

# 7. World War II: Origins

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# Legacy of the Great War

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Political consequences of the war:

- New European states.
- Increase in number of states  $\Rightarrow$  greater scope for coordination failure.
- Ambitious, inexperienced nation builders.
- Collective punishment and isolation of the losers (Germany, Russia).
- Mistrust, fear, hatred.

# Legacy of the Great War

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Lessons of the war: “Never again.”

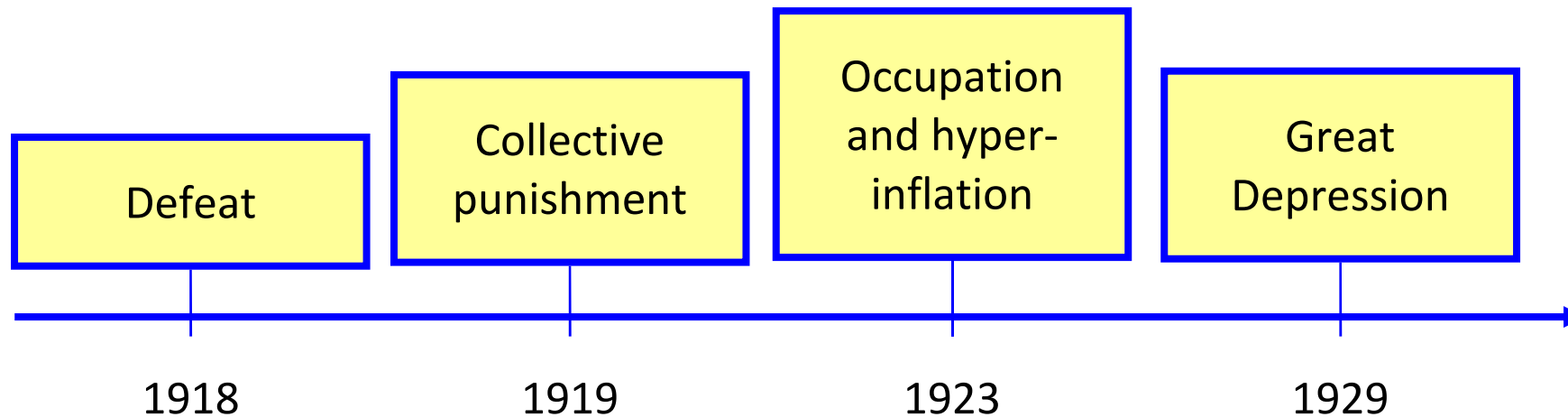
**Never again** meant different things in different countries.

- United States                      Never again be dragged into a European conflict (“isolationism”).
- Britain and France                Never again be dragged into a conflict that can be settled by negotiation (“appeasement”).
- Soviet Union  
  (formerly Russia)                Never again be weakened by industrial backwardness, or be beaten by wartime insurrection, or permit the peasants to starve the towns (“socialism in a single country”).
- Germany                            Never again be stalemated in a war of attrition, or permit the enemy to starve the country, or be beaten by the enemy within (the “stab in the back”).

# Legacy of the Great War

Germany's national perspective was underpinned by a political market for hatred (Glaeser 2005):

- Demand for hatred is created by **adverse shocks** to a community for which its members seek explanation.



- Supply of hatred is created by **political entrepreneurs** who compete with each other to identify a minority that can be blamed for collective setbacks, making them a target for hatred.
- Stories (“fake news”) of their past and future crimes provide a rationale for expropriation and elimination.
- Hatred has an equilibrium price, lower when: minority is politically weak; when positive interactions with the minority are weak; when **expropriation yields net gains**.
- Until the Great Depression, the German market for hatred was limited.

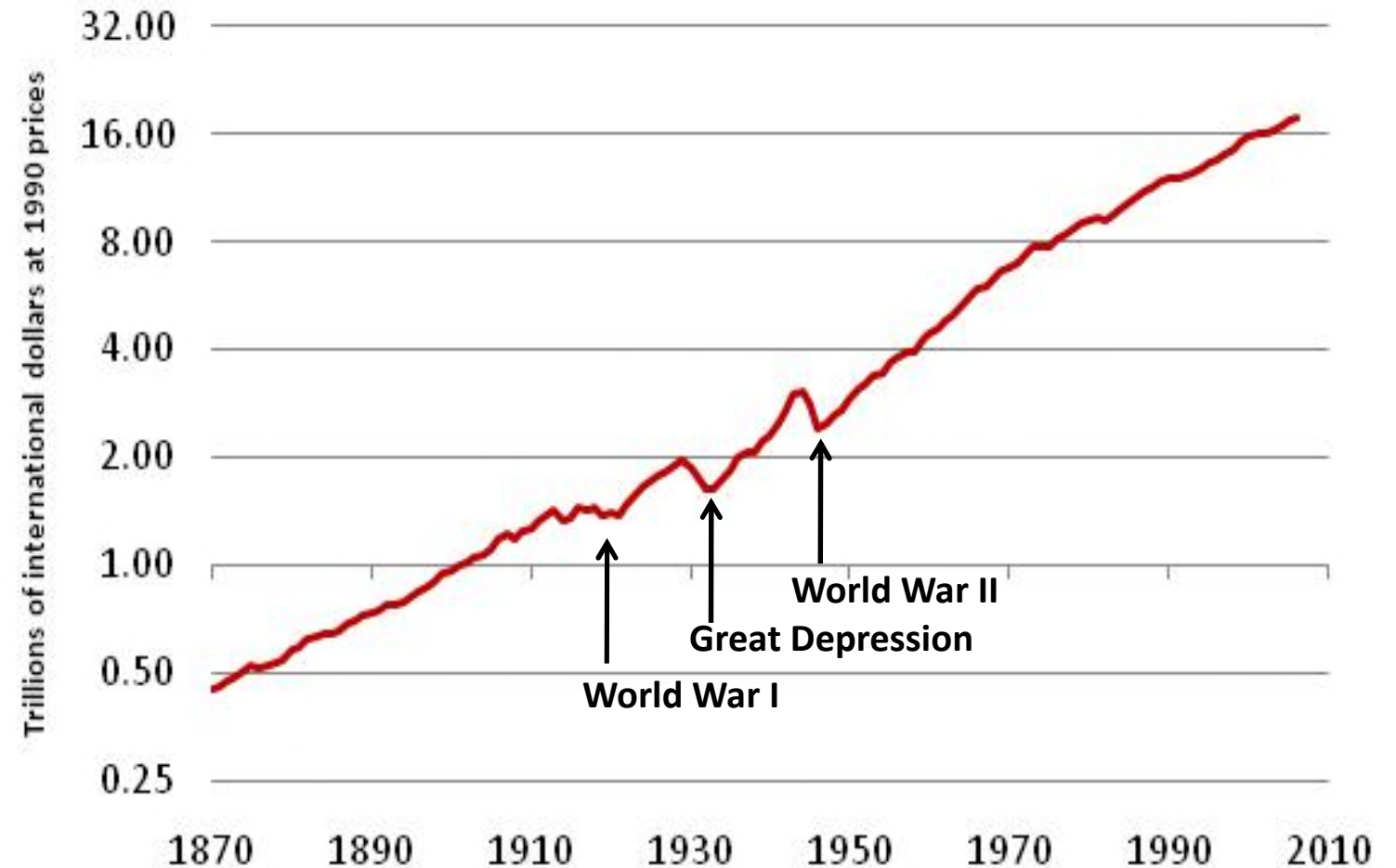
# The Great Depression

The Great Depression had global economic and political costs.

## Economic costs:

- The slump cost as much output as a **major war**.
- But these costs did not persist.

Source: Real GDPs of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Netherlands, New Zealand, Norway, Sweden, Switzerland, United Kingdom, and United States, by Angus Maddison at <http://www.ggdc.net/maddison/>.



# The Great Depression

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The Great Depression had global economic and political costs.

## Political costs:

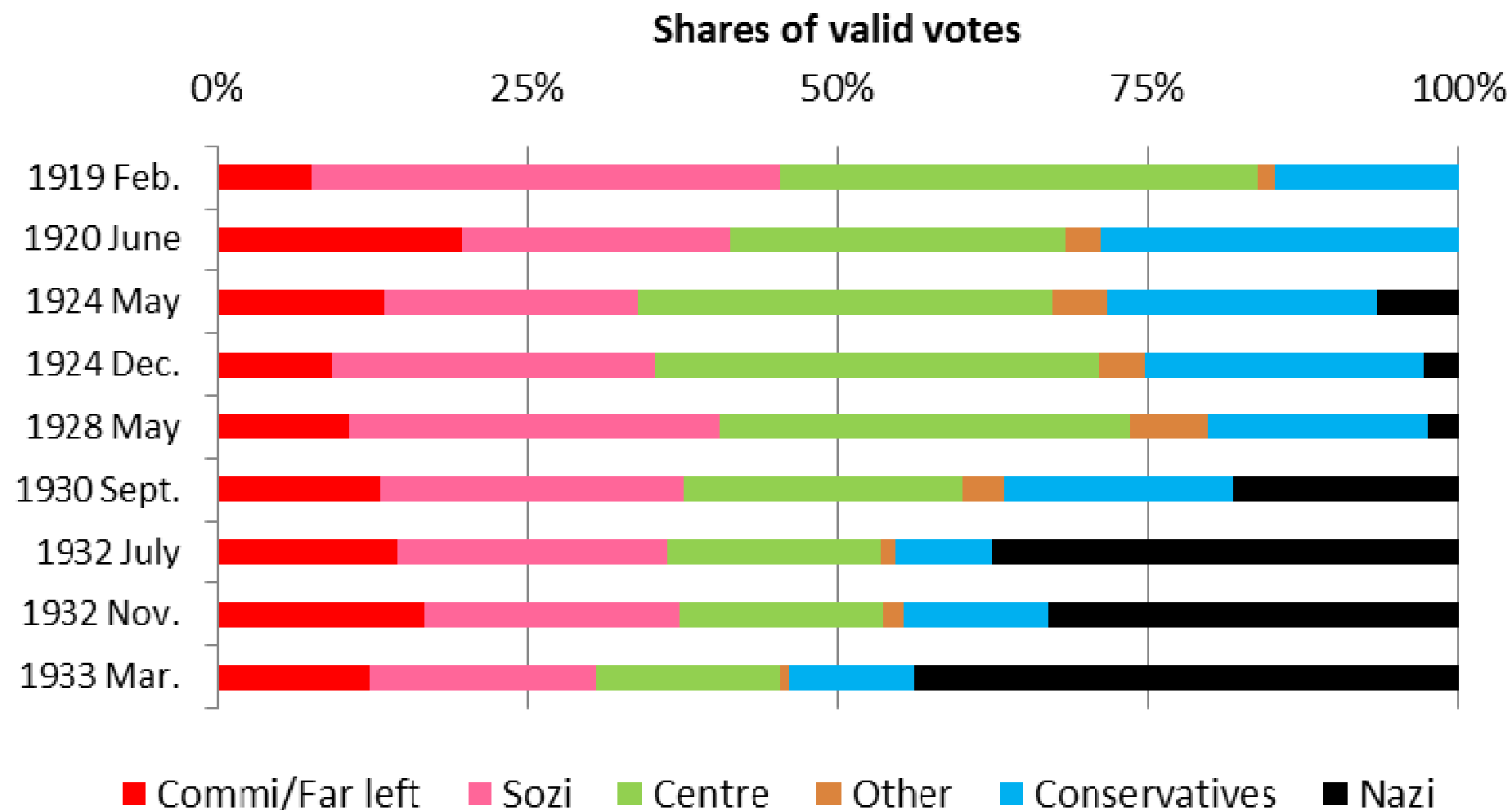
- After the slump, most poor countries in Europe were ruled by a **dictator**.

Source: Eloranta and Harrison (2010). The Polity 2 index subtracts autocracy scores from democracy scores, and also fixes standardized scores, to create a composite index of the political regime suitable for time series analysis, with values ranging from +10 (strongly democratic) to -10 (strongly autocratic).

	With GDP per head:	
	Above median	Median or below
Polity 2 index, 1913		
Above zero	<b>7</b>	5
Zero or below	3	<b>5</b>
Polity 2 index, 1923:		
Above zero	<b>9</b>	5
Zero or below	0	<b>5</b>
Polity 2 index, 1938:		
Above zero	<b>9</b>	2
Zero or below	2	<b>9</b>

# Depression and War

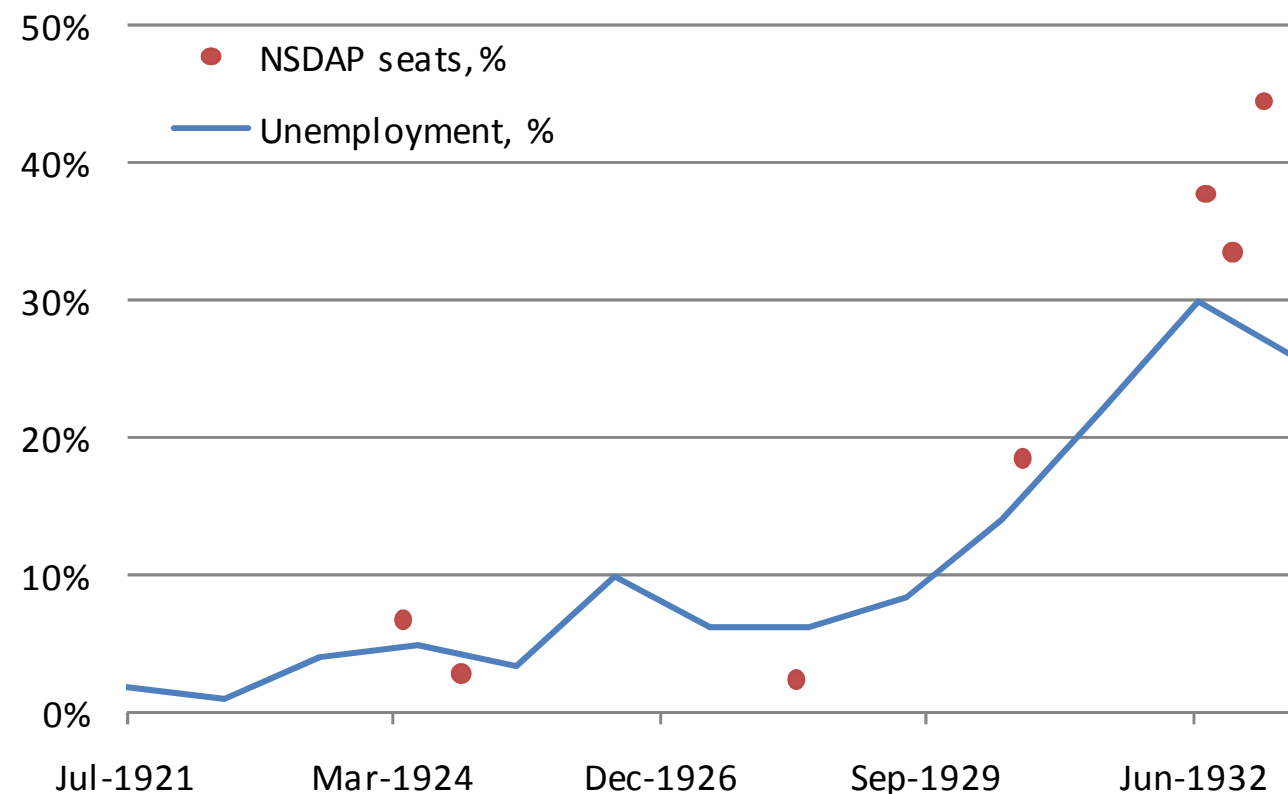
Germany stopped doing surprisingly well:



Source: Harrison (2016).

# Depression and War

Unemployment and NSDAP representation in the Reichstag, 1920 to 1933:



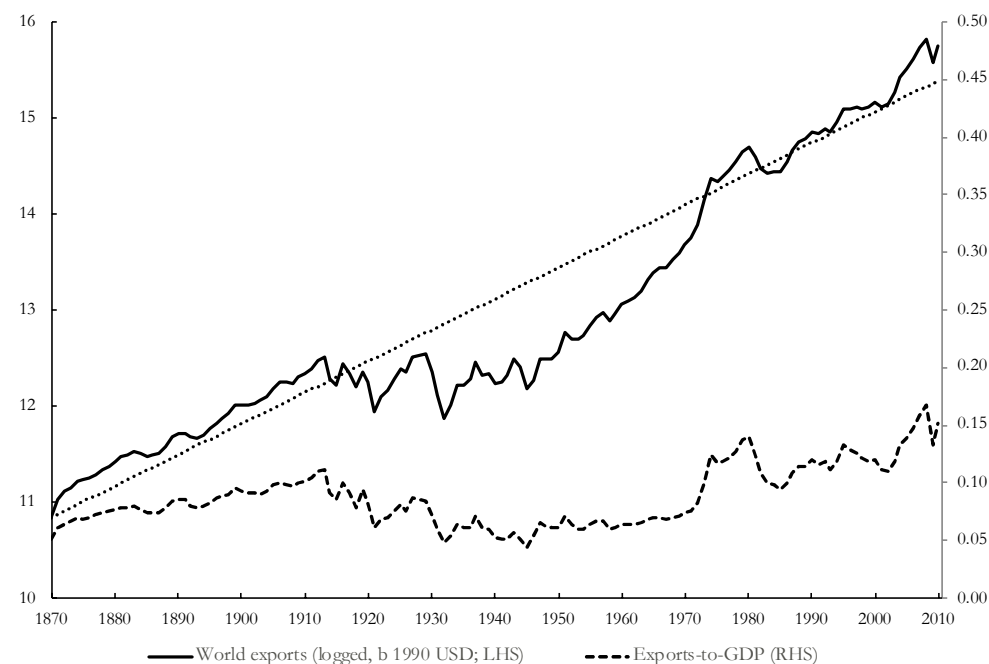
Source: Berghahn (1982, pp. 266, 284).

- Voters tend to punish incumbent governments for recessions.
- German voters did this successively (van Riel and Schram 1993).
- Unemployment rose to one third, and Hitler took power for the **national socialists**.
- Although it was not the unemployed that themselves voted Hitler into power.
- And, by the time Hitler took power, the recovery had already begun.



# Depression and War

World exports, 1870-2010:



Source: Jacks (2018).

From the high point of 1913, world trade collapsed in two stages:

**Stage 1.** In wartime there was less trade and less competition.

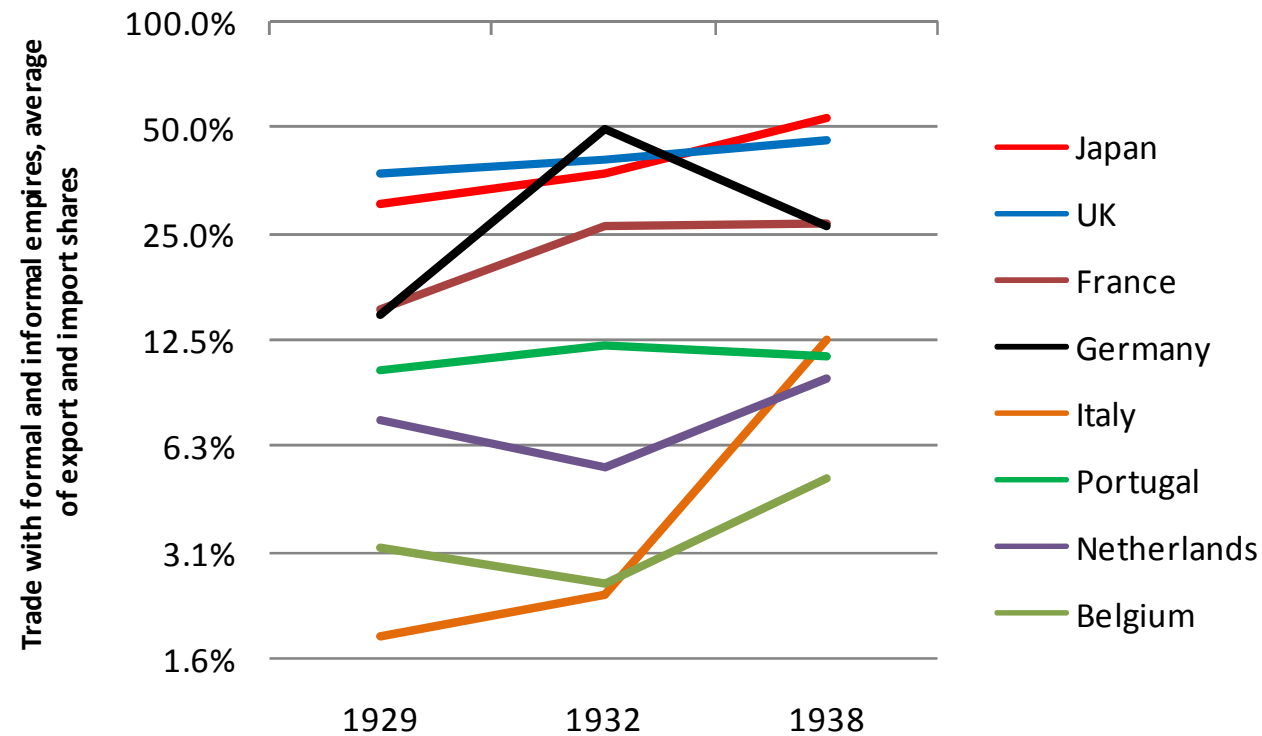
- This created wartime rents in import competing sectors.
- After 1918, protectionist lobbies defended these rents, so trade was not fully restored.

**Stage 2.** After 1929 the Great Depression was propagated worldwide from the United States through the Gold Standard (fixed exchange rates).

- Long-term lending disappeared, forcing deficit countries to adjust by cutting demand.

# Depression and War

The empires strike back:



- Through the Great Depression, the multilateral trading system broke down.
- The great powers began to limit trade to actual or potential colonial spheres.
- Using protectionist trade measures to limit exposure to international risks.
- Especially, securing imports against war risks.

Source: Findlay and O'Rourke (2007, p. 459).

# Depression and War

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World War II was planned in three capitals, Tokyo, Rome, and Berlin.

Three dictatorships planned to build or rebuild empires.

- **Japan**: China and East Asia.
- **Italy**: the Mediterranean and North Africa. Mussolini
- **Germany**: Central and Eastern Europe to the Urals.

At whose expense?

- The British, French, Dutch, and Belgian Empires: “International justice cannot fully be realized until the territory of the globe has been equitably redistributed ... this situation also forms the backdrop to the China policy followed by our country” (Fumimaro Konoe in 1937, cited by Paine 2012, p. 118).

We'll focus on Germany:

- Economically most powerful.
- Political and socially most radical.

# German Rearmament

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Nazi expansionism = Wilhelmine colonialism, supercharged by new elements:

- **Grossraumwirtschaft**: A closed regional trading bloc under German colonial administration, providing food and materials to Germany and a protected market for German products.
- **Food security**: Low agricultural productivity, poor German dietary standards, and continued import reliance suggested Germany could be self-sufficient only after territorial expansion. “I need the Ukraine, in order that no one is able to starve us again, like in the last war” (Hitler in August 1939, cited by Kay 2006, p. 40).
- **Lebensraum**: A racially cleansed living space in Eastern Europe for biologically German surplus population to settle as colonists, using indigenous Slavs for cheap labour on farms and mines.

Problem:

- These were seen as **preconditions** for securing Germany’s long-run war mobilization capacity.
- Yet the preconditions could be secured only **after** a victorious war.
- As in Japan at the same time, this meant “providing for the war by war” (Paine 2012, p. 134).

# German Rearmament

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Recovery and rearmament: Germany's GNP, 1928 to 1938 (billion Reichsmarks and 1928 prices)

	1928	1932	1935	1938
Gross national product	90.8	71.9	92.3	126.2
Government purchases	13.0	12.1	17.4	36.1
Gross domestic investment	10.6	2.6	10.9	18.4
Net foreign investment	-0.9	-1.1	-1.3	-2.7
Consumers' expenditure	68.1	58.3	65.3	74.4

Source: Based on Klein (1959, p. 253).

# German Rearmament

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Recovery and rearmament: Germany's public spending, million Reichsmarks

	1928	1932	1935	1938
Military spending (Wehrmacht)	827	620	5,150	15,500
From Mefo bills	...	...	2,715	...
Public investment	6,413	1,970	3,890	5,530
In infrastructure	2,234	850	1,867	3,376
Public administration	1,830	800	1,400	1,200
Welfare agencies	1,023	218	390	700
Housing	1,330	150	220	250
Military spending, per cent:				
Of public investment	12.9%	21.5%	132.4%	280.3%
Of net national income	1.1%	1.4%	8.7%	18.9%

Source: Abelshauser (1998, p. 138), except Mefo bills from Ritschl (2002, p. 565). Mefo bills were issued by the Metallurgische Forschungsgesellschaft (Metallurgical Research Partnership), established to finance secret rearmament.

# No Free Lunch

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**First Four-Year Plan** (1933 to 1936): Public works plus rearmament spending (in secret at first).

- The economy returned rapidly to near full employment.
- And beyond: shortages of imports and consumer goods set in.

Police reports from Ebermannstadt, Bavaria (Baten and Wagner 2002):

- September 1935: After the dairy cooperative fixed the milk quota, there was “great dissatisfaction among farmers ... Some farmers have not delivered the milk fat to the (official buyers), but instead they produced butter on their own and sold it on the black market.”
- November 1936: “The milk delivery duty is still meeting with difficulties in some communities. Again and again, people try to produce butter illegally and sell it ... During a control at the railway station in the village of Unterleinleiter a few days ago, no less than 193 lb of butter was confiscated from four female traders, who planned to transport it.”

Although still at peace, the economy went back to a command system with price controls and black market—as in WW1.

# No Free Lunch

Change in cause-specific mortality, England and Wales and Germany, 1932 and 1937 (percentage increase of death rates per 10,000 inhabitants)

Causes of deaths	England	Germany	Difference
<i>Infectious and parasitic diseases</i>	-8.5	8.4	17.1
<i>Inclusively measles</i>	-69.4	-15.8	53.6
<i>Inclusively scarlet fever</i>	-30.8	88.4	119.2
<i>Inclusively whooping cough</i>	-41.9	-0.3	41.6
<i>Inclusively diphtheria</i>	24.1	56.4	32.3
<i>Inclusively influenza</i>	38.8	65.5	26.7
<i>Inclusively tuberculosis</i>	-17.0	-7.8	9.2
Cancer and other tumours	7.2	11.0	3.8
Rheumatism, diseases of nutrition and endocrine glands and other general diseases	8.8	21.1	12.3
Diseases of the blood and blood-forming organs	-1.7	2.4	4.1
Diseases of the nervous system and sense organs	-3.3	1.2	4.5
Diseases of the circulatory system	20.6	23.6	3.0
<i>Diseases of the respiratory system</i>	-6.6	13.6	20.2
<i>Inclusively bronchitis</i>	-13.8	7.8	21.6
<i>Inclusively pneumonia</i>	-2.0	19.4	21.4
Diseases of the digestive system	-7.9	4.8	12.7
Deaths from violence	2.2	13.3	11.1

Source: Baten and Wagner (2002).

- Diseases that are **nutrition-sensitive** in italics.



# No Free Lunch

Regressions: determinants of mortality increase in Prussian cities, 1932–1938

Regressions	Total mortality	Pneumonia mortality
Import region	5.76 (0.01)	17.24 (0.06)
City size (>100,000)	17.69 (0.00)	
City size (50,000–100,000)	10.50 (0.00)	
City size (30,000–50,000)	7.40 (0.00)	
Industry (%)	0.59 (0.00)	0.74 (0.09)
Jewish (%)	-3.32 (0.03)	
Older than 65 years	0.32 (0.00)	0.38 (0.32)
Constant	-32.38 (0.00)	-10.21 (0.54)
Adjusted $R^2$	0.41	0.04
$N$	184	192

Source: Baten and Wagner (2002).

- Evidence of market disintegration.
- Similar to the process that led to urban famines of WW1, although no war yet.

# War Preparations and the Economy

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**Second Four-Year Plan** (1937 to 1940): Economic preparation for war through import substitution.

Led by air force chief Hermann Göring.

- **Steel** from low-grade German ores and the Reichswerke Hermann Göring (remember this for later, when we think about the relationship between business and politics).
- Synthetic **oil** by hydrogenating low-grade German coal (e.g. octane  $C_8H_{18}$ ).
- Synthetic **rubber** (e.g. isoprene  $C_5H_8$ ).

The scale of rearmament:

- In 1937 to 1939, 70 percent of German investment went into steel, oil, rubber, and armaments.
- In 1939, Germany had 4.5 million men in uniform; German industry produced a quarter of the world's aircraft (but so did the Soviet Union . . . ).

# War Preparations and the Economy

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Was Germany “forced” to go to war to head off an internal economic and political crisis?

Mason (1981): Hitler went to war in 1939 because economic difficulties were causing acute political and social tensions and war was the only way out—as in 1914.

Overy (1994): by 1939, it’s true, the German economy was overstretched.

- Rearmament was putting pressure on real wages and consumption.
- There were concerns about maintaining food supplies and living standards looking forward.

But it’s not true that in 1939 the Hitler regime was insecure in the present.

- There was an efficient police state: internal enemies (communists, socialists, radical anti-capitalists, Jews) were isolated, exiled, imprisoned, or dead.
- No evidence that Hitler had immediate concerns about the economy.
- Abundant evidence of clear motivation for war.

War was a choice, not a necessity.

# Germany Goes to War

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War aims: Hitler had a plan for world domination . . . really (Weinberg 2015).

A sequence of wars, each on a single front.

Czechoslovakia, then France and Britain, then Russia, then . . .

Other powers, at various times, would be allies or victims of German aggression.

**Stage 1.** “Schlieffen in reverse”: Czechoslovakia, then France and Britain . . .

- Hitler in March 1939 (cited by Overy 1994): “German dominion over Poland is necessary, in order to guarantee the supply of agricultural products and coal for Germany. As concerns Hungary and Roumania, they belong without question to the area essential for Germany’s survival ... The same can be said of Yugoslavia. This is the plan, which shall be completed up to 1940.”
- Hitler to OKW chief Keitel, August 1939 (cited by Carroll 1968, p. 191): “In Hitler’s opinion the French were a degenerate, pacifist people, the English were much too decadent to provide real aid to the Poles, and finally, America would never again send a single man to Europe in order to pull the chestnuts out of the fire for England, or even for Poland.”

**Stage 2.** Then Russia . . .

**Stage 3.** Then Japan and America . . .

# Germany Goes to War

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Aiming for a long or short war? What Hitler said:

- A short war if possible, 1936: “Leaders who prefer stockpiling copper and iron to making grenades ought to be hanged.”
- A long war if necessary, 1939: “Everyone’s Armed Forces and Government must strive for a short war. But the government must also prepare for a war of from ten to fifteen years’ duration. History shows that wars were always expected to be short ...”

What Hitler did: Prepare for both.

- For a short war planned for the immediate future.
- For the contingency of a long war after that: development of long-range bombers and super-battleships needed for war with America began in 1937.

# Germany Goes to War

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Hitler's war plans were at first defensive and contingent: to defend against contingency of joint action by France and allies to defeat Germany while rearmament was incomplete.

Plans **Red** and **Blue** (1935)

- Plan Red: Defend in the West if attacked from the East, and Plan Blue conversely.

**Plan Green** (1937)

- Attack the East (Czechoslovakia) preemptively, then the West (France), so "Schlieffen in reverse."

Alfred Jodl, chief of army operations staff (December 1937):

- Plan Green is now operational (offensive, aimed at "solution of the German problem of living space"), not contingent (defence of the Reich against possible attack).
- To be carried out when circumstances permit (not when they require): "Even if one or other of the Great Powers intervene against us" (but not more than one, i.e. no war on two fronts).

October 1938: The Munich agreement gave Germany a province of Czechoslovakia but cheated Germany of the war with Britain and France that Hitler now sought.

April 1939: Germany occupied rest of Czechoslovakia anyway; Britain and France guaranteed Poland's borders.

September 1939: With Soviet Union now an ally, Germany attacked Poland ⇒ war with Britain and France.

# What We Have Learned

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The Great Depression shocked global society economically and politically.

- The economic costs were large but transitory.
- The political costs were more persistent.

Three dictatorships began to restructure the global economy in their own interests.

Germany prepared its economy for a war of expansion.

Two questions, postponed to later this term:

- Did the fiscal stimulus of rearmament save Germany from the Great Depression?
- Did German business leaders and corporate interests favour Hitler's plan for war?

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