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# Nazi War Finance and Banking

OTTO NATHAN

*OUR ECONOMY IN WAR*

Occasional Paper 20: April 1944

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and  
*Vassar College*

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### *Prefatory Note*

This detailed examination by Dr. Nathan of Nazi methods of war finance and control of financial institutions gives us a close-up view of the enemy's financial problems and their causes. It provides the answer to the important question of how a country as poor in resources as Germany was and is, was able to prepare for war and finance it on an unprecedented scale, and it shows also the cost to individual freedom which Nazi methods have entailed.

In the decade before the war there was a tendency among governments generally to canalize a growing proportion of national income through the public treasury. The purpose of this canalization of national income was to finance public expenditures, and in Germany it reached its most highly developed form. There the system began as early as 1933 when the Nazi regime came into power. But the Nazis used it as an integral part of their active and undisguised preparation for war, and by 1939 it became an effective instrument in conducting the war.

This financial system was devised in the interest of a totalitarian war economy. It is not a free gold standard, a free paper standard, or any democratically devised variation of the two. No reliance is placed on the interaction of individual choices and decisions which are expressed in the markets, and it functions under an arbitrary discipline. As operated by the Nazis, it can best be described as a secret-police-monetary-standard.

In developing this financial mechanism the Nazis proceeded within a framework of pseudo-capitalism and self-made legality. As a consequence many of the methods they used are similar in outward respects to certain of those which have been put in operation in Great Britain, Canada and the United States. These similarities, however, are superficial and should not be permitted to obscure contrasts in values which are fundamental. Financial measures imposed under democratic processes of government are different in essence and in effect from those enforced by a tyrannical dictatorship.

This paper is one in the series "Our Economy in War" which deals with both domestic developments and developments in other countries; understanding Nazi methods of war finance is as important to us as understanding those of our Allies. The study was made possible by grants from the Association of Reserve City Bankers and private foundations.

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