

1 War as Policy

For Warre, consisteth not in Battell onely, or the act of fighting; but in a tract of time, wherein the will to contend by Battell is sufficiently known: and therefore the notion of Time, is to be considered in the nature of Warre; as it is in the nature of Weather. For as the nature of Foule weather, lyeth not in a showre or two of rain; but in an inclination thereto of many days together: So the nature of Warre, consisteth not in actuall fighting; but in the known disposition thereto, during all the time there is no assurance to the contrary. All other time is Peace.

Thomas Hobbes,
Leviathan, 1651

There are two commonly accepted ideas about war which have little foundation in history. One is that war is an abnormality. The other is that with the passage of time warfare has become costlier and deadlier. The first of these ideas established itself in the eighteenth century, when the theory of natural law was used to demonstrate that peace was a logical deduction from the material laws governing the universe or, sometimes, from the psychological laws governing mankind. The second of these ideas came to reinforce the first, which might otherwise have been weakened by the weight of contrary evidence, towards the end of the nineteenth century. The historical record of that century had not been such as to substantiate the logical deductions of eighteenth-century philosophy, for it was a century of unremitting warfare. But after 1850 a large body of economic literature began to reconcile agreeable predictions with unpleasant facts by demonstrating that in spite of the prevalence of warfare it would eventually cease to be a viable economic policy because it would price itself out of the market, a process which, it was agreed, had already begun.

Neither of these ideas has ever been completely accepted by economists but their influence on economic theory has been so powerful as to focus the operation of a substantial body of that theory on to the workings of a peacetime economy only. In spite

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of the fact that the world has practically never been at peace since the eighteenth century peace has usually been seen as the state of affairs most conducive to the achievement of economic aims and the one which economic theory seeks to analyse and illuminate. In the early nineteenth century, indeed, it was seen as the goal to which economic theory tended.

The frequency of war is in itself the best argument against accepting the idea of its abnormality. The second idea, that war has become more costly, is based less on a refusal to consider history than on a mistaken simplification of it. It was an idea which first gained wide credence with the development of more complicated technologies. War itself was an important stimulus to technological development in many industries in the late nineteenth century such as shipbuilding, the manufacture of steel plate and the development of machine tools. The construction of complex weapons which could only be manufactured by states at a high level of economic development seemed to change the economic possibilities of war. The first heavily armed steel battleships only narrowly preceded the adaptation of the internal combustion engine to military and then to aerial use, and these new armaments coincided with a period of enormous and growing standing armies. The productive capacities which economic development had placed in the hands of developed economies raised prospects of warfare on an absolute scale of cost and deadliness never before conceived. And these prospects in themselves seemed to indicate the economic mechanism by which war would disappear after its rather disappointing persistence in the nineteenth century. These ideas were succinctly expressed by de Molinari, one of the few economists who tried to integrate the existence of war into classical economic theory.

Can the profits of war still cover its cost? The history of all wars which have occurred between civilized peoples for a number of centuries attests that these costs have progressively grown, and, finally that any war between members of the civilized community today costs the victorious nation more than it can possibly yield it.¹

In the half century after de Molinari so firmly expressed his opinion there were two world wars, each of a far higher absolute

1. M. G. de Molinari, *Comment se résoudra la question sociale?*, Guillaumin, Paris, 1896, p. 126.

cost and each responsible for greater destruction than any previous war. There is, to say the least, circumstantial evidence that de Molinari's judgement was a superficial one and that nations did not continue to go to war merely because they were ignorant of what had become its real economic consequences. War not only continued to meet the social, political and economic circumstances of states but, furthermore, as an instrument of policy, it remained, in some circumstances, economically viable. War remains a policy and investment decision by the state and there seem to be numerous modern examples of its having been a correct and successful decision. The most destructive of modern technologies have not changed this state of affairs. Their deployment by those states sufficiently highly developed economically to possess them is limited by the rarity of satisfactory strategic opportunity. The strategic synthesis by which the Vietnam war was conducted on the American side, for example, is very like the rational decisions frequently taken by all combatants in the First World War against the use of poison gas. The existence of the most costly and murderous armaments does not mean that they will be appropriate or even usable in any particular war, much less that all combinations of combatants will possess them.

The question of the economic cost of war is not one of absolutes. The cost and the effectiveness of a long-range bomber at the present time must be seen in relation to that of a long-range warship in the eighteenth century and both seen in relation to the growth of national product since the eighteenth century. In each case we are dealing with the summation of many different technological developments, and the armament itself is in each of these cases pre-eminently the expression of an extremely high relative level of economic development. The meaningful question is whether the cost of war has absorbed an increasing proportion of the increasing Gross National Products of the combatants. As an economic choice war, measured in this way, has not shown any discernible long-term trend towards greater costliness. As for its deadliness, the loss of human life is but one element in the estimation of cost. There are no humane wars, and where the economic cost of the war can be lowered by substituting labour for capital on the battlefield such a choice would be a rational one. It has been often made. The size of the Russian armies in the First World War reflected the low cost of obtaining and maintaining

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a Russian soldier and was intended to remedy the Russian deficiencies in more expensive capital equipment. It may be argued that modern technology changes the analysis because it offers the possibility of near-to-total destruction of the complete human and capital stock of the enemy. But numerous societies were so destroyed in the past by sword, fire and pillage and, more appositely, by primitive guns and gunpowder. The possibility of making a deliberate choice of war as economic policy has existed since the late eighteenth century and exists still.

The origins of the Second World War lay in the deliberate choice of warfare as an instrument of policy by two of the most economically developed states. Far from having economic reservations about warfare as policy, both the German and Japanese governments were influenced in their decisions for war by the conviction that war might be an instrument of economic gain. Although economic considerations were in neither case prime reasons in the decision to fight, both governments held a firmly optimistic conviction that war could be used to solve some of their more long-term economic difficulties. Instead of shouldering the economic burden of war with the leaden and apprehensive reluctance of necessity, like their opponents, both governments kept their eyes firmly fixed on the short-term social and economic benefits which might accrue from a successful war while it was being fought, as well as on the long-term benefits of victory. In making such a choice the ruling élites in both countries were governed by the difference between their own political and economic ideas and those of their opponents. The government of Italy had already made a similar choice when it had attacked Ethiopia.

This difference in economic attitudes to warfare was partly attributable to the influence of fascist political ideas. Because these ideas were also of some importance in the formulation of Axis strategy and in the economic and social policies pursued by the German occupying forces it is necessary briefly to consider some of their aspects here in so far as they relate to the themes considered in this book. Whether the National Socialist government in Germany and the Italian Fascist party are properly to be bracketed together as fascist governments and indeed whether the word fascist itself has any accurate meaning as a definition of a set of precise political and economic attitudes are complicated

questions which cannot be discussed here.² Although the Japanese government had few hesitations in using war as an instrument of political and economic policy there is no meaningful definition of the word fascist which can include the ruling élites in Japan. There was a small political group in that country whose political ideas resembled those of the Fascists and the National Socialists but they had practically no influence in the Home Islands although they did influence the policy of the Japanese military government in Manchuria.³ But for the German and Italian rulers war had a deeper and more positive social purpose and this was related to certain shared ideas. Whether the word fascism is a useful description of the affinities of political outlook between the Italian and German governments is less important than the fact that this affinity existed and extended into many areas of political and economic life. The differences between National Socialism in Germany and Fascism in Italy partly consisted, in fact, of the more unhesitating acceptance of the ideas of Italian Fascism by the National Socialist party and the linking of these ideas to conceptions of racial purity.

The basis of Fascist and National Socialist political and economic thought was the rejection of the ideas of the eighteenth-century Enlightenment. In the submergence of the individual will in common instinctive action, which warfare represented, rational doubts and vacillations, which were regarded as a trauma on human society produced by the Enlightenment, could be suppressed. War was seen as an instrument for the healing of this trauma and for the restoration of human society to its pristine state. Both Hitler and Mussolini, whose writings in general not only subscribed to but advanced the political ideas of fascism, referred to war constantly in this vein, seeing it as a powerful instrument for forging a new and more wholesome political society. 'Fascism', wrote Mussolini,

the more it considers and observes the future and the development of humanity, quite apart from the political considerations

2. The reader is referred for a recent, short and relatively unbiased discussion of these issues to W. Wippermann, *Faschismustheorien. Zum Stand der gegenwärtigen Diskussion*, Wissenschaftliche Buchgesellschaft, Darmstadt, 1972.

3. G. M. Wilson, 'A New Look at the Problem of "Japanese Fascism"', in *Comparative Studies in Society and History*, no. 10, 1968.

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of the moment, believes neither in the possibility nor the utility of perpetual peace. . . . War alone brings up to its highest tension all human energy and puts the stamp of nobility upon the peoples who have the courage to meet it.⁴

Hitler similarly wrote and spoke of war and preparation for war as an instrument for the spiritual renewal of the German people, a device for eliminating the corrupting egotistical self-seeking which he saw as the concomitant of false ideas of human liberty, progress and democracy. The basis of existence in Hitler's view was a struggle of the strong for mastery and war was thus an inescapable, necessary aspect of the human condition.⁵

What made this not uncommon viewpoint especially dangerous and what gave to the Second World War its unique characteristic of a war for the political and economic destiny of the whole European continent was the way in which the ideas of fascism were developed by Hitler and the theorists of the National Socialist party. The wound that had been inflicted on European civilization could, they argued, only be healed by a process of spiritual regeneration. That process of regeneration must begin from the small surviving still uncorrupted élite. But politics was not a matter of debate and persuasion but of the instinctive recognition of social obligations, community ideas which were held to be carried not in the brain but in the blood. The élite was also a racial élite and the restoration of the lost European civilization was also a search for a lost racial purity. The nationalist conceptions of race had been derived from the rational mainstream of European politics. What now replaced them was an irrational concept of racial purity as the last hope for the salvation of European society.⁶

Within Germany, the National Socialist party from its earliest days had identified those of Jewish race as the source of corrup-

4. Quoted in W. G. Welk, *Fascist Economic Policy. An Analysis of Italy's Economic Experiment* (Harvard Economic Studies, no. 62), Harvard University Press, Cambridge, Mass., 1938, p. 190.

5. The connections between Hitler's political thought and his strategy are developed in an interesting way by E. Jäckel, *Hitlers Weltanschauung. Entwurf einer Herrschaft*, Rainer Wunderlich Verlag Hermann Leins, Tübingen, 1969.

6. The most comprehensive discussion remains A. Kolnai's *The War against the West* (Gollancz, London, 1938), but E. Weber, in *Varieties of Fascism, Doctrines of Revolution in the Twentieth Century* (Van Nostrand, Princeton, 1964), draws out the further implications of these ideas.

tion and racial pollution. But it was scarcely possible that the 'problem' of the German Jews could be solved as an entirely domestic issue. The spiritual regeneration of Germany and, through Germany, the continent, also required a great extension of Germany's territorial area – *Lebensraum*. This area had to be sufficiently large to enable Germany militarily to play the role of a great power and to impose her will on the rest of the continent and perhaps on an even wider front. This expansion could also take the form of the destruction of what was seen as the last and most dangerous of all the European political heresies, communism and the Soviet state. The need to achieve these goals and the messianic urgency of the political programme of National Socialism meant that war was an unavoidable part of Hitler's plans.

But it was not the intellectual antagonism to communism which determined that the ultimate target of Germany's territorial expansion should be the Ukraine. That choice was more determined by economic considerations. The task of materially and spiritually rearming the German people had meant that Germany after 1933 pursued an economic policy radically different from that of other European states. A high level of state expenditure, of which military expenditure, before 1936, was a minor part, had sharply differentiated the behaviour of the German economy from that of the other major powers. The maintenance of high levels of production and full employment in a depressed international environment had necessitated an extensive battery of economic controls which had increasingly isolated the economy. After 1936 when expenditure for military purposes was increased to still higher levels there was no longer any possibility that the German economy might come back, by means of a devaluation, into a more liberal international payments and trading system. Rather, the political decisions of 1936 made it certain that trade, exchange, price and wage controls would become more drastic and more comprehensive, and the German economy more insulated from the influence of the other major economies. This was particularly so because of the large volume of investment allocated in the Four-Year Plan to the production, at prices well above prevailing world prices, of materials of vital strategic importance, such as synthetic fuel, rubber and aluminium.⁷

7. The best account is D. Petzina's *Autarkiepolitik im Dritten Reich*. *Der*

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The National Socialist party did not support the idea of restoring the liberal international order of the gold exchange standard. But neither did they have any clear positive alternative ideas. Economic policy was dictated by political expediency and each successive stage of controls was introduced to cope with crises as they arose. Nevertheless the political ideas of National Socialism favoured an autarkic as opposed to a liberal economic order and it was not difficult to justify the apparatus of economic controls as a necessary and beneficial aspect of the National Socialist state. The international aspects of the controlled economy – exchange controls and bilateral trading treaties – could readily be assimilated to an expansionist foreign policy. Indeed Hitler himself regarded a greater degree of self-sufficiency of the German economy as a necessity if he were to have the liberty of strategic action which he desired, and also as a justification of his policy of territorial expansion. The memory of the effectiveness of the Allied naval blockade during the First World War, when Germany had controlled a much larger resource base than was left to her after the Treaty of Versailles, strengthened this line of thought.

National Socialism elaborated its own theory to justify international economic policies which were in fact only the outcome of a set of domestic economic decisions which had been accorded priority over all international aspects. This was the theory of *Grossraumwirtschaft* (the economics of large areas). Although it was only a rhetorical justification after the event of economic necessities, it also played its part in the formulation of strategy and economic policy. On the basis of these economic ideas, it was hoped that the war would bring tangible economic gain, rather than the more spiritual benefits of a transformation of civilization. At an early stage in his political career, Hitler had come to the conclusion that the Ukraine was economically indispensable to Germany if she was to be, in any worthwhile sense, independent of the international economy and thus free to function as a great power. As the insulation of the German economy from the international economy became more complete in the 1930s the economic relationship of Germany to the whole of the continent came to be reconsidered, and National Socialist writers were

advocating not merely a political and racial reconstruction of Europe but an economic reconstruction as well.

National Socialist economists argued that the international depression of 1929 to 1933 had brought the 'liberal' phase of economic development, associated with diminishing tariffs and an increasing volume of international trade, to an end. On the other hand, the extent to which the developed economies of Europe still depended on access to raw materials had not diminished. They argued that the epoch of the economic unit of the national state, itself the creation of liberalism, was past, and must be replaced by the concept of large areas (*Grossräume*) which had a classifiable economic and geographical unity. Such areas provided a larger market at a time of failing demand and could also satisfy that demand from their own production and resources. Improving employment levels and increasing *per capita* incomes depended therefore, not on a recovery in international trade, which could only in any case be temporary and inadequate, but on a re-ordering of the map of the world into larger 'natural' economic areas. The United States and the Soviet Union each represented such an area. Germany too had its own 'larger economic area' which it must claim.⁸

The future economy of this area would be distinguished by its autarkic nature. The international division of labour would be modified into specialization of function within each *Grossraum*. Germany would be the manufacturing heartland of its own area, together with its bordering industrial areas of north-eastern France, Belgium and Bohemia. The peripheral areas would supply raw materials and foodstuffs to the developed industrial core.

There were close links between these economic ideas and the political and racial ones. Such large areas were considered to have a racial unity in the sense that central Europe was developed because of the racial superiority of its inhabitants, the 'Aryans'; the periphery would always be the supplier of raw materials

8. Typical of this line of argument are, F. Fried, *Die Zukunft des Welt-handels*, Knorr und Hirth, Munich, 1941; R. W. Krugmann, *Südosteuropa und Grossdeutschland. Entwicklung und Zukunftsmöglichkeiten der Wirtschaftsbeziehungen*, Breslauer Verlag, Breslau, 1939; H. Marschner, ed., *Deutschland in der Wirtschaft der Welt*, Deutscher Verlag für Politik und Wirtschaft, Berlin, 1937; J. Splettstoesser, *Der deutsche Wirtschaftsraum im Osten*, Limpert, Berlin, 1939; H. F. Zeck, *Die deutsche Wirtschaft und Südosteuropa*, Teubner, Leipzig, 1939.

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because its population was racially unsuitable for any more sophisticated economic activity.⁹ For a time it seemed that Germany might create her *Grossraumwirtschaft* and dominate international economic exchanges in Europe through peaceful means; a series of trade agreements was signed between Germany and the underdeveloped countries of south-eastern Europe after 1933. Germany was able to get better terms in bilateral trading from these lands than from more developed European economies who were able to threaten, and even, like Britain, to carry out the threat, to sequester German balances in order to force Germany to pay at once on her own (import) side of the clearing balance, and German trade with south-eastern Europe increased in relation to the rest of German and world trade in the thirties. But German–Russian trade after 1933 became insignificant and it was clear that a re-ordering of Europe's frontiers to correspond with Germany's economic ambitions would ultimately have to involve large areas of Russian territory. South-eastern Europe, without Russia, could make only a very limited contribution to emancipating Germany from her worldwide network of imports. A war against the Soviet Union seemed to be the necessary vehicle for political and economic gain.

Many scholars, particularly in the Soviet Union and eastern Europe, maintain that there was a further economic dimension to German policy and that the Second World War represented an even more fundamental clash over the economic and social destiny of the continent. Although the definition of fascism in Marxist analysis has varied greatly with time and place it has nevertheless been more consistent than definitions made from other stand-points. The tendency has been to represent it as the political expression of the control of 'state-monopoly capital' over the economy. It is seen as a stage of capitalism in decline, when it can survive only by a brutal and determined imperialism and through a monopolistic control over domestic and foreign markets by the bigger capitalist firms backed by the government. The changes in the German economy after 1933 are explained as following these lines: the readiness to go to war by the bigger profits it might bring and also by the ultimate necessity for an imperialist domination of other economies. Warfare, it is argued, had become an

9. W. Daitz, *Der Weg zur völkischen Wirtschaft und zur europäischen Grossraumwirtschaft*, Meinhold, Dresden, 1938.

economic necessity for Germany and its ultimate purpose was the preservation of state capitalism, for which both territorial expansion and the destruction of the communist state were essential. The argument is succinctly put by Eichholtz:

Towards the close of the twenties Germany stood once more in the ranks of the most developed and economically advanced of the imperialist powers. The strength and aggression necessary for expansion grew with the development of her economic strength. German imperialism was an imperialism which had been deprived of colonies, an imperialism whose development was limited by the financial burdens stemming from the war and by the limitations and controls, onerous to the monopolies, which the victorious powers had imposed, especially on armaments, finances, etc. On that account extreme nationalism and chauvinism were characteristic of the development of the fascist movement in Germany from the start; once in power fascism maintained from its first days an overweening purposeful imperialistic aggression – which had been obvious for a long time – towards the outside world. With fascism a ruling form of state monopoly capital had been created which aimed at overcoming the crisis of capitalism by domestic terror and, externally, by dividing the world anew.¹⁰

Such a theory offers not merely a serious economic explanation of the war but also implies that the most fundamental causes of the war were economic. The major German firms, it is argued, had definite plans to gain from a war of aggression and supported the National Socialist government in many of its economic aims.

Thus the results of research on the period immediately preceding the war, although still fragmentary, already show that German monopoly capital was pursuing a large and complex programme of war aims to extend its domination over Europe and over the world. The kernel of this programme was the destruction of the Soviet Union. Two main aims of war and expansion united the Hitler clique and all important monopolies and monopoly groups from the beginning: the 'dismantling of Versailles' and the 'seizure of a new living space (*Lebensraum*) in the east'. By the 'dismantling of Versailles' the monopolies understood, as they often expressed it later, the 'recapture' of all the economic and political positions which had been lost and the 'restitution' of all the damage to the sources of profit and monopoly situations which the Versailles system had inflicted on them. As an immediate step they

10. D. Eichholtz, *Geschichte der deutschen Kriegswirtschaft, 1939–1945*, vol. 1, 1939–1941, Akademie-Verlag, Berlin, 1969, p. 1.

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planned to overrun the Soviet Union, to liquidate it and appropriate its immeasurable riches to themselves, and to erect a European 'economy of large areas' (*Grossraumwirtschaft*), if possible in conjunction with a huge African colonial empire.¹¹

How the *Grossraumwirtschaft* eventually functioned in practice will be examined later. But as far as pre-war plans were concerned it was a concept which attracted sympathy and support from certain business circles in Germany. Some German firms were able to benefit from the government's drive towards a greater level of autarky and hoped to expand their new interests to the limits of the future frontiers of the Reich. This was true, in spite of its extensive extra-European connections, of the large chemical cartel, I. G. Farben. Its profits increasingly came from the massive state investment in synthetic petrol and synthetic rubber production. Several of its important executives had high rank in the Four-Year Plan Organization which was entrusted with these developments, and the company had plans ready in the event of an expansion of German power over other European states.¹² These plans stemmed in part from the German trade drive into south-eastern Europe after 1933 and the consequent penetration of German capital into that region, but there were also unambiguous proposals, some part of which were later put into effect, to recapture the supremacy of the German dyestuffs industry in France, which had been lost as a result of the First World War.¹³ Nor was this the only such firm with similar plans prepared.¹⁴ Other firms regarded the expansionist foreign policy as a possible way of securing supplies of raw materials. Such was the case with the non-ferrous metal company, Mansfeld, and with the aluminium companies, who understandably were able to get a very high level of priority because of the great importance of aluminium for aircraft manufacture and the power which the Air Ministry exercised in the German government.¹⁵

11. D. Eichholtz, *Geschichte*, p. 63.

12. D. Eichholtz, *Geschichte*, p. 248 ff.; H. Radandt, 'Die I G Farbenindustrie und Südosteuropa 1938 bis zum Ende des zweiten Weltkriegs', in *Jahrbuch für Wirtschaftsgeschichte*, no. 1, 1967.

13. A. S. Milward, *The New Order and the French Economy*, Oxford University Press, London, 1970, p. 100 ff.

14. W. Schumann, 'Das Kriegsprogramm des Zeiss-Konzerns', in *Zeitschrift für Geschichtswissenschaft*, no. 11, 1963.

15. H. Radandt, *Kriegsverbrecherkonzern Mansfeld. Die Rolle des Mansfeld-*

However, the support for the National Socialist party came in large measure from a section of the population whose political sympathies were in many ways antipathetic to the world of big business. It drew its support from a protest against the apparently inexorably increasing power both of organized labour and of organized business. Its urban support came mainly from the lower income groups of the middle classes, such as clerical workers, artisans and shopkeepers, and was combined with massive rural support in Protestant areas after 1931. This support was maintained by a persistent anti-capitalist rhetoric but also by a certain amount of legislation which cannot by any shift of argument be explained by a theory which assumes National Socialism to be a stage of state capitalism. Attempts to establish hereditary inalienable peasant tenures, to show favour to artisan enterprises, to restrict the size of retail firms, to restrict the movement of labour out of the agricultural sector, all of which were futile in the face of a massive state investment in reflation which produced a rapid rate of growth of Gross National Product, show the curious ambivalence of National Socialist economic attitudes.¹⁶ On the whole such legislation did little to affect the profits which accrued to the business world in Germany after 1933, some part of which came also from the severe controls on money wages and the destruction of the organized labour movements. But the National Socialist movement kept its inner momentum, which was driving towards a different horizon from that of the business world, a horizon both more distant and more frightening. It was in some ways a movement of protest against modern economic development and became a centre of allegiance for all who were displaced and uprooted by the merciless and seemingly ungovernable swings of the German economy after 1918. National Socialism was as much a yearning for a stable utopia of the past as a close alliance between major capital interests and an authoritarian government.

Konzerns bei der Vorbereitung und während des zweiten Weltkriegs (Geschichte der Fabriken und Werke, vol. 3), Akademie-Verlag, Berlin, 1957; A. S. Milward, *The Fascist Economy in Norway*, Clarendon Press, Oxford, 1972, p. 86.

16. They are well described in D. Schoenbaum's *Hitler's Social Revolution: Class and Status in Nazi Germany 1933-1939* (Weidenfeld & Nicolson, London, 1966).

These fundamental economic contradictions and tensions within the movement could only be exacerbated, not resolved, by a war of expansion. The idea – held in some conservative nationalist German business circles – that Germany must eventually dominate the exchanges of the continent if her economy was to find a lasting equilibrium, had a lineage dating from the 1890s and had found some expression in economic policy during the First World War.¹⁷ The theory of *Grossraumwirtschaft* was only a reformulation of these ideas in terms of National Socialist foreign policy. The much more radical idea of a social and racial reconstruction of European society – accepted by some parts of the National Socialist movement – ran directly counter to it, and raised the possibility of a Europe where the ‘business climate’ would, to say the least, have been unpropitious.

Although, therefore, the German government in choosing war as an instrument of policy was anticipating an economic gain from that choice, it was by no means clear as to the nature of the anticipated gain. It has been argued that it was the irreconcilable contradictions in the National Socialist economy which finally made a war to acquire more resources (*ein Raubkrieg*) the only way out, and that the invasion of Poland was the last desperate attempt to sustain the Nazi economy.¹⁸ But it is hard to make out a case that the Nazi economy was in a greater state of crisis in the autumn of 1939 than it had been on previous occasions particularly in 1936. Most of the problems which existed in 1939 had existed from the moment full employment had been reached, and some of them, on any calculation, could only be made worse by a war – as indeed they were.

In Italy there were episodes in the 1930s when foreign and economic policy seemed to be directed towards the creation of an Italian *Grossraumwirtschaft* in Europe as a solution to Italy’s economic problems. But in the face of the powerful expansion of German trade in the south-east such aspirations were unattainable. In Italy, also, there were attempts at creating by pro-

17. The history is traced by J. Freymond, *Le IIIe Reich et la réorganisation économique de l’Europe 1940–1942: origines et projets* (Institut Universitaire de Hautes Etudes, Geneva, Collection de Relations Internationales, 3), Sithoff, Leiden, 1974.

18. T. W. Mason, ‘Innere Krise und Angriffskrieg 1938/1939’, in F. Forstmeier and H. E. Volkmann (eds.), *Wirtschaft und Rüstung am Vorabend des zweiten Weltkrieges*, Droste, Düsseldorf, 1975.

tection and subsidy synthetic industries which might prove strategically necessary in war. But there was little resemblance between these tendencies and the full-scale politico-economic ambitions of Germany. If the Italian government viewed war as a desirable instrument of policy it did not contemplate a serious and prolonged European war and made no adequate preparations for one.

In Japan, however, the choice in favour of war was based on economic considerations which had a certain similarity to those of Germany. It lacked the radical social and racial implications but it was assumed that investment in a war which was strategically well-conceived would bring a substantial accretion to Japan's economic strength. The Japanese government hoped to establish a zone of economic domination which, under the influence of German policy, it dignified by the title 'Co-Prosperity Sphere'. As an economic bloc its trading arrangements would be like those of the *Grossraumwirtschaft*, a manufacturing core supplied by a periphery of raw-material suppliers.¹⁹ If the Co-Prosperity Sphere was to be created in the full extent that would guarantee a satisfactory level of economic self-sufficiency, war and conquest would be necessary. Germany's decision for war and early victories over the colonial powers gave Japan the opportunity to establish a zone of domination by military force while her potential opponents were preoccupied with other dangers. After the initial successes the boundaries of the Co-Prosperity Sphere were widened to include a more distant periphery, a decision which had serious strategic consequences, but the original Japanese war aims represented a positive and realistic attempt at the economic reconstruction of her own economic area in her own interests. All the peripheral areas produced raw materials and foodstuffs and semi-manufactures which were imported in large quantities into Japan; rice from Korea, iron ore, coal and foodstuffs from Manchuria, coal and cotton from Jehol, oil and bauxite from the Netherlands East Indies, tin and rubber from Malaya and sugar from Formosa. The variety of commodities and the scope for further developments in the future made the Co-Prosperity

19. F. C. Jones, *Japan's New Order in East Asia; Its Rise and Fall, 1937-45*, Oxford University Press, London, 1954; M. Libal, *Japans Weg in den Krieg. Die Aussenpolitik der Kabinette Konoye 1940-41*, Droste-Verlag, Düsseldorf, 1971.

Sphere potentially more economically viable and more economically realistic than a European *Grossraumwirtschaft* still heavily dependent on certain vital imports.²⁰ The Japanese decision for war, like the German, was taken under the persuasion that in Japan's situation, given the correct timing and strategy, war would be economically beneficial.

Of course such plans could only have been formulated where a harshly illiberal outlook on the problems of international economic and political relationships prevailed. But in the government circles of Japan proper the ready acceptance of war had no ideological connotations beyond this generally prevailing political attitude of mind. The major influence on the Japanese decision for war was the strategic conjuncture; with German military successes in Europe, the pressure on the European empires in the Pacific became unbearable and this in turn intensified the strategic dilemma of the United States. If Japan's ambitions were to be achieved it seemed that the opportune moment had arrived.

The probable and possible opponents of the Axis powers viewed this bellicosity with dismay. In these countries the First World War and its aftermath were seen as an economic disaster. Consequently the main problem of a future war, if it had to be fought, was thought to be that of avoiding a similar disaster. The components of that disaster were seen as a heavy loss of human beings and capital, acute and prolonged inflation, profound social unrest, and almost insuperable problems, both domestic and international, of economic readjustment once peace was restored. It was almost universally believed that the unavoidable aftermath of a major war would be a short restocking boom followed by worldwide depression and unemployment. When the *American Economic Review* devoted a special issue in 1940 to a consideration of the economic problems of war the problem of post-war readjustment was regarded by all contributors as the most serious and unavoidable. That the major economies after 1945 would experience a most remarkable period of stability and economic growth was an outcome which was quite unforeseen and unpredicted. The western European powers and the United States were as much the prisoners of their resigned pessimism about the unavoidable economic losses of war as Germany and Japan were the

20. J. R. Cohen, *Japan's Economy in War and Reconstruction*, University of Minnesota Press, Minneapolis, 1949, p. 7.

prisoners of their delusions about its possible economic advantages.

In fact the economic experience of the First World War had been for all combatants a chequered one. The First World War had not been a cause of unalloyed economic loss; it had on occasions brought economic and social advantages. What is more it had demonstrated to all the combatant powers that it lay in the hands of government to formulate strategic and economic policies which could to some extent determine whether or not a war would be economically a cause of gain or loss; they were not the hopeless prisoners of circumstance. The extreme importance of what governments had learned of their own potential in this way during the 1914-18 war can be observed in almost every aspect of the Second World War. Nevertheless in most countries this learning process had been thought of as an ingenious economic improvisation to meet a state of emergency, having no connection with peacetime economic activity nor with the 'normal' functioning of government. Although the First World War had left massive files of invaluable administrative experience on the shelves of government, which in 1939 had often only to be reached for and dusted, the influence of wartime events on economic attitudes in the inter-war period had been small.

Faced with a decision for war by two important powers the other major powers accepted the fact reluctantly and with much economic foreboding. The reluctance seems to have been greatest in the Soviet Union, which was in the throes of a violent economic and social transformation, and in the United States, which was less immediately threatened by German policy. The strategic initiative lay with the Axis powers; the strategies of the other powers were only responses to the initial decisions of their enemies. This fact, and the difference in economic attitudes towards warfare, operated decisively to shape each combatant power's strategic plans for fighting the war. By shaping strategy at every turn they also shaped economic policy and economic events. For the combatants the national economy had to be accommodated to a strategic plan and had to play its part in that plan. The economic dimension of the strategy was, however, only one part of the whole strategic synthesis, and the variety of the strategic and economic syntheses which were devised by the combatant powers show how complex and varied the economic experience of warfare can be.