

## American Economy in the 1930s in Comparative Historical Perspective

*Eiichi AKIMOTO*

*Chiba University*

### I

#### POLITICAL INTEGRATION OF FARMERS DURING THE DEPRESSION

In my previous analysis of the Midwestern farmers' movement during the depression in the 1930s, I found a close connection between the farmers' uprisings and the inflationary orientation of the early New Deal economic policies.<sup>1</sup> The Roosevelt administration pioneered the managed currency system through abolishing the gold standard, purchasing gold with increasing prices, and finally devaluing the dollar by 40 percent. All these measures were taken, among others for the purpose of domestic price increase. In this paper I will first discuss the farmers' situation under the depression and their political integration into the New Deal in America and into the Nazi regime in Germany under the respective historical constraints. Second, I will focus on the recent German debate called the "Borchardt controversy" and try to find if there could have been policy alternatives other than what actually took place. Third, I will contrast the American experience during the New Deal period with the Nazi recovery policy through a comparative historical approach. I am not attempting to discover new facts in this

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paper, but rather I hope I can encourage students of this period to do further comparative historical research from various perspectives, portions of which will be investigated below.

Early in this century, Charles A. Beard began to apply an economic class analysis to history, pointing out explicitly that the Constitution of the United States had not been ratified by a group of people embodying a critical majority. Instead of acquiring a consensus, the movement for the Constitution was carried through by four groups of "personalty interest": those who had money, those who had public securities, and leaders of both manufacturing industry and trade and shipping. Excluded was "a large propertyless mass," composed mainly of small farmers and debtors.<sup>2</sup> Although Beard's original thesis faced severe criticism and received important revisions afterwards, his methodology of interpreting the political outcome by means of economic causes firmly took root among historians. He also demonstrated that the classes could be divided between debtors and creditors, a division which poses a serious axis to our treatment of the historical phenomena two centuries later during the period between the two World Wars.

American history can be understood well from this debtor-creditor perspective. In settling the public debt problem during the Revolutionary War, the Federalist government decided to redeem all bonds at their face value, thus giving the formative state necessary confidence. It was in the latter part of the nineteenth century when the debtor=farmers of the West and the South stood up in uprisings, first as Greenbackers and Grangers, and later as the Farmers Alliances and the People's party. Historians tried to find various causes in the farmers' movements, i. e., economic instability and isolation in the frontier communities, short rainfalls at the later stages of settlement, and farmers' dissatisfaction with local politics, etc. But from the viewpoint of economics, the slower pace of income growth of farmers in comparison with contemporary urban workers and middle class people might have caused frustration among farmers. Furthermore, the rapidly increasing labor force in farming contributed to farm price reduction through increased production, in addition to the general fluctuation of farm prices. The concentration of the debtor=farmer movement in the West and the South in this period can be explained by credit scarcity and high interest rates in both regions. It was only natural that many radical farmers and politicians adopted monetary expansion programs such as free silver and a "subtreasury plan" as a remedy to

their problems. The Populist=Democrat presidential candidate William Jennings Bryan from the “periphery” region was defeated by Republican candidate William McKinley representing the combined forces of manufacturers and urban workers in the “metropole” region in 1896 presidential election.<sup>3</sup> McKinley advocated the return to the gold standard, while Bryan endorsed a pluralistic currency system of silver and gold. Thus, the populist movement of the late nineteenth century turned out to be the defeated debtors’ rebellion.

Seen from this aspect, what happened during the Depression in rural America and its relationship to the early New Deal policy could naturally be understood as a debtor rebellion success. Many farmers and farm organization leaders talked about an “honest dollar” or other means for monetary expansion. I will trace the close relationships between the farmer’s standpoint and the Roosevelt administration’s response by reviewing *The Prairie Farmer*, a farm journal headquartered in Chicago, and one of the moderate journals in the Midwest.

In May, 1932 the *Prairie Farmers* asked President Herbert Hoover to adopt three measures to combat farm depression: 1) The passage of the home loan discount bill. “This will multiply the usefulness of the building and loan associations and the farm land banks, and will make money available for farm and home mortgages.” 2) Passage of the Goldsborough bill directing the federal reserve system to increase the volume of money and credit sufficiently to restore the price level of 1926, and to stabilize it at that point. 3) Enactment of an equalization fee bill, so that farmers may sell on the same domestic price level on which they buy. “That will quickly raise the price of farm products, stop the foreclosure of farms and restore farm buying power, thus creating a demand for manufactured goods, opening factories and putting men back to work.”<sup>4</sup>

The same topic repeatedly appeared on the paper. The February 6, 1932 issue put it: “Increase the supply of money. That will cause prices to rise, especially prices of farm products and other raw materials. It will make possible the free exchange of goods again, and will leave us enough money for buying after fixed expenses have been paid. That could all be done in a very few weeks.”<sup>5</sup>

There came news from Europe which showed the universality of the farmers’ distress under the depression: “There is talk in some quarters of forcible resistance to eviction. . . . In Germany recently, where farmers had been opposing eviction by mass resistance, the courts held

that they were acting under their rights, under the legal theory of 'extraordinary self-defense.' . . . Romania recently arbitrarily reduced farm mortgage interest rates to four percent, while Spain is confiscating large estates for distribution to small farmers. . . . Recent decrees in Poland establish a partial moratorium on farm debts. The forced sale of farm property by creditors is prohibited. . . . European nations have a keener appreciation of the importance of agriculture than our own. Consumers in this country have enjoyed cheap and plentiful food for so long that they take it as a dispensation of providence."<sup>6</sup>

The November 26 issue of the *Prairie Farmer* put it: "Congress would not give this measure [Frazier bill] any serious consideration, yet they were willing to vote for a year's moratorium on foreign loans when no foreign governments asked for such consideration.—'The same congress reduced interest on foreign loans to 2 5/8 percent. Yet they won't do anything for the farmer,' he [Senator Frazier] declared."<sup>7</sup>

The political situation in the U. S. was apparently different from Europe in that the opinions of different social groups seemed to converge and produce consensus. "Unusual interest of business and industrial leaders in the program of agricultural rehabilitation marked the 14th annual meeting of the American Farm Bureau Federation held in Chicago early in December, 1932. Packers, grain speculators, railway executives, and others, listened attentively to the demands farm leaders made for reform of the revenue system, for a domestic price for domestic consumed farm products, for tariff adjustments and for taxation reform. . . . This was quite a contrast to many of the meetings held in the same place during the past dozen years. . . . Business and industrial leaders have finally been awakened to the fact that the farm market is of greater importance than any other market; that the unemployed cannot be put back to work unless farm buying power is restored."<sup>8</sup>

The January 21, 1933 issue raised the same monetary question: "When money is scarce it becomes more valuable. But since its price is fixed by law—that is, a dollar is always a dollar—the result of money scarcity is shown in falling commodity prices. During the past three years the average level of wholesale commodity prices has fallen from 97 to 61.9. That has not been due primarily to overproduction or underconsumption. It is simply a measure of the increasing scarcity and

value of money. . . . It has been clear for three years that the only way to stop the disastrous effects and the terrible miseries of deflation is to inflate and cheapen money. If we increase the volume of money it will become cheaper and property will become more valuable. Putting value back into property and goods will restore confidence, and before long we shall be working and exchanging goods and prospering in a normal way.”<sup>9</sup>

In February, news was coming from the farm belt that the mortgage foreclosures have been halted, sometimes even with cooperation of big insurance companies. “From all over the country come reports of farm sales that were not held. . . . A strong sentiment is developing throughout the country against foreclosure of farm mortgages under present conditions. In many cases, committees of farmers have told creditors that they will forcefully resist such sales if they try to hold them.”<sup>10</sup>

And finally Roosevelt embarked upon a program of inflation, first of those were floating of the dollar, which the *Prairie Farmer* enthusiastically endorsed: “The important thing is that financial dictatorship is to be taken away from Wall Street, which uses this power in its own interest, and given to the President, who will use it in the interest of the people. . . . The inflation bill will strengthen the President’s hand in the conference with foreign nations now under way. The result will be a world-wide attack on the depression, with higher world prices and world monetary stability the first objective, to open the way for resuming world trade on a normal basis.”<sup>11</sup>

Six months after the New Deal began, it asserted: “Without the support of inflation the artificial measures which attempt to raise consumer income by means of codes and agreements cannot hope to succeed. With inflation they are of great importance in spreading around the increased purchasing power which inflation alone can create in large enough volume to do any good.” The editor even asked farmers to cooperate with the government program: “One thing farmers must make up their minds to, and that is that for the next two or three years at least, the only way we can hope for satisfactory prices is to cooperate fully in the programs for reducing production. The man who refuses to do that is unpatriotic, and neighborhood sentiment should make it difficult for him to refuse.”<sup>12</sup>

All in all, “Stand by the President Roosevelt” —a headline of the January 21 issue—was the natural conclusion of Clifford V. Gregory,

the editor. He put it: "Back of what the President is saying and doing is the sincere belief that this country belongs to the people; that exploitation of the people by greedy and selfish interests must cease; that the people who work and produce must be permitted to earn enough so that they can buy and enjoy what they produce."<sup>13</sup>

Once the government was seen to embark upon the direction which most farmers had been claiming, their leaders regarded the President as their friend, or at least they thought he was on their "the people's" side. Also there appeared a convergence of opinions among the different social groups as the crisis deepened. In many cases other groups had a sympathetic eye for the farmers' distress.

Recent research by Richard F. Hamilton confirmed that the greatest attraction to the Nazi party (NSDAP) appeared in the Protestant countryside.<sup>14</sup> A movement of agrarian protest, the *Landvolk* movement, began in Schleswig-Holstein in October of 1927 and quickly spread to neighboring areas, most notably to Lower Saxony. On January of 1928, 140,000 peasants marched in protest in Schleswig-Holstein, followed by tax-boycotts. By April 1928, only 36 percent of the tax due in the area had in fact been collected. The *Landvolk* movement even developed into a series of bombings by 1929. The farmer's situation was one of high indebtedness and high interest rates combined with poor harvests and a general decline in land prices. The National Socialists had taken over these agrarian pressure groups by 1932. "But peasant protest antedated the Nazification of the peasantry."<sup>15</sup>

In rural areas, peasants had severely suffered from economic disaster, and the National Socialists emphasized debt relief programs. "In late 1931, peasant protest meetings claimed that it was interest rates of 10-15 percent that caused the agrarian crisis. In December 1931 a demonstration of peasants at Wertingen (Bavaria) called for the ending of rural usury (*Abbau der Wucherzinsen*). . . . Petitions from peasant interest group gave a prominent place to demands for action on the credit issue."<sup>16</sup> Unfortunately, the German Social Democrats had few activists in the rural areas, and traditionally their attitudes towards farmers had been rather negative. On the other hand, the National Socialists "put forward the concept of *Volksgemeinschaft* which envisaged a society in which the old communal relationships, disrupted by the process of modernization and its liberal ideology, would be restored. It was the combination of these ideological generalities with the activist style of the Nazi party which convinced audiences that the

NSDAP was offering something new.”<sup>17</sup>

Hamilton stressed the regional aspect of rural Nazification. The NSDAP did not appeal to a particular class of peasants, but rather it was attractive across the region entirely. The NSDAP had much less success in Catholic communities where the Center Party had firmly rooted in the farmers of the region.<sup>18</sup>

In sharp contrast with the U. S. experience, German peasants did not have a good communications system which could convey their daily feelings and frustration to the state level of political decision making process. American farmers had long enjoyed the help from land grant colleges, extension systems, and county agents and as a result even under the severe depression, the radical Communists could penetrate into the rural areas in only limited scale.<sup>19</sup> But in both countries, farmers played a very important role in supporting the new regime’s political base as well as its policy aims.

## II

### ECONOMIC POLICY ALTERNATIVES UNDER THE BRÜNING ADMINISTRATION IN GERMANY

Recently several scholars in America and Great Britain have joined the debate among German scholars called the “Borchardt controversy,” which Knut Borchardt started with his new interpretation of Chancellor Brüning’s economic policies of March 1930 through May 1932. Several of the German scholars’ articles and books have been translated into English. Books by David Abraham and Harold James agree with Borchardt’s standpoint.<sup>20</sup> Borchardt argued as follows. It was necessary to shift the attention of historians away from the (hardly avoidable) mistakes of economic policy during the Depression and direct it towards the (in his opinion avoidable) mistakes in economic and social policy of the period between 1924 and 1929. During the period, real wages increased at a faster rate than productivity. The wage share of national income between 1925 and 1929 was relatively high, and it was seen by employers as a major cause of profit squeeze, thus low level of investment. Furthermore, employers repeatedly complained that the setting of wages under the Weimar period was determined not by market forces but by political dictate through the newly built mechanism of state intervention.<sup>21</sup>

Not only wages but (public as well as private) consumption expanded at a faster rate than overall economic production between 1924 and 1929. And "the national quota of taxes and social security contributions in national income rose drastically compared with the prewar period, but primarily in favor of public consumption and income transfer."<sup>22</sup> The strong demand for public funds brought about capital scarcity for private investment in the capital market, but the significant share of state and local governments' fund was used for consumption purposes. Borchardt called this a 'sick' economy, and he assumed there had already been "a crisis before the crisis" when Brüning confronted the German phase of world depression in 1930.

Karl-Ludwig Holtfrerich has criticized the Borchardt thesis most bitterly. Partially following his line of argument, let us examine the problematical economy during "the Inflation" period and the beginning of the world depression in Germany. In contrast to the U. S., the German people were extremely fearful of inflation because of their formidable experience in 1923 when the value of the mark declined to one-trillionth of its original value. Inflation, in general, is a kind of "taxation which even the weakest governments can implement, when they no longer have any other political means of enforcement,"<sup>23</sup> The German government covered two-thirds of its expenditures by inflationary increase of its floating debt between April 1920 and March 1924.<sup>24</sup> The inflationary process enabled the largest borrower, the Reich, to pay off its internal war debts with ease. In its early stages the inflation also gave substantial benefit to industrialists and merchants because of rising prices. The workers also benefitted from wage increase, although to a lesser extent than their employers. The unemployed decreased in 1922 to 215,000, or only 1.1 percent of all employees. But next year it increased drastically to 818,000, or 4.1 percent.<sup>25</sup>

A recent painstaking research by Holtfrerich showed the following as overall results of the inflation. First of all, the relative position of the workers had improved, particularly if the reduction of working hours was taken into account. Profits from business enterprise were also strong during the postwar inflation. As to financial asset-holding a violent redistribution of wealth took place between 1919 and 1923, undoing in this sphere the wealth-concentrating effects of German industrialization during the second half of the nineteenth century. The inflation destroyed large incomes, but not medium-sized or small ones. Thus the old argument that the middle classes were the principal vic-



tims of the inflation should be open to question.<sup>26</sup> As Table 1 shows, the income share of the rentier class was eroded by the inflation, thus the figure of unearned income declined from the prewar 12.5 percent to only 2.0 percent. This portion of national income was largely taken up by wage and salary recipients, as the share of labor income rose from the prewar 45.3 percent to 56.3 percent in 1925. If the important economic function of the rentier class had been to contribute to savings which would finally lead to capital formation, then it is understandable that in the post-inflation Germany interest rates had been high, so investment faced difficulty.<sup>27</sup> At the same time, however, there had been a possibility that the cartelization and concentration movement intensified during the inflation which in turn caused a kind of structural unemployment before the world depression set in.<sup>28</sup>

Table 1  
Distribution of the National Income in Germany, 1913-1931 (%)

	1913	1925	1926	1927	1928	1929	1930	1931
<b>Entrepreneurial Income</b>								
Agriculture and Forestry	12.5	9.5	9.3	8.4	7.7	7.6	7.4	8.2
Commerce and Industry	20.1	18.2	17.3	17.0	16.2	15.5	14.2	13.2
Undistributed Corporate Income	2.6	1.5	1.4	1.9	1.7	1.2	0.6	-1.8
Government Entrepreneurial Income	2.4	2.4	3.3	3.4	3.3	3.2	3.3	1.7
<b>Labor Income</b>								
Wages and Salaries	45.3	56.3	55.5	54.9	56.5	56.6	56.4	57.9
Employers' Contributions to Social Insurance	1.1	2.1	2.6	2.7	3.0	3.2	3.4	3.9
<b>Unearned Income</b>								
Financial Assets	12.5	2.0	2.5	3.0	3.7	4.2	4.6	5.3
Real Estate	2.0	0.9	1.0	1.1	1.1	1.1	1.3	1.6
Pensions	3.0	9.2	11.4	10.5	11.2	12.0	14.3	17.6
<b>Government Revenue (+)</b>								
Not Contained in Private Income	0.2	4.3	4.2	4.9	4.0	4.7	5.7	6.6
<b>Double Entry Items Due to (-)</b>								
Government Transfer Payments	1.7	6.4	8.5	7.8	8.4	9.3	11.2	14.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Ian Kershaw, ed., *Weimar: Why Did German Democracy Fail?* (Weidenfeld & Nicolson 1990), p. 82.

Admittedly, the inflation benefitted agriculture, especially the Junker class—large farm owners who employed subordinate farm workers in the east Germany—as producers of rye and other grains, partly because of a lag between the internal and external value of the mark, and also because of debt clearance.<sup>29</sup> But a substantial volume of agrarian savings was wiped out, and the peasants generally felt that they had lost out as a result of the inflationary process. Peasants felt victimized by the state (price control during and after the war), middlemen, and by the consumers. Furthermore, from 1924 on, farmers began to rely on (especially short-term) loans for consumption as well as investment purposes, and, as a result, the debt structure was quickly reestablished.<sup>30</sup>

As many students of German history of this period agree, the deflationary policies of the Brüning administration were mainly responsible for most people's estrangement from the Weimar Republic. But it is also true that the distribution of loan money to each level of German governments (federal, states, and cities) and to private corporations during 1924–29 intensified the antagonisms among social classes. As the similar experience in the New Deal period demonstrated, people who had been mostly quiet during the deepest economic distress would become sensitive to unfairness once the state began to distribute emergency checks and benefits to various classes of people. Just recollect the increase of strikes and the proliferation of panacea movements among lower middle class demagogues in the latter phase of NIRA enforcement and also the unrest in the Southern plantations after the AAA rental benefit checks' wide distribution in the area.

As a matter of fact, from 1924 to 1930 public investment in Germany exceeded private investment. This was unthinkable without foreign (mostly American) loans. The struggle over the fund between various levels of governments and between government and private industry, or among private industries intensified because generally the 1920s was a transitional period in terms of the proper role of the state, as McNeil put it: "During the Weimar era, in Germany as in other industrial societies, a vast struggle was underway to redefine the role of the state in the modern economy. How far should the state go in providing economic security to its citizens? How much influence could the state actually have in controlling the course of the capitalist business cycle?"<sup>31</sup> Since the depression of 1925–26 (or stabilization crisis) was so severe as to incur a 10.0% unemployment rate in 1926, Germany

“finally and massively had moved toward a fiscal stimulation of the economy.”<sup>32</sup> The resulting budget deficit could not be financed through raising taxes, for “the ability of the state to tax and borrow was limited not only by the capital market and the economy, but, perhaps even more decisively, by the political weakness of the Weimar state and system.”<sup>33</sup> It was critically necessary for Germany to continue foreign borrowing, and this made the German economy more vulnerable to the international instability to come.

Even before the U. S. entered the depression in October 1929, German borrowing from America became extremely difficult because of the boom in the U. S. securities market. With the suspension of foreign lending, the only viable alternative policy for Germany was to change the current policy of fiscal stimulus into a deflation policy, which the Brüning administration was obliged to take. During the late 1920s, “both the left and the right viewed Weimar politics as a zero sum game where every benefit for one side was a loss for the other. Without real support from either side, Weimar’s emergent welfare state tottered along for several years, but was finally and fatally undermined by the inability to reconcile the extremes or to establish the solid base needed to finance the new state activities safely.”<sup>34</sup> “Realizing this, it becomes more understandable why, after years of irresolvable conflict and frustration, Germany could turn to the Nazi solution. Offering at least verbal concessions to almost everyone, Hitler promised a social peace which had eluded Germany for fifteen years.”<sup>35</sup> In other words, the zero sum strife of the Weimar state prepared an alternate, “consensus” politics of the Nazi party.

What kind of policy alternatives, other than the deflationary course which was actually taken, did Brüning have at that period? Comparing with American experiences during the depression, these can be divided into two kinds. First, expansionary monetary policies, such as floating or devaluation of the Reichsmark or inflation through open market operations. Unfortunately, the Reichsbank could not finance the state budget deficit, nor undertake open market operations, because bank law enacted after the inflation period prohibited these, and the only monetary policy left to the Reichsbank was “its ability to establish rediscount rates for commercial bills and to make a qualitative and quantitative selection of bills, including the establishment of a quota.”<sup>36</sup> The gold parity of the Reichsmark was fixed internationally after 1924 and could not be changed by the German government. The

Reichsmark could not be floated or devaluated. The second alternative was a government program of job creation by means of deficit financing. But already, the federal and local governments confronted the danger of bankruptcy. In October 1930, a consortium headed by Lee Higginson financed a \$125 million loan to the German government. This would turn out to be the final major loan effort to that government. After the Reichstag elections of September 1930 in which the Nazis gained significantly, France and other foreign countries became increasingly skeptical about the political situation in Germany, and relief from the outside had already become hopeless. Thus Borchardt believes that "Brüning's deflationary budget policy was not freely chosen. It was a product of the constraints inherited from an earlier period."<sup>37</sup> At the same time, however, Brüning's deflationary policies could be interpreted from the aspect of reparations. His chief priority was "to get rid of the reparations burden. He was determined to use the crisis as a means of cancelling reparations once and for all."<sup>38</sup>

Holtfrerich's argument ran as follows. In spite of the fact that since late 1931 almost every interest group agreed to take some measure of expansionary job creation by the government, Brüning stayed his course and continued denouncing any such plans as "inflationary." His policy choice was too limited because of his single-minded goal of repeal of reparations. Thus it was inevitable for him to lose political support. The German electorate evidently became less fearful of "inflationary" work-creation schemes at a time when the Nazis promised employment and growth as well as a radical abolition of the Versailles Treaty. No doubt, "in 1931-32 there was a strong popular demand for government action to stimulate the economy" which the political leadership of Brüning and other insiders apparently failed to meet.<sup>39</sup>

According to Avraham Barkai, there appeared an intensive search on the side of the Nazis for practical employment projects in party publications from the end of 1931. Many of the opinions conflicted with each other, but suddenly on May 10, 1932 Gregor Strasser delivered a speech in the Reichstag which included proposals of a detailed project for job creation by means of public works, to be financed by "productive credit expansion"—that is, deficit financing. These proposals would shortly appear as the official Immediate Economic Program of the party. The final version was written by Adrian von Renteln. The Immediate Program argued as follows. The problem to be tackled is running of idle production factors—with an eye to the

domestic market—by means of large-scale public works. Public works include drainage and soil amelioration and the construction of roads and housing, to be financed through the “creation of productive credit” by the central banks, that is, by deficit spending. Ten billion reichsmarks were to be allocated for drainage and soil amelioration alone, and the construction of 400,000 housing units was expected to provide jobs for a million unemployed workers.<sup>40</sup>

After hundreds of thousands of copies had been distributed during the election campaign of 1932, the Immediate Program was replaced by the Plan for Economic Reconstruction in October 1933. Although the new program was rather a collection of vague generalities, it also mentioned “the direct creation of employment —by means of new public and private investment.”<sup>41</sup> “There was lively public discussion in Germany on matters of employment at the beginning of 1932,” other than that of the NSDAP; “the participants included well-known and respected economists as well as political journalists and laymen. All the proposals for public works and deficit spending, abolition of the gold standard and autarky, a network of autobahns, and a Labor Service —were discussed in a multitude of scientific papers and articles in the popular press. The sole novelty to be found in the Immediate Program was the fact that for the first time these ideas were officially adopted by a political mass party in the form of operational proposals for economic policy.”<sup>42</sup>

It is a well-known fact that the WTB (Woytinsky-Tarnow-Baade) plan, adopted by a left-wing organization, the German Trade Union Federation (ADGB) was designed for immediate reemployment of one million laid-off workers at work projects initiated by government and public organizations. These works were to be financed by long-term credit from the Reichsbank but also by the issue of additional paper money. Among others, Woytinsky’s solution included an international cooperation toward uniform price inflations.<sup>43</sup> Rudolf Hilferding and other German Social Democratic Party (SPD) leaders sharply opposed the plan, but among the Nazis it met with undisguised sympathy.<sup>44</sup> In America the inflationary expectations among farmers prepared the way for a managed currency by the Roosevelt administration (and later toward Keynesian economic policy), and in Germany the economic principles of the Nazis and their sympathizers had a clear convergence with Keynesian economics in its budding shape.

The NSDAP might have represented a kind of German people’s

mood for seeking more employment and better life when they advocated non-deflationary policy which both the Brüning government and the SPD rejected bluntly. In that sense, I am inclined to side with Holtfrerich's standpoint, but Borchardt's thesis itself should be highly valued in that he indicated the importance of the wage problem in understanding the inflation of 1924, the political economy of the Weimar republic, and economy under the world depression in Germany. The final conclusion in the historical interpretation of this period will be open to future examination by scholars, but without doubt the "Borchardt controversy" opens a new perspective in the field of historical policy alternatives. Methodologically Borchardt tried to integrate macroeconomic issue such as wages and productivity into historical analysis.

### III

#### THE NEW DEAL AND THE NAZI ECONOMIC RECOVERY IN HISTORICAL PERSPECTIVE

The American economy underwent a profound change around the turn of the century, and the period between the two world wars—1920s and 1930s—was still a transitional era in that the change in demand structure had not yet been completed. The key word in understanding the period is "mass consumption." It seems difficult to identify the exact period when the American economy transformed from "producer-oriented" to "consumer-oriented," but from the 1880s on, mass production, mass marketing, and mass consumption became the main current of society, as Susan Strasser pointed out: "From the 1880s onward, American companies 'discovered' products and experimented with national marketing strategies that would turn those products into profits as quickly as possible."<sup>45</sup>

"During the decades around the turn of the century, branded, standardized products came to represent and embody the new networks and systems of production and distribution, the social relationships that brought people the things they used. Household routines involved making fewer things and purchasing more; consumption became a major part of the work of the household. Formerly *customers*, purchasing the objects of daily life from familiar craftspeople and storekeepers, Americans became *consumers*."<sup>46</sup> And "the triumph of these new rela-

tionships [through the new goods and new marketing] during the forty years or so around the turn of the century created the basis for contemporary consumer culture.”<sup>47</sup>

Advertising and merchandising became an important segment of mass production society, because mass production needed mass demand. The American people adopted a “consumption ethic” to accompany the traditional “producer ethic.” The word “businessmen” in the 1920s connoted efficiency, self-control, rationality, practical common sense, and a hatred of waste.<sup>48</sup> People were driven to work harder in order to consume.

This kind of consumption behavior did not change even during the depression and the 1930s, as Daniel Horowitz explains: “To a surprising extent, the changed economic circumstances of the 1930s confirmed rather than overturned the patterns of consumption and the responses budget study professionals and intellectuals had offered in the 1920s. During the Depression, a federal investigation revealed that many Americans modified patterns of expenditures so that they could continue to live as they had in more prosperous years.”<sup>49</sup> As the famous study by Robert and Helen Lynd showed, “People no longer tailored their expenditures to match their income; rather, they had learned that it was necessary to spend money in order to earn it.” Keynes once wrote: “It is often said by wiseacres that we cannot spend more than we earn. That is, of course, true enough of the individual, but it is exceedingly misleading if it is applied to the community as a whole. For the community as a whole it would be much truer to say that we cannot earn more than we spend.”<sup>50</sup>

Let us illustrate to what extent the American people transformed their way of life during this period. For instance, the percentage of U. S. families who owned their homes was 38 percent in 1910, but 41 percent in 1920, and 46 percent in 1930 in urban areas. Considering the rapid increase of the urban population in this period, the figure is remarkable. The percentage of households with inside flush toilets was 20 percent in 1920, jumped to 51 percent in 1930, and reached as high as 60 percent in 1940 owing to plumbing technique innovation. The percentage of families with central heating was a mere 1 percent in 1920, but in 1940 it reached an amazing 42 percent. Washing machines, electric refrigerators and vacuum cleaners also proliferated rapidly in this period.<sup>51</sup> As Table 2 indicates, with the percentage share of food expenditure decreasing, those of household equipment, transportation,

Table 2  
Distribution of Consumer Spending, 1914–1927 (%)

	Food, liquor, tobacco	Cloth- ing, access- ories, personal care	Housing and utilities	House- hold equip- ment & opera- tion	Con- sumer transpor- tation	Medical care, in- surance, death expenses	Recrea- tion	Private educa- tion	Religion, private social welfare
1914	35.3	14.3	23.3	9.3	6.8	3.9	3	1.5	2.4
1919	36.7	16.1	16.8	10.2	8.5	4.6	3.5	1.2	2.5
1921	30.3	16.9	21.8	10	9.3	4.1	3.7	1.2	2.5
1923	29.1	17.1	20.4	11.4	10.5	4.7	3.9	1.2	1.9
1925	29	15.9	20	11.6	11.4	5.1	3.9	1.3	2
1927	29.5	16.1	19.2	11.9	10.3	5.4	4.2	1.3	2

Source: Michael A. Bernstein, *The Great Depression: Delayed Recovery and Economic Change in America, 1929–1939*. (Cambridge 1987), p. 180.

and recreation increased. This reflected the upgrading of people's standard of living.

The economic downturn from October 1929 brought the housing boom of 1920s to an abrupt halt. Between 1928 and 1933, the construction of residential property fell by 95 percent, and expenditures on home repairs fell by 90 percent.<sup>52</sup> Automobile registrations amounting to 26.5 million in 1929, bottomed out at 23.9 million in 1933. By 1940, however, they exceeded the 1929 level by over 4 million.<sup>53</sup> In the Lynds' "Middletown," as well as elsewhere, the American people never gave up the automobile, although the demand was far short of the level which should be necessary for the economy to recover from the depression during the 1930s. The end of the construction boom of the 1920s played an important role in this period. As Table 3 shows, construction in 1939 was as low as 56 percent of the 1929 level. Gross private investment was negative through 1934, while consumption expenditure at its lowest was still 81 percent of that of 1929. As Temin suggests, the initial expansion of the American economy *at the turning point* was led by investment. Production of investment goods (the third quarter of 1932=100) had been 117 and 113 respectively in the fourth quarter of 1932 and the first quarter of 1933, and it jumped to 179 and 258 in the second and the third quarters of 1933.<sup>54</sup>

The German approach, of course, was dramatically different from



Table 3  
Consumption, Investment and Production (US), 1929–1939 (billion, 1958 dollar)

	GNP	Personal Consumption Expenditure	Construction*	Gross Private Investment	Net Export	Government	Industrial Production (1913=100)
1929	203.6	139.6	8.7	40.4	1.5	22.0	188.3
1930	183.5	130.4	6.4	27.4	1.4	24.3	155.6
1931	169.4	126.1	4.5	16.8	.9	25.4	129.7
1932	144.2	114.8	2.4	4.7	.6	24.2	100.5
1933	141.5	112.8	1.9	5.3	1.0	23.3	119.9
1934	154.3	118.1	2.0	9.4	.3	26.6	129.7
1935	169.5	125.5	2.8	18.0	−1.0	27.0	149.1
1936	193.0	138.4	3.9	24.0	−1.2	31.8	178.3
1937	203.2	143.1	4.6	29.9	−.7	30.8	194.5
1938	192.9	140.2	4.1	17.0	1.9	33.9	152.3
1939	209.4	148.2	4.9	24.7	1.3	35.2	188.0

\*billion, 1929 dollar.

Source: U.S. Dept. of Commerce, *Long Term Economic Growth, 1860–1970* (1973), pp. 182–187.; Peter Temin, *Did Monetary Forces Cause the Great Depression?* (1979), p. 4.

the American. Expansion in Germany, as well as in other European countries, was centered in consumption at least through 1934.<sup>55</sup>

In fact, Hitler believed that an increase in the purchasing power of the masses would be an important means of managing economic recovery. He also stressed the importance of creation of employment, and repeatedly he said that the economic hardship of traders and artisans could only be solved by an increase in the general level of employment. There was a revival of consumer spending since the production of textile, leather shoe, chocolate, cigarettes, and coffee as well as motor cars surpassed pre-depression level between 1932 and 1934, partly because of the ending of price deflation, and partly because of the increases in public employment. But this “blatant consumerism, Weimar style, stopped in 1934.”<sup>56</sup> After 1934, the recovery was concentrated in investment goods industries.

Rearmament without a doubt contributed to the German economic recovery, but obviously not from the very early period. Most scholars agree that the rearmament did matter after 1935, but as Overy insists, “what was to be explained is the rapidity and strength of the revival.”<sup>57</sup>

Military expenditure was still limited in scope during the early period. And *Motorisierung*, or motorization, was another sector in which the government heavily supported, counting on the sector's future support for the regime once it recovered strongly. Also Hitler himself was very interested in motor-vehicles and in the role of them in German society. He was a great admirer of Henry Ford from the early days. "He saw popular mass-motoring as something that would strengthen the sense of community, that could help to win the workers back from socialism, and would help to overcome the conservative and spiritless attitude of bourgeoisie with its fear of modernism and defence of 'luxury.' . . . Both during and after the work-creation period Hitler stressed the key position that the *Motorisierung* of Germany played in his own plans for recovery."<sup>58</sup> "What electricity had been to Lenin, cars were to Hitler."<sup>59</sup> Simon Reich agrees with this: "The central objective of the NSDAP's dynamic *Motorisierung* policy was to legitimate the Nazi regime by raising the population's standard of living. Hitler himself considered the extension of popular systems of transport a key component in that process, regardless of cost."<sup>60</sup>

Thus the motor-car sector and the road-building program acted as a lever for the recovery through the work creation programs. In 1933 the *Autobahnen* program started to create work, at the same time encouraging the spread of the motor-car. The roads program provided the central core of the recovery in the construction industry, since the bulk of the construction was in residential housing (28 percent) and road construction (21 percent). New construction totalled 2 billion marks in value in 1932 and it was 5.7 billion by 1934, and 9 billion by 1936. The employment effects were important, as 666,000 were employed in the construction industries in 1932 and it reached two million by 1936. Of this total over 1.1 million were more or less dependent on the motor vehicle and roads.<sup>61</sup>

The early economic recovery was transformed into demand expansion led by public investment for rearmament by 1935 (Table 4), although the estimation of armament expenditures widely differs according to various sources (Table 5). Unemployment which had reached over five million in 1933 fell to one million in 1936, and finally turned to virtually zero by 1939. On the other hand, wages and salaries as a proportion of national income constantly decreased from around 60 percent in 1929-33 to 55 percent in 1938 (Table 6). Private consumption was also on the decline, with public consumption soaring. So the

Table 4  
Public Expenditure in Germany by Category, 1928–1938 (billion RM)

	1928	1932	1933	1934	1935	1936	1937	1938
Total expenditure (central and local)	23.2	17.1	18.4	21.6	21.9	23.6	26.9	37.1
Construction	2.7	0.9	1.7	3.5	4.9	5.4	6.1	7.9
Rearmament	0.7	0.7	1.8	3.0	5.4	10.2	10.9	17.2
Transportation	2.6	0.8	1.3	1.8	2.1	2.4	2.7	3.8
Work creation	—	0.2	1.5	2.5	0.8	—	—	—

Source: Overy, *The Nazi Economic Recovery, 1932–1938*. (MacMillan 1982), p. 50.

Table 5  
Armaments Expenditure in Germany, 1933–1938 (billion RM)

	Schacht	Statistisches Handbuch	Schwerin Krosigk	Eichholtz*	Kuczynski
1933/4	—	1.9	0.746	1.5	3.5
1934/5	2.25	1.9	4.197	2.8	5.5
1935/6	5	4.0	5.487	5.5	10.5
1936/7	7	5.8	10.273	11.0	13.5
1937/8	9	8.2	10.961	14.1	16.5
1938/9	11	18.4	17.247	16.6	26.0

\*calendar year, 1933 only February–December.

Source: Harold James, *The German Slump: Politics and Economics, 1924–1936*. (Oxford 1986), p. 383.

Nazi recovery, beginning with a consumption boom coupled with the government's support for public investment, finally produced full employment economy, although with curtailment of wage share. This was a complete reversal from the Weimar period when wages as a proportion of national income was kept high, and private as well as public consumption was high. However, we should be cautious about the implications of the fluctuating share of wages in GNP, because the figure varies cyclically, and the growing share is sometimes a result of a profit increase due to economic expansion.<sup>62</sup> Hence it is too early to conclude that fascism was a reaction to the previous regime's high wages and that the Nazis had a good reason to oppress them, although there had

Table 6  
Wages and Consumption in Germany, 1928-1938

	Wages as % of NI	Private consumption as % of NI
1928	62	71
1930	—	—
1931	—	—
1932	64	83
1933	63	81
1934	62	76
1935	61	71
1936	59	64
1937	58	62
1938	57	59

Source: Overy, *op. cit.*, p. 34.

been such a historical tendency which should be properly dealt with.<sup>63</sup> At the same time the Weimar republic could not get rid of a high rate of unemployment even during the boom years. A success of the Nazi experiment in this aspect would leave us a historical lesson that in launching the expansionist policy, a stable political atmosphere in and around the country became one of the important preconditions, and the Nazi government achieved it through the abolition of opposition parties and labor unions domestically, and through the economic autarky with the suspension of reparation payments and with the eventual stoppage of foreign borrowings internationally.

In the New Deal process, however, high wage policies by the NIRA, and price support programs under the AAA coupled with the Wagner Act of 1935, the Fair Labor Standards Act of 1938, and the veterans' bonus payment, etc. all had a tendency toward redistribution of national income. From a macroeconomic standpoint, one may argue that the achievement of full employment could have been partly checked by the wage increase policy of, for instance, NIRA. In sharp contrast with the Nazi recovery, the American economy saw the revival of private consumption and the enlargement of wages and salaries as a share of national income (Table 7). Furthermore, with the "bubble burst" in the stock market crash from the fall of 1929, the upper income class' share dropped and the overall distribution of national income equal-

Table 7  
 Percent Distribution of National Income,  
 by Type of Income, in Current Prices (US), 1900-1939

Period	Total	Compen- sation of employees	Income of unincor- porated enterprises	Rental income of persons	Corporate profits before tax	Net interest
1930-1939	100.0	66.8	15.0	5.0	4.9	8.2
1925-1934	100.0	63.0	15.8	6.6	6.4	8.1
1920-1929	100.0	60.5	17.6	7.6	8.2	6.2
1915-1924	100.0	57.2	21.0	7.6	8.9	5.3
1910-1919	100.0	53.2	24.2	7.7	9.7	5.2
1905-1914	100.0	55.2	22.9	9.1	6.9	5.8
1900-1909	100.0	55.0	23.6	9.1	6.8	5.5

Source: *Historical Statistics of the U.S.* (1975), p. 236.

ized in the 1930s. The unemployment rate, even after counting the WPA workers as employed, still remained at 11.3 percent in 1939 and only reached a full employment level as late as 1943 when the war mobilization of the economy was in full swing.<sup>64</sup> From the historical perspective the New Deal made an effort to continue and strengthen the high wage/high consumption economy which had taken shape by the 1920s in America and in that sense, it could be characterized as “a system of consumption.”

Since the publicly supported work creation was a top priority for Nazi economic policy in its early stage, Hitler could not put tax cuts into practice. The taxation level in terms of national income remained constant between 1933 and 1939. Government borrowing, although concealed through various complicated financing methods, amounted to between 3 and 6 percent of GNP after 1935. But until the end of 1938, including the bitter conflicts over the military finance method issue between Hyarmar Schacht, the Minister of Economics, and the government in 1937 and 1938, the private economy could absorb the paper issue without great difficulty. But after 1939 when the economy entered a full employment phase, inflationary finance became a necessity. As in Japan, where the finance minister Takahashi who defended “the lifeline of state finance,” and rejected the Army’s budget proposal, was assassinated in a coup of February 26 in 1936, so in Germany Schacht was dismissed by Hitler in 1939.<sup>65</sup> Japan after 1936 and

Germany after 1939 had no brakes on the military build-up and substantial hyperinflation. If there appeared a premature mass consumption society with a fragile "welfare state" with high wages and high unemployment during the Weimar republic of the 1920s, the Nazi regime succeeded in reversing it through attacking the weakest ring—a high rate of unemployment—first by work creation and motorization, and then by rearmament.

One of the positive conclusions of this paper concerns the interconnection of the farmers' political integration into the new regimes and the resulting policy orientation of the New Deal and the Nazis. In America, the Midwestern farmers succeeded in persuading the leaders, politicians, and other people in urban areas of the necessity of adopting inflationary economic policies which had an effect of integrating other segments of society into a "Roosevelt coalition" consensus at least by 1936, although at the cost of slow economic recovery. In Germany, the farmers in the Protestant countryside—which would become a Nazi stronghold—suffered from indebtedness, heavy taxes, and high interest rates. They finally selected the NSDAP not as a political party to convey their feelings and to find remedies, but rather as a symbol of their frustration against the SPD's, and among others, the Brüning's deflationary policies. Judging from the recent controversy in Germany, there might have been a chance of building a political consensus other than that by the Nazis during the depression, but it must have been a fairly narrow possibility seen both from timing and theory because of the popular fear of inflation since 1924 and a desperately limited policy stance under the international control of German banks and finance.

I would like to thank Professor Akihiko Amemiya of Chiba University for his information on the Borchardt controversy, and also thank Professors Barry Bluestone and Thomas Ferguson of the University of Massachusetts at Boston for their valuable comments and suggestions for the draft of my paper.

<sup>1</sup> See Eiichi Akimoto, *Nyu Diru to Amerika Shihonshugi: Minshuundoshi no Shiten kara* [The New Deal and American Capitalism: From the Aspect of People's Movements]. (University of Tokyo Press 1989); do., "Monetarism and the System of Consumption: A Grassroots View of the New Deal," in *Asian Journal of Economics and Social Studies*. Vol. 6, No. 4. (October 1987).

<sup>2</sup> Charles A. Beard, *An Economic Interpretation of the Constitution of the United States*. (1913). rpt. (Free Press 1986), pp. 324–325.

<sup>3</sup> See Walter D. Burnham, "The System of 1896: An Analysis," in Paul Kleppner et al. ed., *The Evolution of American Electoral Systems*. (Greenwood 1981).

<sup>4</sup> *The Prairie Farmer*, May 14, 1932.

<sup>5</sup> *Ibid.*, February 6, 1932.

<sup>6</sup> *Ibid.*, October 1, 1932.

<sup>7</sup> *Ibid.*, November 26, 1932.

<sup>8</sup> *Ibid.*, December 24, 1932.

<sup>9</sup> *Ibid.*, January 21, 1933. One of the reasons of acute demand for inflation among farmers was the scarcity of money in circulation during the depression. As a matter of fact, people lost confidence in local banks and withdrew deposit, keeping cash in their houses. As a means to force these money into circulation, Irving Fisher of Yale University advocated a stamp money. A dollar bill in the system needs two or three cent stamp each for use, and people must spend it during a certain period, usually a week, thus guaranteeing the bill in actual circulation. A. W. Ricker, "Facts for Farmers," *The Progressive*, December 10, 1932.

<sup>10</sup> *The Prairie Farmer*, February 18, 1933.

<sup>11</sup> *Ibid.*, April 29, 1933.

<sup>12</sup> *Ibid.*, September 16, 1933.

<sup>13</sup> *Ibid.*, November 11, 1933.

<sup>14</sup> See Richard F. Hamilton, *Who Voted For Hitler?* (Princeton University Press 1982), especially chaps. 12, 13 and 14.

<sup>15</sup> Harold James, *The German Slump: Politics and Economics, 1924–1936*. (Clarendon Press 1986), p. 261.

<sup>16</sup> *Ibid.*, p. 276.

<sup>17</sup> Jeremy Noakes, *The Nazi Party in Lower Saxony 1921–1933*, (Oxford University Press 1969), pp. 124–125. cited in Hamilton, *op. cit.*, p. 366.

<sup>18</sup> Hamilton, *op. cit.*, pp. 371–373, 427.

<sup>19</sup> For the Communists infiltration in rural areas see Lowell K. Dyson, *Red Harvest: The Communist Party and American Farmers*. (University of Nebraska Press 1982).

<sup>20</sup> See James, *op. cit.*; David Abraham, *The Collapse of the Weimar Republic: Political Economy and Crisis*. 2nd ed. (Holmes & Meier 1986).

<sup>21</sup> Knut Borchardt, "A Decade of Debate About Brüning's Economic Policy," in Jürgen Baron von Krudener ed., *Economic Crisis and Political Collapse: The Weimar Republic, 1924–1933*. (Berg 1990), pp. 143–144.

<sup>22</sup> *Ibid.*, p. 134.

<sup>23</sup> Borchardt, *Perspectives on Modern German Economic History and Policy*. (Cambridge University Press 1991), p. 135.

<sup>24</sup> Karl Hardach, *The Political Economy of Germany in the Twentieth Century*. (University of California Press 1980), p. 19.

<sup>25</sup> Dietmar Petzina, et al. ed., *Sozialgeschichtliches Arbeitsbuch Band III*. (C.H. Beck, München, 1978), p. 119.

<sup>26</sup> Carl-Ludwig Holtfrerich, *The German Inflation, 1914–1923*. translated by Theo Balderston. (Walter de Gruyter 1986), pp. 273–274, 333. As Borchardt argues, it may not be true that the whole middle class was ruined. "Large sections of the middle class, as debtors and producers of goods, derived advantages: this was the case for agriculture and for sections of manufacturing industry. But the so-called 'Rentier capitalists' were badly hit, and all provision for the future in the shape of savings was affected." Borchardt, *op. cit.*, p. 137.

<sup>27</sup> Holtfrerich, "Economic Policy Options and the End of the Weimar Republic," in Ian Kershaw ed., *Weimar: Why Did German Democracy Fail?* (Weidenfeld & Nicolson 1990), pp. 83–84; Charles P. Kindleberger, *A Financial History of Western Europe*. (George Allen & Unwin 1984), p. 323.

<sup>28</sup> Holtfrerich, *op. cit.*, p. 79. "The owners of real property and equities were left intact. In the iron and steel industry, inflation suited the interests of the Thyssens and

Stinnes, despite the rise in wages, as they paid off their debts and invested heavily in new plant." Kindleberger, *op. cit.*, p. 323.

<sup>29</sup> Alexander Gerschenkron, *Bread and Democracy in Germany*. (1943) with a new forward by Charles Maier, (Cornell University Press 1989), pp. 108–109.

<sup>30</sup> James, *op. cit.*, pp. 250–258.

<sup>31</sup> William C. McNeil, *American Money and the Weimar Republic: Economics and Politics on the Eve of the Great Depression*. (Columbia University Press 1986), p. 77.

<sup>32</sup> *Ibid.*, p. 128.

<sup>33</sup> *Ibid.*, p. 132.

<sup>34</sup> *Ibid.*, p. 277.

<sup>35</sup> *Ibid.*, p. 278.

<sup>36</sup> Borchardt, "A Decade of Debate. . .," *op. cit.*, p. 106.

<sup>37</sup> *Ibid.*, pp. 116–117.

<sup>38</sup> E. Kolb, *The Weimar Republic* (1988), p. 115, cited in Borchardt, *op. cit.*, p. 104.

<sup>39</sup> Holtfrerich, *op. cit.*, p. 73.

<sup>40</sup> Avraham Barkai, *Nazi Economics: Ideology, Theory, and Policy*. translated by Ruth Hadass-Vashitz. (Yale University Press 1990), pp. 40–41.

<sup>41</sup> *Ibid.*, pp. 46–47.

<sup>42</sup> *Ibid.*, p. 50.

<sup>43</sup> *Ibid.*, pp. 50–51. Harold James, "Rudolf Hilferding and the Application of the Political Economy of the Second International," *The Historical Journal* 24–4. (1981), pp. 864–865.

<sup>44</sup> According to the memoirs of Adolf Sturmthal, "To the SPD, it was more important that a careful policy of deflation. . . be followed as a guarantee against inflation. Together with the undisputed authority Hilferding possessed, this mood was decisive." Apparently, the labor unions' stance was more liberal than the SPD and Hilferding. "They looked into alternatives to Hilferding's deflationary policy. . . . As Woytinsky described it, two goals were foremost in his mind: raising prices and developing public works. Higher prices would restore the profitability of business and diminish debts. Public works would help to fight unemployment. The main point was the struggle against deflation. Every step on the path of deflation led, as they viewed it and as the events showed, to more unemployment and to the advance of the Nazis and the Communists. The ideas of the three men, in the form of the WTB plan, made progress with the trade unions but not with the party. The SPD, however, was essential, since this was a question of measures that needed legislation." Adolf Sturmthal, *Democracy Under Fire: Memoirs of a European Socialist*. ed. by Suzanne Sturmthal Russin. (Duke University Press 1989), pp. 87–88.

<sup>45</sup> Susan Strasser, *Satisfaction Guaranteed: The Making of the American Mass Market*. (Pantheon Books 1989), p. 8.

<sup>46</sup> *Ibid.*, p. 15. Stresses are original.

<sup>47</sup> *Ibid.*, p. 28.

<sup>48</sup> Roland Marchand, *Advertising the American Dream: Making Way for Modernity, 1920–1940*. (University of California Press 1985), pp. 29, 118, 158.

<sup>49</sup> Daniel Horowitz, *The Morality of Spending: Attitudes toward the Consumer Society in America, 1875–1940*. (Johns Hopkins University Press 1985), p. 135.

<sup>50</sup> *The Manchester Guardian*, July 20, 1932, in Donald Moggridge ed., *The Collected Writings of John Maynard Keynes*. Vol. XXI. (MacMillan 1982), p. 126.

<sup>51</sup> For these figures see Stanley Lebergott, *The American Economy: Income, Wealth, and Want*. (Princeton University Press 1976), pp. 99–101, 259, 286–288.

<sup>52</sup> Kenneth T. Jackson, *Crabgrass Frontier: The Suburbanization of the United*



*States*. (Oxford University Press 1985), p. 187.

<sup>53</sup> Genpachiro Konno, *Amerika Doro Kotsu Hattatsuron* [A History of the Development of American Road Traffic]. (University of Tokyo Press 1959), p. 268.

<sup>54</sup> Peter Temin, *Lessons from the Great Depression*. (M.I.T. Press 1989), pp. 106–107.

<sup>55</sup> *Ibid.*, p. 106.

<sup>56</sup> James, *op. cit.*, p. 415.

<sup>57</sup> R. J. Overy, “Cars, Roads, and Economic recovery in Germany, 1932–8,” *Economic History Review* 2nd. ser., Vol XXVIII. (1975), p. 476.

<sup>58</sup> Overy, “The German Motorisierung and Rearmament: A Reply,” *Economic History Review* 2nd. ser., Vol XXXII (1979), p. 110.

<sup>59</sup> *Ibid.*, p. 111.

<sup>60</sup> Simon Reich, *The Fruits of Fascism: Postwar Prosperity in Historical Perspective*. (Cornell University Press 1990), p. 151. He continues: “The *Motorisierung* policy involved the extension of the highway system, which had the added advantage of creating employment, and the popularization of automotive transport through the mass production of cheap cars. From this policy emerged the idea of the ‘people’s car’—the Volkswagen project. Volkswagen, motivated by political considerations was a public utility company whose objective was not to make a profit but to produce as many cars as possible.” *Ibid.*, p. 151. The Nazis made a kind of fund-raising campaign through the DAF—a Nazi version of federation of labor unions—in order to let each worker buy his car through accumulation of their monthly contributions, and “by the end of war 336,000 people had faithfully subscribed 267 million reichsmark without one car being delivered.” *Ibid.*, p. 158.

<sup>61</sup> Overy, *The Nazi Economic Recovery, 1932–1938*. (MacMillan 1982), pp. 49–50.

<sup>62</sup> Holtfrerich, “Economic Policy Options. . .,” *op. cit.*, p. 78.

<sup>63</sup> Charles S. Maier, *In Search of Stability: Explorations in Historical Political Economy*. (Cambridge University Press 1987), pp. 102–104; Temin, *op. cit.*, pp. 113–114. Temin in his reasoning seems to have been trapped in an “either wages or employment” proposition.

<sup>64</sup> Michael Darby, “Three-and-a-Half Million Employees Have Been Mislaid; or, An Explanation of Unemployment, 1934–41,” *Journal of Political Economy* 84 (1976), p. 7.

<sup>65</sup> Even though he cooperated with Hitler’s rearmament program, Schacht’s intention was “to use rearmament as a means of reasserting Germany’s position as a world power, of bringing the elements of production back into full utilization, and as a work project to curtail unemployment.” Amos E. Simpson, “The Struggle for Control of the German Economy,” *The Journal of Modern History* 31–1. (March 1959), p. 39.