



IJSE
31,11/12

The Malthusian physiognomy of Nazi economics

Guido Giacomo Preparata

University of Washington, Tacoma, Washington, USA

1014

Keywords *Economic theory, Population, National debt, Germany*

Abstract *The Nazi economic recovery, achieved between 1933 and 1938, displayed striking features of brilliant economic overhauling of a capitalist machine that had been plagued by a prolonged crisis. The means employed to effect the recovery appear to follow a Malthusian exercise in the rehabilitation of the function of effective demand: the Nazis, prompted by expediency and necessity, took remedial action that was very much in consonance with the canons of classical political economy. The succinct analysis of such an exercise in the context of the strong governmental regimentation of the Third Reich may provide insight into the nature and future of the capitalist regime, in the light of the fact that its principles, business and philosophical, and its implications for the world at large, so far, have not shown a marked departure from the way in which they were understood by the spirit of the 1930s, in Germany, as well as abroad.*

Introductory

Despite the 50-year long systematic, and by and large successful, endeavor of the western scholars of the humanities and the social sciences to isolate or, better still, to resect the Nazi episode from any traditional strain of thought and intellectual experience pertaining to that corpus of ideas and spiritual appetites that is commonly and loosely captioned as “Liberalism”, there remains lingering in any reader, willing to peruse, even cursorily, a few of the chief economic tenets of National Socialist propaganda, a vague suspicion that several important articles of faith of the Third Reich share more than an uncouth similitude with some of the most respected principles of classical political economy.

In other terms, for as much as the academic authorities of the victorious powers (of the Second World War) have striven to present the Hitlerite manifestation as an eerie “German” aberration, born out of unfortunate circumstances beyond the power of man and of the non-German-speaking West, and as such, utterly foreign to the democratic and business liberties of the Anglo-Saxon world, it is nevertheless a matter of some difficulty to deny the palpable affinities between the beliefs and practices enacted under the watch of the Nazi economic ministries and the axioms and prescriptions envisioned at least a century earlier by the nascent currents of classical economics.

In truth, this is scarce a matter of controversy, for it is sufficiently known that Germany, during the Second Reich and the Weimar era, had erected her industrial apparatus in close collaboration with the western powers, and thus the vicissitudes of this industrial machine could not but mimic those of regimes endowed with similar infrastructure. In this sense, the policies adopted and the concerns voiced by the economic authorities of the Nazis bore by necessity a striking semblance to those of their European and American counterparts.

Furthermore, it is as such, that is, as a mere connection occasioned by the adoption of nearly identical technological and financial regimes, that the parallel is here drawn between Nazi economics and classical Liberalism. There is obviously no wish to



fashion herein tendentious, and clearly unwarranted, philosophical “links” between the founding fathers of economics and the engineers of the “final solution”.

With hope of having cleared the path of any disagreeable equivocation, one may attempt, in order to support the main contention of the article, to present a mere juxtaposition of Nazi economic imperatives to the well known admonitions of Thomas Malthus, with a view to underscoring their pragmatic compatibility.

A succinct exposition of Malthus’s observations, taken from his 1798 *Essay on the Principle of Population* and his 1836 *Principles of Political Economy*, will be followed by matching instances, as discussed by Hitler or evidenced by the record of the German Recovery, which was consummated between 1933 and 1938 (see Malthus, 1985, 1986).

The Malthusian physiognomy of Nazi economics

1015

Malthusian economics

Over-population

The most immediate nexus between Nazi and Malthusian economics is afforded by the notorious theory of over-population. Its outlines are widely known, and a broad reassessment of them is superfluous at this stage. Incidentally, it may be remarked that Malthus’s 1798 *Essay on the Principle of Population* is not infrequently drawn forth as an exemplary case of plagiarism, the plagiarized work being Venetian thinker, and Benedictine monk of the order of Camaldoli, Giammaria Ortes’s 1774 *Riflessioni sulla popolazione delle nazioni per rapporto all’economia nazionale* (*Considerations on the Population of Nations in Relation to the National Economy*) (Ortes, 1965). Although such a claim cannot be scrutinized at length here, suffice it to say that Malthus’s main hypotheses on the dynamics of growth and procreation appear to be drawn verbatim from the initial chapters of Ortes’s book. Malthus (1985, pp. 70, 71, 143, 102, emphasis added) poses the problem thus:

I think I may fairly make two postulata.

First that food is necessary to the existence of man. Secondly, that the passion between the sexes is necessary and will remain nearly in its present state . . . Assuming then my postulata as granted, *I say*, that the power of population is indefinitely greater than the power in the earth to produce subsistence for man . . . When these two fundamental laws of society, the security of property, and the institution of marriage, were once established, inequality of conditions must necessarily follow . . . It has appeared, that from the inevitable laws of our nature some human beings must suffer from want. These are the unhappy persons, who, in the great lottery of life, have drawn a blank . . . To prevent the recurrence of misery, is, alas! beyond the power of man.

The theory contends that mankind grows according to a geometrical ratio[1], whereas food and the means of subsistence can only be wrested from the soil in arithmetical progression (Malthus, 1985, chapter 2).

Malthus says: as Peter Kropotkin, “the anarchist prince”, had argued nearly a century ago, “Political economy never rises above the hypothesis of a limited and insufficient supply of the necessities of life; it takes it for granted” (Kropotkin, 1993, pp. 159-60). The Malthusian teaching is, as a rule, postulated, and seldom is it accompanied by lengthy surveys on the state and techniques of cultivation affecting the communities under investigation. Neither Ortes or Malthus provide any description of the types or the magnitude of the areas brought under tillage for the provision of foodstuffs, in relation to the inhabitants. Such a teaching is more of the nature of the two postulata upon which Malthus alleges to have deduced it – it is a given.

The principles of political economy

The second book of the principles has as its main object the stimuli that are required to for the “continued increase of wealth”. Base and foundation of a prosperous state is, according to Malthus (1986, p. 315), security of property:

Security of property, without a certain degree of which, there can be no encouragement to individual industry ...

Supply. In order to increase wealth, argues Malthus, four main causes are generally identified: an increase in population; the accumulation of capital; the fertility of the soil; and inventions to save labor. The first one, on account of the thesis presented in the above-mentioned essay, he immediately dismisses[2].

The second cause broaches the question of effective demand, which has gained Malthus official tenure in the constellation of the “classics”. The argument behind such a notion is fairly intuitive, in that it simply states that, owing to profit and overhead, which are integral components of the overall value of production, wage-earners cannot afford to pay the price of their produce – in other words, the sum of all wages falls short, by definition, of the overall value of production. And the wealthy classes, who have the power to square the macro-economic equation, do not possess the will to consume to the extent necessary to prevent the accumulation of gluts. Should they add to their capital, and thereby scale up production, they would only worsen the situation by driving an ever growing wedge between demand and supply – the upshot is abundance, which signifies decreasing prices, which, in turn, represent the greatest menace to the going capitalizations of business concerns[3].

As for the fertility of soil, Malthus makes use of Humboldt memoirs on New Spain[4] to argue that great fertility of soil may go hand in hand with utter destitution amongst the farming masses, and “that the deficiency of wealth in a fertile country may be more owing to want of demand than to the want of capital; and, in general, that the fertility of the soil alone is not an adequate stimulus to the permanent increase of wealth” (Malthus, 1986, p. 351).

Fourth, the substitution of newer for obsolete methods of production is viable so long as the economy would allow a swift re-employment of the displaced capital at an undiminished rate of profit, which occurrence, Malthus believes, “appears to be contradicted by general experience”. But in the end, the true arbiter of commercial success can only be the demand occasioned by the market – the difficulty lies not in manufacturing the goods, but in supplying them at a price that cover interest, operating costs and the highest obtainable rate of profit, all other considerations are immaterial.

For Malthus, the powers of production alone are not the true ministers of wealth, for “something else seems necessary in order to call these powers fully into action”. This “something else” is “an effectual and unchecked demand for all that is produced” (Malthus, 1986, p. 361). Therefore, a cohort of consumers is the indispensable requirement for an efficient business enterprise, be it national, or private.

Accepting these premises leads to the anxious desire to secure the extension of markets and new avenues of commerce. They must be “opened”, somehow.

Demand. Thus, if demand is indeed the decisive element, one must seek the causes most favorable to the increase of value (for the purpose of business is pecuniary gain) that depends upon distribution. Malthus identifies three such causes: the division of landed property; internal and external commerce; and the maintenance of an adequate

proportion of the society employed in personal services. Or otherwise entitled to make a demand for material products without contributing directly to their supply.

As was the case in New Spain at the time of Malthus or in the England of yore, a society formed by clusters of very large proprietors surrounded by multitudes of very poor sharecroppers, “presents a distribution of property most unfavorable to effectual demand” (Malthus, 1986, p. 373). In such an environment large classes of merchants are unable to ply their trade. It then became necessary to break down large estates, and fashion a consuming gentry. Yet, if highly concentrated wealth is an economic evil, an equitable apportionment of wealth across society is to Malthus (1986, p. 376) no less pernicious for:

With an excessive proportion of small proprietors both of land and capital, all great improvements on the land, all great enterprises in commerce and manufactures, and most of the wonders described by Adam Smith, as resulting from the division of labour, would be at an end.

So it appears that the gifted ones, amongst those who did not draw a blank in the great lottery of life, were so endowed as to make accumulation at all possible: an unequal distribution of wealth, as Ortes understood, is the *sine qua non* of capital accumulation[5].

The urge to expand markets at home and abroad – the second cause – is, again, one dictated by the necessity to obtain a high price. The gauge of all business success, which is carried on a pecuniary footing and, as such, concerns itself exclusively with gain accounted for in bookkeeping records, is the currency of the nation – with it the merchant reckons failure or success; it is the bottom line of business enterprise, the alpha and the omega of capitalist pursuit. Ignoring its oscillations defeats the purpose of careless planning in the launching of any profitable venture. Thus, internal and external demand is a *sine qua non* for the “increase of value” of a nation, so long as proper supervision is be devoted to the management of the monetary system.

But, should the access to such foreign bounties be too hard to secure, and should the internal market reach a level of saturation so high as to render any addition to capital an unwarranted act of accumulation conducive to decreasing prices, which defeat the whole purpose of business, there but remains one secure, never-failing option available to shore up the capitalizations of the jeopardized concerns and that is the third, and most important, cause favorable to the increase of value identified by Malthus, namely, the creation of a class of unproductive consumers[6].

The solution is thus to create the stimulus to demand by fashioning a class of consumers, who must not be involved in the productive process, for as employees they would figure in the accounts as an addition to costs, but who derive sustenance from the revenue of capital – a breed of individuals thriving off the gains of business by providing services to the community in exchange for such allowance. An army of flunkies, white-collar workers, lawyers, state officials, bureaucrats of all denominations, and soldiers of all ranks. This class of unproductive consumers is the modern re-edition of the retainers of yore; they are the courtesans that feed off the revenues of the masters[7].

Indeed, they are important if they can pay the price of all commodities for sale. Now, it is not conceivable that the captains of business will allow to be taxed to the extent necessary to sell the whole of the national product, for whatever they refuse to spend makes up their income proper, namely profit. It follows that the “master producers” would have to surrender profit entirely to state employees in order to prevent the piling up of unsold goods, that is, gluts. This, of course, does not happen; in fact, only part of

the income of the producing class is relinquished to the state in the form of taxation; whatever the state cannot afford to purchase it will borrow from the wealthy, and this is how the dynamics of the national debt is triggered[8].

Debt is thus found to be beneficial to business, though the incumbency to levy taxes upon the community to honor interest payments presents a limit to financial abuse, and makes the whole enterprise an exercise of fine calibration – a juggling of mounting financial claims to be set against the active spending of a rising class of state retainers. The viability of a capitalist system thus appears to be dependent, at least provisionally, upon a nondescript ratio – “a certain proportion”, says Malthus (1986, pp. 412-13) – of wage earners to unproductive consumers, which, beyond guaranteeing “the greatest value”, should keep the economy from keeling over for lack of either ineffective demand or swelling indebtedness.

Nazi economics

Over population

Whereas the classics – Ortes and Malthus – recommended *il celibato* (celibacy) and abstinence (“preventive check”) as a sensible restraint of the powers of procreation, the Nazis, though they shared a similar apprehension as to the catastrophic effects of a population swarming over constricted, and allegedly ungenerous, soil, actively encouraged the husbanding of prolific households: the hordes of invasion must be numerous. In thought, the premises were identical – births, according to the drift of the postulated law of nature, exceed produce; the difference lay in policy: the classics recommended prudence, the Nazis conquest:

The essential thing for the future is to have lots of children . . . A family’s life is assured only when it has upwards of four children – I should even say, four sons . . . It is inconceivable that a higher people should painfully exist on a soil too narrow for it . . . We painfully wrest a few meters from the sea, we torment ourselves cultivating marshes, and in Ukraine an inexhaustible soil . . . lies waiting for us . . . According to the laws of nature, the soil belongs to him that conquers it . . . The fact that our people is bursting out of its cramped frontiers [justifies] all our claims to the eastern space (Hitler, 1953, pp. 46, 33, 214).

Similar views are expressed in *Mein Kampf*, which, as known, was dictated to Rudolf Hess, under the influence of Karl Haushofer, who founded after the First World War the geopolitical school at the University of Munich, and who is credited with the paternity of the concept of *Lebensraum* (vital space). The claim to vast expanses of vital space in the East, if taken at face value, dissipated any bafflement at the seeming irreconcilability between the promotion of large families and the cry of distress over the limited nutritive capacity of the Reich: if land was not sufficiently productive at home, foreign soil had to be appropriated by the use of force to give vent to the fertile pangs of the “higher people” (Dorpalen, 1942, p. 59). To Malthus, colonizing luscious virgin territory amounted to but a postponement of the natural check of the soil on human fertility; famine, vice and war would have ensued thereafter. With which prophecy Hitler would have not taken issue, for the Nazi élite held a deep belief in the cycle of natural selection, through the fire of the struggle for survival, and were thus prone to submit themselves to such a struggle and thereby assume the risks to prove its eternal validity:

Germany has an annual increase in population of nearly 900,000 souls. The difficulty of feeding this army of new citizens must grow greater from year to year and ultimately end in

catastrophe, unless way and means are found to forestall the danger of starvation and misery in time (Hitler, 1971, p. 131).

Hitler enumerates four remedies for averting the “danger of misery and starvation”. The first is the artificial restriction of births, Malthus’s “preventive check”. The practice, argues Hitler (1971, p. 132), would ultimately corrupt the breed of men that have steeled themselves in the strife for existence:

The natural struggle for existence which leaves only the strongest and the healthiest alive, is obviously replaced by the obvious desire to “save” even the weakest and most sickly at any price . . . Man limits procreation, but is hysterically concerned that once a being is born it should be preserved at any price . . . This plants the seed of a future generation which must inevitably grow more and more deplorable.

The second palliative is internal colonization. Here Hitler (1971, p. 133) reaches conclusions already detailed at length by Malthus in identical terms[9]:

Without doubt the productivity of the soil can be increased up to a certain limit, . . . not continuously without end . . . With utmost toil it will not be possible to obtain any more from [the soil], and then, though postponed for a certain time, catastrophe again manifests itself. First there will be hunger from time to time, then famine, etc.

This process, continues Hitler, will bring forth a fortified strain of beings that are, however, bound to commit the same mistake, should they decide to preserve the “weak at any cost”. Moreover, a huddling of valiant creatures on a limited surface will give much breathing room and space to reputedly “inferior races”, and thus irresponsibly grant these races, in time, the opportunity to overrun the German people.

The third envisaged solution is the conquest of new soil in the East; the fourth, the capture of foreign markets by means of industry and commerce. After brief reckoning, and the facile apprehension that commercial success abroad is impeded by alien powers of production already plagued by gluts of unsold staples and commodities, the third way, that of conquest, was selected by Nazi authorities as the sole workable option:

If land is desired in Europe, it could be obtained, by and large only at the expense of Russia, and this means that the new Reich must set itself again on the march along the road of the Teutonic knights of old, to obtain by the German sword sod for the German plow and daily bread for the nation. For such a policy there was but one ally in Europe: England (Hitler, 1971, p. 140).

The recovery, 1933-1938

Base and foundation of the economic regime of the Third Reich is security of property:

I absolutely insist on protecting private property . . . I regard it as axiomatic that . . . [a] factory will be better run by one of the members of a family estate than it would be by a state functionary (Hitler, 1953, p. 294).

As he had told Otto Strasser in late 1930, Hitler never thought for a moment of thwarting private initiative, entrepreneurship, or even economic brinkmanship, so long as these traits of economic affection comported with the goals of National Socialism:

Let’s assume, Herr Hitler, that you will become Chancellor tomorrow; what would you do with Krupp? Would you leave that business alone, intact, yes or no?

Certainly yes! Cried Hitler, do you think I'd be so insane as to ruin the great German industry? (Strasser, 1930, p. 128).

Supply. Of the four expedients envisaged by Malthus to increase the wealth of a nation (an increase in population; the accumulation of capital; the fertility of the soil; and inventions to save labor), Hitler, for the reasons outlined above, decidedly discarded the third; he embraced the first, which Malthus rejected, and, like the British economist, set very little store by the second and the fourth remedies. Of this last he says the following in his *Secret Conversations*:

For the few articles that foreigners still need, there's a cutthroat struggle between the suppliers. To gain access to these markets, one must pay such premiums that it represents a disproportionate effort for our economy. Only new inventions sometimes enable us to do a little business (Hitler, 1953, p. 35).

In a world, such as the West of the 1930s, immobilized by redundant capital and international jealousies, commercial and political, open trade is inconceivable. At least among the industrial rivals of Europe and America. Now, to return to the issue, timidly raised by Malthus, of captive markets, if it is "in the power of a people to open foreign markets at will", capital accumulation may be easily countenanced, if not given full swing:

The countries we invite to participate in our economic system should have their share in the natural riches of the Russian regions, and they should find an outlet there for their industrial production . . . Once this region is organized for us, all threat of unemployment in Europe will be eliminated. On the economic level, America could never be a partner for these countries. America could be paid only in gold. A commerce based on the exchange of products is not possible with America, for America suffers from a surplus of raw materials and a plethora of manufactured goods. This gold which the Americans receive in exchange for the labour they supply, they hide it away in their strong rooms – and they imagine the world will yield to this policy born in the smoky brain of a Jewish thinker! The result is their 13 million unemployed (Hitler, 1953, p. 44).

To bring such a plan to fruition, Hitler had to arm Germany first. To arm a country, one needs the performance of the "master producers"; these in turn pretend a remuneration for their collaboration in the form of profits, through guaranteed high prices; to make good on its promise of remuneration to the master producers, the Nazi élite had no avenue to traverse, as Malthus had clearly intuited a century earlier, other than fashioning demand itself.

Demand. It is a matter of notoriety that the so-called "recovery" in Nazi Germany was fueled by government commissions of public works to the private economy. From 1933 to 1935 attention and effort were devoted to the erection of infrastructure, thereafter this consummation took the form of rearmament.

The financial means employed to launch the recovery, under the tutelage of governor Schacht and his team at the Reichsbank, was the bill of exchange. Several types of such bills of various denominations were issued (the most notorious being the "work-creation-" and the Mefo- bills, which roughly punctuated respectively, the building of infrastructure and the manufacture of weaponry), and then handed over to the entrepreneurs, who would discount them at their commercial banks[10].

The money injected by means of discountable work creation bills did not re-flow back to the origin through the process of consumption, for highways, barracks, airdromes, and machine-guns are not consumptibles. It returned, if at all, through the

channels of taxation. The putative advantages of the re-engineered monetary circulation of the Third Reich appeared to consist in what, in fact, was the emission of interest-free loans (after a while the principal loaned to the Reich for rearmament remained unclaimed, and there prevailed the tacit agreement that it should have been repaid after the war would have been won), and the elimination of redundant overhead charges, exacted at each phase of mass production processes.

Via the public works, by having freed an abundant supply of money, Schacht reduced the interest structure of the economy. This much was apparently conceded to the consumer goods industries, as they were not directly involved in rearmament.

In the literature, the repercussion of public spending upon business came to be spoken of as a relationship between “primary” and “secondary” effects on employment. Primary employment accounted for the re-enrolled arms in the sectors directly subsidized by public programs, whereas those additional laborers taken in by consumption industries as a result of the initial state-sponsored boost fell under the caption of “secondary employment”. Students of the depression sought to disentangle from the aggregate trends of the *Konjunktur* the monetary spillovers of “government money” to the consumption sectors, and thereby endeavored to estimate the “increase in wealth” generated by work creation.

Given the rushed warlike proclivities of the Nazis, only a few industries benefited from the primary effects. When full employment was reached in the Spring of 1937, it appeared that these secondary effects had been rather trifling, barring the noticeable increase in the sales of motorbikes and beer – the indisputable, if somewhat limited, sign that, in spite of sweeping controls and decrees, the working class had made a comeback:

German commentators proudly point to substantial rises in production in textiles, beer consumption and private building (though they admit that in general foods and most necessities continue at their enforced law level). The problem can only be solved through decree, since it is nearly impossible to prevent a certain amount of funds from washing over into the hands of those who do not “prefer guns before butter” . . . Industries in which supply is elastic or which could offer a cheaper quality (cigars), or whose raw materials were fostered by the state (petroleum), or which were aided by the public works or rearmament program, naturally expanded production to a relatively high degree . . . German recovery was artificial almost from the first . . . In the first quarter of 1935 production in industries which directly benefited from public works had increased to 213 percent of the 1932 level. Industries not directly affected, on the other hand, increased production to only 123 per cent in the same time . . . Recovery was essentially limited to industries supplying building materials, metals, machinery, and wood, and to those consumers’ industries which were favored by the government for strategic programs . . . To the end of 1934 employment in the textile industry had increased to the extent of 46 percent of the increase for industry as a whole. For clothing, food or luxuries, the increases as percentages of the increase for all industry were 55, 33, and 44 respectively. From the end of 1934 to July 1937 these percentages were 55, 54 for textiles and clothing, and only 34 each for foods and luxuries . . . A great portion of the usual leakages was avoided by means of laws and decrees . . . A large part of these [funds] was received back in the form of taxes, to be paid out again for public works and rearmament. Therefore secondary employment was sacrificed to a considerable extent in favor of a greater volume of primary direct and indirect employment (Poole, 1939, pp. 213-215, 218, 240, 242, 243).

The reimbursement of the principal sums was disposed of with consolidation (prolongation of the maturity date of the contracted loans from the absentee owners of Germany to the government), while the mass of payments consisting of wages, salaries

and profits were conveyed to the secondary circuit of credit and immediately re-injected – as invested funds – in a consecutive phase of production.

The economy at large was heavily taxed and consumption kept to a minimum by means of thoroughgoing controls. The sectors under the stewardship of the Nazi ministries (construction, heavy industries, civil engineering, etc.), were shown a detour out of the circuits of taxation with tax breaks and most important, with the practice of “price-financing” (*Preisfinanzierung*)[11]. The initial, moderate, interest charges on the evidences of debt held by German investors were paid by the “rest of the economy”, namely the working class, the farmers and the consumer goods industries. The amount of Reichsbank notes slowly increased throughout the upswing, and cash on hand at the credit institutes fell to rather exiguous levels (a recorded cash indebtedness ratio of nearly 1 percent in the mid-1930s), on account of the “repressed inflation” achieved by the regime.

Thus, loan money was sunk in the construction of “wasteful expenditures”[12], then trickled into controlled rivulets of immediate consumption (compatibly with the rather avaricious yields of German agriculture, and the shoddy imports of raw materials secured by Schacht’s commercial missions around the globe, especially in the Balkans and Latin America), and proceeded to accumulate in the form of debt *vis-à-vis* the swelling of a tremendous war machine.

In brief, the money hoarded during the great German depression, the so-called 1931 slump, had resurfaced – with the promise of war.

The retention of profits encouraged by the *Preisfinanzierung* for the purpose of self-financing may be conceived as a “perversion of the gift”. In the vision of Austrian mystic Rudolf Steiner, anything left over after all factors of production had been remunerated, that is any surplus, should step into the sphere of the gift. Such a sphere forms the pool of resources, which are drawn upon to nurture the spiritual and scientific investigation: the arts and sciences feed off the community’s surplus (Steiner, 1993, chapter 12).

In modern systems, inasmuch as they condense into more or less autocratic aggregates, no such passage is observable, although the phenomenon approximating this final transition is indeed that of taxation, whereby the community gives to the state, and the state returns the gift in the form of various services (education, security, etc.), or even destruction, as an exhibition of public greatness. In this final economic rite preceding the commencement of a new cycle, the tribes and their chieftains consummate this exchange under the eye of ancestral divinities and the spooks of clannish appetency:

Even pure destruction of wealth does not signify that complete detachment that one might believe to be found in it. Even these acts of greatness are not without egoism. The purely sumptuary form of consumption (which is almost always exaggerated and often purely destructive), in which considerable amounts of goods that have taken a long time to amass are suddenly given away or even destroyed ... In effect, and in reality, not only are useful things given away, but one even destroys for the pleasure of destroying ... But the reason for these gifts and frenetic acts of wealth consumption is in no way disinterested ... Between chiefs and their vassals, between vassals and their tenants, through such gifts a hierarchy is established. To give is to show one’s superiority, to be more, to be higher in rank, *magister*. To accept without giving in return, or without giving more back, is to become client and servant, to become small, to fall lower (*minister*) (Mauss, 1990, p. 54).

First, in the case of war expenditure, no direct consumption is taking place; second, the state is the sole acquirer of the goods; and third, the producer does not give, or return anything, other than wares, whose proximate purpose is to be destroyed. Of the 80 (90, Hitler claimed) billion Reichsmarks spent by the Nazis during the preparation for war, about half came from borrowed sources.

These were hoards that were eventually channeled into the bellicose enterprise of the Third Reich. One may be tempted to believe that they represented “the gift for war”. Yet not even rhetorical license would countenance such an oxymoron, for, indeed, there is no such thing as a “gift for war”, but only a loan for war.

Twice in 1938, the Reichbank under Schacht refused the Reich’s request to print money in order to redeem Mefo-bills coming due and the salaries of state employees. Twice the Finance Minister, Schwerin von Krosigk, called upon private banks for the extension of credit (Beck, 1955, pp. 130, 134). Tax yields were no longer sufficient to cover the outlay; Germany’s new War Loan had assumed unmanageable proportions. Time had come to march against Poland:

Wealth is paid for at the time that it is produced. The ability to pour out for five years a mounting tide of munitions is evidence of a nation’s wealth (Soddy, 1933, p. 158).

From 1933, those 80 billion RM, could have been readily given away, along several streams, some to the land for improvements, some to the arts and the sciences, and some to manufactures. In Nazi Germany, money circulated prominently in the industrial conduit; very little trickled in the pool of the gift, and the little that trickled therein was anything but free: cultural activities were restricted to propaganda and the ordinary channels of higher learning, while agriculture suffered a severe setback and the desertion of about one and a half million of able men to the military industry.

As reported in the preceding section, Malthus had written that workers, “if they possessed the will, have not the power [to consume]”. While “capitalists, though they have the power, have not the will to consume . . . to the necessary extent”. When the master producers fail to find purchasers for their products, prices decline, and the incentive to save diminishes. The stage is set for a depression, and conditions are predisposed for savings to go underground, where they shall wait out the crisis, until satisfying remuneration bids them to go “above”. The deficiency of effective demand can only be solved by a “union” between the will to consume and the “powers of production”.

The three Malthusian means to establish the “match” are: the division of landed property, the extension of domestic and foreign trade, and the maintenance of such a proportion of unproductive consumers as is best adapted to the powers of production.

The first expedient (the division of landed property) would have created, according to Malthus, “a greater number of demanders in the middle ranks of life who were able and willing to purchase the results of productive labour”. The Reich Entailed Farm Law (*Reichserbhofgesetz*) of 29 September 1933, conceived by Reich Peasant Leader (*Reichsbauerleiter* – Agriculture Minister) Walter Darré, “represented an attempt to guarantee the future of medium-sized peasant farmers who were expected to be the ‘blood spring’ of the German nation” (Noakes and Pridham, 1984, pp. 319-20). Lots whose surface ranged between 7.5 and 125 hectares were under particular conditions designated as entailed-farms. To prevent foreclosure and the feudal solidity of the yields of the soil, the entailed-farms had to be passed on undivided to the heir.

However, the Malthusian wish to create a “consuming gentry” out of the parcellization of landed estates miscarried on account of the exiguous number of farms to which the Act applied (a mere 22 percent, which scarcely affected the tenure of the Junkers), and of the aforementioned forsaking of the land to the advantage of industrial opportunity:

While industrial net production [between 1933 and 1938] increased by 90 percent, agricultural production rose by approximately 22 percent ... [These figures] prove that neither propaganda nor efforts to aid and promote agriculture could reverse the process of industrial expansion. Furthermore, whenever the trend toward “the return to the soil” clashed with objectives of rearmament and war preparations, the latter were given preference. Although the Nazis were aware of these failures, they neither accepted them as final nor refuted their original concepts because of them. As in other spheres, the perceived the matter as a temporary postponement in favor of more urgent tasks (Barkai, 1990, p. 140).

To the undisputed efficacy of the second remedy – namely, the recourse to an expansive policy of foreign trade – Schacht tributed no more than the mixed results of his “new plan”[13] – an active policy of two-way trade arrangements with, mostly second-rate, producers of agricultural staples (especially Brazil, Turkey, Rumania, Bulgaria, Yugoslavia), which, if gauged according to the protectionist animosity of the times, could have been deemed a half-success, but, if staked against the odds of a full-fledged recovery, came far short of the mark.

It was with the third Malthusian remedy of wasteful expenditures that the Nazis pulled their country out of the throes of depression. For the Hitlerites understood, as did Malthus, that national wealth in times of crisis is best stimulated “by the consumption of those who have been supported by taxes” (Malthus, 1986, pp. 409, 429).

As argued previously, a distribution favoring menial and unproductive work of all types is paid out of revenue, and therefore does not impinge on the cost structure and capitalization of business. The reasoning culminates, once more, with the apprehension that unproductive labor pertains to the sphere of the gift, even though the outlay is never turned into an actual gift, for all unproductive consumption, beyond the conspicuous display by the kept classes of wasteful goods and services, goes to swell the debt, on which interest is paid, and for which taxes are exacted. Thus, Malthus propounded the employment of workers in “those kinds of labour, the results of which do not come into the market, such as roads and public works”, and which do not compete with wares manufactured by productive labor. “What does not come into the market” is, by definition, gift; if it comes with a price (as interest upon a security), it is a perverted gift.

By 1940, Germany had 50.2 percent of her work-force engaged by war orders, no unemployment, and 48.8 percent of her income apportioned to war expenditure (Overy, 1994, p. 312).

From the viewpoint of business, the immediate advantages accruing from unrestricted waste are beyond dispute. It “keeps trade going”, and accounts for the windfall proceeds of “brisk times”. However, by the nature of its terms, the unabashed proclivity to lay production to waste, at a price, does not wholly dispense with the reckoning of compound interest. The perverted gift – that is, the money re-injected in the economy through wasteful ventures, at a price – generally assumes the shape of an interest-bearing security:

Wasteful expenditure on a scale adequate to offset the surplus productivity of modern industry is nearly out of question . . . Something has been done by the civilized governments in the way of effectual waste. Armaments, public edifices, courtly and diplomatic edifices, and the like, are almost altogether wasteful, so far as bears on the present question. They have the additional advantage that the public securities which represent this waste serve as attractive investment securities for private savings, at the same time that, taken in the aggregate, the savings so invested are purely fictitious savings and therefore do not act to lower profits or prices (Veblen, 1978, pp. 255-6).

The Malthusian physiognomy of Nazi economics

1025

Savings sunk in this type of outlay add a fourth species to great family of capitalist investment (i.e. productive and impairing[14] investment, and hoards) namely, the “wasteful (or fictitious) investment”: that is, the borrowing of money at interest to manufacture articles fated to be destroyed. Savings invested at a price are conditioned upon the hopeful expectation of an acceptable return. This predication goes some way toward explaining the hesitation exhibited by several constitutional democracies of the West in coping with the burdens of depression. In the 1930s, it appeared that only the promising outlook of the spoils of war could give some substance to the prospects of gain and to their accounting expression, the yield.

Summary and conclusions

As stated in the introductory, the analogy between the Nazi recovery and the Malthusian admonitions to yield precedence to the business exigencies of effective demand is here drawn with no malevolent desire to cast sinister shadows over the books of parson Malthus. The connection is established with a view to shepherd portions of the Nazi economic legacy back to its Liberal roots: again, the practical concerns of the captains of industry and finance of Germany, as well those of their *Führer*, had much in common, owing to the adoption of semi-identical social institutions and industrial arts (security of ownership, lending at interest, business principles, mass production, and technical innovation), with those of their counterparts in Europe and North America. As for the Malthusian palliatives required to revive a wrecked economy – creation of a small gentry, stimulus to foreign trade, and recourse to armies of unproductive consumers – the Nazis attempted systematically all three, and were finally successful with the third. Fortunately, we shall never know what would have become of Hitler’s imagined commonwealth in the plains of the Russia and Ukraine. However, it is somewhat disquieting to reflect upon the fact that the Nazis might have been able to achieve their plans of conquest by bending to their aims a capitalist set of rules, machines, implements, and institutions, which is, in form and shape, broadly speaking, not too far different from the industrial and conventional regime under which we live at this time. A common rejoinder to what may seem a hasty and untoward comparison, would point to the fact that the issue truly rests upon the spirit that animates that particular set of institutions and accepted business customs. Therefore, the riposte would be, it all boils down to a question of ethics: being those of the Nazis beyond any acceptable standard, the capitalist machine thus finds itself acquitted of the crimes of those who maliciously manipulated it. But having ethics, morals and a standard of values no true emplacement in our modern system of business and natural liberties, for nowhere is western business conduct, in law, practice, and enforcement, shaped after any traditional system of moral obligation bent on securing the well-being and freedom of every human being as part of a collective

whole; being ethics and morals relegated to the auxiliary, and much obsolete field of philosophy; being ethics and morals simply “dropped out” of the common system of law, which is informed instead by the business imperative, it thereby seems that our capitalist machine is, at best, amoral, and at worst, easily pliable to malevolent ends. And so, choosing the rosier option, that of amorality, it thus appears that the answer to the question, that is, whether the capitalist enterprise is in itself prone or liable to ever disrupt the peace of mankind, revolves indeed round the spirit of those in control of the machine. If it does, the customary argument prevails, i.e. capitalism is exculpated and guilt remains an affair of the human soul, something irrespective of the means employed. But this argumentation presupposes the net distinction between a nondescript realm of possible behaviors, which, if one were to refuse categorically to trace any idea back to metaphysical sources, can only be driven by chance (what makes one man a Nazi, another a dissident?), and a realm of fact, with no interface whatever between them. In other words, it posits that phenomena are disjoined from ideas. But how can fact not reflect the spirit? Worldly occurrences are manifestations of distinct thought processes. It is unlikely that an idea that is essentially good for mankind will take the shape of a custom or a tool that is capable of causing so much distress. It is not a fortuity that the capitalist machine has been mastered and driven best by minds, which, for as much as they differ in respect of folk fancy, have yet been equally possessed with the postulate of over-population – that is, with the adamant belief that there is not enough room on this earth for all of us.

Notes

1. “... *E crescendo i viventi geometricamente ... ed essendo tali terre e tali animali limitati, non possono dunque quei prodotti che se ne estraggono essere configurati in beni che in misura limitata ...*” (And whilst the living grow geometrically, and the soil and livestock being available in limited supply, produce can only be fashioned into goods to a limited extent) (Ortes, 1965, pp. 25, 33).
2. “That a continued increase in population is a powerful and necessary element of increasing demand, will be most readily allowed; but that the increase of population alone, or, more properly speaking, the pressure of the population hard against the limits of subsistence, does not furnish an effective stimulus to the continued increase in wealth, is not only evident in theory, but is confined by universal experience” (Malthus, 1985, p. 311).
3. “The consumption and demand occasioned by the workmen employed in productive labour can never alone furnish a motive to the accumulation and employment of capital; and with regard to the capitalists themselves. Together with the landlords and other rich persons, they have by the supposition, agreed to be parsimonious, and by depriving themselves of their usual conveniences and luxuries to save form their revenues and add to their capital. Under these circumstances, it is impossible that the increased quantity of commodities obtained by the increased number of productive laborers, should find purchasers, without such a fall in price as would probably sink their value below that of the outlay, or, at least, so reduce profits as very greatly diminish both the power and the will to save” (Malthus, 1986, p. 315).
4. That is, the American dominions of the Spanish Crown, especially Mexico, which were characterized by a population of few wealthy landlords surrounded by diffuse wretchedness.
5. “*Nello stato sociale, è necessario perché ei proceda colle generazioni al grado possibile, che ciascuno possiede alcuni beni non posseduti da altri ... Questo è lo stato naturale dell'uomo ...*” (In the form of social cohabitation, it is necessary in order to obtain a sustainable

progression of generations, that some individuals possess goods beyond the reach of others ... This is the natural condition of mankind ...) (Ortes, 1965, p. 42).

6. "The master producers and capitalists, though they may have the power, have not the will, to consume in the shape of revenue to the necessary extent. And with regard to their workmen, it must be allowed that, if they possessed the will, they have not the power. It is indeed most important to observe that no power of consumption on the part of the labouring classes can ever, according to the common motives which influence mankind, alone furnish an encouragement to the employment of capital ... It is most desirable that the labouring classes should be well paid ... But as a great increase of consumption among the working classes must greatly increase the cost of production, it must lower profits, and diminish and destroy the motive to accumulate" (Malthus, 1986, pp. 404, 405).
7. "Every society must have a body of persons engaged in personal services of various kinds ... They appear absolutely necessary ... Such a body of persons ... is not only necessary to the government, protection, health, and instruction of a country, but is also necessary to call forth those exertions which are required to give full play to its physical resources ... They are paid from revenue, not capital. They have no tendency to increase cost and lower profit" (Malthus, 1986, pp. 406-8).
8. "With regard to ... statesmen, soldiers, sailors and those who live upon the interest of a national debt, it cannot be denied that they contribute powerfully to distribution and demand; ... they ensure that effective consumption which is necessary to give the proper stimulus to production ... Yet to counterbalance these advantages ... it must be acknowledged that injudicious taxation might stop the increase of wealth at almost any period of its progress ... It would be the height of rashness to determine, under all circumstances, that the sudden diminution of a national debt and the removal of taxation must necessarily tend to increase the national wealth, and provide employment for the labouring classes" (Malthus, 1986, pp. 409, 411).
9. "Famine seems to be last, most dreadful resource of nature. The power of population is so superior to the power of the earth to produce subsistence for man, that premature death must in some shape or other visit the human race ... Should [the vices of mankind] fail in this war of extermination, sickly seasons, epidemics, pestilence and plague, advance in terrific array, and sweep off their thousands and tens of thousand. Should success still be incomplete, gigantic inevitable famine stalks in the rear, and with one mighty blow levels the population with the food of the world" (Malthus, 1985, pp. 118-19).
10. An explanation of the cycle of the "work-creation" bills can be found in several texts dealing with the Nazi recovery (for a summary description, see Preparata, 2002).
11. Namely the concession to private industrial concerns of additional funds effected through the remittance of high prices, which incorporated a mark-up far in excess of the mere cost of production.
12. "Wasteful expenditure" is here intended in the Veblenian sense; i.e. as that kind of outlay not conducive to a material enhancement of industry's productive potential.
13. Schacht's "new plan" "replaced the old system of percentage allocation of foreign exchange by a system under which a foreign exchange certificate had to be obtained for each individual transaction from one of the 27 Import Central Boards set up under the Plan before a definite order could be placed and the goods imported" (Arndt, 1944, p. 185).
14. This form of investment was identified, and its appellation coined, by Johannsen (1971, p. 35): it consists of the acquisition, for speculative purposes, of deeds and titles of ownership already in existence; it concentrates wealth in the hands of wealthy investors that can afford to buy these titles "cheap" when times are "tight".

References

- Arndt, H.W. (1944), *The Economic Lessons of the Nineteen Thirties*, Oxford, London.
- Barkai, A. (1990), *Nazi Economics*, Yale University Press, New Haven, CT.
- Beck, E.R. (1955), *Verdict on Schacht: A Study in the Problem of Political Guilt*, Florida State University Press, Tallahassee, FL.
- Dorpalen, A. (1942), *The World of General Haushofer: Geopolitics in Action*, Farrar & Rinehart, New York, NY.
- Hitler, A. (1953), *Hitler's Secret Conversations*, Farrar, Stras and Young, New York, NY.
- Hitler, A. (1971), *Mein Kampf*, Houghton Mifflin Company, Boston, MA (originally published in 1923).
- Johannsen, N.J. (1971), *A Neglected Point in Connection with Crises.*, Augustus M. Kelley Publishers, New York, NY (originally published in 1908).
- Kropotkin, P. (1993), *Fields, Factories and Workshops*, Transactions Publishers, New Brunswick, NJ (originally published in 1912).
- Malthus, T.R. (1985), *An Essay on the Principle of Population*, Penguin Books, New York, NY (originally published in 1798).
- Malthus, T.R. (1986), *Principles of Economics*, Augustus M. Kelley, New York, NY (originally published in 1836).
- Mauss, M. (1990), *The Gift: The Form for Exchange in Archaic Societies*, N.N. Norton, New York, NY (originally published in 1950).
- Noakes, J. and Pridham, G. (Eds) (1984), *Nazism, 1919-1945, Vol. 2: State, Economy and Society, 1933-1939*, University of Exeter Press, Exeter.
- Ortes, G. (1965), *Opere*, Vol. 1, Bizzarri, Rome (originally published in 1774).
- Overy, R.J. (1994), *War and Economy in the Third Reich*, Clarendon Press, Oxford.
- Poole, K. (1939), *German Financial Policies 1932-1939*, Harvard University Press, Cambridge, MA.
- Preparata, G.G. (2002), "Hitler's money: the bills of exchange of Schacht and rearmament in the Third Reich", *American Review of Political Economy*, Vol. 1, December.
- Soddy, F. (1933), *Money versus Man: A Statement of the World Problem from the Standpoint of the New Economics*, Dutton, New York, NY.
- Steiner, R. (1993), *Economics: The World as One Economy*, New Economy Publications, Bristol (originally published in 1922).
- Strasser, O. (1930), *Hitler et Moi*, Grasset, Paris.
- Veblen, T. (1978), *The Theory of Business Enterprise*, Transaction Books, New Brunswick, NJ (originally published in 1904).

Further reading

- Preparata, G.G. and Elliott, J.E. (2000), "Bank lending, interest and monopoly: pre-Keynesian heterodoxy in macro-monetary dynamics", in Samuels, W. and Biddle, J. (Eds), *Annual Research in the History of Economic Thought and Methodology*, Vol. 14A, Elsevier/JAI Press, Greenwich, CT.