessions obviously had a profound impact on firms that predominantly dealt with the manufacture of automotive equipment. For instance, sales for German motorcar firms more than doubled from 1933 to 1934 and the number of motor companies that reported earnings increased from two in 1932 to 15 in 1935.²⁰⁴ Bosch GmbH was

²⁰⁴ Overy, *War and Economy in the Third Reich*, 79.

one company that profited immensely from the Nazis' tax reductions, as their labor force more than doubled from 11,235 in 1933 to 23,233 in 1938.²⁰⁵ Furthermore, in 1934 the firm saw their domestic sales increase by more than 80 percent.²⁰⁶ The concessions offered by the regime were profitable for the nation because they motivated firms to rebuild and invest. Bosch GmbH and other businesses had suffered immensely following the Depression. Therefore the NSDAP's response to the crisis and the creation of their stimulus package was important because it promoted German businesses to expand and also caused firms to grow an affection for the regime's policies and rule.

The tax concessions also benefited businesses that initially had no interest in the motor sector because it motivated them to rebuild and invest through that specific sector. For example, in the 1920s IG Farben predominantly produced synthetic dyes and pharmaceuticals. However in 1932, the firm decided to begin a synthetic oil project that would explore fuel alternatives. Even though the project initially failed when the world price for oil collapsed, it received aid from the government for a number of reasons. First, because the project helped Germany's motor sector, the Nazi regime took away some of the risk involved in the investment and helped IG expand its facilities to a capacity of 35,000 tons per annum.²⁰⁷ In addition, the regime showed that it was willing to support businesses that showed initiative and were willing to invest in such an unstable economy. Private companies can be reserved during unfortunate economic times. However, IG Farben demonstrated that they willing to grow and expand in a dismal economy when it invested into synthetic technology. The Nazi regime showed that they were looking out for the well-being of the nation when they supported IG's faulty investment. Farben showed courage when the

²⁰⁵ Heuss, *Robert Bosch, His Life and Achievements*, 549.

²⁰⁶ Heuss, *Robert Bosch, His Life and Achievements*, 545.

²⁰⁷ Tooze, *The Wages of Destruction*, 118.

company invested 300 million Reichsmarks into an unfamiliar project during a fragile world economy. By taking away some of the investment's risk, the Nazis helped restore business confidence and promoted economic growth. Enough cannot be said about the National Socialists' policies and the way they helped German businesses recover from dismal conditions. When Hitler came to power, over 6.04 million people were unemployed. Twelve months later the number dropped to 3.7 million.²⁰⁸ Private enterprise was not going to guide the nation out of its economic misery. The nation needed a strong, centralized government to show the nation the path to recovery, which is what the Nazi regime did with public works projects and tax concessions.

The Nazi central government and their political policies also benefited Germany because they repaired a very undersized and insignificant motor sector. In the early 1930s, Germany's car ownership was dwarfed by other world powers like the United States, France, and the UK. For example, in 1933 there was only one car for every 37 households.²⁰⁹ At the time, motorcycles had a very stronger presence in German society because they were both cheaper and more affordable. This showed that Germany was not a particularly affluent society because most citizens were not capable of affording the more expensive and luxurious motorcar. In addition to poor car ownership, only 25% of German main roads had hardened surfaces that could withstand high volume motor traffic.²¹⁰ Hitler's consolidation of power was important because it helped restore the nation's motor sector and lead Germany into becoming one of the largest auto manufacturers in the entire world. Hitler was a motor enthusiast who believed every citizen should have the

²⁰⁸ Tooze, *The Wages of Destruction*, 151.

²⁰⁹ Tooze, *The Wages of Destruction*, 149.

²¹⁰ Tooze, *The Wages of Destruction*, 150.

means to own a car. The government issued policies and plans to expand the sector and consequently raise the standard of living of the entire nation.

The Nazis concentrated most of their attention in restoring the nation's automotive sector. Between 1932 and 1935 60% of the funds released by the government for public works projects went to the motor sector. The road-building program and Autobahn would rebuild the nation's roads and better equip Germany for mass transportation, which Hitler believed would become possible by the Volkswagen project. Hitler was enraged that Germany had become an impoverished nation that relied on motorcycles as a form of transit. Volkswagen would create an affordable car that every citizen had the means to purchase. The regime used their authority to sponsor the entire project and create a car that would cost only 1,000 Reichsmarks. The Nazi government was extremely advantageous for Germany because it restored a motor sector that was depleted and exhausted. The regime's power enhanced the automotive sector and aimed to increase that nation's standard of living. Nazi centralized economic planning was advantageous for Germany because the government had the power and ability to plan, organize, and allocate the necessary funds needed to make the project possible. The regime wanted to create a stronger, more united, and affluent nation through the Volkswagen project and road-building program.

The Nazi government effectively restored and elevated the nation's motor sector by sponsoring and endorsing motorization projects. By 1938, the motor industry had become Germany's largest manufacturing employer and car production and ownership were higher than what they had been in the last five years. However the Nazis' vision did not stop there, as they hoped Germany would become the most dominant manufacturer of automotive parts and vehicles in the world. When the party announced the construction of the Volkswagen factory, they aimed for factory to be the largest that had ever existed with an ability to produce more than

3 million cars per annum. The Nazis' economic and political policies were advantageous for Germany, as they put the nation on track to reach levels they had never reached before. Without their strong authoritative power, Germany would not be where it is today in terms of car sales. A survey Organisation Internationale des Constructeurs d'Automobiles (OICA) indicates Germany produced more motorcars in 2010 than any other country in Europe with 5,905,985.²¹¹ It ranks 4th in car production levels where it only lies behind China, the United States, and Japan.²¹² In the 1920s, Germany possessed one of the worst automotive industries in the EU. While no Volkswagen cars were sold during Hitler's reign, the regime created the structure that helped the nation later prosper. The nation's motor sector was so atrocious that it needed the aid of a totalitarian centralized government like the National Socialists. The regime revitalized the automotive sector with the Volkswagen project, road-building program, and tax incentives. Each Nazi project would help make Germany a more affluent society. The Autobahn, for instance, was a revolutionary achievement that would forever change the way humans' travel. Similarly, the Volkswagen would set a new standard for automotive production. Hitler had high aspirations for the nation, which was beneficial because the lofty standards made German's work extremely hard. German industry benefited from the radical and powerful rule of the regime because it created the structure that Germany flourishes under today. Hence, the party's totalitarian policies and immense power were good for Germany as they helped turn a historically poor automotive sector into one of the strongest in the world by the 21st century.

The NSDAP was also advantageous for Germany at the time because their power motivated and pressured private technological companies to be innovative and original. In some

²¹¹ "World Motor Vehicle Production by Country and Type 2009-2010," *OICA*, accessed February 26, 2013, <http://oica.net/category/production-statistics/2010-statistics>.

²¹² "World Motor Vehicle Production by Country and Type 2009-2010."

cases, capitalism causes businesses to be passive and conservative because risks are always associated with investments. Therefore even though the NSDAP resorted to force and coercion, Germany benefited from the Nazi rule because their financial assistance motivated businesses to create new products. For instance, no car firms in Germany believed creating a car costing only 1,000 RM was possible. At the time, the going rate for a vehicle was between 1,500-2,000RM. The stubbornness and doggedness of Hitler would pay off as it motivated Ferdinand Porsche and other Volkswagen engineers to create a design that would make the project feasible. The company struggled and tested for many years trying to find the correct design.

More than a dozen men worked together in Porsche's small garage, laboring day after day on the first three Volkswagen cars. They changed the engine type numerous times, going from a two-cylinder, two-cycle, water-cooled engine to an air-cooled, four-cycle, two-cylinder engine. The first did poorly when tested over long distances; the latter didn't have adequate power in the lower ranges. They tried all sorts of bodies: The three early cars were made of different materials—one wood, one a thin metal, and finally one that was all steel.²¹³

The pressure Hitler exerted on the engineers at Volkswagen prompted them to discover a model that would work. Volkswagen laborers worked day in and day out to find a design that would run efficiently and cost less than 1,000 RM. Without the fear that Hitler instilled in citizen, the company may not have designed the Volkswagen. The employees were motivated to find the correct design because they knew the blame was entirely on them if they failed. At a Berlin Auto Show, Hitler once said, "Gentlemen! There can only be one Volkswagen, not ten!"²¹⁴ Volkswagen employees knew the nation and Hitler depended on them to find a suitable design. That fear certainly played a role in the creation of the Volkswagen.

Centralized Nazi economics also benefited Germany because it caused many private businesses to greatly grow and expand. Hitler's policies had a profound impact on almost all

²¹³ Hiott, *Thinking Small*, 124.

²¹⁴ Hiott, *Thinking Small*, 124.

German industrial firms, as many experienced a huge surge in production and employment. For instance, Bosch GmbH saw the company's net income increase from 832,000 marks in 1932 to 1 million 1933. Eventually, they would surpass 3.5 million marks.²¹⁵ IG Farben also profited and expanded under where in 1942 they opened twelve new hydrogenation plants with a capacity of 3.85 million tons per year, seeing their profits total 351 million RM.²¹⁶ Nazis policies stimulated growth and motivated firms to expand, which is why Bosch GmbH and IG Farben experienced such a huge surge in revenues and employment.

Lastly, Germany benefited from the jurisdiction of Hitler and the National Socialists because the policies were aimed at benefiting all citizens. The regime opposed capitalism and a free market because they felt it led to greed and oppression. Therefore the party's policies were geared towards benefiting the entire German collective and raising the standard of living of all. Following World War I and the Depression, German society was suffering. The nation was poor, unstable, and they were financially 25-30 years behind the United States. In addition, typical Americans owned standardized goods that the German public did not. As a way to raise the standard of living of the nation, the government collaborated with industries to create a standardized version of key consumer commodities. The products would be created at the lowest possible price and enable the middle class to have the ability to buy them. The Nazi government aimed to strengthen and unify the nation by creating a people's car, radio, apartment, refrigerator, and other basic goods. The products would destroy class division and put the collective good of the nation ahead of individual greed. Formerly, Germany's working class was marginalized by the growth of industry and private enterprises. The regime's policies appealed to majority of the nation because they put the interests of the community ahead of the egotistical

²¹⁵ Heuss, *Robert Bosch, His Life and Achievements*, 545.

²¹⁶ Tooze, *The Wages of Destruction*, 226.

interests of capitalists. Hitler's strategy was to have the entire nation benefit from the projects, not just a specific class. In the end, a people's community or *Volksgemeinschaft* would emerge in which there would no longer be elitism or class divides. Therefore, the regime was beneficial to Germany because their policies were predominantly socialist and geared towards erasing class divisions and unifying the public.

However, while economically Germany prospered under Hitler's leadership, the moral principles attached to his policies caused the Nazi regime to deservedly fail. A problem with a powerful centralized government is it restricts and hampers both business and individual freedoms. During the Weimar years, German companies experienced very lax regulations and enforcement from the federal government. The liberal economic model allowed private enterprises to engage with international markets under their own discretion and engage in trades that they believed were smart and beneficial. The liberties these businesses enjoyed during those years were abandoned completely under the Nazi regime. Instead of making financial decisions based on what was best for their company, German businesses were forced to abide by the NSDAP's principles and ideology. They lost all freedoms, liberties and decision-making and became economic functionaries that were forced to act in the best interest of the nation. For instance, the Nazi government believed the nation to become independent in the production of natural resources. Therefore they used their power and authority to bully companies into investing into the project. One way the government forced companies to comply was by drafting legal documents. For example, when German coal and mineral oil businesses declined to donate money to Germany's exploration in raw materials, the government drafted a decree that threatened company employees with either huge fines or imprisonment.²¹⁷ In addition, Robert

²¹⁷ Tooze, *The Wages of Destruction*, 150.

Bosch wanted nothing to do with the Nazi regime and their principles, which is why he kept his company and the party as distant as possible. However the NSDAP was too powerful and totalitarian regulations found their way into the factory and coerced the factory into producing weaponry. In essence, the party destroyed business sovereignty where they had lost all decision-making responsibilities.

Besides restricting business freedom, the Nazi government interfered with personal liberties of citizens. The regime also drafted legal decrees that hindered citizen's freedom of expression by censoring the press and radio.

The Reichstag Fire Decree suspended the provisions of the German constitution that protected basic individual rights, including freedom of press, freedom of speech, and freedom of assembly. The decree also permitted increased state and police intervention into private life, allowing officials to censor mail, listen in on phone conversations, and search private homes without a warrant or need to show reasonable cause. Under the state of emergency established by the decree, the Nazi regime could arrest and detain people without cause and without limits on the length of incarceration.²¹⁸

The Nazi government's power was so great that it altered German society and destroyed basic liberties that citizens were accustomed to. They forced the nation to share their vision, which meant restricting citizen's expression of ideas. In addition to censorship, the regime believed citizens should make sacrifices for the greater good of the nation. When the NSDAP and DAF planned the construction of the Volkswagen factory, they forced landowners to forfeit their property. Nazi politics was harmful because it allowed for no disagreement or variance. Every citizen had to agree with the plan or they faced imprisonment and fines; There was no middle ground. To ensure the party encountered no political resistance, the SA and Gestapo went from

²¹⁸ "Nazi Terror Begins," *United States Holocaust Memorial Museum*, last modified May 11, 2012, <http://www.ushmm.org/wlc/en/article.php?ModuleId=10005686>.

door to door looking for party enemies, arresting Socialists, Communists, trade union leaders, and others who had spoken out against the party.²¹⁹

Other than restricting the entire nation's civil liberties, a drawback of Nazi rule was because it accepted the use of forced labor. While Nazi economic policies undoubtedly benefited Germany and caused a number of industrial firms to expand, they were also awful because the party used forced labor to fill the void. One study estimated that of the 13.5 million foreigners who worked in Germany from 1939 to 1945, at least 12 million were forced to do so.²²⁰ The nation developed a labor shortage because the economy had expanded too fast and become too large. The NSDAP explored forced labor as a solution and coerced millions of Jews and other Eastern Europeans to work in German factories. Almost all German industrial firms resorted to forced labor, and many of them were coerced to do so. For instance, Volkswagen was a company that had never been fully staffed because the factory was being constructed. Therefore the firm needed to resort to forced labor if it expected to reach its lofty production goals, which is why in the middle of the war 80% of their staff were forced workers.²²¹ In addition to Volkswagen, IG Farben was another company that used forced labor, participating in a cycle with Auschwitz that worked people until they were walking corpses and then sent them back to be fully exterminated.

Most workers in Germany were subjected to awful working conditions, mistreatment, and malnutrition. One report in November of 1943 by the Economic Staff East that inspected various camps had the following to say:

²¹⁹ "Nazi Terror Begins."

²²⁰ Mark Spoerer and Jochen Fleischhacker, "Forced Laborers in Nazi Germany: Categories, Numbers, and Survivors," *Journal of Interdisciplinary History* 33.2 (2002), 178.

²²¹ Hiott, *Thinking Small*, 170.

Even the most necessary things, such as food and housing, often leave much to be desired. They are inadequate, haphazardly prepared, and filthy—indeed, in some cases, bad beyond all measures... [We] will never forget the wretchedness and misery in Bochumer Verein camp: workers terribly run-down, their morale catastrophic, camp neglected and filthy. Food insufficient. Flogging. Families torn apart.²²²

For the most part, all factories and camps resembled the conditions mentioned in the report.

However one first hand account of the setting can be seen from what Feliksa W. wrote in 1999,

“I was 15 years old at the time, we lived in disgusting barracks, fenced in with barbed wire, we were hungry and it was freezing. We were treated like slaves.”²²³ Even though the Nazis’ policies greatly benefited Germany’s economy and helped facilitate growth, they engaged in awful activities such as their use of forced labor.

Nazi centralized politics was also harmful for Germany because the regime created the most destructive war in history. Hitler had always planned for Germany to engage in war because he drafted the Four Year Plan and always spoke of an expansion of *Lebensraum*. Hitler wanted Germany to grow, believing more living space would increase the nations standard of living. In 1939 the nation invaded Austria and Poland, causing the grueling six-year war to begin. In terms of losses in human lives and material sources, World War II is undeniably the most destructive military conflict to date. More than sixty countries were involved in the fighting and over 60 million people were killed, which was over 2.5% of the world population.²²⁴ In addition to the high levels of death, Europe’s economy had completely collapsed where 70% of

²²² Claudia Koonz and Ulrich Herbert, *A History of Foreign Labor in Germany, 1880–1980: Seasonal Workers/Forced Laborers/Guest Workers*, Translated by William Templer, (Ann Arbor: University of Michigan Press, 1990), 127.

²²³ Raphael Hörmann, *Human Bondage in the Cultural Contact Zone Transdisciplinary Perspectives on Slavery and Its Discourses*, (Münster: Waxmann, 2010), 13.

²²⁴ "Source List and Detailed Death Tolls for the Primary Megadeaths of the Twentieth Century," *Necrometrics*, last modified February 2011, <http://necrometrics.com/20c5m.htm>.

the industrial infrastructure had been destroyed.²²⁵ Hitler's moral beliefs caused most of Europe to lay in ruins in 1945. Combat and bombings had flattened cities and towns, destroyed bridges and railways, and left little infrastructure standing.

Lastly and most importantly, the major drawback of Nazi centralization was their anti-Semitic attitudes and persecution of Jews. The regime carried out their first public act of hatred against Jews on April 1, 1933 when they planned a boycott targeting Jewish businesses and professionals.²²⁶ On the day of the boycott, Nazi officials stood outside the front of Jewish-owned department stores and held posters saying "Don't Buy from Jews!" (*Kauf nicht bei Juden!*), "The Jews Are Our Misfortune!" (*Die Juden sind unser Unglück!*) and "Go to Palestine!" (*Geh nach Palästina!*).²²⁷ The national boycott marked the beginning of a nationwide campaign by the Nazi party against the entire German Jewish population. A week later on April 7, the Nazi government passed the Law for the Restoration of the Professional Civil Service, which restricted employment in the civil service exclusively to "Aryans."²²⁸ The law prevented Jews from serving as teachers, professors, judges, or other government positions. However, these oppressive acts would be nothing compared to the Final Solution. The massacre of about one million Jews occurred before the plans of the Final Solution had been implemented in 1942.²²⁹ But the Final Solution was the next phase of the Holocaust in which Hitler and the Nazi regime aimed to eradicate the entire Jewish population. To increase the pace in which Jews were killed, the NSDAP began to construct extermination camps. The regime transported Jews to the death

²²⁵ Marc Pilisuk and Jennifer Achor Rountree, *Who Benefits from Global Violence and War: Uncovering a Destructive System*, (Westport, CT: Praeger Security International, 2008), 168.

²²⁶ Bernard Wasserstein, *On the Eve: The Jews of Europe before the Second World War*, (New York, N.Y., Simon & Schuster, 2012), 234.

²²⁷ Wasserstein, *On the Eve*, 235.

²²⁸ Burleigh, *The Third Reich*, 176.

²²⁹ Burleigh, *The Third Reich*, 188.

camps and they either died from firing squad, poor living conditions, or gas chambers. By the end of the war in 1945, the NSDAP had murdered approximately 6 million Jews.²³⁰ As a result, Hitler and Nazi regime will forever live in history for their horrible and disgusting actions.

The National Socialists' unprecedented power and coercive rule benefited Germany in the beginning because their economic policies created immense success. As mentioned, the Great Depression impacted heavily on the nation's economy because a significant part of the economy was supported by foreign loans. When American banks collapsed, all capital supporting German businesses and banks was recalled, which resulted in a cash liquidity crisis. Millions of citizens were unemployed and the nation had lost hope in the nation's free market system. Hitler and the Nazi regime brought forth a quick fix solution that pledged to resolve the employment crisis and stimulate the economy through the guidance of a strong centralized government. The National Socialists' system resulted in great success and the regime was credited with achieving the 'economic miracle.' They fixed the issue of employment and gave citizens a strong sense of national pride by issuing giant works projects, such as the Autobahn. In addition, they helped restore business confidence and stimulate growth by offering tax incentives for firms that invested into Germany's motor sector. The regime undoubtedly accumulated a great deal of national support. They provided German citizens with a sense of purpose, promising to create a *Volksgemeinschaft*. However, even though the regime's totalitarian policies led to huge economic growths and the creation of new innovative products, they will be remembered for their disregard of German civil liberties and atrocious crimes against Jews and other Eastern Europeans.

²³⁰ Burleigh, *The Third Reich*, 188.

So many businesses and citizens contributed to Hitler's rise to power, assigning difficulty is extremely difficult. The entire regime cannot be fully penalized because many were conscripted to become members, such as is the case with Bosch and IG Farben. In addition, firms like IG Farben, Bosch GmbH, and Volkswagen were forced to make contributions to the Nazi war effort. From the beginning, Robert Bosch opposed the party's principles and was a political advocate for *Gewerbefreiheit*, or business freedom. He tried all he could to resist becoming intertwined with the party. He refused to donate to the regime directly; he downsized his company, declined party membership, and even funded an underground resistance movement. But his actions were not enough, and the company was forced to partake in the creation of wartime materials, causing their facilities to be bombed by Allied Nations. Similarly, IG Farben initially opposed Hitler's rise to power because supported laissez-faire economics. The company felt compelled to form relations with the regime after their poor investment. But the firm tossed all moral beliefs aside and looked at their situation entirely from a business perspective, causing their company history to be tainted for their involvement in Nazi war crimes. And lastly, Ferdinand Porsche was an engineer who was given the opportunity of a lifetime when Hitler approached him about the Volkswagen project. The company's facilities held off Nazi pressure, however as the war progressed their efforts proved futile. IG Farben, Bosch, and Volkswagen all eventually employed forced laborers because the livelihoods of their companies depended on it. One business cannot be assigned blame for Hitler's rise to power. The nation had been dragged to hell in back following the Great Depression. The German public supported the party because Hitler promised to strengthen the nation; and he did when he helped employ more than 3 million citizens in his first year. Hitler gave the nation a feeling of important and self-worth, including businesses. He showed he was willing to support Germany's recovery and create a united

people's community. Therefore, assigning responsibility of the events that transpired in Nazi Germany to one particular act is difficult because all citizens and businesses helped Hitler in one form or another. Nazi centralized economic planning undoubtedly helped restore Germany's economy. But the system deservedly failed because the Third Reich accumulated too much power and authority, resulting in some of the most grotesque acts in world history.

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