

## PAPERS

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### ASPECTS OF THE REICH'S MINISTRY OF ECONOMICS CONCEPT OF AN ECONOMIC REORGANIZATION OF EUROPE (1940)

Before and during the First World War, then between the two wars, the problem of the economic organization of Europe has very often, in different ways, attracted the attention of German politicians, civil servants and businessmen, not to speak of intellectuals or publicists.<sup>1</sup> It is, however, mainly during the Second World War, and especially when the Third *Reich* dominated the Continent, that the question becomes the subject of various studies as well as plans<sup>2</sup>.

At the end of May 1940, the successes of the *Wehrmacht* are such, that it appears necessary to prepare for the period after the war. In many ministries, in various governmental or business organizations, and in different companies,

<sup>1</sup> No work gives a complete analysis of the question of the economic reorganisation of Europe as seen in Germany during the XIXth and the XXth centuries. Among the most useful books are: Meyer, Henry Ford. *Mitteleuropa in German Thought and Action 1815 - 1945*. The Hague, Martinus Nijhoff, 1955; XVI, 378 p. Although this study is more than 20 years old, although his author did not use archives material, it still ranks among the very few which have to be consulted. Specific aspects of the question are dealt with in the well-known work by Helmut Boehme and Fritz Fischer. Boehme, Helmut. *Deutschlands Weg zur Grossmacht*. Studien zum Verhältnis von Wirtschaft und Staat während der Reichsgründungszeit 1848 - 1881. Köln, Berlin, Kiepenheuer & Witsch, 1966, XX, 724 p. Fischer, Fritz. *Griff nach der Weltmacht*. Die Kriegszielpolitik des Kaiserlichen Deutschland 1914 - 18. Düsseldorf, Droste Verlag, 2- ed. rev., 1964; 902 p. Fischer, Fritz. *Krieg der Illusionen*. Die deutsche Politik von 1911 bis 1914. Düsseldorf, Droste Verlag, 1969; 806 p. Some important information can also be found in: Hildebrand, Klaus. *Vom Reich zum Weltreich*. Hitler, NSDAP und Koloniale Frage 1919 - 1945. München, Wilhelm Fink Verlag, 1969; 955 p. See also: Freymond, Jean F. *Le IIIème Reich et la réorganisation économique de l'Europe 1940 - 1942*. Origines et Projets. Leiden, Sijtoff, 1974; XXIV, 302 p.

<sup>2</sup> On the Third *Reich* and the economic reorganization of Europe during the first part of the Second World War. Cf. Freymond, Jean F. *Le IIIème Reich et la réorganisation économique de l'Europe* and also: Boehme, Hermann. *Entstehung und Grundlagen des Waffenstillstandes von 1940*. Stuttgart, Deutsche Verlags-Anstalt, 1966; 464 p. and: Eichholtz, Dietrich. *Geschichte der deutschen Kriegswirtschaft 1939 - 1945*. Band I: 1939 - 1941. Berlin, Akademie-Verlag, 1969; XII, 408 p.

the prospects offered by a most probable victory are analysed. For almost a fortnight, this analysis is done in a rather confused way. As far as we know, people are at work without having received precise instructions. Then, after a short struggle with the Ministry of Foreign Affairs, the Ministry of Economic Affairs (*Reichswirtschaftsministerium* — *RWM*), under orders from Marshall Hermann Göring, assumes officially the main if not the exclusive responsibility for preparing the economic reorganization of the Continent.

Within the Ministry, this task is handed over to Gustav Schlotterer, a member of the *National-Sozialistische Deutsche Arbeiter-Partei* (*NSDAP*) since August 1923, who is summoned in January 1935 by the minister in charge of the Ministry of Economic Affairs, Hjalmar Schacht, at the suggestion of one of his collaborators, Karl Blessing. In spite of his youth — 34 years — Schlotterer is a rather influential civil servant who, apart from his responsibilities in the *RWM*, is also involved in the activities of the Four Year Plan (*Vierjahresplan* — *VJP*)<sup>3</sup>.

Schlotterer seems to have been involved in at least some aspects of the preparation for the period after the war since the beginning of June. Later in the month, the task handed over to him is considered important enough to justify the creation of a new department of the *RWM*, the *Abteilung VO* (*Vorbereitung und Ordnung*), in which Schlotterer with a few colleagues is going to work on a concept of a new European economic order.

Schlotterer and his team work swiftly. After a few days Schlotterer is able to announce his main ideas at several meetings<sup>4</sup>. A month later, at the end of July, the concept is considered well enough advanced to be presented to some of the ministers and to a few higher civil servants<sup>5</sup>. It is also made public in two declarations to the press, given respectively by Schlotterer<sup>6</sup> and the

<sup>3</sup> Gustav Schlotterer's interview, 4. 4. 1968 and File of the *Berlin Document Center*, Berlin.

<sup>4</sup> Cf. Reports of those meetings: 1) *Bericht über die Sitzung des Aussenhandelsstellenleiters in Berlin am 14. Juni 1940*, *Geheimes Staatsarchiv der Stiftung Preussischer Kulturbesitz* (*Geh. St.*), Berlin, *Rep. 317 122, Heft 1*. 2) Extraits of a note prepared by Karl Albrecht, *Geschäftsführer* of the *Wirtschaftsgruppe Feinmechanik und Optik*, on the meeting of the *Aussenhandelsausschuss* of the *Reichsgruppe Industrie*, held on June 19th, 1940 in *Anatomie des Krieges*. *Neue Dokumente über die Rolle des deutschen Monopolkapitals bei der Vorbereitung und Durchführung des Zweiten Weltkrieges*, ed. by Dietrich Eichholtz and Wolfgang Schumann, Berlin, VEB Deutscher Verlag der Wissenschaften, 1969; pp 259 — 261.

<sup>5</sup> Cf. *Vermerk über die am 22. Juli 1940 unter Vorsitz von Reichsminister Funk im Reichswirtschaftsministerium abgehaltene Chefbesprechung*, *Bundesarchiv*, (*BA*), Koblenz, *R7 11 615*. Reproduced in: Freymond, Jean F. *Le III-ème Reich et la réorganisation économique de l'Europe*, pp. 221 — 231.

<sup>6</sup> Statement by Gustav Schlotterer on July 23rd, 1940, *BA Zsg 115 Z*. Reproduced, *ibid.*, pp. 232 — 236.

Minister of Economic Affairs, Walther Funk<sup>7</sup>. Finally, at the end of July or the beginning of August, a first outline of the project is ready and is sent for approval to Hermann Göring<sup>8</sup>.

A few days later, in his answer<sup>9</sup>, the *Reichsmarschall* approves the project, but at the same time, he gives instructions which slow down the planning process and put considerable restrictions on the work done by the *Abteilung VO*, to such an extent that, with some exceptions such as the take-over of foreign corporations, the importance of the preparation by the *Abteilung VO* of the economic reorganization of Europe diminishes considerably to stop completely, officially, in the first half of 1942.

The results of the work done during the summer of 1940 by the *Abteilung VO* reveal a broad concept of how Europe should be reorganized economically. A plan as such does not exist. It only involves a set of ideas which are put together to give an insight into the ways the *RWM* conceives the economic future of the Continent.

No one document can give a complete picture of this concept of Europe. It is, therefore, necessary to look at numerous texts. The main ones are:

- 1) the declaration made by Walther Funk on July 22nd, to ministers and higher civil servants,
- 2) his speech to the press on July 25th,
- 3) Schlotterer's confidential declaration on July 23rd and
- 4) the outline prepared in the *Abteilung VO*, submitted at the beginning of August to Göring and approved by him in the latter part of that month.

Perhaps this last text is the most important. It reveals with more details some of the major objectives and also the ways in which they were to be carried out. Even if it is a first draft, the fact that it is sent to Göring and accept-

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<sup>7</sup> Speech by Walter Funk on July 25th, 1940, *Documents on International Affairs 1939 - 1946*. Vol. 2, Hitler's Europe, ed. by Margaret Carlyle, London, Oxford University Press, 1954; pp. 29-35.

<sup>8</sup> *Richtlinien*, Memorandum without date and signature, BA R 2 230. The copy we have found of this memorandum is not complete. According to Schlotterer, it was mainly prepared by the *Ministerialrat* Imhoff of the *Abteilung VO*. Reproduced in: Freymond, *Le IIIème Reich et la réorganisation économique de l'Europe*, pp. 237-241. It is almost certain that this memorandum was sent to Göring by Walther Funk on August 6th, 1940 as an enclosure to a letter in which Funk summarizes the proposals of the *Abteilung VO*. Cf. letter written on August 6th, 1940 by Walther Funk to Hermann Göring, BA R7 II 615. Reproduced, *ibid.*, pp. 242-244.

<sup>9</sup> Cf. Letter written on August 17th, 1940 by Hermann Göring to Walther Funk, BA R7 II 615. Reproduced, *ibid.*, pp. 245-246.

ed by him as a basis for further work indicates that it reflects not merely the views of some more or less junior civil servants<sup>10</sup>.

Those texts are the fruits of only a few weeks of analysis. Therefore, it is not surprising that they do not deal with every aspect of a reorganization of Europe. This also explains contradictions or at least some divergences which may sometimes appear. It is also important to bear in mind that, as a matter of principle, Schlotterer is not very keen on theoretical work. He declares himself more interested in practical rather than in analytical work. He does not see the economic reorganisation of Europe as emerging from the signing of a single treaty, but rather as the result of a long process which, according to him, has already started in 1934 in South Eastern Europe, and which has been accelerated by the war. It is a process which will continue for many years. A plan should, therefore, be used only as a guideline, subject to constant revision according to changes.

Those views are shared by the Minister of Economic Affairs. As Funk declares in his press conference of July 25th, he is not partial to rigid economic policies. He does not want any artificial structure and he refuses to subscribe to any dogma. As he goes on to explain, however, it does not mean that total economic freedom can be tolerated. The pragmatism which he advocates should only be applied to the *Reich's* authorities, to enable them to take adequate decisions at the most suitable time.

However loose the concept of the economic future of Europe developed by the *Abteilung VO* may be, it is based on a few principles, the main one of which is the supremacy of political over economic matters. On July 23rd, Schlotterer declares that orthodox economic principles will not be applied to the reorganization of Europe. The interests of the *Reich*, its security and its ability to survive a struggle have to be first taken into account. Germany will certainly have to face in the future situations in which its survival will be challenged. This country should be able to face them with success. Therefore, as attractive as may be, from an economic point of view, the possibility of

<sup>10</sup> References to those texts are given supra. Funk's letter of August 6th and Göring's answer of August 17th constitute also important sources. Cf. also statement by Schlotterer on October 3rd, 1940 at a meeting of the *Grossen Beirats* of the *Reichsgruppe Industrie*. The complete text is in *Protokoll der Sitzung des Grossen Beirats der Reichsgruppe Industrie, Geh. St. Rep 377 123, Heft 3*. Extracts are reproduced in Eicholtz, *Geschichte der deutschen Kriegswirtschaft*, pp. 367—374. Two speeches by Funk may also prove to be useful: 1) Funk, Walther. *Wirtschaftsordnung im neuen Europa*. Rede gehalten vor der Südosteuropagesellschaft in Wien am 12. Juni 1941. Wien, Südost-Echo Verlagsgesellschaft m.b.H., 1941; 30 p. 2) Funk, Walther. "Das wirtschaftliche Gesicht des neuen Europas". *Europäische Wirtschaftsgemeinschaft*, ed. by the Verein Berliner Kaufleute und Industrieller and the Wirtschafts-Hochschule Berlin, Berlin, Hande und Speuersche Verlagsbuchhandlung Max Paschke, 2d., rev., 1943; pp. 17—41. (This last speech is held in January 1942).

substituting expensive wheat produce in South Eastern Europe by cheaper one bought overseas, Germany cannot be interested in doing so if it is at the cost of its security.

Generally speaking also, there is no doubt in Schlottere's or Funk's mind as to what kind of principles and methods should be applied in reorganizing Europe. Since 1933 and even more so since 1936, the National Socialist regime has introduced new methods in the economic life of Germany. Those methods have proved to be successful. There is no reason why their application should not be extended to the entire European economy. In the same way, the economic structure of Germany has been reorganized. New relationships between the German authorities and the major business organizations have been established. Again, the models developed in Germany should be applied to the rest of Europe.

The problems of Germany's economic situation in the heart of Europe as they have been perceived by many Germans long before 1940, and even before 1933, are well known: Is Germany not constantly facing the possibility of not having access to foreign markets where it needs to export the surplus of its production and the possibility of being cut from external sources of raw materials and food? Is Germany, therefore, not open to outside pressure of an economic as well as a political nature? Is finally Germany not denied the chance of a balanced existence not to speak of the opportunity to grow and develop itself?

Rather well known also are the solutions which have been advocated. Among them, the potential offered by an extensive economic cooperation within the European continent or at least with part of Europe, has attracted a lot of attention.

But what kind of cooperation? In the twenties and the thirties, the Germans hold conflicting opinions. A large group of them, among which number of civil servants, of politicians, businessmen and intellectuals, advocate the constitution of a large economic zone, a *Grossraumwirtschaft*, a concept which is essentially economic and which could offer Germany the chance to "breathe" economically and to realize its economic potential.

Another group, a smaller one, which includes a few politicians, mainly belonging to conservative and nationalistic groups, some intellectuals and large estate owners, defend the concept of *Lebensraum*, an idea which contains political, social, cultural as well as economic implications. This would offer Germany the basis for a balanced political and economic life, together with the means of resisting foreign influences and pressures and the opportunity to play a leading role internationally.

Surprisingly enough, in 1940, and even more so afterwards, when the war begins against the Soviet Union, it can be said that the German *Reich* is pursuing two different objectives at the same time. On the one hand, it is seeking

to create a *Grossraumwirtschaft* among those States located in Northern, Western and South-Eastern Europe, and on the other hand it is looking at Eastern Europe with the idea of a *Lebensraum*.

In the summer of 1940, the *Abteilung VO* is merely asked to prepare plans for a reorganization of that part of Europe which could constitute a *Grossraumwirtschaft*. Faced with this task, Schlotterer and his colleagues start by defining their objectives and the different means which could be used to achieve them. They basically identify three objectives.

The economic reorganization of Europe should first, in Schlotterer's mind, contribute to Germany's security, increase its economic freedom as well as that of the whole of Europe, and build up the economic means necessary for its defence in the event of tensions or wars, or, in other words, in the event of a blockade. To achieve this first objective, a rather extensive autarky is advocated, which should cover goods and raw materials of strategic importance such as oil, and all kinds of metals. Wherever Germany could be easily cut from its normal supply, reserves large enough to last a few years should be created. In other cases, the production of essential agricultural foods and raw materials should be concentrated, first within the boundaries of Germany, then in the European countries dominated by the *Reich*.

Autarky, however, should not be absolute. It has to be limited to the extent required by the *Reichs* security. The possibility to trade extensively with partners outside of the German economic sphere, in order to improve the standard of living of the German people along with that of Europe should be kept open. For example, it may prove important to be able to import from overseas the amount of oil necessary to supply an increasing private automobile traffic.

The economic reorganization of Europe should also help in freeing her from fluctuations in the economy. Price changes, generally speaking, not detrimental to an economy even if some can turn out to be profitable? Are they not representing an obstacle to growth and an ever increasing standard of living. One should look, therefore, for fixed and average prices.

Schlotterer does not specify the means by which he would achieve this second objective. The mere fact that Germany possesses the possibility of controlling all the European economies and coordinating their relations with each other, as well as with the outside world, seems in Schlotterer's mind to make easily possible to impose the type of economy free from economic fluctuations which he seeks. Schlotterer thinks especially that it would be feasible to set up the administrative machinery which price fixing and price control implies?

The third objective defined by the *Abteilung VO* is of a more general nature and perhaps, by far, the most important as regards its meaning and its effects in the context of the long term reorganization of Europe. It has to do with the desire to ensure that German economic needs are constantly and

adequately covered and that no obstacles will stop the expansion of Germany's economy. In other words, it means that Germany has to be able to control the production of the different European economies so as to suit its demands, and that competition from all sources, especially from the United States, France and Great Britain, has to be eliminated.

But how can the last objective be achieved and to some extent, the first two? The *Abteilung VO* is advocating the control of the European economies and of their external relations in such a way that the German interests will be taken in consideration first. At least, it requires if control should prove itself to be too difficult to achieve, to try to influence those economies as much as possible. The control and influence should extend to all aspects of the economic life, to the national economies as well as to the relations between those economies. It is thought here, among other things, of controlling international trade, international payments as well as monetary policies, transport, prices and production. States should be asked to change their legislations and other rules, so that they would be in harmony with the ones used in Germany.

Control and influence should not be limited to the State level only. One should seek to penetrate business organizations and companies with not only economic or financial objectives in mind, but also the idea of using the power that has business to extend German influence to every corner of each of the European national communities.

In the concept of the *Abteilung VO*, it is clearly said that it cannot be the task of the German authorities alone to control or influence extensively the European economies. Everyone, German nationals and *Volksdeutsche*, corporations and business organizations, should be asked to participate in the building of the new Europe, to the extent that it can be said that each German individual and organization is considered as instrumental. Each one is given a specific assignment. Each one has a particular role to play so that Europe can be reorganised in the light of Germany's interests. The German salesman abroad is, therefore, seen as an essential agent of German influence. German banks are asked to assume the financial control or at least to take minority interests in European banks. German insurance, transport and commercial firms are supposed to play an active role so to enable Germany to control trade within Europe as well as overseas. German corporations are encouraged to take over foreign companies. Large business organizations are given the responsibility to assume a kind of leadership among similar organizations which are to be created all over Europe, modelled on the German ones. The private sectors of the economy are also asked to influence the economic life of Europe by sending managers and experts all over the Continent to occupy important positions. The private sectors of the economy are finally also asked to try to influence local personalities as well as public opinion through their membership in boards, by newspaper advertisements or subsidies.

When advocating a large control of European economies, the *Abteilung VO* is already putting forward also numerous specific proposals of all kind. In the field of international payments, for example, it suggests the setting up in Berlin of a central clearing through which the majority of European payments would be channelled. It proposes to centralize in Berlin the German *Reichsmarks*, part of the European central banks monetary reserves and to submit their use to German consent. In the field of international trade, to take another example, the *Abteilung VO* is so eager to defend Germany's interests, that it advocates the diversion of European trade from overseas to Germany as well as the elimination of American, British and French products from the European market as long as Germany is able to supply them. It asks for extensive control of trade negotiations and it would like to see trade between European countries forbidden whenever it would be against Germany's interests. In the same way, the *Abteilung VO* thinks that Germany should be able to impose its will in all matters relating to prices, transport or production.

What conclusions can be drawn from this very brief survey? The concept of Europe elaborated by the *Abteilung VO* has without doubt been influenced by the state of war, but even more by the experiences and happenings of the past 30 years. Generally speaking, it reflects the major preoccupations or perhaps "traumatisms" of many leading German individuals and groups since the beginning of the century and even before that. The search for security, the fear of an economic blockade or, in other words, the fear of being cut off from raw material supplies as well as from important markets, the fear of starvation due to lack of food have haunted generations of Germans. At the same time, how many of them have cherished the dream of a Germany which would more or less dominate Europe, or at least be an equal partner, or more precisely, a partner whose size, economic and human resources would allow it to play a leading role? Finally, since 1923 and even more so since the beginning of the thirties, the question of how to avoid the negative effects of economic fluctuations has been an obsession of any German responsible for economic policies. Therefore, considered in the light of at least 30 years of German history, the goals set up by the *Abteilung VO* can be considered as very similar to those which many Germans dream of achieving since so long.

The new concept of Europe reflects also the experiences of the thirties. The principles and methods behind the German nutrition battle (*Ernahrungsschlacht*) and the Four Years Plan (*VJP*) are considered to have been successful enough to be adopted as a basis for the economic reorganization of the Continent. The general structure of the German economy developed since 1933 seems adequate enough to be used as a model for the rest of European national economies. No fundamental changes are deemed necessary. It is thought to build up Europe on the existing bases and apply to the Continent what



has proved to be most successful in Germany. Seen in the light of the economic policies of the Third Reich, the concept developed by the *Abteilung VO* does not break with the past either.

Another important observation can be made on the role of the private sector of the economy and its relationship with the German authorities. Without doubt, the German business community is asked to play an essential role in the new economy of Europe. It is asked to be a sort of privileged partner to the German State.

The importance of the role assigned to the German business community is not surprising. Traditionally the cooperation between this community and the *RWM* and generally speaking the German administration has been a very close one. Private business problems and interests have been taken into account seriously by the administration. The businessmen have been also asked systematically for advice. For example, the *Abteilung VO* has consulted extensively the major business organisations on the question of the reorganisation of Europe and has asked them to prepare reports on the various European economies and to make precise suggestions on the solutions to some of the problems that German firms face in Europe. Even if those reports are handed over too late to be taken into account in the concept presented by Funk and Schlotterer in July, the mere fact that Schlotterer has thought of associating to such an extent in his work the business community shows the importance of the businessmen to him.

However, one should be very careful in assessing the nature of the relationship between the private sector of the economy and the German authorities. As important as the role of the German business community appears to be, whatever responsibilities it would hold in a new Europe, it does not mean that it possesses unlimited freedom of action and unlimited influence. The business community is asked to operate within a framework set up by the administration. This framework is thought primarily in the light of the *Reich's* interest. Whenever there would be a conflict between these interests and some private interests, there is little doubt on its issue. However close and sympathetic to the aims of business a civil servant may be, the interests of the State will always have the priority. In the case of a conflict under the Third *Reich*, especially since 1937, even more so after the beginning of the war, most businessmen do not have the power to impose their views.

It is however evident that this framework suits the German business community or part of it, rather well. To a large extent, its role and its interests are largely taken into account. The general concept that seems to dominate the thoughts of some of the higher civil servants of ministries such as the *RWM* and even organizations such as the *VJP* is that the State and private business should work together to achieve the objectives set up by the State. The freedom of action of the private sector should be large enough, but in

no way the private sector should be allowed to oppose the general policy of the State.

The concept of an economic reorganization of Europe prepared by the *Abteilung VO* is, of course, in the first place a plan for the future, for the post-war period. It is also the result of the work done by a limited group of civil servants during a short period of time after which the necessity to prepare the economic reorganization of the Continent has been seen as less and less important. Therefore, one is bound to question the importance of such a concept.

The ideas advanced by the *Abteilung VO* are not merely the opinion of a small number of more or less senior officials. It seems that they reflect the concept of a possible new economic order of the Continent of a rather large part of the business leaders and business associations. The mere fact that Schlotterer has started to consult quite a few companies and associations before drafting his proposals proves it at least partially. Although it does not seem that Schlotterer has consulted similarly many circles of the Administration, the concept developed by the *Abteilung VO* could well reflect in a similar way the opinion of part of the Administration.

The concept developed by the *Abteilung VO* has indeed never been implemented and it seems that there has been no intention to implement it fully. Does it mean, however, that seen in the light of the War Economies of the National Socialist Regime, this concept has absolutely no significance? Does it mean that none of the proposals made were ever implemented? Does it mean also that neither the civil servants nor the businessmen whose ideas were reflected more or less in the projects of the *Abteilung VO* have ever attempted to put some of their ideas into practice before the end of the War?

To answer those questions is not an easy task and in the present stage of the research could well be presumptuous. It does not mean, however, that the concept developed by the *Abteilung VO* should not be referred to when studying the War Economies of the National Socialist Regime. It could well help to understand the economic policies of the National Socialist State as well as of private business groups and contribute to the very important task of analysing in a comparative way the occupation policies of the Third *Reich*.