

DID YOU KNOW

That Hitler, even if victorious over Europe and the Mediterranean countries, cannot dominate our trade?

BUY OR DIE

THE CLAIM

"They (the dictatorships) would fasten an economic strangle-hold upon our several nations Wages and hours would be fixed by Hitler The American farmer would get for his products exactly what Hitler wanted to give. He would face obvious disaster and complete regimentation."

(President Roosevelt, in his "unlimited emergency" speech of May 27, 1941, reported in Christian Science Monitor, May 28).

THE ANSWER

"However, the import requirements of Nazi Europe are so large and so varied that she is scarcely in a position to buy or refrain from buying at will. Her exports are wanted, but are not indispensable. Barring the use of force, her position in world markets will be as weak or as strong as her capacity to pay for the goods she needs. Clearly this is an issue whose outcome cannot be dictated entirely by Nazi Europe." ("Nazi Europe and World Trade," published by the Brookings Institution, June, 1941, page 184).

"The United States can undersell totalitarian countries in world trade, according to Bernard M. Baruch, formerly chairman of Woodrow Wilson's War Industries Board, now a national defense consultant to the Roosevelt Administration . . . Mr. Baruch pointed out that Germany, not the United States, would be 'on the spot' economically if Germany were to win control of the European continent . . ." (In interview reported in The Wall Street Journal, June 6, 1941).

THE "ECONOMIC MENACE"

Interventionists originally sought to frighten the American people into willingness to support American entry into the current war by lurid tales of military invasion of the Western Hemisphere by the triumphant Nazi war machine. When that theory was exploded by the military facts, the interventionists dug up the "Economic Menace." The American people were told that a Nazi-dominated Europe threatened our very way of life; that our trade would collapse before the ingenuity of the Nazis; that we would be subdued without the necessity of military attack. The

"economic" theory could be advanced persuasively because there was little evidence available of either its accuracy or its falsity. Presumably, the absence of evidence accounts for the fact that the President was persuaded to adopt the theory in his "unlimited emergency" speech of May 27. Now the evidence is available; the "economic" theory is shown to have little basis in economic fact.

NAZI EUROPE

We can test the "economic" theory. Assume that the Nazis have military control of the entire continent of Europe (for the moment we can except the Soviet Union and the Soviet-dominated states). Make the further (and unlikely) assumption that they are able to unify the numerous nationalities of Europe, suppress or alleviate the age-old hatreds, obtain willing and eager cooperation from the sullen millions of their victims, and co-ordinate the productive capacities of the continent into one integrated, centrally controlled, economic and political unit. That unit would comprise twenty countries (Albania, Austria, Belgium, Luxembourg, Bulgaria, Czechoslovakia, Denmark, France, Germany, Greece, Hungary, Italy, Netherlands, Norway, Poland, Portugal, Rumania, Spain, Sweden, Switzerland, and Yugoslavia). Assume further that the Nazis are able to bring into that unit the eleven non-European countries which border the Mediterranean Sea (Algeria, Morocco, Tunisia, Libya, Tangier Zone, Egypt, Turkey, Syria, Lebanon, Palestine and Cyprus). Such assumptions are more than generous to the advocates of the "economic" theory of conquest: they give the Nazis control over countries in Europe, North Africa and the Near East which are yet unconquered.

HOW STRONG IS NAZI EUROPE

The popular impression fostered by interventionists is based on the assumption that the Nazi regime has been greatly strengthened economically by its conquests, especially in its power to influence trade relations with the nations of the Western Hemisphere. That impression is shown to be far from accurate in a current study published by the Brookings Institution, a conservative and eminently authoritative research institution ("Nazi Europe and World Trade," by Cleona Lewis, published in June, 1941). In this memorandum are discussed the resources and needs of a Nazi-controlled Europe as Dr. Lewis has analysed them. Other aspects of the problem will be treated in subsequent memoranda.

HITLER'S PROBLEMS

Dr. Lewis's study is based upon two "control" years, 1929 and 1937. The first year was chosen because the Dawes Plan and American loans had made it a prosperous one. The second was chosen because it was one of great business activity and normal trade relations for Germany -- it was before the economies of European countries had been seriously distorted by "the purchase and storage of goods for war purposes" (page 3). Since no accurate data are available, no consideration is given to the cost, time and difficulties, obviously tremendous, of repairing the damage to productive capacities caused by the devastation and dislocations of war. In view of the staggering nature of the reconstruction problems, the study is reasonable in assuming that the 1929 and 1937 figures mark the maximum potential resources of Nazi Europe for several years to come. So vast would be the reconstruction job that Hitler would face, that the strength attributed to Nazi Europe in the study probably exceeds its actual strength. The study does not consider the possibility that the total volume of European production might increase under more efficient cultivation of resources and more efficient industrial operation. That possibility lies entirely in the realm of speculation, and is subject to a multitude of factors. Even the famed

German ingenuity cannot do very much to expand food and industrial raw material production in Europe. The study makes it clear that Europe's "climate, soil, and topography, and the poverty of its subsoil, all place limitations on its domestic output," (page 175.).

**NAZI TRADE
WEAKNESSES**

Except for these speculative qualifications which can be too easily over-emphasized, the study shows clearly that Nazi Europe - if it ever comes - will be in no position to dictate the nature and terms of world trade or of the trade of the Western Hemisphere countries. Paradoxical as it may sound, "Germany's supply problem has not been solved by her seizure of neighboring territories. On the contrary, it has been made more difficult. Raw-material imports, in particular, are considerably larger for the whole area than they were for Germany alone - whether they are measured in absolute or relative terms." (page 178). Despite the fact that Nazi Europe furnishes the "living space" the Nazis claimed was vital to Germany's existence, Germany's trade position is now weaker than before the war.

**THE NAZI REICH -
BUYER**

This is because Germany, before entry upon her career of aggression, was ultimately dependent upon outside sources for food and raw materials. Far from attaining independence of foreign sources for food and raw materials by her conquests, Germany has become more dependent than ever before upon foreign sources. The old Reich, both in 1929 and 1937, managed to maintain a slightly larger volume of exports than of imports, to sell more than she bought. Consequently she was in a position to drive a good bargain (page 178). Her foreign trade was fairly stable from 1925 through 1937, with foods and raw materials accounting for about 90%, usually, of her imports, and manufactured goods making up from 65% to 80% of her exports. This ratio held good, in the main, even despite the much-exaggerated Nazi trade drive and Nazi attempts to force surplus manufactured goods down the throats of Latin American and other foreign trade countries (pages 8-9).

**NAZI EUROPE -
LARGER BUYER**

Of the 20 European countries assumed to be under Nazi sway, only three really complement and help the Nazi economy by being exporters of foods and raw materials, and importers of manufactures (Bulgaria, Rumania, Yugoslavia). Ten others are helpful to the Nazis in part. Six of these (Denmark, Hungary, Netherlands, Poland, Portugal, and Spain) dovetail with the German economy in that they export more food than they buy, and import more manufactured goods than they sell; but they are dependent, like the old Germany, for most of their raw materials on outside sources. The four others in this second group (Albania, Greece, Norway, and Sweden) also help the old Reich in that they can supply raw materials, and buy manufactures; but these countries are a detriment in that they must buy foods from outside sources. The last six states (Austria, Belgium, Luxembourg, Czechoslovakia, France, Italy, Switzerland) are like Germany in that they must sell their manufactured goods to the outside world, and must buy foods and raw materials. These are the large industrial countries whose subjugation is popularly supposed to constitute a great triumph for the Nazis. Actually, they furnish little opportunity for additional economic "living space." Once they are linked with Germany as a unit in Nazi Europe, they must buy from outside sources twice as much foodstuffs as the old Reich and almost three times as many raw materials, and they must sell almost twice as many manufactures. They have made Germany's presumed goal, independence of outside sources, much more difficult of attainment (pages 11-13).

THE MEDITERRANEAN
COUNTRIES

These figures are not changed materially even if the Nazis control the eleven non-European countries bordering the Mediterranean Sea. On the basis of 1937 data, the latter provide only about 19% of the food and 8% of the raw materials needed by Nazi Europe, and take only 16% of the manufactured goods which Nazi Europe must sell. In short, "larger Germany would have to import more food and raw materials, and find larger markets for manufactures, than were required for the old Reich" (pages 15-16).

What the effect of the conquest of Soviet Russia and Great Britain would be will be considered in detail in another memorandum. Nevertheless, it should be stated here that the subjugation of Russia would not ease the economic problems of a Nazi Europe as much as has been popularly supposed. In 1929 and 1937 Russia's exports of foods and raw materials amounted to no more than four percent of Nazi Europe's needs (including Mediterranean countries). Nor is Russia much of a market for Nazi Europe's manufactured goods (page 16).

BUY OR DIE

Nazi Europe therefore must import or die. Without food imports, Europe's population must go on short rations, because of shortages of cereals, fats, vegetable oils, meats, and dairy products. Without raw material imports, the textile industries would be crippled (for lack of sufficient supplies of cotton, wool, silk, jute, flax and hemp); the leather-working industries would be gravely impaired; large-scale synthetic rubber production would be necessary, which would in turn create new raw material needs. Without industrial mineral imports, "manufacturing, mining, transportation, communication and even agriculture would be severely handicapped." Machines and machine tools could no longer be made because of the lack of alloy metals and bearing metals. The automotive and electrical industries would suffer from lack of asbestos, mica, non-synthetic oils, copper and other minerals. There would be enough coal unless (a very likely probability) the resort to synthetic production of rubber, hosiery, and gasoline caused a coal shortage. (pages 175-177).

Nazi Europe will have to import. Without imports, even the manufacture of the goods which she must sell in order to buy more food and more raw materials will be crippled. Nazi Europe will be in no position to buy or not to buy, as she pleases, and therefore drive a hard bargain or dictate her own terms. The bargaining advantage will rest with the Western Hemisphere countries and the other countries of the world which have for sale the products Nazi Europe needs.