

Abstract

Work creation and rearmament in Germany 1933-1938 – A revisionist assessment of NS-economic policy based on input-output analysis

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We try to measure the impact work creation programs and rearmament had on employment and production of the German economy before World War II. Theoretically based on an extended version of the conventional input-output analysis, our model or analytical framework integrates the Keynesian multiplier into Leontief's traditional model. Empirically, we apply our recently presented input-output table of Germany for the benchmark year of 1936.

Putting together the effects of both work creation proper and rearmament demonstrates that more than one million jobs were created here as early as 1933. And in 1934 and 1935, even three to four million people were employed in this manner. Several hundred thousand and later millions of jobs profited from the additional income spent on consumption. In the years from 1936 onwards, the enormous increase to five million and more for armament production alone was accompanied by additional employment and measures to restrict additional consumption.

Of course one can speculate about the counterfactual scenario of whether or not such an upswing would have taken place without Hitler's economic policy. It is true that the turning point of the business cycle had been passed in 1932, thus before Hitler had become chancellor and maybe it is also true that work creation programs and rearmament were not a **necessary condition** to achieve full employment as early as 1936/37. On basis of our reassessment, however, we can safely claim that they were a **sufficient condition** for this purpose. In more general terms, our reassessment rather supports the former view put forward, e. g. by Overy that the NS-regime introduced "a wide range of government policies designed to augment and speed up the existing recovery". We would, however, modify his chronology, that rearmament became increasingly important from 1936 onwards: rearmament actually gathered momentum as early as 1934.

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Groningen Growth and Development Centre (GGDC) Research Memorandum Nr. 152:
<http://www.rug.nl/research/ggdc/publications/iframes/research-memoranda>)

or: German Institute for Economic Research (DIW Berlin) Discussion Paper Nr. 1473

http://www.diw.de/documents/publikationen/73/diw_01.c.502764.de/dp1473.pdf