THE ECONOMIC EFFECTS OF GERMAN EXPLOITATION IN OCCUPIED COUNTRIES DURING WORLD WAR II

Workshop at the GHI, June 18-20, 2009. Convener: Jonas Scherner (GHI). Participants: Kim Christian Priemel (University of Frankfurt/Oder), Jaromir Balcar (University of Bremen), Vera Asenova (Central European University), Eugene White (Rutgers University), Kim Oosterlinck (Open University, Brussels), Angelo Riva (European Business School, Paris), Marcel Boldorf (Humboldt University, Berlin), Martin Laak (Erasmus University, Rotterdam), Fabian Lemmes (University of Saarbrücken), Giulio Mellinato (University of Milano-Bicocca), Jari Eloranta (Appalachian State University), Ilkka Nummela (University of Jyväskylä), Eric Golson (London School of Economics), Harald Espeli (Norwegian School of Management, Oslo), Carsten Burhop (MPI for Research on Collective Goods, Bonn), Johann Custodis (London School of Economics).

The first panel addressed the short- and long-term consequences of German domination using the examples of the Reich Protectorate, the Ukraine, and Bulgaria. Kim Christian Priemel examined Germany’s economic plans for exploiting the Ukraine and their realization. He was able to demonstrate that, in the final analysis, ideological restrictions stood in the way of efficiently exploiting the Ukraine and that the long-term economic effects of occupation were exclusively negative there. In a presentation on Czechoslovakia, Jaromir Balcar was able to show that German companies’ extensive investments in the Reich Protectorate during the occupation period simplified socialization after the war. A further legacy from the period of German domination that was beneficial for transitioning into the socialist bloc was the structural shift in industry towards heavy industry, the products of which were in high demand in the emerging East Bloc but could hardly compete in Western markets. Vera Asenova came to similar conclusions in her study of changes in Bulgaria’s foreign trade and payment transactions with Germany. These changes were accompanied by a tremendous increase in the power of Bulgaria’s central bank to the detriment of the private sector. Bulgaria’s increasing orientation toward the needs of Germany in foreign trade made its transition to the COMECON system easier.

The second panel discussed the most important occupied territory—France—in terms of population, economic productivity, and the extent to which Germany drew upon its financial resources for waging
war. Eugene White presented the main conclusions of an article he wrote with Kim Oosterlinck and Filippo Occhino. This article examined the long-term losses in GDP France suffered as a result of its forced payments to Germany during the war. Using a neo-classical growth model, the authors compared these losses for two cases: for the actual development, and for the counterfactual case supposing that Germany had won the war and the Vichy government had continued to pursue its traditional financial policy. Both cases led to significant reductions in consumer spending, although this reduction was not as severe in the first case because access to international capital markets under favorable conditions could be obtained. The central issue of Kim Oosterlinck and Angelo Riva’s presentation was the influence of Germany’s occupation on the development of the stock markets in France. One influence they were able to prove was that after the war it took several decades for regional markets to be joined with that in Paris, which was by far the most important market. Such consolidation would have made the markets more efficient. Finally, Marcel Boldorf examined the cooperation between German and French companies that Germany instigated in its efforts to reallocate tasks. After the war, French and German companies often revisited such cooperative endeavors. Another positive long-term consequence of the German occupation was that some French companies were able to profit from the transfer of technology that took place during the war.

The third panel also dealt with Western Europe. Martin Laak demonstrated that the economic consequences of the German occupation, which were negative in many respects but certainly not in all, could only be successfully overcome, for the most part, when normal foreign trade resumed at the end of the 1940s with (West) Germany, which had traditionally been the most important trading partner. Fabian Lemmes presented a comparative analysis of the economic and social impact of the Todt Organization in occupied Italy and France. In both countries, it lessened unemployment and was, therefore, welcomed by local authorities. Coercion played a greater role in recruiting workers than in recruiting domestic construction companies, for which carrying out Todt construction projects was an economically attractive prospect. Giulio Mellinato then presented a long-term historical study of the northeastern Italian region Venezia Giulia that placed its Nazi occupation in a larger historical context. Although the Nazi regime’s plans were never carried out, they were based on older traditions from the Habsburg Empire, which assigned
the region a mediating role, especially between the regions bordering it to the east and north—a role that the region plays again today in the context of the EU.

The fourth panel concentrated on Northern Europe. Jari Eloranta and Ilkka Nummela pursued the question of how the relationship between Finland and its ally Germany could be characterized. They showed that the relationship was in no way as clear as the size difference would suggest, but rather that Finland—especially in the first years of the war—certainly had some room to maneuver to protect its own interests. Sweden, too, had some room to maneuver, as Eric Golson’s reconstruction of actual Swedish foreign trade flows reveals. Trade flowed very differently during some phases than the official trade balance statistics reported. Finally, Harald Espeli dealt with the economic effects of the German occupation in Norway, establishing that it had some positive consequences. First of all, the occupier’s high demand for goods functioned, similar to the situation in the Netherlands, as an economic stimulus in the underemployed economy. After the war, some of the infrastructure projects that the Wehrmacht had started but not completed were continued. In addition, newly completed communication lines, streets, and railroads, as well as barracks, were utilized to a considerable extent.

The last panel focused on Germany as the instigator of the Second World War. First, Carsten Burhop contrasted Germany’s aims in the First World War to the Allied demands in the Versailles Treaty. His presentation illuminated the historical backdrop that German government officials used in internal discussions to justify the heavy financial demands on the occupied territories. It also brought up the question of the degree to which Germany’s aims in the First World War can be considered precursors to the Lebensraum policy pursued in the Second World War. Based on new discoveries in the archives, Burhop concluded that this argument is not valid. Jonas Scherner then demonstrated that official German import statistics during World War II only reported about half of the actual amounts. This could be attributed to the fact that goods imported for the Wehrmacht—especially inputs for armament production—went largely unreported. If one considers this in determining German industry’s productivity in World War II, then it becomes clear that, contrary to popular belief, productivity only increased moderately during this period. Finally, Johann Custodis compared the treatment of prisoners of war in the Second World War. In part using mortality
rates, he sought to determine the role that the principle of revenge played. Moreover, he established that putting prisoners of war to work compensated partially in some countries for economic losses brought on by the German occupation.

The concluding discussion summarized the new insights gained from the conference and elaborated on future research directions. One interesting finding is that German domination apparently made the transition to Soviet command economies in Eastern European countries after the Second World War easier, even though German domination was, of course, not a necessary precondition for this transition. Another general conclusion is that, viewed from a macroeconomic perspective, the countries studied displayed great differences in their economic development that cannot be explained merely by the “racial” preferences of the Nazi regime. Thus, other factors must have played a role, such as the availability of raw materials or, perhaps, the presence of a workforce that was underutilized immediately prior to the occupation. Furthermore, the conference revealed that coercion on the part of the occupying power manifested itself in different ways. It played a greater role in work relations than in company decision-making processes. Many companies in occupied countries viewed cooperation with the Nazi regime as profitable. Moreover, one must take a differentiated view of the relationships between Germany and countries under German hegemony. Many of these countries had room to maneuver during certain phases of the war and were able to use it to pursue their own interests. Moreover, after the war, some companies in Europe profited from the wartime transfer of know-how from Germany, and some networks between Germany and the formerly occupied countries were reactivated. Nonetheless, we need more research in this area to determine whether this was significant in the economic integration of Western Europe or whether it played a negligible role. We also need to pursue more research on the institutional measures that Germans implemented in occupied countries and evaluate whether such measures, if they were continued after the war, had a positive economic effect or inhibited development.

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Translated by Patricia Casey Sutcliffe.