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# GERMANY'S ECONOMIC SITUATION

AT THE TURN OF  
1938/39

*Sie und ich, Februar 1939*

REPORT PRESENTED BY THE  
REICHS-KREDIT-GESELLSCHAFT  
AKTIENGESELLSCHAFT  
BERLIN





Residencia  
de Estudiantes



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## The extension of the area and productive power of Germany

**D**uring 1938 the incorporation of Eastmark and Sudetenland brought about an extension of German territory by about 112,000 square kilometres, while population rose by 10.5 million to a total of about 79 millions. This figure increases by a process of natural growth at a present rate of about half-a-million per year. The striking rise in German population is closely connected with the underlying reconstruction of Germany during the last six years and the re-establishment of her economic capabilities.

The German economic system had already reached a state of full employment twelve months ago after a course of continuous improvement. In previous recovery periods the achievement of boom conditions has always been followed immediately by symptoms of satiation which have given the signal for a reversal of trend—yet the year 1938 witnessed a still further and widely manifest increase in production, employment and sales. At the end of 1938 there were about 21,000,000 labourers in employment in the former Reich alone, as compared with only 12,000,000 in 1932; the volume of industrial production was 33% higher in the autumn of 1938 than in 1928, and 146% higher than in 1932; the production of crude steel in Germany amounted to about 23 million metric tons in 1938 and thus almost reached the level of output in the United States (hitherto far in advance

of other countries in respect of steel production); and the German national income totalled about 76,000 million Reichsmarks in 1938, as compared with 45,000 million Reichsmarks in 1932.

This extraordinary progress has been accompanied by a still further expansion in "full employment": it represents the result of correspondingly high efforts on the part of the whole nation. During 1938 elastic reserve resources which had hitherto been invisible were brought to light and released for productive use. Thus on the labour side not merely was unemployment completely eliminated but supplementary labour power and working time were brought into play, while on the capital side still greater use was made of the available productive capacity. The decisive impetus to the continued advance came as before first and foremost from governmental activities, public works constituting a still higher proportion of total constructional activity. Under this head especial importance has attached during the last year to the increased work on national defence (including the huge fortifications on the western frontier) and to the large-scale constructions in respect of transport and communications. The incorporation of Eastmark represented a supplementary field of activity, with the taking in hand of the task of reconstructing the Austrian economic system, till then in a state of collapse. For this purpose Eastmark



itself provided valuable industrial equipment and labour which had hitherto not been used. A similar stimulating effect is now being felt by the absorption of the Sudetenland; though here as in the case of Eastmark special problems of transition and adjustment have to be solved.

Thus the economic system of Greater Germany as a whole is confronted with large new tasks, and there can be no question of any drying up of the things to be done. On the contrary these urgent new tasks demand an increased application of labour power and a steady employment of all productive equipment to full capacity. If they are to be carried through without friction very careful economic planning is essential. So it comes about that the measures of the Four Years Plan have introduced an ever increasing degree of control and guidance in all fields of economic life—measures which were particularly strikingly expressed during the last two months of 1938 in the nomination of Controllers with plenipotentiary powers (*Generalbevollmächtigte*) for regulating the building trades, the automobile industry and engineering.

Beyond all this, by the special action of Field-Marshal Goering the Reich Minister for Economic Affairs was given the task of carrying through comprehensive measures for increasing output and activity throughout the whole economic system. The main basis on which he was entrusted with this important task was that full employment having now been achieved any further increase in Germany's economic resources could only be effected by improving capital equipment and methods of production, and by raising the productivity of Germany's labouring forces. The measures to be carried out under this head are to be guided in the light of a central unified plan.

Examining these matters in greater detail we find public influence showing itself outstandingly in the following main fields:

a) The productive system of the community is being "steered" with a view to securing the highest possible level of achievement in view of the urgent tasks to be fulfilled. Preference

continues here to be largely given to public constructional works. These cannot, however, be treated in isolation from other forms of production; on the contrary their adequate fulfilment demands extensive supplementary and preliminary constructional work in many different directions: industrial equipment itself must be extended and improved, new plants must be set up for producing home raw materials, for generating electrical current, and so on. By contrast the output of consumption goods remains relatively in the background; here too, however, a larger output is necessary if the increased demand due to the rising national income is to be adequately met. Hence the importance of raising production both in agriculture and in the industries catering for consumption—the latter requiring still further special attention and encouragement.

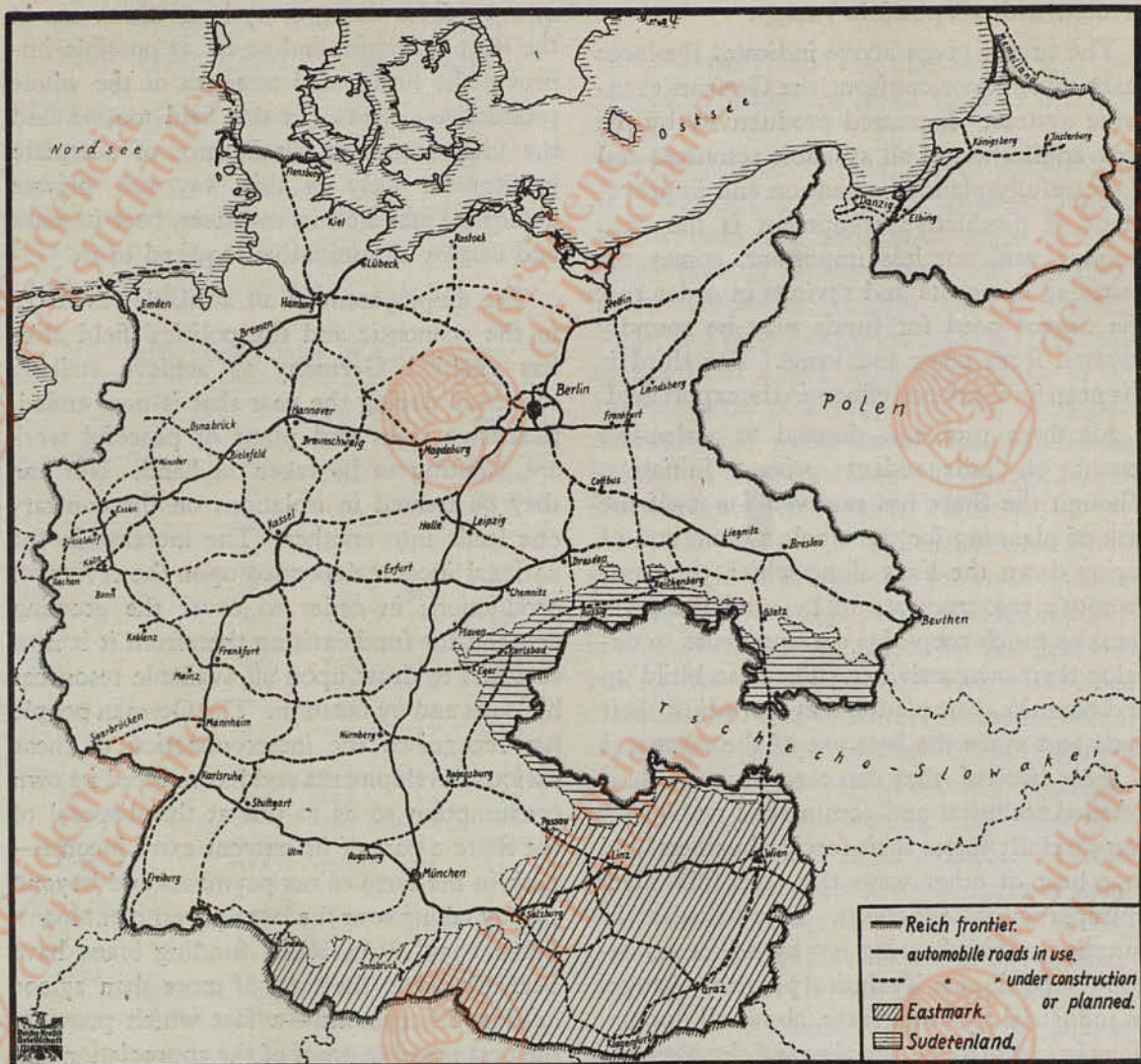
b) In earlier periods of recovery the sharp improvement in market prospects always brought about growing tendencies towards higher prices and wages. The consequent changes in value relationships then regularly brought about growing strains and so prepared the ground for the threat of recession. German economic statesmanship recognised this causal chain in good time as a source of danger, and early intervened in this field with comprehensive measures of guidance and control—as expressed outstandingly in the moratorium on price changes and in the embargo on all increases in wages other than those due to increases in work done.

c) Credit represents a third field of guidance. Even while the process of recovery was continuing a careful guidance of the stream of credit was essential; now that full employment has been attained it is even more vital. Useful as were "bridge credits" during the last few years for bringing into play the productive resources and labour power which had been idle, they must now be confined to providing for fields in which productive reserves are still available—and in particular to the new territories of Eastmark and Sudetenland. So far as the former Reich is concerned the main emphasis has properly been shifted to finance from current income and savings.



# GREATER GERMANY

(showing the automobile roads)



d) The German economic system has a demand for raw materials and foodstuffs which cannot be met from her own territorial resources. This supplementary demand has been accentuated by the incorporation of Eastmark and Sudetenland. In consequence the importance of foreign trade for securing production and the satisfaction of demand has once more increased. The German Government has vigorously and untiringly worked to open ever new ways (in the face of manifold obstacles and hindrances) for the exchange of goods with foreign countries. With equal

vigour, and undeterred by countless difficulties, German industrial entrepreneurs and merchants have carried out the paramount task of selling goods abroad. But the recession in world trade of 1938 could not fail to have its effect: total German exports, including those of Austria (but not trade between Austria and the former Reich) fell from 6,300 million Reichsmarks in 1937 to about 5,600 million Reichsmarks in 1938—a reversal of the trend of previous years. Since the need for imports has steadily increased during the same period the task of re-establishing an



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Capital and Reserves  
60 million RM