

European Economic Community (EEC)

The origins of the EU

ECONOMIC FACE OF THE NEW EUROPE

Walther Funk

Europäische Wirtschaftsgemeinschaft

von

Reichswirtschaftsminister u. Präsident der Deutschen Reichsbank Funk;
Professor Dr. Jechl, Berlin; Professor Dr. Woermann, Halle;
Dr. Reithinger, Berlin; Ministerialdirektor Dr. Beisiegel, Berlin;
Staatssekretär i.W. Koenigs, Berlin; Direktor Dr. Benning, Berlin;
Gesandter Dr. Clodius, Berlin, und Gauwirtschaftsberater Professor
Dr. Hunke, Berlin

mit einer Einführung von

Gauwirtschaftsberater Professor Dr. Heinrich Hunke
Präsident des Vereins Berliner Kaufleute und Industrieller

Herausgegeben von dem

Verein Berliner Kaufleute und der Wirtschafts-Hochschule
und Industrieller Berlin



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Edward Spalton

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The Origins of the EU
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by Edward Spalton

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Europäische Wirtschaftsgemeinschaft (EWG)

European Economic Community (EEC)

The origins of the EU

a personal view

by Edward Spalton

With increasing stresses and strains in the EU, German dominance of Europe is emerging as an incontestable fact. The EU's own account of itself completely omits the attempt at creating a pan European bloc under this title, devised not by Monnet and Schuman but by the ideologues, economists and industrialists of the Third Reich and their collaborators. They too envisaged an era and area of harmony where the peoples of Europe would co-operate fruitfully under a New Order in a large area economy (Grossraumwirtschaft). The concept was launched in 1940 soon after Dunkirk and by 1942 was the subject of a high level gathering of what might have been termed "the Great and the Good" in a more normal society. In 2002 I translated the introduction and lead paper of this series of lectures. It was published as a booklet by the Democrat Press, a publisher based in the labour and trade union movement.

By one of those very long coincidences, I first heard about what is now the EU when I was in the lower sixth on a school trip to Hanover in 1958, the year after the EEC's founding Treaty of Rome. "Have you heard about our Wirtschaftsgemeinschaft?" asked my German host "It will guarantee our living standard". When we got back home our teacher explained that the word meant "Economic Community" and it had been created by a treaty between Germany, France, the Benelux countries and Italy the previous year. Not knowing anything of its structure, we thought it was a hopeful sign for future peace and prosperity in Europe. As several other boys had been told the same thing by their hosts, it was obviously something which our German friends had learned in school. Our teacher remarked on this and said it showed a difference in tradition between our countries. We would not be taught such a political opinion as fact in a British school.

The main paper which follows was delivered by Walther Funk, Reichsminister for the Economy, President of the Reichsbank and Minister for Post-War Planning. An able communicator with a background in financial journalism, he had previously been Chief Press Officer and State Secretary under Goebbels at the Ministry of Public Enlightenment and Propaganda. Funk escaped the hangman at Nuremberg although his colleague Sauckel did not. He was released from prison in 1957 on grounds of ill health and quickly found employment in the educational life of Lower Saxony. He lived

in Hanover until his death in 1960. So it is very likely that our German contemporaries were so completely “on message” concerning the new EEC because Herr Funk was continuing to promote his project, albeit in a rather humbler office than the one he held in 1942! By 1957 Prof. Dr Hunke, who introduced the 1942 lecture series, was prominent in the politics of Lower Saxony. This doubtless explains the speed at which the former Reichsminister got his job.

If you disregard the references to contemporary events, the rationale for European integration and most of the policies put forward by Funk and his colleague Hunke will be familiar to anybody who has studied the activities and publications of the post war EU Commission or the arguments advanced by the European Movement. The similarities of concepts and vocabulary are too striking and numerous to be merely coincidental.

Superficially the European idea looked rather attractive in the Sixties. Co-operation between countries seemed a good idea. The “Common Market” countries were doing much better than Britain which began to look increasingly shabby and strike prone. Yet, as “going into Europe” approached, the cloud on my horizon was the Common Agricultural Policy (CAP). I worked in the animal feed business and the changeover from free trade in food from all the world to the highly protectionist, minutely officially controlled, mind-bogglingly complicated CAP was a profound culture shock. Something so detailed obviously had to have an ideology behind it but nobody could tell me what it was. It was entirely alien to the common sense system we had known before. Funk’s paper reveals its philosophical fountain head completely. The CAP, which we joined on January 1st 1973, was not just similar to but exactly based on the ideology and policy which he set out. The EEC’s biggest project and budget item was squarely founded on principles and policy objectives, decided in Berlin by 1942.

Monnet and Schuman, the post war “Fathers of Europe”, were certainly not fascists but, to take a metaphor from cricket, those who could be described as second order batsmen and second eleven promoters of the EEC project had often been deeply involved in the first Nazi attempt. The use of the same title for the project—“European Economic Community” suggests that the founding fathers of the EU recognised that there would be a degree of brand recognition and loyalty to the vision of the Nazi project amongst the political classes, which could be carried forward to its post war revival. Some of the more prominent of these personalities are described in Rodney Atkinson’s YouTube video on www.freenations.freeuk.com “The Nazis and Fascists who founded the European Union and their influence today”.

In their intense, far-ranging investigation of the origins of the EU *The Great Deception*, Booker & North trace the idea for the central, basic, bureaucratic structure

of the post war EU to Monnet and the British civil servant, Arthur Salter. They had both been frustrated in the Twenties by the difficulties of achieving international agreements and came up with the concept of a supra-national, unsackable, expert, technocratic secretariat-cum-executive with the sole perpetual power of initiative in a standing council of European nations.

Able to take the long view and freed from the vulgar necessity of achieving democratic consent, the “wise men” of this Commission would drive the European unification project forward in the interest of all the people of Europe, regardless of national differences or public opinion in any one country or all of them. This was not at all a Nazi idea. It was, of course, massively authoritarian and arrogant to believe that such supermen existed—with the wisdom to guide and steer the destinies of the nations of a continent. The Commissioners frequently turned out to be rather shoddy, failed politicians in their own countries. The real power lay with their permanent civil servants. In setting out this organisational scenario, Booker and North were dismissive of the idea of any Nazi input or connection with the institutional structure of the post war EEC.

The Nazis did not invent any really new ideas. They continued a view of the world (*Weltanschauung*) which has predominated amongst the German political class since before Germany became a single nation and continues today. The methods change but the objectives remain remarkably constant.

They saw their national destiny (*Schicksal*) as defined by natural resources and geography (plus the vitality of the *Volk* (people)) and devised a combined academic discipline, geopolitics (*Geopolitik*) to give it a rationale. It was a Common Market, a customs union (*Zollverein*), which brought the many German states together into a single, large area economy (*Grossraumwirtschaft*) in the 1840s.

Not only did German politicians aspire to such a single economic order amongst Germans; they believed that Germany needed the resources of the peoples of Central Europe (*Mitteleuropa*) and the Balkans under German control in a single living space (*Lebensraum*). This would provide a market for German manufactured goods and a source of raw materials. The similarity with the arguments put forward today for the advantages of the EU Single Market is inescapable.

Long before Germany’s unification in 1871, the delegates at the revolutionary parliament, meeting in Frankfurt in 1848, decided that the Balkans (then part of the old Austrian and Turkish empires) formed part of Germany’s natural economic hinterland. They also decided that no significant Slavic power should be allowed to arise in the area. In 1999 the EU/NATO powers followed this policy and ensured the destruction of Yugoslavia. Today’s German politicians openly talk of exercising a “benevolent hegemony” over Central and South Eastern Europe.

It is easy to see how these German ideas and world outlook dovetailed into the differently motivated, post war institutional structure, devised by Monnet and Salter and promoted by Monnet's front man Schuman. In 1971 even the Foreign Office mandarins described this authoritarian, technocratic system as "bureaucratic" and its workings as "remote and unmanageable"—and they were working for Britain's subjection to it!

Dr. Hallstein, the first president of the EEC Commission, had been a member of at least six Nazi organisations and had successfully completed a Nazi leadership training course. So, as an academic promoted under Nazism, he could hardly have been unfamiliar with the thoughts of Reichsminister Funk. General de Gaulle wrote of him "If Dr. Hallstein is a sincere European, it is because he is first and foremost an ambitious German". As State Secretary at the West German Foreign Office, Hallstein had been responsible for the "Hallstein Doctrine" which denied German diplomatic recognition to Eastern European states which recognised the communist regime in East Germany. A major effect of this was that Nazi war criminals were not extradited to face trial in Eastern European countries where most Nazi atrocities had occurred.

They were free—free to continue their careers in the civil service, police, politics, local administration and business.

The EU bureaucracy has a powerful life of its own. Until recently, EU institutions and policies have often served as a cloak for long-held ambitions of the German political class. Now that the mask has fallen, we shall see whether the future of Europe will be German or European and whether the European Union itself will collapse alongside its once eponymous, unlamented, wartime forerunner.

"The dangerous and horrible thing about the Nazis was that they were not the Nazis you see in Hollywood films... The real Nazis were quite different... We got beautiful papers about European culture, extremely beautiful..."

JAN MYRDAL, the author, speaking about his wartime experiences, growing up in neutral Sweden.

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Translation of title page

EUROPEAN ECONOMIC COMMUNITY

by

Reichs Economy Minister

and President of the German Reichsbank Funk

Professor Dr Jecht, Berlin; Professor Dr Woermann, Halle;

Dr. Reithinger, Berlin; Ministerial Director Dr Beisiegel, Berlin;

State Secretary Gustav Koenigs, Berlin;

Director Dr. Benning, Berlin; Ambassador Dr Clodius, Berlin and

Regional Economic Adviser Professor Doctor Hunke, Berlin.

With an introduction by

Regional Economic Adviser, Professor Doctor Heinrich Hunke

President of the Berlin Society of Commerce and Industry

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Translator's Note

It is said that the past is another country where things are done differently. This is certainly true of language, as we see in our day both from the rapid coinage of popular slang and from the officially approved cult of the "politically correct". The language manipulators of the German National Socialist Period were just as active as today's practitioners. I have tried to write a workmanlike, though not word for word, translation rather than an explanatory paraphrase.

Some words do not carry the same loaded meanings in English as they did in the Third Reich. For instance "Volk" and "Volks" (People and People's) carry biological, racial and mystical overtones as well as the communitarian connotations of Tony Blair's description of the late Princess of Wales as "The People's Princess". Yet whilst the word "Volkswirtschaft" contains both communitarian and racial overtones, I have usually translated it as "National Economy", just as does the indispensable Duden, except where the Nazi economy is contrasted with the "plutocratic" capitalist economy;

then I use the literal translation “people’s economy”. Where German words are well known in English, I have sometimes retained them. So “Reich” or “Reichs” is used rather than “Empire” or “Imperial” and “Autobahn” rather than motorway. These words are redolent of their time and place. In other cases I have approximated German institutions and titles to an English near equivalent. So it is “The Berlin School of Economics” rather than the literal “Economics High School of Berlin”. In places I have divided long sentences and changed passive into active or vice versa where it made for smoother English.

The modern jargon of the EU project is used for identical concepts. “Verflechtung” (interweaving) of economies usually becomes “integration”, “Grossraumwirtschaft” usually becomes “large area economy”. “Lebensraum” remains “Living Space” although it has much in common with today’s idea of a large, single, politically harmonised market and its enlargement. “Angleichung” (bringing into line with) is usually rendered “harmonisation” and so on.

Original footnotes and references are marked with a superscripted number thus:¹ and listed at the end of the paper in German, as being the most accessible way for anyone undertaking further research. Translator’s footnotes (which have been kept to the very minimum) are marked and placed at the bottom of the page to which they refer.

I have tried to reflect the style of the original papers. So Professor Doctor Hunke’s politically correct academic jargon of the Third Reich is rendered in a slightly more mannered “teutonic” style than the more natural, punchy delivery of Reichsminister Funk.

Acknowledgements

I am very grateful to Eric Rhodes who first taught me the German language many years ago and so made this translation possible. I also make heartfelt acknowledgement of the invaluable encouragement and help which I had from Christina Speight in her suggestions for improving the original draft and bringing it, I believe, very close to the spirit as well as the meaning in which the listeners would have understood these papers.

Edward Spalton

The first two papers only are translated here.

List of lectures in complete series:

Professor Dr. Heinrich Hunke—Regional Economic Advisor of the Nazi Party, President of the Publicity Council of German Industry and Berlin Society of Commerce and Industry.

Introduction to lecture series—

Problems of continental European Economic Community

Walther Funk Reich Economics Minister and President of the German Reichsbank
The Economic Face of the New Europe

Dr. Horst Jecht—Professor at the Berlin School of Economics

The Development towards European Economic Community

Dr. Emil Woermann—Professor at the University of Halle

European Agriculture

Dr Anton Reithinger—Leader of the National Economy Department of IG Farben Industries AG, Berlin

The European Industrial Economy

Dr. Philip Beisiegel—Ministerial Director, Ministry of Labour

The Deployment of Labour in Europe

Gustav Koenigs—State Secretary, Berlin

European Transport Questions

Dr. Bernhard Benning—Director of the Reich Credit Institution, Berlin

European Currency Questions

Dr. Karl Clodius—Ambassador in the Foreign Office

European Trade and Economic Treaties

Dr. Heinrich Hunke (see above)

The Basic Question of Europe—A Geographical Concept or a Political Fact

Introduction to 1942 lectures

Professor Dr. Heinrich Hunke
Economic Adviser to the Berlin Region of
the Nazi Party (NSDAP)

&

President of the Publicity Council of German Industry

At the turn of the year 1939/1940, consciously or unconsciously, the greater part of Europe lay under the threat of excommunication by the English concept of the economy. In the course of the year however, this was swept politically, militarily and economically from the continental European states. Politically the Three Power Pact has restored to honour the age old concepts of life, people and living space and secured a natural order and neighbourly coexistence as the ideal of the New Order for the peoples of Europe. Militarily the basis of English economic policy, the doctrine of the balance of power is shattered. In economic terms, on the heels of military and political developments, a revolution has begun which is quite clear in its outlines, yet hard to evaluate as to its final consequences. In any event I can only repeat that the change of affairs, which has been accomplished in our time, must be considered alongside the greatest economic revolutions of history. It means a re-orientation of the European economy into a time beyond the culture of English overseas-Europe. It means the self respect of Europe in its own living and economic space.

The earlier Discussion and its results

The discussion of these European questions began with the growing power of the NSDAP. At the European Congress in Rome of 14th to 20th November 1932 Alfred Rosenberg developed the thoughts¹ for the first time in an international forum in a magnificent exposition, which has inspired us all since then. Nobody who fights for the economic New Order of Europe can ignore these findings and conclusions. When the NSDAP then raised the slogan of the economic empowerment of Germany, the economic-political wheel began to turn. It is to the credit of the periodical, *The German National Economy*, that, since it first addressed these questions, it has brought them repeatedly to attention and stuck fast with iron determination to these hard-won findings.

The thought of making the German economy self-sufficient in a new political way and the idea of the empowerment of the German economy is synonymous with this publication. Alongside that, Ambassador Daitz had the great merit of first showing the relevance of German economic history to the present day. The second part of his selected speeches and essays of 1938 under the title *Germany and the economy of a large European living space*² formed the evidence for his assessment of the years 1932 to 1938. In 1936 the book by the Italian, Carlo Scarfoglio, *England and the Continent*³, made a decisive historical contribution towards European self awareness. In the meantime German and Italian economic policy learned the lessons of this historical study through the school of experience in what they suffered and were to suffer again from blockade and sanctions.

The speech by Reich Farmers' Leader, R. Walther Darre, given at the Sixth NSDAP Large Course of Instruction by the Commission for Political Economy in January 1939 at Munich, takes a special place in these discussions. It was on the theme "The Market Order of National Socialist Agrarian Policy as Pacemaker for a New Order in Foreign Trade". The direction and extent of the European economic reality however remained problematic, as long as the Führer could hope to find a way of coming to a peaceful understanding with England. The turn of the year 1939/40 resolved that problem. Thereafter it is obvious that the years 1940/41 come under the aegis of the new political order. In particular the author has developed and expanded the body of thought in the new, constructive economic policy by word and writing⁴, both running ahead and keeping abreast of events. This has achieved solid coverage in private papers in most continental languages and a general consensus has been reached amongst circles concerned with the following problems:–

1. Reich thinking and the European Economy.
2. The historical, cultural and economic significance of the German economic order.
3. The foundations of future inter-state economic relationships.
4. The nature of the European Economic Community.

A consensus has today been achieved so that overall the great, constructive convergences can be seen. On 25 June 1940 Reichsminister Funk⁵ officially announced his concurrence, strengthening the previous developments and giving it State sanction.

Consequently in October, The German National Economy, in an eagerly

awaited analysis, *Concerning a New Europe*, first summarised the fundamental principles. These established the basis of European co-operation, the basis of German foreign trade, Germany's export economy and the ways and means of encouraging export demand, thus giving an overview of the important problem of European economic integration.

At the turn of the year 1940/41 the Berlin historian, Fritz Roerig, conclusively restated the historical basis of the greatest German achievement in political economy—The Hanse—in his book “The Development and Essence of the Hanseatic League”⁶.

In my opinion this provides complete clarity in the basic questions. The precondition of a political order to achieve the co-operation of the peoples of Europe is clearly identified. The essence of the New Order: respect for national character, development of own economic resources, long-term economic treaties and just relationships is affirmed. Economic interdependence is endorsed by destiny. The economic unity of Europe is manifest.

Economic Practice

Practical, economic life has increasingly validated the acceptance of this new thinking. I see the decisive steps as lying in the understanding and realisation of the following points:—

1. In the growing volume of bank clearing settlements through Berlin
2. In the introduction of exchanges of practical experience in diverse areas of economic life. These include the announcements by Ministers and by companies, the appointment of specialist advisers and the commencement of nationally significant, important economic programmes. Even the expert is taken by surprise when he once takes the trouble to comprehend the links and partnerships which have already been established. Today they are legion.
3. In the sealing of long-term economic agreements between the Reich and the other European states. These are broadly known to the public. There can be no doubt that this type of economic treaty is the way of the future. The process will not prevent actual experience uncovering cases where confusion arises and completely new problems come to the surface.

Problems of the continental European Economic Community

The existing failures of clarity arise in the first case around the concept of the control of the economy, the degree of solidarity and neighbourly support, the development of individual strengths, the concern over the maintenance of living standards and the question of raw material purchases from foreign economic areas. It is natural that each considers this according to the proportions of whatever question stands in the foreground of his interest. We should try in this place to establish whether a conclusive answer can be given.

There can be no doubt that the concept of economic control, or rather economic leadership, is as much revolutionary as it is new. The fact of its establishment is more important than fate and the significance of European co-operation, not least because a new, unitary concept depends on it. The Anglo-Saxon economy is no longer classic but obsolete. It comes therefore to this—that a new ideological and terminological concept has arisen, which has a particular sturdy foundation of communication and co-operation. In particular, the following individual points should be noted:

1. State economic leadership is no momentary crisis solution but forms the core of the new theory and practice. It replaces the autonomic egotism and the automatic, self-acting laws of the Anglo-Saxon theory
2. Economic direction and control is not synonymous with a tendency towards a planned economy. It strives neither for the extinction of individuality nor for the administration of the economy through the state apparatus.
3. State economic leadership signifies much more the new empowerment of the originative and creative power of the individual grounded in the community, the creation of a uniform economic understanding and attitude, the allocation of decisive tasks through the political leadership and the final decision of the state in all questions of economic power. Apart from this, the economy is free and self-responsible.

The dimensions of the solidarity of the single national economies and of their neighbourly attitude are recognisable by three yardsticks:

Through the acknowledgement that the building up of its own economy is circumscribed, that the creative expression of its own productive resources is not only a furthering of its new economy but constitutes a basis

for increased economic activity amongst the other national economies. The European Economic Community has no interest in seeing potential and capabilities lying unused anywhere⁷.

It contains secondly the obligation that from considerations of European freedom, continental Europe must receive first loyalty in all economic transactions. It should underline the common destiny of the peoples of Europe and emphasise the fact that enlargement of the Economic Community into presently foreign lands is both possible and desirable.

Thirdly it must be firmly held above all that the national spirit of the individual economies must not be allowed to oppose neighbourly co-operation⁸.

The question of development of own resources includes the problem of the mono-culture economies, the problem of the industrialisation of the agrarian South East and the awakening of new economic demands.

The answer is easily given to the first question. The mono-cultures are a result of that concept of the economy which saw the decisive economic factor in the world market price and for which the idea of people and their living space belonged to long-gone times. Europe is now in the best position to destroy these mono-cultures. All efforts which aim at the improvement of estates, the breeding of new plant varieties or the exploitation of mineral wealth, pursue the same aim of building the national economies and broadening their base. Germany and the whole of Europe can only welcome these efforts with thankfulness.

There is a particular problem in this area of discussion—the industrialisation of the South East. Without dealing comprehensively and creatively with this problem—as in the case of other questions—the industrialisation of the national economies is theoretically a difficult problem—but the following can be said:

1. It lies in the nature of things that each country will strive to exploit fully the existing possibilities of self-development. By the same token, this growth in national development will affect its economic partners.
2. If, as in the South East European countries, there is an existing problem of rural over-population, only three possibilities exist in practice: seasonal migration of workers, permanent emigration and the “intensification” of the home economy, as Dr. Ilgner correctly and comprehensively described the problem of industrialisation. Temporary and seasonal emigration of workers can only ever be a

partial solution. Besides it is generally only an option for farm and building workers. As such, it has been tried for a long time. Permanent emigration from Europe is by all the laws of our time as false as it is impossible. For the South Eastern national economies of Europe the only way of self-help is that of economic intensification.

3. According to the modern economic concept, the national economies should make possible a self-sustaining life. The intensification of their economies is therefore a matter of time
4. The old industrialising tendencies which owed their rise to the falling prices of the agricultural and raw material producing countries must now belong to the past. Europe is a community of living space—a single economic area. The desire for security from crises can no longer be achieved by independence from each other but only through the common improvement of Europe's individual national economies.
5. The tasks which must be solved in Europe are so great that only the intensification of the individual economies can release the necessary economic strengths. The harmonisation of the newly free powers of labour in the new sectors of the common economy can be achieved without difficulty. Thence in conclusion it is unquestionably valid that, leaving aside the difficult questions of the purchasing power (and relative values of currencies), the building up of Germany and of the South Eastern national economies by industrialisation and intensification is in the interests of the entire continent of Europe.

An important task in this connection is the awakening of new demand in the South Eastern countries; a task which was previously completely overlooked. It concerns the following fact. With an assured demand for agricultural products and raw materials at reasonable prices, a great increase in prosperity has arisen in the South Eastern countries. This process will continue. Corresponding to the fundamental principle that all economies even out—that is simultaneously take and receive—there is bound to be a change of accustomed life-style in these countries. The cult of the primitive must disappear if there is not to be a hold-up one day in the harmonisation of the economic process. In practical terms the requirement of Germany for the products of South Eastern Europe is unlimited. The demand for German goods in South Eastern Europe is not only a matter of economic

intensification but also no less a matter of an inner change of attitude by the population towards a higher level of consumption. This task is so important that it must be taken into account from now on, if the rise of the South Eastern European economies is to begin in earnest after the war.

Alongside the problems of industrialising the South East, the questions of living standards in Northern Europe demand equal attention. These countries are widely diverse in their economic structure but we should not fail to recognise that in their furthest reaches they have a high living standard, which they will uphold as the quintessence of their lives in all circumstances. That the prosperity was considerable in the nineteenth century through free trade, as was also in part the case after the First World War, is viewed with a certain anxiety in some economic circles. From the German point of view, we can only reply as follows –

First—A high living standard is also the aim of the German leadership.

The German people not only understands this but will, through its struggle, secure European civilisation and culture from which high living standards also depend. This struggle will benefit the North as much as it does the whole of Europe.

Secondly—In spite of their economically successful connections with England and its economic system, through which numerous economic troughs also cannot be overlooked, the Northern countries are securely bound by destiny to Germany.

Thirdly—The difficulties of the Northern states lie only in a temporary period of adjustment. In the long run, the connection with Germany will not destroy the basis of these economies. On the contrary it will introduce an increasing improvement. The maintenance of a high living standard is therefore by no means an insoluble problem.

In conclusion, I come to the problem of the purchase of raw materials from overseas. A leading South European economist wrote about this principle as follows: “Until the beginning of the war, we were in this position. We sold goods to West European countries for foreign currency in order to import these raw materials from overseas countries. In the continental European bloc there will be no gold. Everything will be settled through clearing—goods against goods. We have no goods which we can sell to North or South America. That means that the leading states have a duty to procure the raw materials which we need and to allocate them to us. By their productive capacity the leading states of the European bloc can provide

sufficient exports to pay for the provision of raw materials from overseas. The only remaining question is whether we will benefit from this exchange. Today, before the establishment of the New Order, we find ourselves without alternative in solidarity with the Axis powers over currency transactions in Europe.”⁹

We can only agree with this view. As Reichs Minister Funk said, it has not been decided how great the sources of aid should be, nor whether the procurement of overseas raw materials should be through the clearing system or by free currency exchange. In any case things have scarcely altered since before the war—with the introduction of multilateral clearing. As I strongly believe, “All advantages of the payment methods of free currency exchange will be recovered”. On the contrary view, it is not foreseeable whether this system of settling balances through Berlin should be restricted to countries outside the European clearing system. The deciding factor in this insight must be doubly underlined. The continent is bound to Germany and Italy by fate.

So since 1940 we stand in an unparalleled political and economic revolution. The problems which it presents to us are hard but capable of solution. The solution will give Europe its long desired peace and with it bring in a great epoch of communal reconstruction, for which it is worth fighting and working.

May the following proceedings contribute to the realisation of these tasks and the creation of the European Economic Community—to widen it and deepen it.¹⁰

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ECONOMIC FACE OF THE NEW EUROPE

Walther Funk
Reichs Economy Minister
&
President of the German Reichsbank

The peoples of Europe stand today at a turning point of destiny. It can be said without exaggeration that the problems which are pressing to a conclusion in this war have enormous significance. What sense can there be in such a great blood sacrifice bringing the constructive forces of Europe into partnership with the united, powerful energy of the concentrated power of the German Reich—if not finally to create a secure construction site for a truly social order of life in Europe? From the fighters at the front comes a call to us all—to the politicians, to the economists, to the scientists—a demand and an exhortation. Even now, in the midst of war, we must prepare for the great work of future peace with all our strength.

False and true economic Freedom

To impress upon you this theme and to sum it up succinctly, I must say this. The economic face of the new Europe, which is being forged in the fire of this world war, will have two essential characteristics: common endeavour and economic freedom. Granted, this will not be that economic freedom which is embodied in capitalism and which is now nearing its end, in that strange alliance between plutocracy and Bolshevism. As a promise to the people of Europe, the liberal-capitalist ideal of economic freedom is lifted from them. Today it is sinking in misery, blood and flames.

What were the promises of liberal economic thought? According to the liberal theory, economic life unfolded its greatest potential when individuals followed their own interests without restriction. The state can leave the harmonious development of the economy to free competition, through which the self-interest of every individual will, in the end, serve the good of the whole. It is believed that fully free trade will ensure by means of competition that each country will provide the goods which are most suited to its own conditions of production. According to the theory, every nation can buy on the world market where it is cheapest, whilst selling its own products at the lowest costs and best profits due to their natural conditions. Consumers can provide themselves most richly with goods, businessmen employ their

resources unhindered and the workers seek their employment where the highest wages are paid. The desired state of so-called social harmony seems most surely to be achievable in this way.

So much for the theory!

But how did it turn out in practice? In the nineteenth century, in the time of this flourishing liberalism, the population of Europe increased from 180 to 450 millions; and these people were, on average, better clothed, better fed and provided with more of the conveniences of civilisation than ever before. Of course machinery, which was on its victorious advance, played a decisive part. At any rate Liberalism can claim to have driven this process forward, according to its stated argument in favour of the force of unrestricted competition. It can be stated as fact that the liberal-capitalist style of economy seemed to be viable for decades, in spite of the evidence of shortages becoming apparent—in fact right up to the First World War.

Free trade was not pursued entirely without limits but customs agreements on the basis of most-favoured nation treatment hardly detracted from the free exchange of goods. The exchange of money and capital knew no bounds and no restrictions worthy of the name were placed on the free movement of labour. The international gold standard, manipulated by England in almost unnoticed ways, made possible a frictionless movement of money. The money followed the gradient of interest rates and goods the gradient of prices. As long as all the participating economic partners agreed to respect the complicated rules of the game in this system, it seemed as if complete economic harmony had, in fact, been achieved.

Though, if we today compare in retrospect the economic ratios before the beginning of the First World War, it seems to us that this supposed harmony, taken as a whole, was nothing more than sufficient elbow room for those powers which, from their very nature, were bound to clash with each other. The almost boundless possibilities of expansion, which still existed at that time, merely delayed an earlier conflict of the great powers.

In the gigantic open spaces overseas there were always new lands for development. The inexhaustible reservoir of Europe's manpower provided not only its labour but also its buying power for all the manufactures of human industry. A self-sufficient, improving technology offered previously undreamt possibilities of development.

Without doubt however, the different individual peoples, like individual companies, did not draw the same advantages from this system in

spite of apparently similar opportunities. The English moral philosophy of Hobbes and Hume, which was permeated by David Riccardo with a typical shot of Jewish spirit, proved in the first place to be an exceptional means of establishing and preserving British world domination. At the moment this system reached its peak, the English had developed their industry most. They went into the race with the largest cost advantages. Because they also possessed the largest merchant marine and navy in the world, they could tune in to the great circuit of world trade in such a way that their economic and political power grew proportionately. Every intensification of traffic in goods created new profits. The whole world worked in English money and the English were the bankers, the manufacturers, the traders, the carriers and, "last not least"¹, the policemen of the world.

Let us now for once consider the continental European states. They were not able collectively to draw the equivalent advantages from this much praised economic system. The large states had to suffer under the considerable and deeply entrenched competitive advantage which England held. The smaller ones were only there to increase the wealth of England and had to be satisfied with what crumbs fell from the English table. The South Eastern European states remained peripheral to world trade in spite of having natural production conditions which were no worse than many overseas exporting countries. Yet they could not bring this to fruition. Their agricultural technology, their transport systems and infrastructure were not sufficiently promoted by general world economic development. A technical backwardness arose in comparison with the competing producing countries, which depressed living standards. Buyers were lacking who were ready to take significant quantities at stable prices, which would have made the introduction of machinery and an improved infrastructure possible. Also after the First World War, the capitalist world powers deliberately left these states in their backwardness, in order to keep them in political dependency. It was here in these last years that our targeted and intelligent trade policy created a fundamental change. In recent years, the trade of these states has developed in an extraordinarily favourable manner. These countries are, so to speak, the first proving grounds for the practical implementation of the principles of our trade policy and methods. And the employment of these methods is good for both sides. We can assert truly and rightly that it has worked above all towards improving the economic base of these countries.

1. In English in the original

But the debit balance of the British-capitalist era is, in fact, even greater. They wanted to keep all peoples in the position of favourites or step children of the liberal economic order. The effects of the *laissez-faire* system, especially the principle of free trade, caused severe internal, economic damage. The symptoms of this sickness were everywhere the same. Agriculture in the industrialised states could not gain sufficient support against the interests of industry, trade, bank and stock exchange. Self-sufficiency in food supplies was lost, the aggregation of large estates began, the peasantry sank into poverty, the population streamed from the land to the cities or overseas. A thin upper stratum of bankers, industrialists and speculators could accumulate grotesque wealth and also create for themselves a dangerous power over the state—because everything could be bought for money—in particular public opinion.

On the other side, the industrial proletariat grew ever larger. The increasing dissatisfaction of this class drove them into pseudo socialist Marxism and communism.

All these indications were not sufficiently heeded, perhaps because of the prevailing trend of the time “get rich—it matters not how” which disproportionately obscured a true view of the facts. Certainly, Liberalism was a system of “freedom”. Anyone who could not find work and bread in his own country had the “freedom” to emigrate. And if things were going badly economically for a nation, it had the “freedom” to burden itself with debt in England. But this kind of freedom was badly founded in moral terms as was its continued existence.

As the economic room for manoeuvre of the peoples became more restricted, as the last sources of colonial raw materials were allocated and the struggle for export markets became ever harder, it became clear that the English economists had given a gift of the Greeks² with their liberal-seeming “Freedom”. The system which grew up in the high capitalism of liberalism lost its necessary elasticity through the building of cartels, trusts, and monopolies and rising, fixed industrial costs. No longer did the opposed interests, driven by egotism, seek avoidance tactics but they clashed together with full force. How many wars have been caused by this attitude of mind, this money-bags interest and how many peoples have been ruined!

To name a few examples: There were the Spanish-Cuban wars which began in 1868. The Cuban speculators and North American sugar syndicate

2. Translator's note: “Timeo Danaos ut dona ferentes”. “I fear the Greeks when they come bearing gifts.” Aeneid Book II referring to the Trojan Horse.

were behind that. War arose between Chile and Peru over rich saltpetre deposits. To make this war possible, Chile took up loans which were guaranteed by European bankers. Thereby the bankers secured priority in exploiting the saltpetre. England's Boer War could indeed be called a colonial war. But the extreme involvement of Mr Rhodes' gold mine syndicate and the London stock exchange in the outbreak and conduct of the war was also conspicuous. Public opinion here truly called this a war by the Bourse against the Boers. The Russian/Japanese war of 1904–1905 was created by the interests of Russian capital in Manchuria and Korea. Finally the World War of 1914–18 was both the high point of the capitalist economic system and simultaneously the beginning of its end.

Since the First World War the peoples of Europe have come through a generation-long, pitiless lesson. We all know this and some of us sooner, some of us later, realised that the idol of freedom of this vanished epoch was false and pernicious. With war, inflation the most extreme economic crises, hunger and unemployment the lesson was hammered into people. That the sense and purpose of all economies did not lie in the self-seeking, irresponsible making of profits but in the fulfilment of a social task. It is no wonder that the people of central Europe, who suffered most under the lash of this unsocial system, first conceived a different, higher ideal of freedom.

In securing the basic supplies of food and raw materials, in the liberation of the economy from international financial interests and dependency, in the voluntary submission of the individual to the primacy of a people's economy, we glimpse today the new ideal of a true economic freedom.

European Continental Co-operation

The authoritarian governments of Germany and Italy were the first to give their peoples the task of employing all their resources in voluntary co-operation, under state direction for the common good. Also they were the first to protect their economies from plunder by the powers of international finance. Alongside this, the fight for self-sufficiency in food and raw materials is already an old yardstick. The last World War has already taught the European peoples that it is not advisable to trust their fate irresponsibly to an exaggeratedly specialised international division of labour. Then the industrialised states ploughed the last square metre of uncultivated ground. Those countries previously devoted to agricultural production hurried to make themselves self-sufficient in manufactured products by forced industrial-

isation. In both cases, the experience was unsatisfactory. In particular, the industries of the smaller states in post-war years prolonged an unprofitable and costly existence behind high tariff barriers. They gulped subsidies, intensified the war of competition quite unnecessarily, made the cost of living dearer for their people and rode finally into the whirlpool of world economic crisis—all because the critical mass was almost nowhere reached.

The European peoples should at last be able to acknowledge that they live in a community of destiny, which in logic leads only to one conclusion—namely Europe-wide, continental co-operation. Previous years were not politically ripe for this.

The victorious states of the First World War deliberately laid so much explosive by the Versailles Treaty that it was impossible to find a consensus of interest and to plan on a large scale. Only pioneer work, like the consciously targeted direction of Germany's economic links with the South East could be successfully accomplished.

It was not until first the Fascist and then the National Socialist revolutions that the basis for a new political and social order of life in Europe was created. First Benito Mussolini and then Adolf Hitler gave Europe the chance to become truly European. Now at last the time has finally come when the people of Europe, in their understandable striving for economic security, can make the decisive step to co-operation. After this second World War, there will be no tensions in the European Economic Area and no more grounds for conflict to be exploited by narrow, cramped and therefore profitless isolation. Also no economic system will have validity there which (like the Anglo-American) carries the seed of drastic conflicts between peoples, which used to be part of humanity's history. No nation in Europe can by itself achieve the necessary scale of economic freedom to meet all social demands. They must always rely on the productive capacity of their neighbours within Europe—near and far. The blockade, which our opponents have placed around Europe today, shows clearly how greatly the individual states are bound to each other for good or ill. A community of fate holds them together in a great economic area. This space can however feed and clothe them and amply supply them with all necessary goods, especially when it is extended by the inclusion of the East European districts. Previously these districts lay outside the historical productive power of our continent.

The European Economic Area of the future is secure against blockade. Thence it simply follows that no-one will dare to attack it. As I said a short while ago: economic wars will no longer make sense any more.

To be sure, the theory of a large economic area has always been subject to a certain disdain although it was always a serious proposition. Certain European politicians who belonged to the English-plutocratic system then took up this line of thought. On paper, they designed large economic areas which were no such thing and basically never could be. They always remained fundamentally the exclusive concepts of power politics. Nevertheless the concept of the large economic area has proved to be viable. I see no obstruction which can seriously stand in the way of its realisation. For the formation of large economic areas follows a natural law of development. I have no intention here of adding a new contribution to the doctrine of economic steps to achieving a people's economy. I only wish to draw attention to an historic economic occurrence which, to some extent, has a remarkable resemblance to the trends of today.

About a century ago German economic unity began to be formed out of a plethora of territorial economies. A political unification of Germany was then unthinkable but all the same, economic agreements were crowned by the achievement of the German Customs Union of 1843. This released a mighty growth in the economy.

How did things look then? Anyone wanting to travel through Germany drove on bad roads, paying countless customs duties and bridge tolls through dozens of states. Every one of these states had its own sovereign territory, its own finance system, its own currency and sought, as an independent economy, to stand on its own feet. The responsible men of the time simply did not grasp that their large neighbours England and France were more economically advanced only because they had created at the right time a level of technology and economic activity in a sufficiently large area.

Friedrich List, the great proponent of Germany's economic unification, criticised this state of affairs with the words "How German industry could prosper if every factory had an open market of thirty million! How mining, arable and stock farming would flourish if every branch of production could find its natural outlet!"

One of the decisive forces which brought the idyll of small states to an end was the revolutionisation of the economy through technical advance—especially the steam engine.

If now instead of Germany we consider Europe, we come naturally, impelled by pure economics, if not to the same then to very similar conclusions. Once again it is technical, economic development which presses unstoppably towards the formation of a great continental economic area.

Today technology offers such possibilities as cannot be fully realised within the bounds of a single national economy. The raising of railway speeds, the building of traffic networks and waterways, energy grids which connect the whole continent with undreamt possibilities of developing the latest technologies—above all through the aeroplane—these have pulled the borders of all states closer to each other. Already outside Europe stemming from these facts, large economic areas are rising or in active contemplation. In its own interest Europe cannot remain in the backwardness of its romantic hankerings after the era of the mail coach. Certainly the difficulties of European economic unification are harder than those which the German Customs Union had to overcome. Also the methods will be different, more complicated and not to be mastered fully with a customs union. In spite of that, the unification of the European economy will come because its time is here and now.

The performance capability of Europe and its enlargement

If one only considers the natural potential of our continent, it becomes apparent that Europe, in fact, meets all the requirements of a complete, self-sufficient economic area.

I will not deal in depth with individual issues here because they will be covered in the following papers. I will only touch briefly on the essentials.

Even if one does not take the former Soviet Russian areas into account, our continent still provides the most important industrial raw materials in sufficient quantities—namely coal, iron, aluminium. Also the basis of food production, taking into account the possibilities of infrastructure improvement, is completely sufficient. Perhaps it will sound incredible to many that in 1939 around 46.4 million tonnes³ of wheat and 24.8 million tonnes of rye were grown on European soil, not including the production of the Soviet Union. But we know for sure that in normal times 10 million tonnes of grain is available for export. Assuming the best technical methods of agriculture are applied, far better results will be achievable. There, where the soil of Europe is treated by nature in such a step-motherly way, the ingenuity of her people has always sought and found new solutions. I recall Rayon, the manufacture of Buna, our artificial rubber, the production of petrol from coal—areas in which Germany has made exemplary progress. And whatever is lacking will be secured by this war in Eastern Europe. Already

3. Presumably for greater effect, these quantities were given in “Doppelzehnter” a unit of 100 kg (2 quintals)

today a great part of Soviet Russia, its most valuable part, is in our possession. With all energy we will unlock the potential of this vast area, so rich in raw materials. The political fashioning of Eastern Europe will be a later task. The peoples of this enormous area must first be locked into the economic rhythm of Europe. They also can profit from the benefits of European civilisation.

The great tasks which must be accomplished are truly European tasks. Today Europe looks steadily towards the East.

The monstrous Soviet armaments give us a picture of what the raw material sources of these areas can yield. When the naturally rich soil of the black-earth areas is cultivated with modern techniques and made available for the feeding of Europe, then Europe will be in all cases secure against crises and blockades.

Besides that, colonies in the tropical zone of Africa will furnish all those little luxuries which are not exactly necessary for existence but make life pleasant. They should not be denied to a people with a high standard of living.

And finally, yes, to avoid all misunderstanding, there will again be world trade. This world trade will look completely different from that economic activity which finally went down in complete confusion and simply served to keep a few world powers in their positions.

The problems of East European economic life are naturally not solved at a stroke merely because we have secured these living spaces and raw materials for ourselves. Thereby we have only the necessary potential economic capacity in prospect but this has not yet been achieved in practice.

All raw materials, all capacities and energies of the European economy must be mobilised. That is the task of the New Economic Order which is now coming into being. Naturally it will not achieve its optimum between today and tomorrow. But in the course of years it will be possible to bring production and demand into harmony throughout the whole of the European living space and, by planning to achieve its practical fulfilment. For there is the task of developing previously neglected areas of production. I think here, for example, of France where through intensive cultivation of the land, very considerably improved yields have been achieved and will be improved still further.

Those parts of Europe which are still backward must be induced to a more intensive economy. The industrialisation of these districts which were closed off under protectionism will undoubtedly progress but with the

difference that each state will not only build up the industries most suited to its natural conditions but also those which correspond most closely to the needs of the European market. In line with this, continuing transactions between the economic groups of the various European states are being successfully carried on today. One day we will have to grasp the great problem of rationalising the European economy—and attack it we must. Here I believe that, once things are consolidated, it will be possible to achieve production increases which we cannot even imagine today.

State Direction of the Economy and interstate Co-operation

Trade between individual states will not yet be classified as internal trade because a complete abolition of customs and currency controls is not immediately practicable. Nevertheless as trade within the great economic area, it will enjoy all the advantages of a state-controlled market. The farmer in Norway, the market gardener in Holland and the Danish poultry breeder will need have no concern that they can dispose of their produce or have it left on their hands. They also need not worry that the price will fairly reward their efforts. Then they will know that production and sales prospects are founded and secured by inter-state treaties and that there is no more room for speculators and crises. The workers in the spinning mills of the Protectorate, in the chemical works of France and in the mines of Belgium will no longer have to fear wage cuts or unemployment.

They can rely on this—that the European Economic Area contains further unrealised technical and natural possibilities in abundance and a demand for consumer goods of all kinds from masses of people, which will never be [fully] met. The word “Unemployment” will not be found in the European economic dictionary.

Already industrialists and entrepreneurs are showing us good examples of inter-state community enterprise. We need only to consider the co-operation between German and Italian industrial groups, of the agreements between the German, Italian and French automobile industries, of the German-French joint enterprises in the chemical industry or of the different German-Hungarian, German-Romanian, German-Finnish, German-Dutch and German-Norwegian common undertakings. Let us think also of the truly European agreements (for once I can say truly European) in cellulose products, in artificial silk, Rayon and paper! Just think of the shift of German industry's order book to France, Belgium and Holland. Think of the purchasing exchanges, technical exhibitions and trade fairs. All these are an

expression of private initiative. Above all I want to emphasise this. The spirit of enterprise also finds a rich opportunity for its energies. I emphasise this particularly because the position of the entrepreneur in the controlled economy is often discussed, almost too often discussed, but not always rightly and not always properly.

It should not go unrecognised that the system of community economic endeavour naturally requires on-going state Directives in a larger quantity than those to which businessmen in many European states were previously accustomed. The examples I have just given and the previous operation of the internal German economy show clearly that the state, even in the controlled economy, can and will leave to the industrialist and entrepreneur his original and proper field of activity.

If state economic control and interstate agreements have provided assurance of raw materials for the industries of Europe, regulation of production and sales prospects and of labour deployment and built a stable, improved currency and settlement system, like a modern Autobahn with every conceivable precaution against accidents, it is not merely to permit the carriages of timid bureaucracy and an excessive collectivism to go cruising along them. To remain with this analogy: the economic traffic on these roads does not require a high level of commercial activity by the state apart from that of special community importance. Private enterprise remains. By its initiative, by its spirit of discovery, private enterprise has the opportunity to acquire a vehicle of the highest performance. It can only do this, if it retains the power of initiative.

Private enterprise must always take care that its traffic does not become undisciplined. And we have a duty to ensure the undisciplined drivers, who endanger the economic traffic from lack of conscience or ignorance, will lose their licences.

For the rest, entrepreneurial initiative will find no restriction. The complicated economy of our century needs state control but it is not able to function without the driving forces of entrepreneurial initiative. It is human and entirely understood that this initiative is not only awakened and driven by social conscience and sense of community of the enterprising but also by business profits, proportionate to performance. As long as the businessman moves in the traffic lanes of the state economic order and respects the traffic regulations, his individual performance must find the corresponding reward.

Where the German economy has now arrived is a graphic example for the other peoples. With us the performance principle has been realised

through a great number of just regulations. I mention here only our price policy for public purchases. It has successfully overcome the anti-achievement fixing of prices according to the cost-plus formula. By rewarding private initiative with performance-related achievement premiums and from firm group prices, we have reinforced more strongly than ever the principle of reward for achievement. Perhaps the state economic leadership has not been able to refine the principle of achievement-based, ordered competition to the last degree—but it has come very close to it in the most practical way.

The goal remains to reward exceptional achievement by a proportionately increased profit but not to allow any extravagances in fixed costs to appear as an achievement. I will do my best to intensify this competition and to hinder and fight all who oppose it.

Only in this way can we reach the highest standard of economic development. It is only in a harmonious duet between state and entrepreneurial forces that we can provide a sure basis for social and political peace.

Interstate Accounting and the Essence of European Currency

I come to another problem, the difficulties of which are mostly overestimated. It is a soluble problem and it is clear how we should proceed to deal with it. That is the order and regulation of interstate payments and of European currency. Already there is so much, far-reaching, practical experience in this field that we can get an idea of the feasibility of this previously forbidden path. In European payments the primitive bilateral system of settlement has been replaced by multilateral clearing, a higher, regulated form which evens out demand. The strictly bilateral system of settling payments, which arose as an emergency measure after the final break-up of the gold standard, triggered a dangerous tendency towards a shrinking of trade. This decided weakness has been overcome by multilateral clearing through a central clearing house. Certainly this method of currency exchange is still a long way from its ideal form. But we can be sure that the present wartime regulations of the exchange of goods and capital will be dismantled in due course, as soon as interstate exchange of goods and enterprise can come into play under the different relationships within the sought-after European area. This will be all the more successful when the indispensable, planned regulation of export trade in every detail is replaced by the coming into force of a framework of constructive and far-sighted economic treaties. Currency movements though will always be subject to a certain irreducible

level of state control so that no unforeseen, uncontrollable movement of capital can destroy the essential, planned state direction of the economy.

We believe that the settlement system appears to have a great weakness when we consider the present relationships. If a state has a great import requirement without having an immediately available corresponding amount of exports to offer, the clearing problems grow and they have already become almost proverbial. Even with multilateral clearing, difficulties can occur. The indebtedness of Germany is always given as an example.

Firstly it has to be said that the debt is generally overstated compared to what it actually is. This arithmetical error runs on because differences in accounting periods, balances and balances in contra are not simultaneously taken into account. It nonetheless must be said definitively that Germany has raised its unique, victorious army with the best soldiers in the world and the best weapons in the world from the working classes of its population and keeps this army under arms for Europe as a whole.

In negotiations over clearing problems, I have repeatedly made it clear and have always maintained that there is no way in which one could consider that today's Germany is an insecure debtor.

That is absolutely not so! Because of the war, our import demand for goods of all kinds has naturally grown mightily and will grow further. Our production of consumer goods of all kinds and with it the kind and scope of our exports must be adjusted to the possibilities of a wartime economy. These are simple consequences of war. But in peace time things will be different! These things have nothing to do with our system itself.

There is no evidence that our system is either wrong or unable to function properly. Certainly there will also be unavoidable clearing and balance of payment problems in the peacetime economy of Europe. These are unavoidable and foreseen in our long-term planning. Here there is a special task for those states which have a stronger economic capacity. These countries will then be in a position to bridge these gaps until they come into balance in the course of business. Part of this will be under the heading of amortisation of investments and, of course, in physical trade in goods. Companies will not play such a great role in this. Germany stands ready to help. As a consequence of our size and the development potential of our market there will be on one side a practically unlimited demand for European export goods.. On the other side there will be an enormous boost to export opportunities, following the assurance of basic raw materials and the freeing of production capacities, currently committed to war production. With our

final victory in the present struggle, the danger of European war will be banished once and for all. Then it will be easy for Germany not only to equal the export figures of 1913 of 10 billion Marks but to exceed them easily. With such a playing field for external trade, Germany will always be able to guarantee a safe return to the European states and to remove the worries about the external values of their currencies. Then bills of exchange will come into play; then the banks will return to their traditional role in the export trade; one day the acceptance market for bills of exchange will return, which is sought by us for other reasons.

In fact many of Germany's wartime imports were simply paid for by credits to accounts in Reichsmarks which were unavailable for direct use by the exporting countries, as there was no counterbalancing German export to cover payment in the currency of the occupied countries. They could however be used for trade between "partner" countries.

But in all these discussions it is easy to forget something vitally important. I want to underline this here. The very essence of the stability of a currency always lies in its internal value. Unavoidably the war has disturbed the equilibrium. On the one hand, as a consequence of the mighty demands of war, collective production is increased and, with this production, the money supply naturally increases as well. I once expressed it thus: that much money comes from much work. But a few other features also play a part here. It is quite clear that such a mightily increased area as the present Great German Reich also has the need of increase in the medium of exchange. In war, furthermore, property will increasingly be exchanged for money as will capital. This money has purchasing power and this purchasing power remains uncovered during wartime because the demand, many times the value of available goods, is in a void. This is a problem facing all states, not only the belligerents.

With the practical means of a controlled economy, especially through price control, we have kept the currency stable and will continue to do so. This is the right way. Our example in the course of the war is followed by all other states. Granted, this success was not everywhere the same. Price control has frequently been more or less problematic. It stems from this, that we in Germany had a particularly favourable point of departure. Thanks to years of educational work in National Socialism, we rule over a disciplined population, over a responsible, conscientious economy, an achievement-orientated, capable, incorruptible official class. Others do not have all of these. Taken as a whole, their success must naturally be less where these preconditions are

lacking. But that does not alter the rightness of the principle. In the long term there are only the alternatives—either holding prices down or inflation.

Of course, price policy is not the only means of holding the currency stable. In all cases it must be accompanied by a similarly directed wages policy. It is unavoidably essential to have a tight, prudent public expenditure policy, as in the private economy. Above all there must be a sensible control of production and demand, a control over money and credit and of consumption. We will deal with all these things in one way so that no upheavals occur. They will not occur because we recognise in good time what must be done. We have everything in hand through the authoritarian means of the state to bring these things promptly to order.

The heart of war financing lies in taxation, for only in this way can excessive purchasing power be avoided. On the other hand, we have always taken care from social grounds that the screw of taxation should not be turned too tightly. We wish to maintain the will to enterprise and achievement. In this matter the Ministry of the Economy has always been on guard.

The remainder of free purchasing power must not now be left to wander around the markets like a vagabond. It is creamed off by way of credit and put to use financing the war. The German people has shown unshakeable trust in these methods which has led to a great growth in savings campaign. With the methods we have developed (such as the “Iron Savings” and Business Credit Scheme) we go deeper into this somewhat difficult area. But you must be quite clear about the matter. Holding prices steady by itself is not the solution to the problem but only the first half of the solution. Surplus purchasing power, generated in wartime, must eventually be covered by consumer goods. Failing this, there would be such a pressure on price structure that things could come to a devaluation after the war.

In Germany there is absolutely no need for us to fear this danger. As we were in the position to make enormous quantities of war materials, so we will be able to produce enormous quantities of peacetime goods, thereby replacing what was worn out and consumed during the war. Not only for Germany but for all European countries this problem is in hand and also soluble. Basically, all that is needed is a sufficient work force and sufficient raw materials. With the end of the war, the work force will automatically be available and the raw materials will be secured by the war itself in Eastern Europe and in the colonies. With increasing supplies from outside and with a cheap labour force, the currencies will be securely protected as they were

during the war, with a firm underpinning and foundation. We should always remember this interdependence between currency stability, additional provision of raw materials and additional labour. Anyone who has once grasped this connection will be persuaded that there is absolutely no danger to the value of our money.

But there is something else as well. This relief of our burden will have another effect. In the newly won districts there are mines to be set in order, large industrial plants to be brought on stream again; in some districts estates are available for settlement. Great possibilities abound for our trade—and something more. It is basically right that these tasks, on the whole, should be left to private initiative. There will be matching opportunities for investors.

In terms of monetary policy this has significance. The previously mentioned surplus purchasing power will be invested in factories. Already during the war, profits have begun to flow from these.

After the war they will begin to help lead the national economies and their currencies into a lasting recovery. This economic recovery will also form the basis of interstate currency reform. From this foundation a sensible direction of foreign trade can be made to work.

It will certainly be no easy task to bring the currencies of Europe together. They have all suffered more or less in sympathy through the war. But they can be brought into stability amongst themselves and then with currencies outside Europe. But this task is only possible if we first bring the European national economies into order and thereby stabilise the internal worth of their currencies. Then, with co-operation in trade policy, the external values can be brought into line. This is not to be solved by the outworn system of the gold standard. Under no circumstances will we in Germany try the so-called gold standard again. It had lost its justification since the last World War and would open our economy to uncontrollable, international influences. It also lends itself to misuse by the oppressive forces of power politics. Also the other European states will not close their minds to this conclusion and will use it to their own advantage.

In no way does this mean that we fail to recognise the advantages which gold as a commodity can offer as the highest medium of exchange. I have emphasised it often: gold, of itself, is neither good nor bad. It is simply how it is used. We also have nothing against a healthy trade with overseas countries. Even when all important raw materials are at our disposal from our own colonies, we could assess the advantages of a more favourable cost structure of product or a cheaper freight rate in the procurement of this or

that overseas product. The only thing we want to avoid—and will avoid—is merely to come once again into the toils of the global economy of the old style. We know only too well that this kind of world economy depends on open or concealed Anglo-American world domination.

Furthermore we know that this world domination would be synonymous with the most ruthless plundering of the German people and with their political powerlessness. We will protect ourselves from this by the formation of a European Economic Bloc.

The Guaranteeing of European Living and Economic Space

I do not wish to close the consideration of this problem without going into two more propositions which range beyond the purely economic and fall more into the political and ethical realm. But only on these can a fruitful and lasting European Economic Community be based. The first is the securing of the European living space and economic area. We are still in the middle of war. But the last year brought us an essential step further. For the first time in history, with few exceptions, the peoples of continental Europe have shown an exemplary solidarity in defending themselves in the face of the greatest danger which has ever threatened their life and culture. It has brought together almost all Europe in a state-controlled war economy, held together by a common point of view. Europe's best sons are fighting shoulder to shoulder for the common cause. Political success cannot be denied to this concentrated deployment of strength, particularly as the enemy cannot oppose it with anything of equivalent quality or, we say, anything greater.

I must impress this upon you because a grotesque propaganda has been carried on recently from the English and even more from the American side. They boastfully claim a superiority of materials. Therefore I want to land a critical body blow on these braggarts.

In one of his recent speeches the Führer said "If you sometimes read in the newspapers of the gigantic plans of other states and what they have in mind to do, if you hear of numbers in billions, remember what I say now:—

1. We also have in our service the resources of a whole continent.
2. We do not speak of capital but only of labour forces and we deploy these forces to one hundred per cent effect.
3. If we do not talk about these things, it does not mean that we are not doing anything about them."

What the Führer was pointing out about the enemy propaganda is

what we have known for a long time and what we have found increasingly astonishing—the American addiction for records.

You all know that the Americans must always have the largest, the best, the fattest, the longest, the fastest and so on. In this addiction to records, President Roosevelt has outbid himself. He had good reason because in the same breath he had announced swingeing tax increases to his countrymen. He needs to offer a consolation for the painful losses which the United States had suffered under the lightning blows of Japanese arms in the Pacific. Mr Roosevelt surpassed himself in the numbers game of what the United States might produce in the future. These numbers are thoroughly laughable—not only to the specialist but to every informed observer. He is counting on the fact that genuine information about the real production capacity of the United States is very hard to come by. Comparison with our production capacity doubles the difficulty because all war production is naturally covered by secrecy. All the easier, thinks Mr Roosevelt, to mislead his nation—a nation which possesses an almost religious belief in the absolute superiority of American industry. They have spread this belief of their superiority to other countries too. Mr Churchill indeed lives overwhelmingly on this myth alone. But in the thinking of true Europeans there is fortunately a host of enlightening clues by which to judge the fuddled frenzy of figures in which Mr Roosevelt finds himself.

The Will to build a European Community

The second requisite for a lasting economic unity—I did mention that there were two—is an ethical one. The will towards European Community effort, as it is forged under hard wartime conditions must become the leading concern of the basic, ruling economic theory in peacetime too. That means a constant effort to understand the great objectives and coming tasks and to get stuck into them. It also means a readiness in certain circumstances to subordinate one's own interests to those of the European Community. That is the highest goal which we require from the European states and we are striving to attain it. In individual cases this will mean sacrifices but the outcome is that all peoples will benefit.

Unlike England we do not want our trading partners to be as weak as possible. On the contrary, we are concerned that they should be as strong as possible. Not only do we pay the development costs of their agricultural development through higher prices but we also create a sensible industrialisation, even if it apparently creates competition for us. But that is

only the appearance. We do this because we know that an industry does not only create its own requirement for investment but awakens new demand and wants which improve the general living standard and are, in their turn, beneficial to our economy.

Such a fundamental economic belief demands a social conscience. The peoples of Europe must and can demand social responsibility and consciousness from their state leaderships in the realisation of the new economic order.

The new European economy will have to consider as its first task the fulfilment of its social obligations. The present war, which is not least about the creation of a new economic order, is also the decisive basis of a social revolution. From the seed of the most noble blood, a better social order of life must and will arise.