The Europäische Wirtschaftsgemeinschaft - Berlin 1942

(The European Economic Community - Berlin 1942)

By:
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With an introduction by:
Economic Committee Advisor, Professor Dr. Heinrich Hunke
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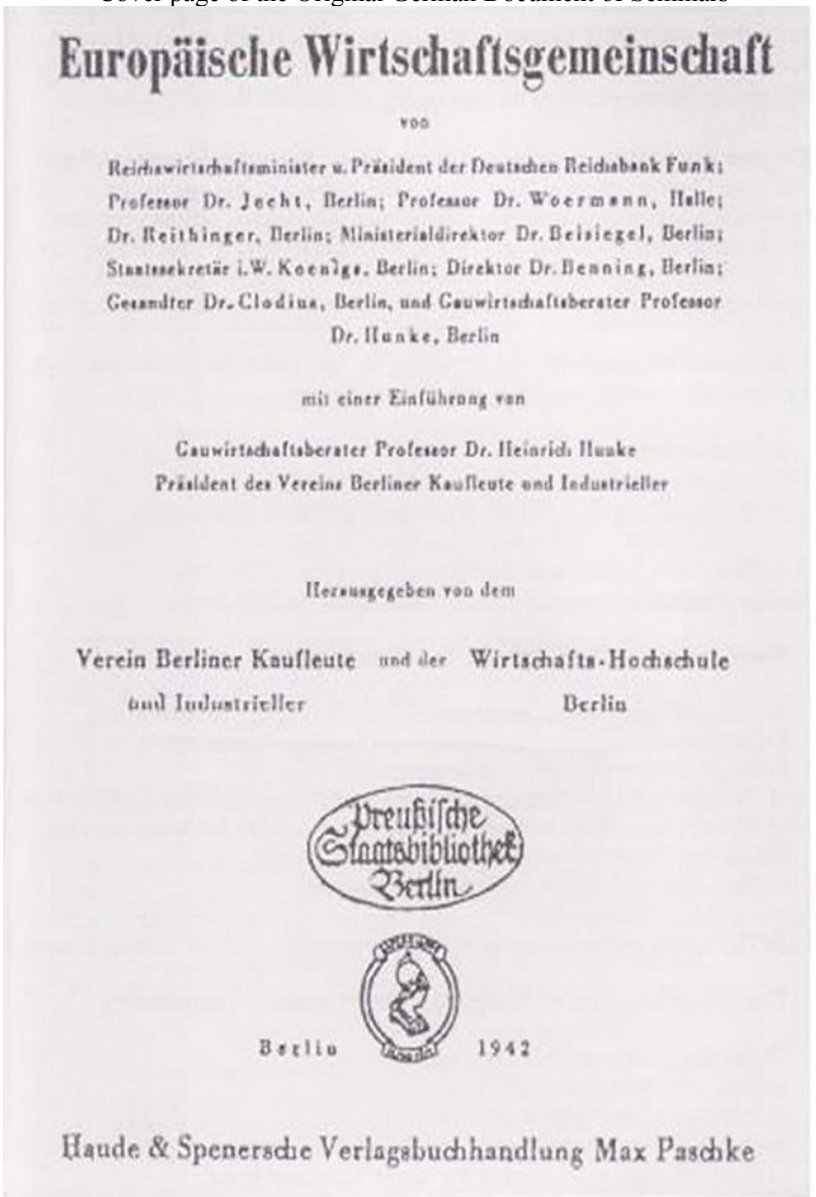
Issued ***by:***
The Society ***of Berlin Industry and Commerce and the Berlin School of Economics***

It may shock most to learn that Nazi ideology was, and still is, behind the EU. The document that follows is the English translation of the original German one as referenced under the World Catalogue OCLC number 31002821 and available in the public domain via various libraries, archives and websites. It is a document of great historical significance and essential to understanding the mindset behind the European Union and where the idea originated. It is the original blueprint for 'the European Economic Community' which would later become, as we know, the European Union. Created as a series of seminars by the Third Reich's Economic Minister and various advisors to Adolf Hitler so that in the event the Nazis should fall to the allies and lose the war, they could complete their plans covertly by subversion, treason and sedition from 'within each government'. In it you will find the proposal of a one united Europe with one currency, one transport system…and more importantly, the United Kingdom was to be "**de-industrialised**", and used for a limited amount of agriculture and tourism. The plan was to usurp each nation's sovereignty, including Britain, and create a Europe wide dictatorship; and for us, stripping out anything that put the "Great" into "Great Britain".

Ironically - Marxism, Communism, Socialism, Fascism, and Corporatism have all turned out to be distracting labels for the same ideology and in reading this document, one will find it chilling that most of the changes that the Nazi's had planned for the United Kingdom have already been implemented. Slowly, but surely, and by covert means, the followers of this ideology, these conspirators, backed by huge financiers, namely the international banking families, have succeeded in infiltrating Westminster through the political system and parts of the Intelligenstia over the last 60 plus years. They have ushered in the Acts and Treaties envisaged in this document – *NATO 1947, The Treaty of Paris 1951, Jean Monnet 1952, The Treaty of Rome 1957, European Communities Act 1972, European Monetary System 1979, Single European Act 1987, The Maastrict Treaty 1991, Euro Currency 2002, The Lisbon Treaty 2009.*

This manifesto is the foundation that these traitors within our political establishment have been building on since the end of the second world war. It was a means to an end. An ugly end. We may had removed Hitler from power, but the forces behind him pressed on and what was not achieved by arms, has sadly now been established through money, treason and subversion.

Cover page of the Original German Document of Seminars



Europäische Wirtschaftsgemeinschaft

von

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mit einer Einführung von

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Von:
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To assist non Germans, reading the above, certain letters have been capitalised for convenience ONLY

The European Economic Community

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Preface to the First and Second Edition

This text contains the lectures presented under the title "The European Economic Community" by the Society of Berlin Industry and Commerce at the start of 1942 in conjunction with the Economic Advisor to the Berlin Committee of the NSDAP and The Chamber of Trade and Industry. The order of lectures was as follows:

- Walter Funk, Reichs Economic Minister and President of the Reichsbank:
  "The Economic Face of the New Europe"

- Dr. Horst Jecht, Professor at The Berlin School of Economics:
  "Developments towards the European Economic Community"

- Dr. Emil Woermann, Professor at Halle University:
  "European Agriculture"

- Dr. Anton Reithinger, Director of the Economics Department of I.G. Farbenindustrie A.G., Berlin:
  "The European Industrial Economy"

- Dr. Philipp Beisiegel, Ministerial Director of the Reich's Labour Ministry:
  "The Deployment of Labour in Europe"

- Gustav Koenigs, Secretary of State, Berlin:
  "Questions About European Transport"

- Dr. Bernhard Benning, Director of the Reich's Credit Company, Berlin:
  "Questions About Europe's Currency"

- Dr. Carl Clodius, Ambassador of the Foreign Office:
  "European Trade and Economic Agreements''

- Professor Dr. Heinrich Hunke, Economic Committee Advisor of the NSDAP, President of Germany's Economic Publicity Agency and the Berlin Society of Industry and Commerce:
  "The Basic Question: Europe - Geographical Concept or Political Fact?"

The lectures met with considerable interest and very strong agreement. On account of this, we feel we should make them available to a wider circle of people. Berlin, September 1942

The Society of Berlin's Trade and Industry - The President: Professor Dr. Heinrich Hunke, Advisor to the Economics Committee

The Berlin School of Economics - The Rector: Dr. Edwin Fels, Professor of Geography

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Pamphlet #01

Introduction - by Professor Dr. Heinrich Hunke, Economic Committee Adviser to the NSDAP, President of Germany's Economic Publicity Agency

Around the end of 1939, most of Europe was either consciously or unconsciously under the influence of the economic concept of England. Over recent years, however, it has been swept out of European countries, politically, militarily and economically. Politically the three-power pact has given honour once again to the ancient figures of life, people and room. It has also established a natural order and a neighbourly way of co-existing as the ideal of the new order. The foundation of English economics, which is the basis of the balance of powers, has been militarily destroyed. And economically, a change has come about following the political and military development, the shape of which is easy to describe, but whose final significance is very difficult to evaluate. I can only repeat, that the changing order that is happening now has to be ranked as one of the greatest economic revolutions in history. It signifies a reversion of the economy of Europe to a time before the English concept of building an overseas Europe, i.e. an awareness of one's own country.

The Discussion so far and its Results

Discussions about questions relating to Europe started as the power of the NSADP grew. At the Congress of Europe in Rome from 14th to 20th November 1932, Alfred Rosenberg developed, for the first time in front of an international forum, thoughts and ideas that have moved us since. No one, who fights for a new economic order in Europe, can ignore these perceptions and conclusions. The economic and political wheel was set in motion, when the NSDAP declared the militarisation of the German economy. It is to the credit of the journal 'Germany's Economy' that it first seized these questions in 1932, kept on bringing them up and stuck doggedly to those original perceptions. The idea of German economic self- sufficiency in the new political sense and the German economic militarisation are synonymous with this journal. Besides this, Daitz, the ambassador, has earned the special credit of being the first to have related German economic history to the present time. Part II of his selected speeches and essays, which appeared in 1938 under the title 'Germany and the European Economy', summarizes his concepts formed between 1932 and 1938. The Italian, Carlo Scarfoglio, delivered with his book 'England and the Continental Mainland', a decisive historical contribution to the consciousness of the European continent. Meanwhile German and Italian economic policy drew the political consequences from the historical lessons that were learnt during the blockade and learnt again during the sanctions. The speech made in Munich in 1939 by the leader of the Reich's farmers, R. Walther Darre, at the 6th Great Lecture at the Commission of Economic Policy of the NSDAP, takes a special place in the discussion at that time. Its theme was "The market order of the National-Socialist agricultural policy - setting the pace for a new foreign trade order."

While our leader maintained the hope of reaching a peaceful agreement with England, the route for European economic unity remained problematic. The end of 1939 was a decisive point and it was natural that the years 1940-1941 heralded the new economic and political order. The writer, in particular, developed and extended in speech and writing the intellectual fund of the new economic policy, which has been translated into most languages, so that today everywhere the great constructive texts are known. These contexts revolve around the following issues:

1. Theory about the Reich and the European economy.

2. The historic, cultural, and economic significance of the German economic order.

3. The foundations of the future economic relationships between the states.

4. The nature of the European economic community.

On 25th June 1940 the Reich's Economic Minister, Funk, publicised in his official capacity his thoughts, which underlined the development so far and thus gave them state sanction. In October, the journal 'German Economy' summarised for the first time the principles of European co-operation, the fundamental principles of German foreign trade, Germany's export economy and ways and means of promoting export. It did so in a popular review "About A New Europe", providing an overview of the important problem of European economic fusion. Around the end of 1940 the Berlin historian Fritz Rorig finally outlined in his book "Hanseatic Essence" the historical foundations of the greatest economic and political achievement by the Germans.

I am clear in my mind that total clarity is to be found in the principle questions: The necessity is recognised for a political order for the economic co-operation of the people. The nature of the new order which is: awareness of tradition, using up one's own economic resources, long term economic agreements and fair relations, is affirmed. The economic inter-dependence is underlined by fate. The economic unity of Europe is thus evident.

Economic Practice

Even practical economic life has increasingly allowed entry to new thoughts. I am able to see the decisive steps in the start and realisation of the following points:

1. In the increasing payment traffic through Berlin.

2. In the exchange of experiences in various areas of economic life. Thereto belong also the statements of ministers and business people, the calls made by special advisers and the collective tackling of important tasks relating to the

economy. Even the specialist is surprised, once he has taken the trouble to put together all the connections. Today they are already legion.

3. In the signing of long term economic agreements between the Reich and the other European states, which the public is aware of. There can be no doubt that such agreements are those of the future.

Of course, that cannot prevent unclear points and new problems from arising, which become evident at the time when the situation is reviewed.

Problems Related to the Economic Community of Continental Europe

These unclear points primarily relate to the concept of economic direction, the extent of solidarity and neighbourly attitude, the development of one's own powers, the care to maintain the standard of living and the question of raw material purchase from foreign countries. It is natural that one or another issue will take priority of interest, depending on the set of conditions that prevail. It should be attempted at this point to give a reply, albeit a summary one.

There can be no doubt that the concept of direction of the economy, or rather its leadership, is as novel as it is revolutionary. Its classification is all the more important, as the fate and consequence of European co-operation depend principally on a new consistent form of economic understanding. The Anglo-Saxon view of economics is dead: consequently, even the so-called 'classical' national economy is no longer classical, but it has survived. So what it comes down to is that a new understanding arises to do with ideology and terminology, which represents a sound basis for agreement and co-operation. Relating to this, one must point out the following in detail:

1. Economic direction is not a momentary emergency solution, instead it forms the core of new theory and practice. First of all, it takes the place of individual egotism and the automatic autonomy of the Anglo-Saxon precept.

2. Economic direction is not identical to the tendencies of a centrally planned economy. It does not seek to cancel the individual or to administer through the state operators.

3. Economic direction really means the following: the new instruction of the creative and constructive power of the individual in relation to the whole system; the creation of a consistent economic view and an attitude towards the economy; the selection of important tasks through political leadership and the state's final decision on all questions about economic power. Beyond this, the economy is free and responsible to itself.

The degree of solidarity of the individual economies and their neighbourly attitude is characterised by three guidelines:

Firstly, it is limited in regard to its own economic development by the recognition that the utilisation of individual resources represents not only a requirement of the new economic precept, but is the very foundation for economic activity. The European economic community has no interest in leaving any abilities or possibilities unutilised.

Secondly, it contains the obligation that, because of Europe's freedom, consideration is given firstly to continental Europe regarding any matter related to economic activity. Not only should the shared fate of the European people be emphasized, but the fact should also be stressed that the supplementation of the European economies beyond their borders is possible and sought after.

Thirdly, it must be maintained that, above all else, the spirit of the individual economies may not be allowed to go against the spirit of neighbourly co-operation.

The question of developing one's own powers refers to the problem of monocultures, of industrialisation of the agrarian south-east and the awakening of new needs.

An answer can easily be given to the first question. Monocultures are the result of the same economic precept that made the world market price the determining factor in the economy. According to that precept, people and land are the vestiges of some by-gone age. Europe is well on the way to destroying these monocultures with initiatives ranging from land improvements and growing new crops to discovering new local resources. All these have the same aim, which is to develop the economy and broaden its basis. Germany and the whole of Europe can only greet these efforts with gratitude.

The industrialisation of the south-east poses a particular problem regarding these questions. As I am unable to handle this problem - like all other problems - here in a comprehensive and exhaustive manner, because the industrialisation of economies is theoretically a difficult problem, I can only say as follows:

1. Just as it is in the nature of things that each country will strive to utilise its available resources for its own production, so will there will be a knock-on effect for other economic partners.

2. If, as is the case in the South-east European countries, there is heavy over-population in the countryside, then there are only three possibilities to solve it: itinerant workers, a permanent emigration and an 'intensivisation' of the local economy, a term correctly created by Dr. Ilgner for the problem of industrialisation. Itinerant workers can only form a part solution. Besides, it only applies to agricultural and construction workers and gone on for ages. Permanent emigration from Europe is just as false as impossible. There just remains the

intensivisation of the economies of south-east Europe as the way to self-help.

3. The economies should make it possible for an independent life according to the modern economic view. The intensivisation of their economies therefore is right for the time.

4. The old features of industrialisation, which evolved from the price collapses in countries with agriculture and raw materials, have to now belong to the past. Europe is a communal living area. Only through a joint development of economies - and not through independence from one another - can protection against crises be achieved.

5. The tasks that have to be solved in Europe are so big that the powers needed to do so have to be released by an intensivisation of the individual economies. This can be easily done by employing the workers that have been liberated in new branches of the economy.

Without affecting the difficult questions of purchasing power, it can be regarded as proven that the joint work to build up Germany's and the south-eastern states' in the area of industrialisation lies in the direction of the intensification of interest of the whole continent.

One important and until now completely overlooked task in this regard exists and that is the awakening of new needs in the south-eastern countries. It is because, in those countries, wealth has grown and will gradually continue to grow, as a result of the reliable purchase of agricultural products and available raw materials at adequate price levels. According to the principle in economics that giving equals taking, peoples' living habits there will have to change, otherwise one day the process will come to a halt. Germany's ability to absorb the products from the south-east is practically infinite, whereas creating a demand for German goods there is not only a matter for economic intensivation but also one of modifying the people so they consume more. This task is of such importance that it has to be considered from the very outset, so that the south-eastern European economies are elevated after the war.

Equally important as the industrialisation of south-east Europe is the question of the standard of living in the north. Their economic development and high standard of living, which underpin their lives though all economic conditions, should not be mistaken. This standard of living has grown considerably during the 19th century and around the time of the world war due to free trade, so that various circles view world economic events with particular concern. From a German viewpoint, only the following points can be made:

Firstly, a higher standard of living is also the aim of the German government. The German people not only understand this well, but also through its fight wants to

ensure European civilisation and culture. This fight will benefit the whole of Europe, and with it the north.

Secondly, despite being connected successfully to England and its economic system (one should not ignore the countless economic troughs that feature there), the economies of the north whose fate and greatness are very closely linked to Germany.

Thirdly, the northern states' difficulties are going through a temporary phase of adjustment. In the long term, this will bring about a lasting advancement, rather than destruction, for their economies' foundations.

Maintaining a high standard of living is not an insoluble problem. To finish, I now come to the problem of purchasing raw materials from overseas markets. A leading south-east European economist once wrote about this principal question: "Unlike the war, we were in the following situation: in order to import raw materials from overseas countries, we bought goods from west European countries with foreign exchange. In the area of continental Europe there is no gold. Everything had to pass through the system of clearing - goods sold against goods. We have no product that can be sold to North or South America. That means that the leading nations are obliged to acquire and distribute to us the raw materials that we need. The leading nations of Europe can supply, with its capacity, enough products to overseas countries with which to acquire raw materials. The one question is whether exchange will ever happen… Even before the new order is introduced, and without even joining in with the Axis powers, we stand in solidarity outside Europe with its traffic of goods…"

We can only agree with this view, leaving the matter open, as the Reich's Economic Minister Funk described, how large the direct sources of help will be and whether raw material acquisition from overseas will take place through the system of clearing or free flow of currency. With the introduction of the multi-lateral clearing system, on a practical level there is no change from the pre-war time. As this learned person said, "All the benefits of the method of paying are regained from the system of free currency." Nor can it be realised - contrary to him - that this system of clearing through Berlin should function without those countries outside the European system. But the decisive factor is the way in which the continent is bound to Germany and Italy by one fate.

Since 1940, therefore, we are faced with an unparalleled economic and political revolution. The problems created for us are large but can be solved. Their solution will give Europe the peace it yearns for and will bring a great era of joint development. It is worth fighting and working for this.

The following discourses should contribute to helping us to broaden and deepen our understanding of the tasks and nature of the European economic community.

The Economic Face of the New Europe

by Walther Funk, Reich's Economic Minister and President of the German Reichsbank

Today the peoples of Europe are at a turning point in their fate. Without any hint of exaggeration, one can say that the problems, which are pressing in this war for a solution, have secular significance. What sense could the blood spill have, which the allies of Europe joined together with the combined forces of the great German Reich are prepared to make, if not that of creating once and for all a sound foundation for a really social life order. The call and warning is issued to the politician, the scientist, the economist from the front line fighters to prepare the great task of attaining peace for the future even in the midst of war.

Real and False Economic Freedom

To sum up the theme in one sentence I would say that the economic face of the new Europe will have two identifiable traits, which are already being formed in the fire of war. They are work for the community and economic freedom - of course, not the sort of economic freedom that is embodied in capitalism and leads to the strange pact between plutocracy and Bolshevism. The peoples of Europe have heard the big promise of freedom in the liberal-capitalist economy. Today it is sinking in wretchedness, blood and ruins.

What did not the liberalist idea of freedom promise? According to that theory of economics, life develops most fully if all the individuals are allowed to pursue their own self-interest without restriction. The state can hand over the harmonious development of the economy to the forces of competition, which each individual should exploit for his own self-interest.

Regarding international trade, one expects that given full freedom, competition would ensure that each country produces those goods best according to its natural production conditions. According to the theory, each nation buys on the world market where they are cheapest and sells its own products with relatively high margins thanks to its natural conditions allowing the lowest costs. Consumers can in theory get a supply of goods at the lowest cost, businessmen can use their skills freely and workers can find work wherever they find the highest wage. The situation that was sought after - social harmony - seemed to be most achievable this way. So much for theory!

But what happened in practice? Europe's population grew in the 19th century (i.e. in the springtime of liberalism) from 180m to 450m capita; and people on average could clothe and feed themselves better and provide themselves with more goods than before. All the same, Liberalism can claim to have driven forward technical progress a long way due to its principle of unrestricted profit seeking. Also it can be rightly maintained that the liberal capitalist economic way for decades proved to be capable of existing right up to World War I despite the increasing numbers of

defects. Free trade was not, in fact, carried out without restrictions, but the duty agreements on the basis of maximum favour barely affected trade. Flows of gold and capital were never restricted; nor was the movement of labour subject to any notable restriction. The international gold standard, which England manipulated almost unnoticed, enabled an easy movement of money. The value of gold followed interest rates and goods followed the world price. As long as the participants were prepared to observe the complicated rules of the game, economic harmony really seemed to exist. If we recall the economic conditions that existed pre-World War I, all this supposed harmony did was to give enough elbow-room to those powers ranged against one another. Freedom to expand, it seems, was the only thing then that prevented earlier confrontation between the powers.

The vast expanse of land overseas constantly offered new areas of discovery. Europe's infinite source of labour was available not only as the workforce for it but also as the buyer of everything produced there. Constantly improving technology offered a constant flow of possibilities for development, hitherto unknown. Despite the apparent equal opportunities there, the individual people were not able to gain equal advantage from the system, just as the individual classes of society were unable to. The English moral philosophy of Hobbes and Hume, which was tinged with a shot of Jewish spirit from David Riccardo, has proved to be an extraordinarily safe and imperceptibly effective means for justifying and safeguarding the British world superiority. In the system's early hey-day, the English had the most advanced industry. They entered the race with the biggest price advantage. Added to that, they had the biggest commercial and naval fleet in the world, which enabled them to get started in world trade in such a big way. Thus their economic and political power grew. Each concentration of trade opened the way for new profit. England became the paymaster of the world, as well as the banker, the manufacturer, the trader, transporter and, last but not least, the policeman of the world.

Just look at the states of continental Europe! Together they could only derive small advantages from this economic system. Even the large nations were forced to suffer from the real and extended competitive advantage of England. The small nations just existed to increase England's wealth and had to be content with a few crumbs from England's table. Before World War I, the south-east European states were so peripheral for world trade, although they were no worse placed than many overseas exporting nations. However, they could not come into their own. Thus agricultural technology and transport routes were not advanced by the developments happening in elsewhere in the world economy. Technical backwardness occurred there while the newly productive nations grew, forcing down the standard of living. There were no buyers, who could constantly buy more and more goods at stable prices and which was supposed to lead to investment in new machinery and equipment that improves life. After World War I the capitalist world powers consciously left these states in their economic backwardness, so they remained politically dependent. It was our deliberate and compassionate trade policy that recently brought about a fundamental change and,

in fact, their trade policy has also changed favourably over recent years. These states were the first testing ground for our economic and political principles. We can rightly say that the use of these methods was of great mutual benefit for both sides and became a sound basis of co-existence.

The debt account of the British capitalist era was considerably larger. Signs of serious economic damage, caused by the effects of the laissez-faire system and free trade principle, became apparent among all those connected with it, both the favoured ones and the step-children of the liberal economic order. Symptoms of malaise were the same everywhere. Agriculture in the industrial nations was incapable of asserting itself confronted with the interests of industry, trade, bank and stock exchange. The freedom to feed disappeared, the position of farmers became wretched, the population fled from the countryside to the city and abroad. The very top class layer of bankers, industrialists and speculators could amass huge wealth and, with it, create a dangerous power base beyond the state, because money bought everything, especially public opinion. On the other side, the rank of the industrial proletariat swelled constantly and was driven by increasing dissatisfaction with pseudo-socialist Marxism and Communism.

The prevailing line at the time "get rich regardless of the means" was probably the reason why all these symptoms failed to gain sufficient attention and clouded over the sight of the facts.

Certainly, liberalism was a system for 'freedom'. He, who could no longer find work or food in his local area, had the 'freedom' to emigrate. And if the economy of a nation was depressed, this nation had the 'freedom' to run up debts with England. But this type of freedom was of too poor moral foundation to have been of any real substance. The type of gift made by the English economic philosophers to mankind with their output of ideas about freedom only became obvious as the economic area around individuals and nations became smaller, and as the last reserves of colonial raw materials were distributed and the fight for sales markets intensified. The liberalist system, that had weaved its way into big time capitalism, then lost its necessary flexibility due to cartelisation, pooling, monopoly formation and the rising fixed costs for industry. Conflicting interests started to collide at full speed with one another, because they were driven by egotism and no longer sought ways to avoid problems. How many wars have been waged due to this attitude, this greed, which has wrecked the lives of so many? For example, there were the Spanish-Cuban wars that started in 1868 and supported by the Cuban speculators and North American sugar syndicate; the war between Chile and Peru was all about the saltpetre fields. To finance this war, Chile took loans that were guaranteed by European bankers, who insured themselves with the gains to be made from working these fields; England's Boer War was supposedly a colonial war, but it was all too conspicuous how much interest was shown by the gold mine syndicate of Mr. Cecil Rhodes and those of the London stock exchange in the war's outbreak and continuation. No wonder everyone called it the war between the stock exchange

and the Boer. The Russo-Japanese war 1904-1905 was caused by the interests of Russian capital in Manchuria and Korea.
Finally the First World War was the peak of the capitalist economic system but also the start of its demise.

Since World War I Europe's people have been through a generation of extremely hard lessons, which we all know now, and they sooner or later realised, that the freedom ideal of the past era was false and perishable. War, inflation, tough economic crises, hunger and unemployment have hammered it into people that economic sense lies in the fulfilment of a social task - not in self-interest and selfish profiteering. No wonder then that those people of central Europe, who suffered most under the whip of an unsocial system, were first to set up a different freedom ideal of higher morality.

We can now see the new ideal of real economic freedom in the safeguarding of food and raw material reserves, the liberation of the economy from international finance interests and dependence on economic cycles, as well as in the subjugation of the individual to the primacy of the economy.

Co-operation in Continental Europe

The authoritarian governments of Germany and Italy gave their people the task first of all to invest their efforts in voluntary co-operation under the state directive of the national welfare. Thus they protected their economy from exploitation by international finance powers. The fight for the nation's food and raw material freedom is now a thing of the past. The last world war already taught the people that it is unwise to leave their fate to excessive international division of labour. At the time, the industrial nations were ploughing the last square metre of uncultivated land. The mainly agricultural-based countries made haste to become self-sufficient in industrial goods by forcing through industrialisation. In both cases, the result was not satisfactory. In particular, those industries of small European nations prolonged their unpleasant, and for the majority, costly existence in the post-war period by standing behind protective duties. They devoured subsidies, unnecessarily reinforced the international battle between competitors, raised the cost of living of their people and ended up in the mess of the world economic crisis – simply because natural reserves were drying up everywhere.

European people could have recognised long ago that they share a common fate with only one logical consequence, which is European co-operation. Politically, though, the time then was not yet ready for that. The victorious nations of World War I deliberately placed so much dynamite in Europe with the Paris Agreements that it was not possible to consider a constructive, idealistic plan. The only pioneering work possible was, for example, the deliberate promotion of economic relationships in Germany and the south-east.

First the Fascist and then the National Socialist revolution created the foundation for a new political era and social order in Europe. Benito Mussolini and Adolf Hitler, between them, gave Europe the chance to become truly European. Now the time is finally coming when the people of Europe can continue their path towards co-operation, as they rightly strive for economic security. After World War II there will be no more tension and grounds for conflict in Europe, which might justify useless isolation. The economic system will be without the germ in it, such as the Anglo-American system, which has caused dramatic disagreements between people. No European nation can attain alone for itself that highest level of economic freedom that meets all of society's demands, as it constantly relies on the production strengths of its nearest and furthest European neighbours. The blockading around Europe organised by our foe today shows clearly just how much individual states are bound together for better or for worse. In a large economic area, a community sharing the same fate holds the nations together. This area, though, is capable of feeding, clothing and providing them with all the necessary goods in sufficient quantities, moreso when the area also includes the east European areas that surround it. Until now these areas were beyond the reach of the historic creative forces of our continent.

The European economic area of the future will be untouched by blockades, so no one will easily dare to attack it. Recently I declared that there will no longer be any sense in economic wars.

The idea of an enlarged area has been subject to a degree of discrimination, although it was barely discussed in a serious way. Even the politicians belonging to the English plutocratic system suddenly adopted the idea. They wrote their ideas about large economic areas, which were not and really never should have been classed as ideas. Power and political aims simply lay at the root of it all. Nonetheless the idea of an enlarged living area proved to be capable of standing the test of time. I can see nothing that might seriously stand in its way, as the creation of large economic areas follows a natural law of development. I have absolutely no intention of contributing to the economic teaching about the stages of economic development, but I just want to draw attention over towards an economic and historical process, which shows a strong resemblance to how things are developing today.

About 100 years ago a German economic entity started to be formed out of many regional economies. As unification of the country was still way out of the question, economic treaties started to develop, finally reaching its peak in 1843 with the German 'Zollverein' (Customs Union) and bringing with it huge economic advances.

What did the situation look like before? Anyone passing through Germany travelled on poor roads and had to pay countless duties and tolls on his way through dozens of states. Each of these states had its own sovereignty, financial system and currency attempting to form something like its own independent economy. Those

in charge then simply could not understand that their great neighbours, England and France, had advanced because they had created an economic area for themselves, which corresponded to the level of technology and transport reached at the time. Friedrich List, the great proponent of Germany's economic union, criticised the situation at that time saying, "The chances for
German industry to rise up would immense if each factory owner could choose from an pool of 30 million people! Mining, agriculture and cattle rearing could really take off if each branch of production could take its natural course!"

One of the decisive forces, which the small nation ideal finally had to bow to, was the revolutionising effect on the economy and transport of technical progress, especially the steam engine. If we say Europe now, instead of Germany, then we come naturally to a similar, if not identical, conclusion - from a purely economic perspective. Once again it is the economic and technical progress, which pushes inexorably to the formation of large continental economic areas. Today technology offers possibilities, which cannot be fully utilized by individual national economies. Nations' borders have been brought closer together by the increased speed of trains, the extension of the road network and waterways, the transcontinental energy supply, which offers so much potential and, above all, the aeroplane. Outside Europe, huge economic areas are already, or are in the process of being formed, from a combination of these factors. For its own good, Europe has to be dragged out of its romanticized backwardness. The difficulties, of course, of a European economic union are larger than those that had to be overcome by the German Customs Union. The means will be difficult and more complicated, and it certainly will not be achieved just through a customs union. Nonetheless, there will be a European economy entity because its time has come.

Europe's Resources and Completion

If one recalls the natural resource of our continent, it becomes obvious that Europe is actually an economic area capable of meeting most requirements. I am not going to go into details here, but just touch on some basic points. First of all, excluding the erstwhile soviet-Russian areas, our continent produces sufficient quantities of the essential industrial materials i.e. coal, iron and aluminium. Looking at the agriculture resources available, there is also plenty of food available. Many people may think it sounds improbable that in 1939 around 46.4 million tons of wheat and 24.8m tons of rye grew on European soil. These figures again exclude the production of the Soviet Union, but we know for sure that 10m tons of cereal were produced there. This figure could be much more if the means of production there were brought in line with the new technology. Wherever European soil has been treated all to badly by Nature, the imagination of its people has managed to seek and find new solutions. I recall those areas in which Germany has excelled, such as rayon, oil production from coal and synthetic rubber. What we lack will be secured through this war in the east of Europe. Even today, we have a large and valuable part of Soviet Russia in our possession and we are directing all our energy into opening up this area so rich in raw materials. Later we will have the task of

creating the political shape of the eastern area, but firstly the people will have to be adopted into the European economic system. They too stand to profit from the good deeds done by European civilisation.

The major tasks we need to solve are truly European tasks. Even today Europe looks eastwards and the huge arsenal of soviet weapons gives an idea of just how much natural reserves that area can yield. If the rich soil there can be rendered usable with the modern tools of Europe's food agriculture technology, then Europe will definitely not be touched by blockades.

In addition, the tropical colonies of Africa will offer us all those luxuries that are unnecessary for survival, but which make life pleasant and ought not to be withheld from a people with a high standard of living.

And finally, we will have global trade, which will help to ensure that misunderstandings no longer arise. But it will look different to trade system, which degenerated into utter confusion and simply enabled a few powers to gain a position of world superiority.

The economic problems in east Europe will obviously not just suddenly be solved by us securing these areas and raw material reserves. However, we have put together statistics showing a reasonable amount of economic capacity, which has yet to be put into practice.

We have to mobilize every available raw material and energy in the economy of Europe - this is the task of the new economic order facing us now. Naturally, a new order that is perfect cannot be created straightaway, but over the years it will be possible to match supply and demand in the entire European area to a remarkable degree. Then, according to the plan, it will be possible to put the finishing touches to everything and we will get on with the task of opening up hitherto neglected areas of production. For example, I am thinking about how we successfully achieved much higher yields and we will continue to do so by a more intensive use of the countryside.

Those areas of Europe that are still backward have to be encouraged to bring about an intensive economic system. The industrialisation of these areas will undoubtedly continue, but with the difference that each nation will create its own industry, which best suits its own natural production conditions, as well as meeting the needs of the European market. Already detailed negotiations of the various European nations have taken place along these lines. We will one day tackle the problem of the rationalisation of the European economy and I believe that, after consolidation, we will achieve production increases that are unimaginable today.

Directing of the Economy by the State and Work between the States of the Community

The movement of goods between the nations will not yet be regarded as home trade as it is still too premature to consider a total removal of duty and currency barriers. As a large trading area, though, it will enjoy all the privileges of a market under state direction. The Romanian farmer, the Norwegian timber dealer, the Dutch gardener and the Danish fowl breeder will no longer worry whether they will sell their products or if they will get an adequate price that is commensurate with their efforts. They will know that inter-state agreements will determine and secure production and sales, and that speculators and crises are a thing of the past. Spinning companies in the Protectorate, French chemical workers and Belgian miners will no longer live in fear of low wages and unemployment. They will be reassured that the European economic area contains a wealth of technical and natural possibilities, as yet untapped and, furthermore, that the demand for goods in this enlarged area will never dry up. The word "unemployment" will cease to exist in the European economic dictionary.

Business circles today offer positive examples of work between the nations. Think how Germans and Italians work together and about those agreements between German, Italian and French car industrialists. Think of the German-French institutions in the chemical industry, the various community enterprises between Germany and Hungary, and Romania, Finland, Holland or Norway. Just think of the truly European agreements in the field of cellulose products, artificial silk, rayon and paper! Or the orders placed by German industry in France, Belgium, Holland, or the commodity markets and the technical fairs. All of these forms are expressions of private initiative, which I wish to stress. Here the entrepreneurial spirit finds plenty of opportunity to show itself. I stress this particularly, as the position of the entrepreneur in the directed economy is a question that is frequently mentioned but not addressed in a proper and accurate way.

Let us not be mistaken that this system of economic co-operation depends to a large extent on state directives and to a greater extent than entrepreneurs in many European states have been used to until now. The examples cited here and Germany's internal economic practice clearly show that the state can and will leave the entrepreneur to prove himself in the directed economy.

If the direction of the economy by the state and inter-nation agreements create a form of economic movement that is like a motorway equipped with all sorts of safety features, such as control of raw materials, of production, sales, deployment of labour and an ever more refined payment and clearance system, the result would be that on these roads only the barrows of a nervous bureaucracy and excessive collectivism would drive around. Remaining with this analogy, the movement of goods has to remain a matter for private entrepreneurs, provided communal issues do not require state intervention. It is left to his initiative, his spirit of discovery, to

achieve the highest performance for his economic vehicle, which is only possible if initiative is left to him.

His job is to be careful that the flow of traffic does not get out of control, while ours is ensure that the driving licences of those undisciplined road users' are removed, who jeopardise the flow of goods due to a lack of conscience or to ignorance.

Indeed entrepreneurial initiative has no boundaries and although this century's complicated economy does need state direction, it cannot do without the driving force of entrepreneurial activity. It is absolutely understandable from a human perspective that the initiative of an entrepreneur is awoken and stimulated by social conscience and sense of community, as well as by the desire for adequate profit for his efforts. Provided he in accordance with the state's economic order and respects the general rules of traffic, he should be appropriately rewarded.

The relevance to the German economy provides a clear example to other people, whereby the principle of achievement has become reality through a great number of laws. For example, there was the state pricing policy for public tenders. This successfully overcame the model of pricing based on prime cost which inhibits performance, managing to emphasise even more powerfully than before the principle of achievement. This was done by rewarding private initiative and giving recognition by presenting awards. The leaders of the state economy may not have been able to perfect this regulated form of competition, but on a practical level they came very close.

The objective remains to allow a particular achievement to be rewarded with an appropriate increase in profit and to stop cost wasting from taking its place. Where competition is concerned, I will do whatever I can to suppress and fight against all such signs.

This is the only way that the peak of economic development can be reached, which we strive for by combining the forces of state and entrepreneur. For this alone, will offer a secure foundation for social and political peace.

The Movement of Payments between the States and European Currency Issues

This is another problem, one whose difficulties are mostly overestimated, but which is just as clear and easily solved as the one dealt with above. We have extensive practical experiences in this field so that we are able to imagine the viability of a particular route chosen. In the European movement of payments a settlement requirement regulated between the states has been imposed in the form of multi-lateral clearings on the primitive bilateral payment method. The strict bilateral settlement, which came about as an emergency measure with the collapse of the gold standard, brought about an even more dangerous tendency of reducing commercial trade. Already today, this serious defect has been overcome by the

technology of multi-lateral payment via a central clearing point. This movement of payments still stands some way from its ideal form, but it will be possible to gradually demolish the regulations relating to the movement of goods and capital, which still exist and were created partly by the war. As soon as the exchange of goods and labour between the nations comes into play under different conditions, its success will be greater provided it is under the framework of constructive and long-term trade agreements.

Moreover, the movement of payments will be subject to such a minimum of state control that any uncontrollable, international movement of capital does not effect the planned direction.

Judging by the present conditions, the clearance system has a major weakness. If a country's imports exceed its exports, then clearing peaks start to develop, which can cause problems also for clearance under certain conditions. An oft-cited example is the clearing debt of Germany.

Firstly, the debt figure quoted is mostly higher than it actually is and this accounting mistake comes about because it is not sufficiently considered that payment dates for two-way deliveries go awry. The decisive point is this, that Germany has managed to create the victorious army with the finest soldiers and weapons in the world from its own working classes with which it will keep guard over Europe.

At negotiations about clearing peaks I have constantly stressed that it is totally wrong to treat Germany as if it is an unreliable debtor. Due to the war our import requirement has grown and will continue to do so, and our production of consumer goods for export has to be adjusted. Those are simply the consequences of war, but it will be different in peace! Our system, in itself, is in no way affected by these things and they do not prove that our system is wrong or that it does function.

Of course, long term planning in the free European economy will make clearing peaks and trade balance peaks inevitable. But those nations with a strong economic capacity will be called upon to bridge these peaks until they are offset, possibly through investment amortisation. Germany is ready to help in this way. It will be able to do so, because it will have grown and developed to such an extent that it can absorb all the European goods and its exports will be boosted enormously having secured raw materials and production facilities that have been freed from the war effort. If the threat of European wars can be banned once and for all by our final victory now, Germany will easily reach and exceed its 1913 export figure of 10 billion Marks. And in foreign trade Germany will be able to offer secure support to the nations of Europe and dispel their worries concerning their currencies' external value. Once again business on credit terms will start again and banks will find normality in export trade. Lest something fundamental is forgotten here, I have to emphasise the fact that currency stability always depends on a currency's internal value. The war inevitably causes an imbalance whereby the production of

consumer goods gets slows right down or even sometimes stops. But elsewhere, total production grows due to the huge war requirement, which causes money supply to grow. My theory is that if there is plenty of work, plenty of money will be generated. Other factors, though, are at play here. Clearly a larger nation, such as Germany has become now, needs a much larger amount of money to meet its payments. Through the war property assets and therefore capital will be converted into gold. Even gold acquires purchasing power now, which remains uncovered during the war. All nations are faced with this problem today - not just those waging war.

By the effective means of a directed economy, particularly by regulating prices, we have managed to maintain a stable currency and we will continue to do. This is the right way and one copied by other nations during the war with varying degrees of success.

Somehow price control tends to be problematic, but we in Germany had a favourable starting point. Due to National Socialism's education work we have a disciplined population, an economy aware of its responsibilities and a capable, informed and incorruptible civil service, unlike other countries, whose success will reflect the extent to which these conditions are met. The principle, however, remains the same. In the long run, there is only one alternative: either keep prices steady or face inflation.

The policy on price control is not the only means of maintaining national stability. It also needs a fair wages policy. A strict and ascetic public and private spending policy is also essential, but, above all, a reasonable control of production and sales, as well as money, credit and consumption. We manage all these factors so thoroughly that no shocks have happened. Nor will they because we realised early on what was required controlled everything with all the nation's means, in order to create order at the right time.

Financing the war of course relies heavily on taxation, which is the only way we could at last remove purchasing surpluses. On the other hand, we have always taken care to avoid overtaxing for social reasons and to preserve people's motivation. The Economic Ministry has been extremely careful about this precise point.

Money excesses should not be allowed to loiter around markets, but should be used up as credits and made available for financing the war. The huge savings increase has shown the German people's firm belief in these methods. With these means that we have developed, we have reached a rather more tricky area and I recall here the 'Iron Saving' and 'Factory Investment Credit' schemes. Just holding prices firm, though, on its own is not the solution, rather it is half of it, because the excess of purchasing power caused by the war will have to be met later by consumer goods. Otherwise the pressure on prices would be such that devaluation would soon follow the end of the war.

In Germany we have no such fear. That is because if we can produce immense quantities of goods for war use, then we are equally capable of producing consumer goods in order to catch up on what was missed during the war. This problem can be solved not only for Germany, but for all nations. Basically all that is needed is adequate labour and raw materials. After the war, workers will be automatically freed and raw materials will have been secured by the war - those to be found in east Europe and the colonies. Increasing imports and cheap labour will be a firm basis for the currencies. One should always consider this connection between currency stability and additional raw material acquisition and availability of labour. The person who realises it will have no fear of a threat to our money.

Furthermore, there will be even more of an unburdening. In these newly acquired areas, mines will be set in motion, large industrial plants operated, areas of land will be available in certain areas for settlement, trade will find major development opportunities and much more. The right thing will be basically to leave most of these tasks to private initiative. All European nations have easily enough capital for this today. There is no doubt about Europe's will to invest. Good yields will be there to be enjoyed.

The significance in currency and political terms is that these aforementioned excesses can be diverted into savings accounts, whose gains will have started to become apparent event during the war. After it, they will help to bring a recovery to Europe's economies and their currencies. Economic recovery here will be the foundations for the restoration of international currencies. A sensible control of export would also work on this principle.

It will be no easy task to create a balance between the currencies of Europe, which have suffered due to the war, and then to do so in relation to those outside Europe. The only way is to establish order in the economies and thus for the internal values of their currencies. Then external values can strengthen by bringing about co-operation in economic policy. No solution is to be found in gold automatism. We, in Germany, will certainly not try the so-called gold currency, which lost all significance after the last World War. In fact, it could subject our economy to uncontrollable international influences and become misused as a way of groups intent on suppressing political power. Other European nations will not close their eyes to this fact and benefit from it.

Of course, we recognise that gold as a commodity can help to offset peaks in international trade and I often repeat that gold in itself is neither good nor bad, it just depends on how it is used.

Nor are we against healthy trade with overseas nations. Even if in our own colonies we had all the important raw material available to us, we could still calculate some advantage to be gained from buying elsewhere more cheaply or through lower transport costs. The one thing we will certainly avoid is the old style

of the world economy. We know only too well how this model is dependent on an open or veiled Anglo-American world domination and that it is synonymous with inconsiderate exploitation of the German people and political impotence. By creating a European economic bloc, we want to protect ourselves from this system.

Securing the Area and Economy of Europe

Two pre-conditions need to be examined here that have more to do than just with economics. They relate more to the political and ethical arena in which a fruitful and lasting European economic community can be established.

The first one is securing the area and economy of Europe, which is where we find ourselves today. Last year, though, we made a good step forward: for the first time in history, the peoples of Europe (with few exceptions) showed exemplary solidarity by resisting the biggest threat to their life and culture. Most economies of Europe had to be controlled in a highly uniform manner and furthermore their sons fought shoulder to shoulder for the same cause. This is clearly a political success and a type that our enemies cannot beat or even match.

I wish to emphasise this explicitly because recently the English and more so the Americans are turning out grotesque propaganda about their alleged superiority. Therefore I want to tackle things critically again with you.

The Leader said in one of his latest speeches:

When you read in the paper about the huge plans of other nations and you hear of the billions being talked about, just remember these words:

1. We too have a whole content that we can put into service.

2. We talk about workers, not about capital, and we will employ every one of them.

3. Just because we do not talk about it, does not mean that we stand still.

What the Leader was saying with regard to enemy propaganda has already happened to an extent, which must astonish the person who has long had the American disease of being swept along by record figures.

We know that the Americans are supposed to have the biggest, the best, the widest, the longest, the fastest etc. President Roosevelt has over promised on all these. Moreover, he had strong reasons for doing so, since he had to offer his people something while he announced a huge tax increase at the same time. At last, he also had to offer some consolation for the painful losses wrought on the USA by the sudden Japanese strikes at Pearl Harbour. Then he quoted figures about everything the USA could produce in the future. Basically, these figures are

ridiculous to a specialist, let alone to any competent observer. He reckoned it was barely possible for the public to get access to precise information about the production capabilities in the USA. Also the thought that it would be even more difficult to draw comparisons with our production power because a veil is drawn over the production of every war material. Mr. Roosevelt believed it to be easier to deceive a nation whose very religion contains the belief in the superiority of their own ability to produce and whose belief was they should spread this myth around the world. Even Mr. Churchill lives and breathes this myth. For European people who are able to think, there are happily some bright factors with which to judge those persuasive figures, which President Roosevelt indulges in.

The Will for Co-operation in the Economic Community

The second of the two preconditions I mentioned for a lasting economic unity was an ethical one. The will to achieve European co-operation, as is presently being seen in the war conditions, has to be the leading thought of economic philosophy, even in peacetime. This requires a constant effort to grasp the big objectives and tasks and adapt to them, and a willingness to subjugate personal interests when necessary to those of the European community. That is the ultimate goal that we demand of the European nations and that we strive for. There will be victims here and there but the end result will benefit all the peoples of Europe.

Unlike England, our concern is not to make our trading partners as weak as we can - quite the opposite. Not only to we pay the costs for their agricultural development in the form of higher prices, but we also promote equally a reasonable degree of industrialisation, even if it appears we are creating new competitors. That is only how it seems. You see, we know that an industry creates a need for investment that is temporary, but which gives rise to new needs, improves the overall standard of living and therefore benefits our economy.

This kind of economic philosophy requires a social conscience and the people of Europe can and must demand an awareness of social responsibility from their leaders so that they bring about a new economic order.

The new European economy's first task will be to fulfil their social duties. This war is not just about a new economic order, it is the scene of a social revolution. From the noblest blood spilt, a better social order for life in Europe will and must grow.

Pamphlet #02

Developments towards the European Economic Community

by Dr. Horst Jecht, Professor at the Berlin School of Economics

The European Economic Community and its Enlargement

Europe is about to gain economic unity and independence as a result of fighting this war. My task is to demonstrate the historic development which has led to the present position over the past thousand years or so, which we probably all agree is the turning point in Europe's fate. It could actually appear as if the magnitude and singularity of the decision being faced make such deliberations unnecessary. But to appreciate the special situation today one has to understand the past and this applies to the European economic community.

Its concept is expressed in the creation of an enlarged economic community. Even with a retrospective look at things, we need to demonstrate whether and how such an enlarged economic community has existed before in European history. I consciously use a word here, which is freely used in modern literature and bears a truly undefined character, in order to draw on notions familiar to us. Firstly, though, I want to describe where I find the identity of such an enlarged economic area.

Managing any economy requires the availability of room to form a basis. The nature and characteristics of that area, its abundance of agricultural and mineral products and its transport situation are as influential as the effects of economic activity on the formation of economic life. We can talk about economic landscapes in regard to the close relationship between economy and room, in the sense of a uniform creation of an economic life in a defined geographical area. The term 'enlarged economic area' we understand to mean the combination of economic processes over a wide area of the world, which go to create this advanced form of economic unity. In figurative terms then, the formation of economic entities in an area, which differ significantly from other economic ones.

Two things are necessary for the creation of such a uniform economic area. Firstly, a certain degree of economic integration within a given area. Put another way, the way in which it has governed its economic life for hundreds and thousands of years has to be overthrown and has to be left behind. Secondly, a certain unity of political order, in particular, has to bring together all economic features of this area. This does not mean in every case the subjection to the uniform, single will of the state. Such communal order is quite possible in the form of voluntary co-operation between independent nations while recognising the political leadership of one people and state whether Europe has ever created, is creating or will ever create an economic area, is only now becoming a hotly debated issue.

The Problem of the European Economic Area in Late Antiquity and the Middle Ages

Let us start our consideration at the point where, for the first time in European history, a truly significant economic area, in the way we understand one, was seen. This was in the time of Late Antiquity in the Mediterranean area. The Roman Empire of the first centuries of our chronology represents an enlarged economic area which spanned far and wide and generated a significant amount of economic traffic, stretching from the Atlantic Ocean to the Black Sea, from North Africa to the north of the British Isles. The various parts were held together by a high degree of free trade and political unity of the Roman state. This area was self-sufficient in all of the important basic commodities and stood only loosely connected to the other areas known then, particularly the ancient civilizations of India and China, central Africa, Northern and Eastern Europe. The intensity and extent of economic activity in the Roman Empire of the first few centuries remained constant and of such a nature that one can already mention the term European economic area. Not Europe, rather the region of the Mediterranean basin which includes important areas of the north-east and North Africa, was brought together into the framework of the Roman Empire. Even from the 4th century AD, long before the collapse of the western Roman Empire, this Mediterranean economic form had started to decay, as autonomy became granted to the various regions and a natural economic way of living was reverted to more and more.

The historical nature of the so-called Middle Ages is seen as different as the areas of central and Western Europe lose their characters as peripheral zones and start to assume influence over European development politically, economically and culturally. This is the first time one can talk of a 'European' economic history.

Politically, the basis for the formation of a uniform economic area up to the High Middle Ages was not favourable at all. The Carolingian Empire gave powerful expression to the idea of unity in large areas of Europe, as it was then, and even the entire Christian Occident. The German Empire, though, restricted to an immediate region over the centre of Europe (Germany and Italy), assumed political leadership of the Occident even in its hey-day.

But in these centuries of uniform political European order, the preconditions for a closer economic consideration were not yet met. As recent research has revealed, important vestiges of a barter and transport economy have been preserved, particularly in the western and southern regions of Europe. However, they lacked the strength to alter significantly the mainly parochial and inconsistent character of economic life.

It is not possible to talk of an intensive economic integration of large areas of Europe then until after the crusade movement had started and the spread of urban settlements and economic entities. At the same time, political unity in Europe

started to fall apart. The whole European order that had existed crumbled with the split of Germany and Italy after the later Staufer period and the recent internal disintegration of the empire. The following centuries see the arrival firstly from the West, in this political vacuum, of new and independent bodies of the developing nation system of Europe, which to the present day have formed the biggest obstacle to a European economic community.

In these centuries of gradual decay of the old political order and of the first, though faltering, beginning of the new nation system we see in the north and south of Europe, the golden age of two trade and transport systems over a wide area which in no way represent a pan-European economic order. Yet they serve our interest today as attempts at an economic area formation in particular areas of Europe.

The Italian cities, first of all, drew rich benefits from the intensification of trade with the east as a result of the Crusades. These cities became the supporters of the important global trade in products such as spices, silk, etc. from the Near and Far East. Venice rose to become the richest city in Europe at that time. The area around the eastern Mediterranean hitherto ruled by Arabs and the Byzantine became part of the Italian cities' trade and economic area in the late Middle Ages. These cities incorporated the areas both commercially and to an extent politically into their area of rule with the help of a disparate system of trade colonies.

Under German leadership in the area north of the Alps, a similarly intensive trade and transport network developed. On the one hand, it was already engaged in intensive trade with northern Italy due to the trade with the East, but its real activity and lasting historical achievement reaches in to the east of Europe. The areas furthest to the east were connected to the European economic culture for the first time. It was then that people settled again in areas of east Germany and, which became incorporated into the system of trade governed by the cities. The German businessman then reached further beyond his borders into Poland and Russia.

It is necessary, in this regard, to recall the special achievements of the Hanseatic cities. This alliance of northern German cities shows most impressively what the German entrepreneurial spirit is capable of achieving where large areas are brought together into an economic entity. The boundaries of the Hanseatic area were marked by Novogorod in the east, Bergen in the north, Brugge and London in the west and its centre in the Baltic area was in Lübeck. Its economic function was to bring together those countries in east Europe bearing surpluses of raw materials and cereals and the commercial areas of Flanders, France and western Germany. It will be difficult to appreciate the achievements of the Hanseatic League if one only considers its raison d'être in the commercial field as a trading monopoly. Rather the Hanseatic businessman encouraged and organised production in those countries with which he traded. Moreover, he was the supplier and disseminator of German culture - a coloniser in the best sense of the word. All that through the peaceful means of trading. No foreign lives were lost, as happened when the colonial policy

of the western Europeans, especially Great Britain, entailed both political and military subjugation.

Recent Changes to the Problem of the Area of Europe

The dawning of the modern age, bringing with it a multitude of far reaching changes, led the economic life of Europe gradually but inexorably down new avenues. In relation to our problems, one can speak of almost a revolution taking place at that time in the way areas for living were regarded. This was most clearly expressed by the extension of the natural scientific world following the great voyages of discovery. Equally important are the effects of the changed idea about living area both in terms of nation and economy. There were three major changes:

1. The formation of the European nations into a geographically defined area both in a political and economic sense.

2. The development of a transport system from a European one into an inter-continental one.

3. The growth of the British Isles into a predominantly sea power and the related, so-called free, world economy.

The Formation of the Nations and Independent Economies

Now to the formation of the world of the European nations! Here we are talking about the internal and external sovereign power structure, which had determined European history to the present today. The process of change has decisive importance for the continuation of economic development. The traditional system of a pan-nation and supra-nation economic organisation, as embodied by the Hanseatic League, can no longer be reconciled with the will for independence of the new nations. The clash with governmental power led to the loss of the most important foreign trade privileges, as was the case with the Hanseatic League. This process was seen most clearly in the suppression of German businessmen in London. In 1598 we finally see the closure of the Stal Court, one of the most important Hanseatic bases in London.

The shaping of economic life - the other side to this development - now comes from the state. Just as it put the army and civil service into service in order to achieve its political ends, so it did also with the economy. Economic life in Europe breaks down into a row of adjacent, but independent economic bodies, just as happened in the political arena. This position should not be understood as complete autarchy for this ‘mercantile’ state framework. Trade between nations now starts to intensify and a hostile attitude in the economic field becomes decisive, turning into what we call the on-going economic war, which continued at that time between the individual powers. The trade policy of the time also represents the continuation of war by other means. The decisive factor in all this is

that an all-embracing principle of order is missing from the relationships between the economies of Europe.

Overseas Expansion and its Consequences for Europe

At the same time as this development of adjacent governmental economic bodies, we see the second fundamental change, which is the development of inter-continental trade transport. Its foundation lies in the expansion of the European economy overseas following the discovery of America and new sea routes. In relation to this economic and mainly political conquest of overseas territories, the term 'europeanisation of the world' has been coined. The equilibrium, which previously existed between the continents, seemed to be displaced by European superiority. In reality, this rarely peaceful exploitation of the world had nothing to do with a common European process, such as the Crusades, which were, in a way, an expression of a certain European solidarity. Rather it was all about the isolated and egotistical action of individual European powers. The fiercest wars were waged in order to gain possession of the colonies. One can say that all the important European wars in that century were simply the European analogy of these battles to divide up the world. One after another, the two nations of the Iberian peninsular, then Holland, France and finally the eventual victor Great Britain rose up from these wars as leading colonial powers. Both in war and peace the individual nations watched this exploitation of the colonies full of distrust and enmity, which were bent on gaining a trade monopoly with its colonies. The colonial powers' relations with overseas areas grew more important than their relations within Europe.

This only applies, though, to the leading Atlantic powers in Western Europe. A parallel to this development is the nascent expansion of Russia towards Siberia and on to the Pacific, thereby confirming its identity as a half-Asian power. Middle Europe, on the other hand, at first had no share in this economic exploitation of the world due to political weakness and in spite of being the natural centre point of the continent in the Middle Ages. Moreover, she was dealt a hefty setback by the competition from the new overseas countries. Our linen industry is a well known example, which used to be the most important export industry in early times and whose collapse was finally sealed by the advance of foreign cotton. The outbreak of World War I meant changes to production, as well as consumption. In southern Europe those nations that had been based on rice, cotton and sugar production since the Middle Ages fell victim to competition from western India. Italy's economic regression, caused by the change in sea routes, accelerated by the shift of production overseas.

Overall this extension of inter-continental trade, which started after the modern age, represents a process for Europe that demolishes the traditional European economic order and strengthens the development that arose from the formation of the nations of Europe. The 19th century, especially the middle part of it, only brought to an end what has started in the previous centuries. This age has been called 'The Age of

the Global Economy' when attempting to experience again a late hey-day in the years between 1925 and 1929. During this time economic relations between continents reached their peak. European trade especially between the developed industrial nations of western and central Europe increased considerably, none moreso than in the direction of the outer regions of Europe. The title used (Age of the World Economy) is justified when one considers the profound change in economic relations between Europe and overseas.

On the one hand, western and central Europe only now attain that technical superiority that transforms it the world's workshop. On the other, at the same time it meant that Europe became dependent on imports from overseas regions, more than ever before in the past. Until the 19th century European imports consisted of goods from the colonies i.e. precious metals and then, as far as eastern Asia is concerned, commercially produced luxury goods i.e. goods that are not essential for living. Where food and raw material supply is concerned, though, the European nations, at least the largest ones, were self sufficient until the start of the 19th century. For the nations in western and central Europe, imports of food and raw materials start to grow from this point, upon which a strong dependence on imports from overseas develops. This development ends up with production of food and raw materials in the agricultural regions of eastern and central Europe falling to a very low level. All those reserves and opportunities available to Europe go almost totally unused. This is a further sign of the continued decline of the European economic community.

The Release of England from the Continent and the Formation of the "Free Global Economy"

This recent transformation only becomes complete with the third change, which I earlier described as fundamental, and that is the special development undergone by the British Isles at time. Until then they had not become the predominantly maritime power that they are today despite their insular position, one whose land extends far into overseas territories. The big difference between the British Isles and the nations of continental Europe (even those with large overseas colonies) only becomes apparent now. Despite the latter's increasingly important economies outside Europe, they never lost their identity as European land powers. As if proof for this was needed, it can be seen in 1940 when Marshall Petin refused to relocate the French government to a place outside Europe. We can recall, in contrast to this, various deliberations on the part of the English concerning a shift of the core of the British Empire to an overseas location.

The foundation for this remarkable development of England was laid back in the period between the 16th and 18th centuries where maritime superiority was gained and a global colonial empire acquired. By the end of this period, countries outside European accounted for 40% of England's export trade. This development continued until World War I. In 1913 these countries accounted for 56% and 65%

of England's imports and exports respectively. Foreign capital investment levels in these countries also started to grow significantly.

Since modern times England's economy has developed more and more away from Europe and not only during the period of English free trade. It became even more pronounced when there was protection and closer economic and political union with the nations of the Empire, particularly at the time of the Ottawa agreements of 1932. British trade became even more concentrated overseas and, like the figure of 1913, in 1937 British exports outside Europe reached 64%. Hence the shift away from Europe of its imported goods and in 1937 67% of its imports came from outside Europe. Let us look at, above all, the effect of the preferential treatment given to the nations of the Empire regarding supplies of raw materials and foodstuffs. Because the basis of England's foreign trade was linked to its traditional economic and political considerations and to the primacy of the nations of the Empire, she is incapable of absorbing the surpluses of the agricultural areas of Europe especially the south-east. Large purchase orders made in more recent years were only intended to damage Germany and not to meet any real demand.

England's re-orientation to overseas is significant not just because it led to an increasing estrangement from the European continent. More importantly, British economic theory became more singular as it lacked any real parameters. Furthermore, it grew to become the prevailing ideology of the world economy while under British rule. Its most notable feature was its lack of attachment to any defined economic area, unlike that of the powers of this continent, which was previously taken for granted. In the development of economic political ideologies lies the same difference between the ideas of the British Isles, which had no boundaries, and the geographically defined views of continental Europe's powers. Carl Schmidt described this difference as decisive for the history of legal theory.

Let us now shed light on those principles, which had a determining effect on the world economy that stood until then under English control. The precept of free trade shaped the external economy in a way, which rode over all the natural factors of the individual areas of the world. In this regard, it was a useful principle for an island which continued to dispense with any real territorial foundation, unlike for the large powers in continental Europe. England's transition to free trade only happened around the middle of the 19th century after it attained industrial supremacy. Even the most favoured nation clause (generally recognised as the basis for foreign economic relations in the age of Liberalism) originates from the reservoir of Britain's boundary-less theories. What it did was to make it impossible to conclude regional economic agreements designed to create a closer economic union between powers bound geographically together, thus making all economic and political partners equal. The fact that the use of gold led to similar consequences in terms of currency and politics can only be briefly referred to here.

All these principles are nothing other than an expression of the peculiar British solution and mentality. One can only conclude with amazement how skilfully

British policy understood the way to convince other countries of the universal validity of these typically British principles. Friedrich List's works contained the occasional remark about this, saying that the English sent a copy of Adam Smith's book with every export consignment, which became the bible of free trade for that whole period. That is not supposed to be taken literally but it accurately describes the relationship between free trade ideology and where British interests lay. Appearing to represent so-called general human principles of the free economy concealed England's real ambition, which was to prevent any coalition in Europe. The aim was to ensure Europe's economic and political fragmentation and to keep its individual nations dependent on essential goods imported from overseas. It is possible that the blockade, Britain's most effective weapon during the war, lost its effectiveness as the economic unit of Europe of grew.

The parallel of the theory of European equilibrium, which actually was not a discovery made by British policy, is clear. Yet it is extremely interesting to read what the influential English geographer, Mackinder (from whose school many British diplomats came) said back in 1904 about England's attitude to Europe. To him, Europe was like a 'hall of mirrors' wedged in between the powers of the British Isles and the then Russian Tsardom and whose fate it was to be dragged back and forth between the thieves of the land and the sea. To prevent itself from one day being pushed off the continent and into the sea, England's interest lay in keeping this area as weak as possible. A truly illuminating remark referring to the present moment.

Europe's Economic New Order: The Present Task

We have studied the three fundamental changes, which have prevented the formation of an economic area in Europe since the start of modern times and furthermore have led Europe away from the aim of a true economic community. Only from this historical background is it possible to appreciate the significance of the economic new order of Europe, which has taken place over the last few years at almost breathtaking pace.

Collapse of the Previous World Economy

The starting point is the collapse of the old model for the world economy. After the short episode of superiority of the liberal trade policy, important nations had renounced free trade since the 60's and 70's and embraced industrial protectionism. The progressing industrialisation of the old agricultural and raw material bearing countries at about the turn of the century allowed the seed of doubt to grow among the old industrial nations of Europe in the future prospect for the hitherto global economic division of labour. In addition, references were made especially in Germany to the threat of being cut off from imports of raw materials and food in the event of a war. This became a reality over the course of this world war.

One can conclude, in retrospect, that in 1914 the old world economy finally collapsed despite some late attempts to revive it. The world war promoted the ambitions of the overseas nations, on the one hand, with the continued suppression of exports of industrial goods by important European nations. On the other hand, in Europe it led to economic difficulties following the partitioning of land by the Treaty of Versailles and following the excessive protectionism of the new successor states. Its lifting and the subsequent return to the principles of free trade proved to be politically impossible. The biggest setback for the rules of the old system was the setting of the German reparation payments. Before the war Germany was a creditor nation without equal but was robbed of almost its entire overseas investments. Not only that, but it was turned into a debtor nation forced to pay reparations and denied the possibility of exporting to the creditor nations, particularly the USA, who were not willing to open up their market to imports. It is known that this contradiction was covered for a while by American credits, thus giving the impression of the resurrection of the old world economy. This 'bridging' was, however, not possible in the long term and one will be able to say that a totally hollow system folded as soon as the global economic crisis occurred.

We now stand at the threshold of a new period in the history of the world economy. It is identified by the efforts of numerous nations to grasp their own economic fate regardless of the position in the world's economic trade cycle. Quite logically the aim of creating a better balance among the various local economic branches is combined with these tendencies to form an 'autonomous trade cycle policy'. Other aims are an increase in output for the agricultural economy and for the production of industrial raw materials in the old European industrial nations, and a further extension of their own industry. These effects can be partly achieved by a reduction in the agricultural surpluses in the overseas countries. This policy is most strongly expressed in the axis countries of Germany and Italy. Their special geographical position and moreso their experiences during the world war and during the sanctions where they were denied access to world markets must have made the need to raise their self sufficiency status seem an urgent requirement. Behind these efforts stands a definite, political will, one intent on gaining greater economic independence!

All these efforts have nothing at all to do with insularity in the sense of total self-sufficiency. For many reasons this is just impossible and even if it were possible, it would go against the founding aim of stronger economic powers following the increasing limitation of workers and capital and the subsequent impoverishment. This is the real starting point of the new theory on enlarged living areas. If division of labour ceases to be possible in the future in the same way, then it is going to be necessary to concentrate on encouraging economic co-operation with the surrounding countries.

Means and Objectives of the European Economic Community

This now raises the question of the new order for Europe in the economic field. Here on the European continent with its numerous small nations, its dense population and the heavy industrialisation of the central and western areas, it must have seemed unbearable to consider a continuation of the traditional border duties around each nation. It stands in direct contradiction to the demand for an extension of commercial markets, as is now the case with the present day requirements related to technical production. References are repeatedly made to the parallels between today's European situation and that of Germany before the formation of the customs union. One hundred years ago it produced a solution to an untenable situation, created the conditions for the industrialisation of Germany nascent at the time and above all, turned Germany into an economic entity equal to any western European country. One should remember though today that it was the same Friedrich List, who in his early days was one of the most important proponents of the political unification of Germany, who passionately dreamt of a plan for the extension of the customs union to become an economic alliance of central European countries, including in particular Hungary and the Balkan nations. He is the spiritual ancestor of all the recent plans for a 'Central Europe' as well as the failed plan for an Austro-German customs union in 1931 and the unrealised plans for a finalisation of preferential agreements with Hungary and Romania. If he limited his proposals to the economic coalition of Central Europe, this was just the result of the prevailing political situation, which must have made a pan-European solution seem impossible.

The political situation of Europe today is ready for greater control on account of the military successes of Germany and the pressure applied through the British blockade. If a special role falls to Germany in this new order, then it will simply be to recreate a natural situation whereby Europe's natural focus is the centre of the continent, which is then strengthened by the arrival of Italy as the second Axis power. It is not only due to its central location, but also Germany's external economic structure, making it the absolute antithesis of England, that makes it perfectly suitable for the role. 54% and 75% of Germany's imports and exports respectively were with Europe in 1913. This facet of Germany's external economy developed further up to the next world war, particularly following the import switch to areas away from the blockade in south east Europe. Over 50% of the Reich's imports and exports were with the nations of south-east Europe at the outbreak of the war. From that point, the tendency developed even more quickly.

But even after the re-introduction of peace, the German Reich with its 10m plus inhabitants will be capable of absorbing the surplus production of the agricultural regions of Europe, taking into account the present yield increases, without being restricted - like England - by export interests with the dominion. Germany is able with its very wide range of industrial products to meet all the requirements of the countries of Europe where industrial goods are concerned. None more so with the predicted growth in demand for machinery and other means of industrial

manufacture, which will serve to create new industrial entities in the hitherto predominantly agricultural regions of Europe. Germany is just as interested in such industrialisation as those countries concerned, because this is the only way that purchasing power can be increased - an essential foundation for the creation of trade relations and the raising of the standard of living for the population of Europe. The country of Friedrich List would be untrue to itself if it did no show understanding for the industrial development aspirations of other nations.

As with the case of Anglo-European relations, it would be wrong to justify this spreading economic new order of Europe with figures to do with the mutual economic involvement. What is decisive is that the new means of attaining European economic co-operation have become clearly visible in more recent developments, which is fundamentally different from the means used in trade. The fact that it is nothing to do with a customs or currency union in the foreseeable future has been frequently stressed by influential figures. Furthermore, political perspectives argue against any far-reaching standardisation. There is the respect to be accorded to the desire for independence of the nations concerned. The most important means of attaining European co-operation will in future be through the signing of long term economic treaties.

Unlike the trade treaties signed in the liberal age, these would not limit themselves to a general control of trade, particularly regarding duty questions. Instead they would rather have influence over the economic structure of those nations bound to the treaty in the sense of a mutual objective. The German-Romanian economic treaty of 1939 remains a valid example of this. In 1940 this was extended into a 10-year plan, which in January 1942 was brought to completion by an additional agreement. These treaties control not only the type and amount of goods to be exchanged, they also provide for the setting up of a production programme based on the needs of the two countries. Romania would gain in particular from the assistance of the German economy in developing its agriculture, oil drilling and industry. A credit worth 600m reichsmark granted by Germany will enable this programme to be carried through. This system of economic control, which has been successfully tested in Germany, will convert into a future co-operation in Europe thanks to such economic treaties - that is the significant point in these proceedings. Even the inter-state trade with its decisive significance for the predominantly agricultural nations and the fate of their largest social classes will no longer be exposed to the vagaries of the free market. Instead everything will be thought out and controlled according to a carefully laid plan.

Outlook

During these years of war, the new economic Europe will be born as a community sharing one destiny in the same way as a new political solidarity among the powers of Europe, which transcended all traditional grudges, set out to fight Bolshevism. The common need, created as it was by the pressure of the British blockade, is hastening the coalition of the countries of Europe, in fact more quickly the longer

the war goes on. Europe will remain an independent economic area even after the war and the present state of emergency has been called off. This will happen because the people of Europe will not want to subject themselves to the stranglehold of the British blockade and the present development of the other large economic areas leaves Europe with absolutely no other option than to assert its own existence by developing its own economic resources. On the other hand, it can be seen today that the discovery of barely used reserves of raw materials and food in east Europe will make it possible to be self-sufficient in all the essential things.

Europe's attitude towards the rest of the world therefore changes. The new Europe will turn towards the eastern parts of the continent and away from overseas. In future there will be a far greater commercial traffic between the various economic areas. Due to its geographical requirements, Europe is dependent on this kind of economic trans-continental integration. Its varied coastline and wealth of ports also play a role. This intercontinental economic traffic will be fundamentally different to the previous one. It will not be an exchange of essential goods, the blockading of which jeopardizes independence, but it will be an exchange of products that enhance life - products from tropical areas, industrial surpluses etc. Due to its manufacturing quality, Europe will play an important future role in the new world economy.

Spiritual powers are a decisive factor for humans in the economy. One could even suggest that managing an economy represents a spiritual task. Seen this way, the creation of a European economic area that is immune to europhobic influences and relies on the co-operation of its people, also represents an act of European self-determination. Only on the foundation of such a European economic area can Europe really win the battle against Bolshevism and Americanism. This is the battle presently being waged and the spiritual one of the future.

Pamphlet #03

European Agriculture
by Dr. Emil Woermann, Professor at the University of Halle

Individual countries are increasingly becoming aware that the efforts by Germany and Italy to achieve self-sufficiency in essential foodstuffs will have to be extended across much of the European area. The questions being asked how to achieve this aim are many and varied. It is therefore my task to shine some light on the European food problem through the last decades and to describe the present and future duties and developmental possibilities in broad outline. It is not possible here, though, to expand on the extent of this multifaceted problem and to go into technical details. We will instead look at the matter as a whole and try to point out the individual processes and measures in relation to the whole question.

The Development of Agricultural Enterprises and the Structure of Europe's Food Economy

The situation at the outbreak of this war was the result of a long process being driven forwards by a economic boom, far reaching agricultural and breeding progress and technological advances, which had sometimes been slowed down or even held back by events related to the war or to economic crises.

The central event of the last three generations was the dramatic increase in population and the consequent urbanisation of people. Since the middle of the last century the population of Europe has almost doubled. Previous to that, it took a millennium to achieve such an increase and was made possible by biological and economic development over just two generations - this is without parallel in history. Equally unparalleled was the industrial development over the same period, whose inception was long ago but whose results will only be known at the end of the 20th century.

If such an industrial boom did take place, it was accompanied by far reaching changes in the division of labour and the way in which the population fed itself. Both processes are of great significance from now on, not only for the entire social structure, but also for agricultural development and the food economy in most countries. Urban and industrial centres attracted surplus inhabitants, so that numbers of people in rural areas generally stayed the same. Thus the percentage of this part of the population grew smaller and it is a process that still goes on in individual countries, especially Germany. The demographic effects cannot be overstated.

One can roughly estimate that even at the start of the 19th century almost a fifth of Europe's population lived in the countryside, was employed in agriculture or agriculture-related work. In Germany and Belgium the figure is now a quarter; in

Holland, Denmark, Norway and Sweden just a third; in France and Italy around a half and in the

overpopulated, agricultural nations of south Europe almost four-fifths of the whole population. Thus there were pressing concerns about the preservation of a minority and various attempts to relieve the overpopulation of the flat land and to increase the low work productivity by increasing field yields.

These population structure differences and the division of labour among the employed are a reflection of the industrial production sites, which are concentrated in central Europe, namely down from the North Sea over central Germany, up to the edge of the Carpathian mountains. The areas right on the periphery of this area are of a predominantly agricultural character.

The people in the industrial countries were faced with the task of providing not only a constantly growing population with essential foodstuffs and agricultural raw materials, but also satisfying increasing demands for higher product quality. Along with the population increase and the social changes came the well-known changes in eating habits. These has not been any other process, which has so influenced the direction of agricultural production and the whole structure of the European food economy, than the shift in human eating habits from vegetable to animal products.

The pressure created by the population increase and higher consumption demanded that European countries grow cultivated crops that produce higher gross yields and also the highest food yields. This was true for the majority of root crops: potatoes, sugar beet and the other important types of vegetable. Root crops and vegetables require more work and fertiliser than the various types of cereals, just as these do more than green fodder and pastureland. The increased level of work, however, leads to higher yields which only much later are subject to the effects of the law of diminishing yield returns. Firstly it was the mills supplying textiles, shepherding and cotton growing farms etc. which moved to other areas. Shepherding, which needs large pasture areas and reached its peak in the 1860's has dwindled to a tenth of its earlier level. It was really since cotton took root in the undiscovered areas of America that shepherding moved away to the steppes of Argentina, Australia and South Africa. This was the start of cotton competing with wool. From these countries large amounts of raw material flowed into Europe where the textile industry and heavy industry were the focal point of industrial development.

A similar thing happened to the growing of trees, which entails a relatively high amount of manual work and is less suitable for mechanisation or, to be more precise, was less suitable than cultivated crops as technology stood at that time. Thus it moved to regions where land was cheap and labour costs low, to eastern Europe and Russia which still supply a large part of the total world production.

The development is different, at least in parts of countries, for the three most important commodities for human nutrition: cereals, meat and fat. Europe could

generally supply itself to the extent that the individual countries made crop production the main priority in the formation of their trade and agricultural policies, thus mobilising the means of production of their own land. They wanted to keep as far as possible the production of bread and animal production in their own country. However, this latter aim was not achieved in most countries.

Just as a point, Great Britain converted to total free trade soon after the Napoleonic Wars due to their feeling of absolute maritime superiority and abandoned its agriculture for 'extensivisation'. As a result, its source of food was moved increasingly outside its borders. Firstly England took the available surpluses of cereal in Europe, refined animal products and wool, until the demand from those countries of origin were able to absorb these surpluses themselves. Then food and raw material supply moved increasingly to occupied areas overseas. After their virgin agricultural areas were inhabited and developed, they were exposed more and more to world trade. The agricultural economies of Denmark and Holland embraced division of labour and were used to supply the English food economy to the extent where those countries imported large amounts of cereals and foodstuffs and then sent the valuable end products gained from livestock-holding and dairies to the English market. The final result in the years preceding the outbreak of war was that England's importation just of bread cereal and animal feed was 10-11m tons more the import surplus of the whole of Europe. Great Britain also had a larger supply need of the important food types than the whole of Europe. The import surplus of sugar was 2m tons, meat 1.5m tons and fat 0.8m tons. Calculated in terms of calories, England accounted for 20% of all food consumption.

The German agricultural economy was able to keep pace the longest with growing demand for food by increasing its agricultural production. Nevertheless its varying agricultural policy at times lacked some important conditions for an intensivisation of production. All the same, the agricultural duty policy was generally structured in such a way that the influence of the world market on the price of German bread grain was greatly reduced. The duties for bread grain relative to those for animal products were much lower, but they were effective enough in conjunction with veterinary measures to keep imports in proportion to total consumption. The only gap in the German duty tariff then was the low duty for animal feed cereal and the zero rating for protein foodstuffs. It was a gap through which the huge amounts of animal feed cereals flowed into central Europe mainly from Russia before 1914. This was to support not only Denmark's livestock economy but also Germany's growing stock of cattle, after it no longer became possible for its own production to keep pace.

Due to this varied agricultural and trade structure, Germany's land and food economy embarked on its famous course. After the great agricultural reforms, which meant the farming economies were freed from feudalism and individuals were able use their own energy, the fields of the most important types of food could be extended and their yields considerably raised. Important pioneering work for the cultivation of sandy soil was achieved by the use of fertilisers and forage plants.

They introduced arable land to our heath areas together with the potato and made large parts of eastern Germany with its light soil cultivatable. Then commercial fertilisers were used to increase the soil's fertility and eventually made effective the planned growing of cereals, potatoes and sugar beet. Equipped with these aids and great technological ability, Germany's agricultural economy after 1885 could not only keep pace with its growing population, but it significantly increased its per capita production of food. It has been an amazing achievement to increase the yield of foodstuffs made on German soil by almost 70% since the formation of the Reich, despite the increasing flight from the countryside.

Germany's agriculture even proved itself to be a match for the second change in eating habits which was the turn towards the consumption of animal products, as it doubled its cattle stock and meat production over four decades. Moreover cattle rearing exceeded the capacity of the neglected animal feed economy, so dependence of imported produce started to grow. That is not all! As the increase in demand could not be covered by the supply of meat and fat, in addition to foreign feed, the following produce had to be imported: oil seed for the production of vegetable oil, lard, butter, eggs and dairy produce of all kinds. The national task, therefore, to produce locally the minimum subsistence level remained unresolved initially. Over the last three years prior to the First World War (1914-1918) around one fifth of all wheat, one third of concentrated feed for Germany's livestock and almost one half of all cooking oil consumed was imported.

As a result of the division of labour, the Danish and Dutch agriculture, with a greatly extended refining industry, filled the gap to supply animal products for England and Germany - the former's supply being large, the latter's small.

Both of these nations were powerful, industrial nations with high levels of consumption, facing the sea, with small raw material resources, a free trade policy and an open farming sector, but they could match the competition in cereal production from the newly opened overseas territories. They shifted the focus of agricultural production to livestock rearing, the valuable products of which, firstly at least, were away from the triumphant competition presented by overseas trade on a mass scale.

First of all, it was cattle rearing and the dairy economy, which took off quickly in both countries. Then followed swine-mast as bacon production intended for the English market, finally hen rearing and egg production became widespread. This powerful and unique refining apparatus was not only born by locally produced feed, by it had to be supplemented increasingly by imported cereal and feed. This despite a thorough intensivisation in its own feed production and the fact that they soon had the highest yields in cereal and feed root crops of all the European countries.

International division of labour affected both countries - but in a different way. Animal feeding did not only limit itself to cereal feed, but it also included

significant parts of the bread cereals harvest, in order to use the proceeds from the resultant and exported products to import high grade bakery wheat from overseas. From time to time, Holland deliberately reined in the production of bread cereals, in order to make the freed up areas available for the production of vegetables and export-bound horticultural produce. Finally both countries preferred to consume margarine in spite of their butter surpluses and in this respect exceeded all other European nations.

That is how Denmark and Holland could rise to become leading exporters of refined produce, supported by an extended co-operative system and by dint of its standardized products, even before the war. But one can see easily that the achievements in animal production in Denmark were based then, just as they are today, on only about three quarters of the total of feed coming from local production - in Holland a little over one half.

Belgium assumes a special position in the scheme of food economies. It had a dense population structure among the European countries not taking into account the colonial areas since it became industrialised early on. As a result, it was dependent on imports of bread cereals even before 1860 and had to increase them accordingly and diversify into feed cereals and oil seed in line with the increase in population and consumer demand. Although Belgium was able to maintain above average hectare yields and a high production volume, imports of cereal and feed swelled greatly, without the possibility as in Denmark and Holland to produce large amounts of animal products for export.

The production of refined goods instead remained limited in the main to demand in the home market. Nonetheless with its population density and high degree of industrialisation, Belgium became the country in Europe which had the greatest dependence factor where food was concerned. Thus, in spite of help from Germany, it had to adapt and ration what it consumed the most.

France's agricultural economy lacked a developmental impulse of its own, due to its biological stagnation and its poor industrial growth record. Whereas other central and north European countries intensified their farming and increased yields, France saw in certain areas a noticeably backward trend. Its hectare yields were maintained but were below the European average and arable land was reduced. Fallow land grew and feed production increased - all the hallmarks of an extensive farming system, although the natural conditions in many areas were receptive to intensive farming. Without any internal pressure, France became dependent on foreign countries and thus increasingly on overseas imports. Leading up to the war, its dependence on imported cereals was on average 8-10% of total consumption. In actual fact, France could have exported that amount by utilising its available resources.

One ought to assume that a development which considerably raised the demand of densely populated European countries for cereal and oil seed would have led to the

full realisation of the Balkan nations' agricultures. Either that was not the case or only partly the case. Areas suitable for farming increased and hectare yields grew but these increases remained well behind those achieved elsewhere in Europe. Generally the countries to the south-east failed to emerge from their extensive agriculture status according to world economic conditions. That was because cereal surpluses, with the distance to market in central Europe and in competition with overseas territories, could only be brought in at prices so low that intensivisation remained an impossibility.

Then there came, as they still do today, the countries' farming and pastural limitations, through which reforms became strengthened after the war. There were the smaller farms with a lot of owners separated by boundaries, barely accessible by roads, with totally inadequate equipment, lacking plant and machinery with which to fight crop diseases. In the continental climate this situation led to extraordinary shortfalls and variations in yields. Even now hectare yields for cereals amount to only half of Germany's, a situation which got worse in the flat areas of the south-east where overpopulation existed.

In central and north-western Europe there was some correlation between arable farming and livestock rearing (without whose symbiosis the yield increases of the last decades would have been unthinkable). Whereas in the south-eastern countries, livestock rearing was only an add-on part for arable farming and annual production was less than half of Germany's.

The Formation of the Division of Labour in World Agriculture

Thus it happened that division of labour steadily took a hold in farming in central Europe and left, in the process, large natural resources unexploited in Europe. The most obvious case was that concerning cooking oils. As consumption of this oil extended in the industrial countries, there was a strong upturn in the production of animal fats, which in turn opened up overseas grazing areas for the extensive form of livestock holding. These mainly supplied hides, wool and fat. When animal fats could no longer meet demand, oil seed was planted on a more widespread basis firstly in the tropical countries, later in the temperate areas of Asia, particularly in Manchuria. As a consequence, the production of oil fruit got less and less and finally reached its lowest point ever.

At first, animal fats could compete with plant oils until the point when technical advances in refining and solidifying brought more and more new applications for plant oil, ending up with blubber being used to produce margarine.

A century then, of technological, economic and agricultural development for the European food economy which took on an altogether new course. Europe entered the 19th century as an agricultural area, mainly exporting its ground produce, and left it as an industrialised one essentially linked to the entire world, no longer unable to feed its own people from its own soil. There were two types of labour

division resulting from this change, which we will deal with. The first one happened between agriculture and industry. Local agriculture became more and more removed from the processing and refining of natural produce, which became commercially autonomous. Furthermore, agriculture was replaced more and more by industry for supplying the population with consumer goods and it also became increasingly dependent on industry for the supply of fertilisers, machines and other farming equipment. Rural industry and soil cultivation grew steadily into two self-complementing, large national labour and sales areas. This process of national labour division became embedded in the larger one taking place on an international scale. This is a healthy proposition for the exchanging of those products which cannot be locally grown due to climatic reasons or which are insufficient from local sources because of quantity or quality. The barter of such goods leads to an increase in the output of all countries involved and living standards go up, provided peaceful conditions exist. Peoples' wealth and lives are threatened, the more the increasing population has to rely on the regular supply of goods from other economies and, as a result, local agriculture recedes as an area for supply and sales. People are in constant danger, when that happens to such a degree that one's own soil does not provide the minimum for existence. At the outbreak of World War I, most European countries were in this situation.

Of course, the formation of labour division in agriculture is not just a negative thing. As now, at least in certain areas, it was a time of social progress. Despite the growth of many new cities and the increasing wealth, prices increased little i.e. the working masses were not forced from consuming. In central and western European countries, farming had a higher status than that of previous generations and farm yields were sufficient to provide succeeding sons with land to live off or to prepare them for new vocations.

However, the external economic dangers were not to be underestimated and in 1914 the war broke up everything. The burden of economic sanctions was mainly born by our people, whereas western Europe, with its vast colonial areas, enjoyed a high degree of economic balance. The war was between those countries with land and those without land in central Europe. Even the countries engaged in refining goods in north western Europe were not protected from economic difficulties, as the English blockade only allowed so much cereal and feed stuff to be shipped to meet the urgent needs of their people.
Germany's dependence on foreign goods with its fatal consequences became gravely apparent when the large supplies of foodstuff, which had been available at the start of the war, slowly began to dry up. That led to the well-known situation where our livestock levels were heavily reduced and subsequently created a lack of supply of meat and fat. This had a knock-on effect on the available output, since manure and plant feed were now in short supply. As a result, the production of nitrogenous fertiliser was developed during the course of the war. Thus things came full circle and the food shortage situation was solved, which had brought us so closely together.

Production Increase in Germany and Italy

The major lesson of the world war was that in times of external economic strife people can only be supplied with essential foods, if besides meeting the demand for bread and potato, supplies for cattle rearing comes mainly from foodstuff of local origin. If these preconditions are not fulfilled, then imports have to be drastically cut back in times of difficulty. Inevitably then, meat and fat supplies are also adversely affected.

Out of the European countries, Germany and Italy were just about the only ones, which drew this unfortunate lesson from the last war and from the subsequent crises when it came to management of their agricultural policies. Germany, in particular, developed its production the most in a diverse and effective range of measures. The first step to protecting farming from the changeable, economic sets of conditions and from the blows delivered by the free market economy was the Reich's law of 'Entailed Estate'. The second step is the reforming of market relationships and the system of fixed prices, which grants total primacy to the principle of vegetable production. It also lends the strongest support to those branches of production, which hold the largest reserves of produce and can release them for human consumption. The market order proved itself suitable, too, for directing free trade between nations in agricultural products along controlled and mutually beneficial lines.

I want to leave the question open here whether the laws of the land will see some relaxation over time. We should not forget the fact that fixed prices, as a statistical system within a dynamic economy, do require adjustment now and again. But one thing is certain, that if agriculture is freed from its market-political function and the systematic stabilisation of agricultural markets is placed into the hands of government authorised bodies, it could devote itself with full energy to its economic task of feeding people. The result of these efforts in the last decade is an increase in the total output of produce, expressed in cereal values, by more than 15%. The same increase, which previously required several decades, was reached in a few years, although agriculture suffered from an increasing lack of workers. It is thanks to this output increase that food supply developed without problems in spite of the increased consumption of bread, cereal and potato since the outbreak of the war. Indeed it will continue to develop, although it was always clear that the consumer would face with considerable privations.

Even Italy was able to increase its produce output by 20% in the last two decades and showed less dependence on cereal supply during average harvests than Germany. Besides this, the damage wrought by the world war in the countries that were specialised in refining products was made good in a few years and the livestock levels were built up again. The only far reaching change was in the supply of cereal feed in Europe, when Russia practically ceased to be a cereal supplier after the world war and maize from Argentina took the place of Russian barley feed.

In the meantime, the course of events made the food problems into something peculiar to Europe and for Germany in particular the problems did not get any easier. It is, in fact, true that the agriculture of the regained provinces in the east underwent a quick process of intensivisation, and it is also true that there are still large product reserves to be utilised not only in France but also in the south- eastern countries; also the south Russian areas are some of the most productive ones for cereal in the world. However, it must be stressed that successful agricultural planning requires a longer period of time and additional amounts of agricultural equipment, which was only available on a limited basis during the war. One should not overlook the fact, though, that the war did not leave the production apparatus of certain areas untouched or that the south eastern nations and Poland before the war were the only group of countries within the food economy of Europe that produced a consistent export surplus of cereal and oil seed. This amounted to 2.5-3m tons per annum against Europe's requirement for the same products of about 14m tons.

The Supply Situation under the Influence of Economic Restrictions and Change

It would take too long to discuss this topic in any great detail, but the basic questions can be set out in a few words.

In the last two decades, there were considerable increases in harvest production since the leading agricultural countries quickly made advances in farming technology. In fact, the average annual increase in produce exceeded any increase in demand. Thus, Europe's output of cereal and potatoes grew from 140m tons in 1928 to 160m tons, the average figure for the period 1936-1938; as a result, the import surplus could be reduced from 20 to 10m tons over the period despite rising demand. It must be considered that the refining countries of north west Europe exported to England about 2-2.5m tons of animal products derived from their imports of cereal and animal feed. Basing on a total European supply of 160m tons, one can calculate that Europe's import demand was only about 5% different from the usual demand level in peacetime.

The harvests of cereal and potatoes were used in three ways. A small proportion, about 20m tons (12-14%) remains on the farms as seed. By far the largest proportion is needed to support the consumption of bread and potatoes; roughly estimated, it amounts to about 80m tons or a good 50% of the total harvest. The left-overs serve as the basis for animal food and thus for all meat, fat and egg production etc. which has been augmented by products from the mill trade and the waste from related technological businesses. As demand for seed, bread and potatoes tends to remain at a constant level, any variations in harvest or any drops in imports have a direct effect on food production and supply to breweries, distilleries, etc. Of particular consequence for the food economy is the fact that refining food entails considerable losses in nutritional values. The size of loss depends on the type of refining; for example, for milk production it is 75%, pork production 75-80%, egg production 90%. Pigs and poultry have the characteristic

that they need rich food, particularly cereal and potatoes, i.e. ground produce which also serves for human consumption. The proportions are a little different for cows and sheep than the concentrated feed and cereal that simply have to make cost effective the production of hay and root crops which make up most of the feed ration. Therefore, when there is short supply of vegetables, livestock can become a dangerous competitor for food to humans and, in that case, have to be subject to appropriate limitations. Even the processing of ground produce into beer and brandy causes considerable losses of energy. Thus, at least in a small way, this affects luxury goods, which are irrelevant in times of need.

The larger the proportion of animal products in everyday food, the bigger the growing areas have to be (all things being equal), which are required to feed every inhabitant and vice versa. The eating habits of Europe's people vary within rather wide boundaries. For example, the annual meat consumption in western and northern Europe amounts to 40-45 kg compared to 12-15 kg in south-eastern Europe. The latter's fat consumption is about half and for sugar it is even less. The more difficult it is to significantly increase ground produce, the more important it is to set out priorities in rationing, roughly in the following order: bread, processed food, potatoes, fat, vegetables and meat. This principle applies across Europe as a whole. It is one of the most difficult and important measures of food policy - not just in times of emergency - to find the 'medial section', i.e. to define the dimensions of the harvest disposal through corresponding price setting and other appropriate measures in the interest of the total population's nourishment. Protection of the bread cereal reserves also means free play to extend vegetable oil growing in individual countries. This in its highest forms (rapeseed, sunflower and soya cultivation in every European climatic area) is by far superior to the other fat sources in terms of production per land unit. Individual European countries particularly demonstrate the strongest dependence on the supply of fat.

Although Germany's and south-east Europe's efforts succeeded in doubling Europe's production of oil seed in the last 10 years, raising it to around 1m tons, Europe's average importation in the years leading up to the war was about 5m tons. One also has to remember that oil seed has a second rôle concerning the supply of fat. Firstly, it provides raw materials for margarine production and then oil-cake as valuable milk yield feed. Evaluation and consideration of these functions of oil seed in the economy of fat leads to the conclusion that about 30% of European fat consumption is from overseas imports.

Looking at the picture as a whole, Europe's food problems stem primarily from the question of the supply of livestock feed. From an economic farming perspective, it is necessary to refine one of the conclusions made about demand for cereal imports varying from normal peacetime consumption levels by about 5%. What should be added is that after the guarantee of the bread and potato demand and the required seed stock, amounting to 100-150m tons of cereal in Europe, there is an amount remaining for animal feed purposes and technical business, which had to be

augmented by about one fifth from imports overseas to guarantee the supplies for livestock, and thus the earlier supply of meat and fat.

These dependencies are the main explanation why, during the effects of economic sanction, considerable economic privations were experienced by the pig and poultry stock in the refining countries of Denmark, Holland and Belgium. In turn, there were similar consequences for the farm organisation and for the output of meat and fat.

Political Consequences for Production

Having attempted so far to describe the problems of Europe's farm and food economy over the last decades from a farming economic perspective, I now want to briefly draw some conclusions concerning production and politics.

Due to the special conditions of wartime, problems of distribution always come to the fore. However, we do not want to overlook the efforts made by almost every country to derive higher yields from the soil and to guide production in a direction, which meets the needs of food supply. Above all, we need to recognise the forces, which go to create a different picture of European farming, in the sense of a stronger shift of focus towards the centre of Europe.

Such a gradual change of this nature is worth striving for in order to ensure that Europe does not just remain a huge consumer market for food, whose essential food sources lie overseas and whose trade routes could be threatened. Such European community work requires not only the insight of everyone involved but also places upon them serious agricultural tasks and a high level of responsibility. The solution of these tasks will take a great deal of time.

Whoever has studied in detail the changes in economic structure after the war, particularly the effects of the world economic crisis, could not ignore the fact that the measures taken by all nations in order to free themselves from the economic chaos, such as duties, quotas, monopolising of foreign trade, forced appropriation and internal planning, were about deep-rooted processes, as well as ways to cope with the economic woes of the time. Even the refining countries, whose farming sectors derived some benefit from the world division of labour, got dragged into the mess of the world economic crisis. This happened particularly due to England's withdrawal from the European economy and its about-face on duties and the Ottawa Treaties, which happened even during the classic period of free trade.

The special threat to agriculture even before the war made everyone aware that the rural population was the foundation of the whole economic structure. It was the producer of bread, our great energy provider and bearer of those virtues that are rooted in farmers' work ethic. The desire for a new order is more discernible in the individual countries, when economic events threaten the supply of their staple

foods and a powerful leadership is able to direct the will and energy of a whole working sector and an entire nation towards a single goal.

I have already mentioned the main traits of national socialistic agricultural policy to which I can add that the German example has acted as an inspiration for other countries' food sectors.

Possibilities of Increasing Europe's Food Production

In order to increase food output, farming has four options:

1. Extension of cultivated land by including all areas that can be cultivated with the technology available at the time.

2. Increase in field yields.

3. More intensive use of the soil through an appropriate crop arrangement on arable land. Generally, output is higher when grassland recedes or intensive farming methods are introduced and arable land is cleared for productive crops such as root crops and vegetables etc.

4. Increase in production of livestock as the basis of meat and fat supply by advances in plant breeding and efficient feeding.

Then there are the possibilities of reducing harvest losses by drainage, conservation and improvement of roads and also other technological advances, which preserve fields producing food. The last two options do not immediately increase soil produce but they contribute so that areas suitable for farming and the produce created are used for human nutrition. Since the intensivisation process tends to follow the order given above and varying degrees of it have already been achieved in individual countries, the options still to be adopted can be very different and, therefore, can only be pointed out here.

Production increases are achieved most quickly by extending the areas of cultivation and improvement of wasteland and the restriction of fallow land etc. In those central European countries where intensive methods are used, the amount of land with these features is small, if one discounts the land reclaimed around the coastal area and moorland.

Looking towards the east and south-east, the conditions are quite different. In these areas fallow land comprised mainly of arable ground and throughout the south-east around the unregulated rivers and tributaries there are large areas, which, cannot be or can only be used in an extensive way following insufficient drainage. In Bulgaria and other regions there are arid areas, to which water can be brought. Experience has shown that the land in the old Polish regions is most conducive for ploughing because the agricultural conditions are more favourable. Even in France

large and fertile expanses of land are crying out to be cultivated having lain idle for decades due to the movement to the cities. Some measures taken since the armistice might manage to avoid an odd tribulation, but now numerous signs indicate that a deep rooted change and a revitalisation movement is taking place. Not only a resettlement of these deserted areas is sought but also there is a drive to elevate agriculture to become the basis of a whole social structure. Just the inclusion of those fruit growing areas, which were turned into fallow land after the 1914-18 war or used for grass growing, would add two million tons of cereal (given France's low average yields).

As high as the reserves of food areas can be estimated to be in the individual countries, a meaningful development for Europe's food problem cannot be expected from here. More significant is what intensive farming methods can achieve.

The stark differences in hectare yields show most clearly now each country's performances vary. The countries in the south-east are about half and France about two-thirds of Germany's output, whereas the coastal countries in north-west Europe have achieved figures which exceed Germany's by a long way on account of their natural conditions and highly developed soil cultivation. Just increasing the average European hectare yield by about 8% would cover the amount of cereal imported in the lead up to the war.

Hectare yields are the result of the combination of soil and climate conditions, the selection of crop types, growing methods and fertilising etc. High reliable yields can only be achieved if all of the factors are in a favourable proportion to each other. In the arable regions of the south-east, the soil conditions can be described as truly favourable. However, the circumstances surrounding their military defeat mean there are certain limits to what can be done with those resources. Given this set of conditions, greater importance needs to be placed upon type selection, resisting plant disease and a soil cultivation method based on retaining soil moisture. On one side there is the need to confront the idea that agriculture in south-east Europe should adapt technologically to reach Germany's level. On the other, it needs to be emphasised that a far-reaching change in the farming economy can only be achieved if there is sufficient availability of the required technological equipment. Equipment for increasing yields, crop breeding and fertilising count as the most effective levers.

Here are just a few examples that show how the breeding of productive and hardy animal breeds and species of our most important vegetables can open new opportunities for increasing production. With sugar beet it was possible in just a couple of decades to reduce the quantity of sugar beet required to create sugar from 1,500kg down to 600-700kg. Processing methods have also made an impact. Equally significant were the steps forward that were made in cereal and potato breeding. The success of broad head wheat, the most commonly grown type in Europe, and of its cross breeds which in the early 1890's were not proven even

against the mild climate of north-west Germany, is mainly due to advances in plant breeding techniques. Just as Lochow's Petkus barley had a marked effect on barley yields, the breeds created by the Swedish, Danish and Dutch seed breeding institutes had a strong influence on the cereal, grass and vegetable yields. Advances in breeding techniques were also responsible for making cotton cultivation in Bulgaria and sunflower and soya production in to a local type of product throughout the south-east. Crop breeding will therefore remain an extremely effective means for the development of food production for Europe's people.

The full impact in terms of productivity of the new types and vegetable types in relation to improved soil processing and cultivation could only be truly realised once commercial fertlilisers became more available. Almost three-quarters of the 1.5m tons pure nitrogen, which was the average production of Europe in the two years before the outbreak of this war, was used in Germany's and north west Europe's agriculture. Belgium and Holland led Germany in their usage in terms of land area. There was a similar relationship regarding phosphorous.

It is true that intensive fertilisation is particularly worthwhile in those areas exposed to the climatic influence of the Atlantic, and therefore France's agriculture is presented with extraordinary opportunities. In addition, farming in south-east Europe could make greater use of commercial fertiliser.

Italy is a notable example in this respect, as its agriculture has practically devoted its use of nitrogen and consequently increased its production considerably. The natural conditions are more akin in south-east Europe and Italy than in relation to Germany. Farming technology, on the other hand, does not reveal such differences. The conclusion can therefore be drawn that considerable success can be expected from a more intensive use of fertiliser in the south-east countries.

If the positive and negative effects of the use of commercial fertiliser are evaluated, it would be no exaggeration to say that an increase of 50% can be expected from the use of commercial fertilisers within 5-10 years after a return to normal conditions. For certain food types, the increase could be as much as 200%. Thus, the chemical and fertiliser industries are faced with a considerable task.

The increase in cereal and feed production per hectare leads to the opening up of larger areas for growing those vegetables, which provide huge quantities of food material or fill gaps in the supply of fat or raw material. In the humid farming areas of western and central Europe, it is potatoes, sugar beet and vegetables in particular that have by far the highest output per given area. In south-east Europe, maize and oil producing plants give an intensive and more productive edge to its fruit farming industry. Such a development provides three types of positive effect: workers get absorbed by the labour intensive environments, they increase the farmer's income and they tend to relax the rather one-sided farming conditions.

Technological advances, agreements between nations and planned control of production ensure that farming organisations undergo a gradual process of change.

At last, crop protection and disease control for our animals became effective tools, as did progressive conservation methods and the reduction of yield and storage losses, which provided more and more food for human consumption. Important technology at the time included fermentation, drying, cooling and refrigeration. Man was able to learn quite easily from nature about food drying; then there came other momentous changes like the preparation of ensilage today, artificial drying or the achievement of freezing temperatures. Distant areas could now be accessed with the help of cooling and drying equipment; sales markets and consumers were brought several hundred kilometers nearer.

Taking a longer-term view, the opportunities for increasing food production are unimaginable, so much so that it seems quite possible for all food requirements to be met even with the increasing trend.

Beyond this it is possible to imagine a development, which releases areas for the farming of oil producing crops and industrial crops or which converts surplus amounts of

carbohydrate into meat and fat, thereby slowly reducing our dependence on the usual supply of fat. Such a development requires firstly planned support and market organisation, which would exclude strong price movement even where international trade was concerned. This has already been achieved with the countries in the south-east through various agreements.

The virgin territory, which has to be discovered to extend food production possibilities for Europe's people requires a sensible interaction between the various agricultures and economies. Also it requires more research and education of everyone involved in agriculture in Europe. For everywhere we look, it is not just areas of land and fertile areas but also tools for exploiting the soil, the spirit of invention and human deed, which determine the level of food production. The human spirit has to shape all the technological advances in a creative way in order to make the soil fertile. It does not matter whether these are derived from a deeper knowledge of our circumstances, which can introduce our farming people to a more planned type of interaction.

The efforts made by Europe's agricultural sector to extend and finally safeguard enough room to produce food will only be successful if the number of people engaged in agriculture is maintained and a healthy growth relationship between it and industry is ensured. The chaotic development in the economies of city and industry and the different working conditions, living situations and income relations made many millions of people rebellious over the last decade in rural areas of central and western Europe. This struggle will flare again after the war unless there is a harmonious distribution of work forces in urban and rural areas. In

certain areas it will be difficult to maintain productivity. The agricultural workforce has to be equipped with better technology and their work needs to be valued materially and morally so that the difference in living standards between city and countryside are removed. The social consequences are of great importance.

Certainly the machine can take a lot of work from man, but there are limits to its use. What is needed is a healthy relationship in the balance and growth of the large organisations belonging to the nation's agricultural sector and its industry. If these conditions are met then food production will continue to be the farmer's essential activity. Not only does the farmer serve to sustain the people with food from the soil but also with another product of our mother soil: his own blood which flows out of the villages into the cities and supports all life.

We stand too close to the task of creating change and the future in order to be able to clearly recognise how the order of Europe's agriculture will look or the full details of Europe's food industry, but the outline can now be seen.

Our task will be to turn this outline into a solid structure and to bring it together. It will only be firmly established if it is the result of peaceful co-operation between all of Europe's people, borne out of the vital strength of spiritual ideas and a European economic community.

Pamphlet #04

The European Industrial Economy by Dr. Anton Reithinger, Director of the Economics Department of I.G. Farbenindustrie A.G., Berlin

It is the following future-shaping ideas that preoccupy us here: the spiritual and material powers' desire for recognition, which can be used by industry to construct a European economic community; and the question of its place and task in the context of a future peaceful order.

From the outset we have to be clear that our theme basically is political rather than technical or economic. Its details are still in flux, which means that they can only be alluded to and its effects only guessed. At the same time we should not forget, in spite of the requisite courage to create new ideas, that the problem of a European industrial economy is related to quite real interests which materially affect the people of Europe's nations to a great extent. In order to solve these problems we have to work closely with the facts and avoid drifting off in to unrealistic fantasies. I hardly need to emphasise that neither the material principles nor the spiritual driving forces should be overlooked, which have created today's standard of European industry. And we are not just going to limit ourselves to this continent's industrial development; we will also look to the relationship with development elsewhere in the world.

The Development of Industry in the 19th Century

Now I want to give a picture of the regional distribution of Europe's industry, which shows the result of the industrial development from the start of the 19th century up to the start of World War I. Seen as a whole, the area of Europe's continent is mainly an agricultural one with a relatively small nucleus of heavy industry, with a broad swathe of medium-sized businesses surrounded by an area of purely agricultural production. Out of the 300m population of Europe, about 140m make a living from agriculture, 50m from mining and industry and about 40m from manual work and commerce. Industry, in the modern sense, has only developed in Europe in those areas, which had for centuries been leading lights of commercial activity or which had sufficient available stocks of coal and iron ore to feed the steam machines used in industrial production. There are therefore two distinct areas of industrialisation: one running south to north which grew along the trade routes of the mediaeval time from north Italy over the Alps to the cities of the upper Rhein and Flanders. The other, going west to east stretching from Holland to northern France to Belgium, over the Rhein-Ruhr areas and mid-Germany up to the edge of the Carpathians, which holds the most important reserves of coal and iron ore. All those areas that lacked these two essential ingredients for the technical era - coal and iron ore - did not take part in the industrial development of the 19th century. The world's industrial zones concentrated themselves then on the two edges of the Atlantic where coal was produced, that is in England, the USA and in our continent in northern France, Belgium

and the Rhein-Ruhr area. Over three-quarters of the population involved in commerce and industry in continental Europe lived in these production areas. It has only been the discovery of new energy sources - the growth of hydro-power - which has brought about new industrial settlement areas of any size in the south on both sides of the Alps and high up in the north in Norway and Sweden. Outside these areas, little industrial activity has developed and, for reasons given already, remained predominantly agricultural up to World War I.

Stages of Technical and Economic Development

Against the background given above we can start to look into the actual stages of technical and economic development. From craft guilds whose technical basis and sales market was the core of the mediaeval town, there then developed manufacturing and factory production equipped with steam-driven machines. Manual work was suppressed by the cheapness and speed of the machine; two factors that are truly decisive for an industrial organisation and the price of its finished goods. As we turned from production against order to capitalist market-led production, costs, price considerations, the organisation of sales markets and the question of finance determined all further development.

If we ask ourselves what we learn from this for our deliberations on the question of Europe's future industrial economy, then first of all it is the fact that there has been little fundamental change in the regional structure of commercial and industrial activity in continental Europe. This happened despite the previous revolutionising of all technical and economic precepts, except for the marked process of concentration towards the middle of central Europe. Before we draw any conclusions, we need to look at the socio-political effects.

Socio-Political Effects

It was the civil guild order, which settled all the political and social problems of the mediaeval craft system. As manufacture and factory production started and considerably increased the wealth and power of the individual countries, national and political interest in its further development grew. This era started with government measures to promote it with duty protection, precautions against overseas displacement and it ended with serious battles over new raw materials and sales markets, over colonies and new areas of power. Its revolutionising effect did not only confine itself to the great industrial countries, but also totally transformed the political and social face of the whole world. On the European continent it led to a doubling of the population figure after it had stagnated during the 19th century and to a quintupling of the standard of living and income of the workforce. Towards the end of the 19th century, two thirds of the northern hemisphere

and its population was in the direct possession of Europe, while the rest was very much dependent on Europe economically and financially. Under the industrial tutelage of Europe, world agricultural production increased five-fold in just one hundred years, industrial production twenty-fold and trade fifty-fold. All that the result of industrial development, which created capitalist imperialism and which, at the same time, provided means of transport and weapons for its expansion around the globe.

Nevertheless no inner balance was ever achieved, because the social effects were overlooked, observing instead the impressive external signs of success of capitalism's production technology. If industry developed somewhere, there was a total revolution in the manner of settlement, in the professional and class structure, in the living and eating habits and of course in the way life was viewed and in the spiritual forces. All of these consequences were no longer in tune with the traditional order of society. While the argument between the great industrial powers about new raw material and sales markets reached its peak, internally the additional millions of inhabitants, created by the manufacturing industry over the previous decades were fighting for an improvement of their social situation and latterly for power within the state. On the one side there stood a coalition of labour forces and on the other were the efforts of entrepreneurs to achieve international economic agreements, raw material cartels and sales agreements.

The second observation we can make is that industrial development had great political and social significance, as its socially destabilising effect had to be appropriately controlled to ensure that unexpected surprises were not encountered. The technical and private economic part in the factory was spectacularly disengaged by the entrepreneurs of the capitalist era, but the socio-political consequences for the state and society outside the factory were barely perceptible at first. Carried across Europe, it meant that all industrial plans had to take into consideration both the technological and economic aspects as well as the related socio-political ones.

The Loss of Europe's Industrial Hegemony in the World War

Nevertheless these political and social signs of disintegration of the social order of the time would not have led to collapse if the world war, and the unfortunate policy of the victorious powers had not destroyed the basis for the maintenance of the old economic system. What ensued was the well-known crises following the war, the global collapses of the agricultural and economic economies and an international unemployment figure of over 30 million people. We do not need to dwell on this subject, but we should realise a decisive change. Whereas up to the end of the 19th century, European industry, under the leadership of the English, practically ruled the whole world, there rose up in just a few decades three new centres of industrial development: the USA, Japan and, under a totally new system in Eurasia, Russia. Even at the start of this century, more than half of the

world's industrial production was concentrated in Europe; today each of the three continents, America, Asia and Europe have a share of about one third each.

The second picture shows the level of industry in Europe and the rest of the world about 15 years after the end of the world war. It is particularly important to look back at this because it reveals some of the inner forces, which are still having an effect today and should therefore not be overlooked regarding the new order of Europe's industrial economy. The world war released industrialising tendencies in the band of territory around Europe and in almost all overseas agricultural and raw material areas, which have become considerably stronger during the subsequent economic crisis. The reasons for this development are of a political and economic nature. Fundamental changes to the system of international trade relations and thus to industrial economies were brought about by the following factors: the disturbance to international currency and credit bodies caused by the world war, the reversal of balances of payment of debtor and creditor countries, the stronger efforts to protect agriculture by the old industrial nations and, last but not least, the change in political views about the position of the state in relation to the economy. Then due to the big drop in prices for raw materials and agricultural products compared to finished goods, the gap between wages and the cost of living in the old industrial nations grew so big in relation to that in the agricultural countries, that despite a lack of capital, technological backwardness and other difficulties, it was possible to start up their own industrial production.

The causes were multifaceted but the result was simple. Whereas the output of the old European industrial countries like England, Germany, Switzerland and Belgium fell by 20-30%, that of the agricultural countries rose by 50-100%. The output of overseas agricultural and raw material countries rose by 200-300% and in Soviet Russia by 400-500%. Overall, Europe had fallen back so far in relation to the development of the vast overseas regions, that a combination of this trend right here endangered its whole standard of living and culture. As England had ignored its duty to Europe due to its interests overseas, the people of Europe now have to attend to it.

The Transition to State Direction and Planning

In the fight against these signs of general and economic and social disintegration, in which the industrial hegemony of Europe disappeared within our generation's time, some far-reaching inner changes had taken place first, which soon produced consequences in the economic arena. Out of Italy and Germany emerged the idea of a new order for the economy, overcoming the system of capitalistic liberalism with the creed of state direction and planning. However, we have to remain aware that, contrary to the development of the 19th century political, social forces - not technological, economic ones - caused this turn-around. These forces are found everywhere in Europe, so we have to stop to deal with their fundamental tendencies. There are three factors that influence the most recent development of

Germany's industrial economy and which will be significant in the framework of a future European industrial economy.

Man should control the machine, not the other way round; the nation should use its economy and technology to achieve its goals rather than technical, economic developments controlling the nation. The increase in population resulting from industrial development has to be incorporated into society. This has to be followed by the new order with the social position of work, the coalition of employer and employee at work, the organisation of work in the factory and the change of our whole concept about law, security and the duty to work, labour protection and the beauty of the workplace, whose effects reach ultimately as far as the home and retirement pensions. The supra-national forces of development, technology and industrial economy will again be placed under national control. These few references may suffice to describe the complete change from the past.

The second factor is that of living order and planning. Industrial development in the liberalist capitalist era proceeded almost exclusively according to technological and financial motives. It selected its production sites, raw material and sales markets both inside and outside Germany according to the principle of cheapest costs and prices, and regarded its land as an open arena for its private economic interests. At the same time, though, national territory gained its own identity again in the context of the nation's territory policy. Even industrial development is brought into line with the requirements of a structural planning of land, with the needs of the population policy, with the economic security and cultural factors. This development, which has happened in Germany and Italy, will have its effects felt throughout Europe.

The third factor is determined by the need to achieve a solution to the question of raw materials and sales. The technological position of the 19th century bound industrial development closely to the possession of coal and iron. In this century numerous new materials of significance for the industrial and political hegemony have come forth - oil, coloured and light metals, India rubber, nitrogen, cellulose, spinning materials - and this development is nowhere near at its end. Except for coal, iron and light metals, the great reserves of all these raw materials vital to modern industrial economies and world politics lie outside the borders of Europe. The legacy of the previous centuries' development in Europe is principally the scientific and practical knowledge required to discover and process these raw materials on an industrial scale. There is also the considerable need for consumer goods for 300 million people with a relatively high standard of living.

Therefore, the question of securing a supply of raw materials for Europe's industry becomes not only one about the life of its industrial economy, but also one about

Europe's economic and political future. This is true whether it means increasing agricultural and mining produce or producing barter and substitute goods like fuel and India rubber from coal, nitrogen from air, straw or reed, synthetic fatty acids

etc. Or finally, whether it means securing access to the world's tropical raw material regions.

After the safeguarding of supplies of raw materials, the other important question is how to profitably produce and create markets in the enlarged area, instead of many individual compartments all protected by duties. However, we now find ourselves in the midst of this problem for our European industrial economy. We ought to familiarise ourselves with some fundamental ideas regarding the possible new order in Europe so that we do not lose our way early on in this new land of wonderful hopes and dreams.

New Europe and its Shared Features

Let us be clear from the start that the new Europe was a military fact, which was created by the British blockade forced upon the mainland. Since the war against Soviet Russia, it has assumed a political aspect. The 'European Economic Community' is in no way yet a sure fact, rather a political aim, which has to be supported by carefully considered economic, technical and psychological measures and achieved through effort. This is also true for trade and currency policy or the agricultural economy in relation to our theme here of the European industrial economy. We have to differentiate between the present needs under the circumstances of war and those of a future peaceful order, which will look very different from the wartime organisation.

Secondly, we must not overlook the fact that Europe consists of a number of nations that have 'arrived' historically. They have undergone a long political and economic development and now think about a new order in Europe and have clear ideas about industrial development. Just as our thoughts have crystallised about a better European economic order as a result of our need and plight, so have those of our partners and neighbours. So if we pool our thoughts with those of other countries about our needs, then we should start to see the differences in economic structure and industrial forces, which are so very different from before this war, on account of the natural conditions across this continent and the historical development and political relations. Only then can we consider which European interests are shared by all our partners and where individual interests have to suppressed in favour of the greater European common interest.

I will begin with the common factors, which are valid for the economy as a whole, but particularly for industry. Firstly, though, some general, guiding principles because they are the philosophical basis of the future European economic order.

In first position is the principle of mutual co-operation in place of exclusion and hostile competition. Three factors affirm this: one technical, one economic, and one social. Modern technology has overcome the old principle of economic policy, which says, "I am doing well as long as my neighbour isn't!" It has created such enormous powers of production that the principle of an ordered economy in a new

Europe has to be, “I am only doing well if my neighbours are as well!” In an enlarged area, production capacities can be utilised much more effectively and sales markets better served than in an area with lots of small regions protected by duties. As a result, all partners gain from the economic advantages achieved. In the end, our concern is that purchasing power, standards of living and social conditions improve for all European people now and far into the future.

The second principle is that of full employment i.e. utilisation of the labour force, natural reserves and technological capacities. Taking account of the comments that I made on the question of raw material supply for Europe’s industry and the loss of its hegemony to overseas countries since the world war, this is a common need relating to all European people. This is if they want to maintain the economic and political significance of our continent and its high standard of living and culture. That means that every European country has to work together to mobilise their natural resources, industrial capacities and human reserves to the highest possible degree. This is a key issue for waging the war and for the subsequent peaceful order and it is also vital for developing the welfare of Europe’s economy and society.

The third principle is related to a regional order of production and sales in Europe. Alongside the new economic factors of this arena, the old industrial economic precepts of the past will come clearly to light and quite justifiably will remain significant. Industry has to be developed and directed in the sense of an extremely comprehensive supply of goods for the whole region. In doing so, one will have to distinguish between the pan-European factors of priority and the legitimate economic needs of employment and consumer goods supply for the individual countries. Priority will be given to the utilisation of energy sources - coal, natural gas, hydro-power, crude oil - of raw material reserves like bauxite, wood, iron ore, iron pyrites etc. It will also apply to the supply of valuable technological production equipment, which if used efficiently should ensure good sales markets. With these points, the planned extension of raw material industries in Norway and south- east Europe are very closely linked. Against it, the national factors of the individual countries will be mainly concerned with employment, safeguarding equipment needed for agriculture and sufficient supply of consumer goods. Provided labour, sales and raw materials are available, the previously referred to tendencies of European agricultural countries towards the development of their indigenous consumer goods industries are absolutely reconcilable with the new order of Europe’s industrial economy.

A further important problem for the new order lies in the area of foreign trade in industrial goods and the controlling of sales markets. Here one has to distinguish between markets, which are reserved for indigenous production and those which have to be open to all of Europe’s production. If the principle, that in the enlarged area only effective industries should be developed, is realised with the corresponding technical and financial help even for the backward agricultural countries, then duties and other obstacles to a healthy foreign trade will lose their

importance. It must, however, be avoided that, after duty protection has gone, inefficient and unprofitable production units develop, which would rather inhibit the supply of goods to the population.

If we consider the future development of the European industrial economy in the light of these three factors described above, then there is no doubt that there will be new developmental impulses not only for the old industrial countries but also for the agricultural areas on the edges of Europe. This could lead to a higher standard of living for all Europe's countries. The number one principle must always be that the individual regions create profitable production units, regardless of whether one thinks about maintaining duty barriers or a duty zone. These are problems, which are not so important as one would generally believe. At the moment we are nowhere near that far, and above all, the differences and iniquities of the individual European sub-regions are too large and the economic gaps, which ensued after the war and the blockade, are still too painful for the countries affected. In order to grasp all this, I want to list some of the most important iniquities, which urgently need to be removed within an economic system, which is aligned to a new central European centre.

Regional Differences in Europe

Europe can be divided up in to five geographical regions of a similar economic structure.

1. The middle of central Europe (basically the German Reich) with at the moment 900,000km^2 and 117 million inhabitants.

2. West Europe (France, Belgium, Holland and Switzerland) with 640,000km^2 and about 60m inhabitants.

3. South-east Europe (Slovakia, Hungary, Croatia, Serbia, Bulgaria and Romania) with 770,000km^2 and 55minhabitants in total.

4. South Europe (Italy, Spain, Portugal and Greece) with 1m km^2 and about 85m inhabitants.

5. North Europe (Denmark, Norway, Sweden and Finland) with 1.2km^2 and 17m inhabitants.

These five regions have completely different economic and social structures and differ from the large regions overseas. The middle of central Europe is predominantly an industrial area and densely populated, in which concentration of population has led to a high degree of urbanisation. Here, about two thirds of the population are active in commercial jobs, whereas the rest of Europe is dominated more and more by agriculture as you move out to the edges. The former has a strong external economy and balance of payments and its industry extends over the

whole area of Europe. Only the eastern part of west Europe joins onto the industrial area of central Europe - the coal and iron reserves in northern France, Belgium and Holland's bordering area, as well as Switzerland - and the main core of France is predominantly agricultural. This area does not have a strong external economy or balance of payments and produces less than it consumes i.e. it is living off its capital. In the near future it will experience difficulties adapting to the European economic community and will lack any great internal developmental impulses. South-east Europe, though, has undergone a high degree of urbanisation and industrialisation because of the high birth rate, but in its basic structure still retains its over-populated agricultural status. The same is valid for south Europe. In the framework of the European economic community, both of these areas will develop strong industrial forces, whereas northern Europe corresponds more closely to west European type.

To get an idea of this difference I have some statistics, which are very important for a new order in Europe in terms of output and sales of its industrial products. In our enlarged economic area, birth-rates and population density have increased, unlike income levels and spending power, which are rapidly falling. Right out in the west we have a tax surplus of 0.5-1.0 per thousand of population, whereas that figure goes up to 15-20 per thousand in the furthest areas of the south and east. 100% of the population in the Rhein-Ruhr area is engaged in commerce, falling to 0% in the peripheral regions of Europe. On the other hand, in the west and north the rural population figure per square kilometre of agricultural land is 40-50, in the south and east that figure doubles. If one considers that the yields in the east are only about a half of central and western Europe and the prices are way below those of Germany's agricultural prices, then one is soon led to the conclusion that the purchasing power per capita in the south eastern areas is perhaps only an eighth to a twelfth of that of western Europe.

This is just an introduction to the enormous structural differences between the regions of our enlarged European economy. I have to add some figures related to the level of consumption so you have an idea of the difference in spending habits. Textile consumption in the south-east is between one half and one third of that in the north-west; for industrial products the figure is one fifth to one twentieth. Thus we see the importance of recognising the regional differences. For instance, if the level of consumption in the south-east were to match that in north-east Europe, then not only would the total food and feed export surpluses of south-east Europe disappear, but then the demand for industrial products would be so great that Europe could easily absorb the entire stock of finished industrial goods intended for overseas export.

In the external economy of the European continent, under normal conditions, the demand for industrial raw materials and the sales of industrial goods are the most important factors, unlike the trade in food and luxury goods. Out of Europe's total import figure before the war, about RM 6.5 billion was raw materials and only RM 1.3 billion was for food and luxury goods, whereas the export surplus in finished

goods stood at RM 4.2 billion. In the new order of the enlarged area of Europe food supply will be the main concern of Europe's internal production, while the supply of industrial raw materials and the sale of finished goods presupposes a strong economic connection of Europe to the other large areas especially Asia and Africa.

These few statistics reveal some basic facts about the previous economic structure of the European continent, which are of fundamental importance for deliberations on the future industrial co-operation. Even under peaceful conditions, there are huge difficulties in aligning these individual regions in the framework of a European economic community. The war has simplified some of these requisites because it cut off the earlier relationships to areas outside Europe, whereas it has made others a lot more difficult because the demands of war are quite different to those of peacetime.

Having dwelt on the differences and different interests of our partners, we should bear in mind our common interests. Earlier on I summarised the three principles of co-operation, full employment and the regional organisation of production and sales. In order to realise them, we need the belief in the European idea and Germany's duty towards Europe. Besides that, the long patient work of the state's economic policy and also private business initiative are required, as well as a high degree of tact and understanding of the inter-nation construction work with Europe's social and geographical community.

The Major Powers at War - A Comparison of their Capabilities

Having dealt in some detail with the requirements and ideas of a future European industrial economy, I would like to finish by taking a look at the areas outside Europe and the industrial relationship between the major power coalitions at war with each other today - the European-east Asian pact against the Anglo-American-Russian bloc. Comparing their relative industrial capacities is of interest, as enemy propaganda tends to exaggerate the capacity of the USA, leading to the perpetuation of false ideas. This comparison, though, is based on pre-war figures, which will have changed considerably for both sides as a result of the war. Hence the figures just show the situation of the two coalitions as they entered the war.

Roughly about 65m people were employed in mining and industry within each of those areas under the control of the two coalitions. Great Britain and the USA equally shared 30m, as did Germany and Japan. Soviet Russia had about 15m, whereas Italy and the smaller pact partners totalled about 9m.

Despite the addition of the USA, there was also a roughly equal balance in availability of installed machinery. Excluding electricity plants, the output of primary machinery for both power groups was 40 million b.h.p. (brake horse-power) and that of electrically driven machinery 60m b.h.p.. In Russia and Great Britain, the electricity plants produced 85m b.h.p. compared to 55m b.h.p. in the

three pact group. This shows that in overseas areas a larger part of energy produced was not used by public utilities but was diverted for domestic use.

Now I want to try and illustrate the comparative industrial output figures, which have to be at face value because of the lack of certainty about calculation methods and difficulties in converting to a uniform value basis. World industrial output in 1938 stood at RM 420 billion of which 240 billion was accounted for by the Anglo-Russian group, 150 billion by the three pact group and the balance came by Russian territories under occupation today and those countries not involved in the war. America, in the Anglo-Russian bloc, had an output of RM150 billion - about one third of world production against Great Britain's share of 9%. The Anglo-Saxon group's share of world production was about one half. Germany is easily the biggest partner in the European group, which, like the USA had about one third of world production. About RM 82 billion for those countries at war, 31 billion for the occupied areas and 10 billion for the neutral countries. East Asia - roughly on a par with Great Britain - produced about 25 billion, only about 6% of world output. There was a much more favourable relationship for the tri-partite group concerning output of industrial products, such as iron and steel, cement, construction materials, wood, nitrogen, chemicals etc.

There is unfortunately no time to bring in additional observations relating to these figures. Only very rough evaluations of each pact's economic potential can be given without including a whole list of other factors. The two sides within the three pact group - Europe and East Asia - are to a large extent independent of one another, whereas the Anglo-Saxon-Russian coalition comprises six very unequal partners: USA/Canada, Great Britain, Soviet Russia, South Africa and Australia/New Zealand. They are spread around the globe and can only be held together militarily and economically through maritime superiority. The USA with two-thirds of its side's industrial capacity is separated from its pact partners by two oceans and has to divert a large part of its production to making transport equipment and then transport them huge distances for its development in war zones.

It is of course wrong to underestimate one's opponents and we should always be aware of the huge output capacity of the USA, as evidenced above. If we compare Europe's industrial capacity with that of our Asian comrades, we can look forward to further development and not be intimidated by the waves of propaganda from the other side of the ocean or be put off our duty to Europe. While the battle rages around the borders and coasts of our continent, the foundations of the future new community of the west have to be put in place. Industry, too, is faced with a duty to the future in this scheme of things.

Pamphlet #05

The Deployment of Labour in Europe by Dr. Philipp Beisiegel, Ministerial Director of the Reich's Labour Ministry

Europe has awoken, the idea of a united Europe is marching and cannot be stopped. The combination of politics and military forces has already led to a close co-operation of a cultural and economic nature. Numerous economic treaties between European nations, especially Germany's partners, reveal the firm will of Europe to assert itself in spite of the war and in spite of, or because of, the English and American blockade. In the enlarged economy the people of Europe want to grasp and master their own fate. As discussed previously, the food question in Europe has been safeguarded and in most countries it is possible to achieve considerable increases in food production. Also the supply of raw materials is now safeguarded. Through a fair and pragmatic distribution of necessary foodstuffs and industrial raw materials and through an effective transport system and a reasonable currency policy, it is possible to ensure that food and commercial goods from Europe actually go to benefit its inhabitants.

Extensive agricultural production possibilities and deep industrial reserves of raw materials are no good on their own. They can only be of use if sufficient numbers of workers are available to utilize them and if the reserves are deployed as efficiently as possible. Productive humans are key to the European economic community, not coal and iron or economic treaties and currencies.

Population Density, Number and Structure of the Employed

Out of the world's population of 2,175 million inhabitants, 1,196m live in Asia and 531m in Europe i.e. about one quarter. America has 277m, Africa 160.6m, Australia and the islands of Asia Pacific 10.8m. Of greater relevance here is the population density. Europe has easily the highest rate with 46.5 people per km^2. Asia has 28.7, America 6.5m, Africa 5.3, Australia and Asia Pacific 1.3. The density rates vary greatly among the European countries. The highest is Belgium with 275.2, then Holland 253.8, Great Britain and Northern Ireland 194.6. Germany including Bohemia and Moravia has 132.3, Italy 134.7, Norway 9.1, Finland 11.2 and Sweden 15.5.

Of even greater importance is the number of workers and their distribution over the three main economic segments: countryside, and forest, industry and mining and trade and transport. In Europe's economy there are 255m workers, the most of which are in Russia (84.4m) and the least (1.5m) in Slovakia. Germany has 44m, or 52.2m including its protectorates. Great Britain and Ireland have 24m, Italy 19m, France 22m. In Russia before the war, 57.4% of its population was employed - the highest rate in Europe. The lowest rate was in Spain 37.2%. Germany had 49.5%.

92m out of Europe's 255m workforce were female. In Germany 38.2% are female, in Finland 41.1%, in Bulgaria 45.2%, Russia 46.6%, Italy 28.6%, France 36.5%, England 29.8% and Spain 12.9%.

The distribution of the workforce gives an interesting insight into the economic structure of Europe. In Germany, 29.2% of its workers were in the countryside and forest economy, 40.6% in industry and mining and 16.6% in trade and transport. These figures include Poland, which is now part of the Reich. In 12 of the 23 countries of Europe more than 50% of the workers are in the first segment. In Russia it is 85%, Bulgaria 80.9%, former Yugoslavia 78.8%, Romania 78.2%. Particularly low rates are in Great Britain and Ireland 7.9%, Belgium 17.1%. Belgium though has the highest proportion of workers in industry and mining with 48.9%, Great Britain and Northern Ireland 48%, Switzerland 44.9% and Germany 40.6%

People - The Wealth of Europe

255m workers represent a fantastic wealth for Europe and an immense force, provided they are deployed productively. For many countries recently, though, it has proved difficult to provide its inhabitants with bread and work, and the effects of the war and blockade are still being felt. In 1940 there were over 4.2m unemployed in 15 countries compared with 2.5m the following year. These figures include Great Britain and Northern Ireland, but not Russia and the smaller nations. In many nations the figures refer only to the unemployed people receiving state benefits and also many unemployed people are not counted because they avoid registration, so the real figure in Europe at the moment is actually far higher.

As we all know, Germany has no unemployment now and the present employment position is not governed by figures for the unemployed, instead by the number of job vacancies counted at each month end. Since the start of 1941 this figure ranges between 1.5-1.7m, at the end of the year it was 1.56m despite the employment of 1.5m prisoners of war and the deployment of 2.14m foreign workers in Germany. The figure for required workers is actually higher than those cited above and it has increased considerably in the last few weeks. It is completely wrong for our enemies, particularly England, to describe Germany's employment situation as catastrophic, because we lack the workforce for the economic waging of war. The figures just show that the economy is stretched very thin and is ready for the total war, right down to the smallest factory unit. Unlike England and America, we are pleased to do without industrial worker reserves amounting to several hundred thousands of unemployed, which might suit the liberalistic and pluralistic systems of our enemies - not so in national socialistic Germany.

Unemployment in the last century forced millions of Europeans to turn their backs on Europe and to seek a future for their families outside Europe. The European economy lost valuable people. Between 1830 and 1910, 4.77m Germans emigrated

to the USA. In one year before the war between 1 July and 30 June 1913 1.06m emigrated from Europe to North America; 0.26m from Italy, 0.25m from Austria-Hungary, 34,000 from Germany. Emigration figures to Canada and South America were 0.13m from Italy, 36,000 from Austria-Hungary and 0.23m from Spain.

The emigrations are quite unrelated to the internal worker emigrations within the same country, as we have seen for centuries in most European nations. Think of the craft journeymen of earlier times, of the agricultural and commercial seasonal migrant labourers, of the population shifts related to industrial locations, of the influxes and outfulxes to and from areas, which in the last six months varied between 150,000 and 200,000 in Germany. Of course, it is only the emigrations, which represent a loss of worker resource but in the new European economy there will be no more emigrations and certainly none due to insufficient employment opportunities and food problems. After the war there will be no unemployment for those able and willing to work.

There is no doubt that it is the best for the individual worker and for society if he can find work and food near to his home. In a familiar surrounding he can normally perform better and more productively than the person working away from his homeplace. Each nation will have to endeavour to create sufficient employment opportunities for its members. If these are lacking, measures are required to create new ones.

In all its efforts to further employment, each nation has to remain conscious of its duty to the European economic community to which it belongs. This wold entail establishing a reasonable distribution of labour, which relates to the natural production conditions of each nation or working together with the economies of others nations for mutual benefit. If sufficient work cannot be offered in one country, then it is recommended that this surplus is deployed in those countries lacking labour, thus creating a dependence on that country.

Such a system of labour exchange regulated by the state is of great benefit to all concerned. Unemployment is a huge financial burden on the state, as they need to be supported. Germany experienced this in 1933 when billions of reichsmark were required for supplying those not being productive. The political danger though is far greater from this army of unemployed, who lose their belief in themselves, their country and thus become a danger to the state. If they go and find useful work in other nations, the mother country saves a lot of expense, the worker feels he is a valuable member of the community and he maintains a sense of family. Later he can return to his home accustomed to work and ready for it. He has increased his knowledge and vocational experience, gained from living elsewhere and thus can be fully employed on his return. The majority of workers away from their home country have left their family and dependents behind who depend on the savings of the breadwinner. He sends back what he saved and when he returns he brings more which benefits his home economy. The following figures show the financial importance of saved income:

In 1940 foreign workers in Germany had saved RM 120m and transferred it home via the German clearing system or by post office account. In 1941 the figure was RM 382m. RM 286m was sent to Italy, RM 64m to Slovakia, RM 34m to Belgium, RM 26m to Denmark. There are also those who send no money back to their families or who are single. Sometimes savings are stolen by border gangs from those travelling home. Single people tend to take money home when they travel back. Between 1940 and 1941 one can reckon at least half a billion reichsmark flowing back to other nations. Also it means for the home country that no support payments have to be made to those left behind as well as receiving the benefit of large amounts of foreign currency.

For decades Germany has provided workers from other European nations with sources of income - the number of jobs depending on what the economy could absorb. In the 1890's we had 50,000 foreign agricultural and by the world war we had 0.43m. In our manufacturing, construction and mining industries in 1907 we had about 0.45m. By World War I the total figure was 1m. The collapse of our economy naturally meant a big reduction in these numbers. Millions of our own workers could not get work. In 1932 the figure stood at 0.14m foreigners of which 0.1m were employed in industry. These were people who had lived in Germany for years, were of German origin or were married to German people.

After 1933 the German economy grew stronger and unemployment disappeared meaning each year more and more foreigners could be employed. By the time of this war, half a million were employed here, half in agriculture and half in industry and commerce. Employment of foreigners grew even quicker as the war put pressure on the economy and also took millions of our men to the war-front. By April 1941 there were 1.5m foreign workers and by September a poll revealed about 2.14m, of which 0.47m were women. Every nation of Europe is represented and in the winter months a large number of them returned home. Despite this, in January 1942 figures showed an increase in the number of foreigners employed in agriculture. At the end of November 1941 the 100,00th French worker was registered here, by mid-January the 250,000th Belgian. The first movements of Spanish workers began in December when we also agreed with the Romanian government to take over 16,000 workers.

Of the 2.14m foreign workers, 1.08m (50.7%) were in commercial businesses, 0.95m (44.8%) in agriculture or forestry. The other 50,000 (2%) were in commercial rôles or the domestic economy. The importance and the influence of these workers can be judged by the fact that in September 1941, 8.5 out of every 100 workers on average were foreign. Men represented 10.9 and women 4.7 out of every 100 of their sex. 1.8% of manual labourers, 23.2% of help workers and again 23.2% of female workers employed in agriculture were foreign.

The high numbers recorded today here are unusual and are due to the state of war. Those men fighting at the front today by far exceed those employed here from

other countries. Our men are in action from the North Cape to the deserts of Africa, from the Atlantic over to Russia. Our airplanes are all over Europe, Africa, the Mediterranean and the Atlantic and our naval forces are active 1,000's of miles from home. You can see that such a military force will require a huge amount of weapons, ammunition and war equipment to be produced and maintained by millions of additional workers. Germany does not just supply its own army with weapons, it also supplies its allies with a large array of war-related products, it supplies coal, food, machines and keeps a sensible trade balance for the importation of goods needed for the war. Germany can, therefore, claim that it is not fighting for itself but indeed for all of Europe, and so it is correct that Europe contributes additional numbers of workers and that foreign workers employed here remain conscious of their common duty.

Worker Exchange on the Basis of Inter-State Agreement

After the war Germany's need for foreign workers will get less, but we will still have the responsibility for ensuring that foreigners can find work and food here. Other European nations will want to see that their people find work elsewhere in Europe, therefore a large-scale European worker exchange will ensure that no resources are lost from this continent.

Such an exchange will only have a beneficial effect if it is introduced in an orderly way. People are more important than economic goods and therefore it is essential that the exchange of workers be regulated by agreements between the responsible government offices. The'guest' nation has to ensure that the applicants are placed in appropriate positions and do not stay beyond the agreed time. The 'host' nation must ensure that the workers are employed and rewarded, as arranged, and that accommodation, care, holidays and travel home are provided. Guest nations can turn to the offices of the host nation if difficulties arise. Germany has made a number of agreements with friendly nations regarding the reception of workers e.g. Bulgaria, Italy, Croatia. Romania, Slovakia, Spain and Hungary. Due to possible differences between the participating nations, there must be some common principles in the agreements in the interest of all nations of the European economy.

It is important for each applicant to receive clear information about the conditions of work in another country so he does not feel he has been given false promises, but it is not easy to avoid some misunderstandings arising. Language differences, vocational training, working methods and job description, wrong workers' papers can all contribute to the unclear picture of an apprentice's skills. Very few nations have journeymen letters, references and workers' books etc.

In Germany there is the practice of worker agreements, which are used in agriculture and commerce and form a large part of the general agreements formed with other nations. The working conditions are clearly outlined in both countries' languages, citing the agreed wage, additional payments, separation payments, hours of work, the type and cost of accommodation and care, holiday, travel home etc.

What normally happens is that the guest nation pays the costs up to the border and the employer the costs to destination from there and vice-versa.

Here an employer has to apply to an employment office to take on foreign workers and the wages offered are checked against existing agreements. The supply of accommodation and care are also checked. If all is correct, the forms are sent to the Labour Ministry. The worker receives a copy of the agreement or the group leader for a group application. Every worker gets a form in his own language, which contains the most important conditions of the agreement and other details about his stay in Germany.

The worker must be under no pressure from either the guest or host nation and must be able to make a voluntary application so that he can perform well in a foreign country. Otherwise he would be apprehensive in the new surroundings and try to return home quickly. No one would gain if he was disinclined to work or broke an agreement.

Principles of Worker Exchanges

A foreign worker obviously enjoys the usual protection of life and health. He must receive care if he has an accident or becomes ill and it is essential that he have the same rights under social insurance as those in his homeland.

Germany has signed special agreements for social insurance with a number of European nations. In one provision concerning pension insurance, workers will receive a pension in their mother country covering the time when work was performed in Germany. There is another provision for accident insurance where the foreign worker who has an accident in Germany receives the full benefits from Germany even after his return home. The same principle applies to agreements with other nations concerning health insurance so the family left behind receives payments from the German state.

It is important to set out in advance the contract period of employment and it should not be too short, as workers need time to settle down. The opposite also applies otherwise relations to home become stretched and the workers get too settled there.

Germany originally set the contract period at six months but it was too short, as many foreign workers did not want to commit themselves in their first stay. When they realised that the provisions were good here and work appealed to them, the contract period could be extended.

An important part of the agreements concerns the control of wage transfers, because the worker and his family depend very much on regular and punctual transfer amounts, as do the host and guest nation. The transfer amount varies according to how much has been saved and the relative currency values. Some

countries set no limits, others set certain maximum amounts but for the worker it is important that it is carried out as easily as possible. Where the worker is not familiar with the laws, it is best if the employer takes charge and lets the wage department arrange the transfer. The guest nation should provide the family at home with advances until the first transfer is received or the host employer should give an advance wage, which can be transferred immediately.

Concerning accommodation and care, Germany has arranged community quarters in which the members of individual nations are housed. They are hygienic and clean and comfortable so it feels like home and the workers can adjust to the move from home. It is important that the same nationality lives together enabling them to be looked after in surroundings that are familiar. Some countries also send additional food and luxury items, which up to a limit, can be imported without duty e.g. spaghetti and Chianti from Italy or ham from Hungary.

It will not always be possible to provide accommodation; for example, it is not worthwhile for a small company to construct communal quarters or if work is being given to an individual. When accommodation is provided it should be reasonably priced and suitable and not left to the workers to arrange. If we send any workers out to work in another country, we firstly require proof that accommodation and care are provided. Care for the workers, though, should actually start from the point of entry into the country where they are then grouped according to their destination and should only come to an end on departure. If a worker should die in the host country, then family members should be informed quickly and the burial arranged. If the body is to be transported home, then the costs should be borne by the employer and/or the state.

Care should also be of a spiritual and cultural nature e.g. by arranging shows, films and lectures in their mother tongue; factory excursions for relaxation should be offered and the provision of newspapers etc. either printed locally or at home.

In Germany, all foreign workers in commercial and industrial sectors are looked after by the German Workers' Front, those in the agricultural sector by the Reich's Food Committee. The former with its slogan "Power through Happiness" has, in conjunction with other official bodies, effectively managed the process of employing large numbers of foreign workers despite many problems that are bound to arise. Sometimes when very large numbers of workers are involved, the guest nation can send carers to the host one to look after their compatriots e.g. Italy, Hungary, Slovakia and Spain have used this service in close co-operation with our official bodies.

Adaptation of the Organisation for Labour Deployment

Worker exchanges can be made easier if each country's organisation for Labour Deployment is run along similar lines. State bodies have organised labour deployment in Germany for years and it was greatly missed during the world war.

Immediately after it, state administration bodies were formed and now there are 23 regional labour offices under the Reich's Labour Ministry and beneath that there are 468 labour offices with 13,000 other offices covering all occupied areas. The authorities even marched with the troops in Russia, including 140 German officials.

Thanks to the highly organised administration system, we could convert into a war economy without hitches and meet the huge demands made. There is universal belief that labour deployment has to be organised centrally in Germany. This happens in other countries, such as Holland where there are 31 local labour offices and 114 related offices. Since October 1940 state offices have taken over from local labour offices, but there is till no ministerial control in this area. Similar organisations are to be found in Belgium, Spain, Sweden and Slovakia. Bulgaria and Finland are starting to create their own, as in England during this war.

It is also interesting to note that the material employment right has shown a tendency recently in Europe to unify, particularly regarding statute labour and rules that limit the free exchange of jobs. In 1938 we started and then a year later fully introduced statute labour, which applied to all inhabitants of the Reich making it mandatory to offer their services. A similar piece of legislation came into force in Italy in May 1940 relating to land organisation, which meant that all men between 14 and 70 and women between 14 and 60 could be called up to maintain "the defence and force" of the nation. Holland introduced statute labour in February 1941, and Sweden did in 1940, empowering the government to call up people between 16 and 69. Switzerland in 1940 introduced the duty to work in the countryside and in July 1941 to work in construction. Bulgaria, Romania and finally France in 1941 introduced rules that forced workers to work in the countryside in order to ensure agricultural output. Finland and Slovakia have statute labour laws and England, who saw fit to criticise our legislation at the start of the war, introduced comprehensive statute labour in December 1941 for all those between 16 and 51.

Most of these laws are borne out of the necessities of war and are not ideal for peacetime.

One hopes and wishes that the drive towards a centrally controlled employment organisation will continue in Europe and that progress continues to be made in unifying the material employment right. Worker exchange would be made a lot easier as a result.

Employer Action and Order Switching

Two other forms of inter-state worker exchange have to be mentioned: one is the action of employers and companies. This means that a foreign employer gets actively involved together with its entire workforce by taking responsibility for a particular order from a local customer and concludes a contract concerning work and performance. The order is then fulfilled using workers and machines. Foreign

workers are then more inclined to take up work individually in other countries and join forces with their compatriots. Employer action can bring about action by foreign workers. Of course, the foreign worker in these cases is subject to the local work and social laws and should earn the same as the local workers. Employer and company action is commonplace in Germany and foreign entrepreneurs in construction and assembly work are active here.

Finally we should point out the possibility of unburdening the local economy by switching orders to other countries which also ensures that unused capacities are utilised productively. The guiding principle, though, is that production moves to wherever the required workforce is available, as well as the requisite economic and currency related factors. In many European nations, particularly, in the occupied areas, hundreds of thousands of workers are active on behalf of the German economy.

To conclude, I predict many years of peaceful reconstruction work and economic co-operation after the victorious end to this war. Inter-state labour deployment will bring the people of Europe closer together. The active human, the European worker will have a decisive role to play in solving the difficulties facing the European economic community. In December 1941 Adolf Hitler used these words addressing munitions workers, "The German workforce is our gold and our capital with which I will conquer the world!" We can modify these words to relate to the European economic community by saying: Europe's workers are Europe's capital and with it all continents will be defeated.

Pamphlet #06

Questions about European Transport - by Gustav Koenigs

Secretary of State, Berlin

It is difficult to know where to begin, as this is such a broad topic. Maybe with the issue over the routing of the Orient express - either via northern Italy or Switzerland or Strasbourg-Karlsruhe-Muncih-Salzburg. This has been hotly debated in previous timetable planning conferences.

Alternatively I could investigate new trade routes between Germany and the Near East looking at the sea route from the Hanseatic cities or along the Danube or via rail through the south-eastern European nations or via Trieste and the Mediterranean. Then there are the ports of Rotterdam, Amsterdam and Antwerp. Today routes over the Atlantic and Mediterranean are blocked for us, we have only the Danube and rail route open to us. If our ships can use the North Sea ports and Trieste again, then goods will find the most economical routes for themselves and we have time now to decide if we want to take economically and politically motivated measures to influence the flow of commercial traffic. By looking at recent developments we can clearly see the problems facing European transport policy.

At the moment the so-called 'European Economic Community' is not yet fact; there is no pact, no organisation, no council and no General Secretary. However, it is not just a part of our imagination or some dream by a politician - it is very real. The idea lives in the consciousness of Europe's people who have been brought together as a result of the English sea blockade and the unnatural alliance of England and Soviet Russia. Presently we have a European military community, made up of troops and volunteers from Italy, Finland, Hungary, Romania, Spain, Slovakia, Croatia, Holland, Norway and Germany, which is fighting against Bolshevism. Its roots are in the economic co-operation of the European nations and it will develop after the war into a permanent European economic community.

Our community - unlike the British Commonwealth - preserves each nation's independence and sovereignty and it has no imperialist aims and no plans to exploit any of its members. Germany pursues its task in this community on a comrade-like basis. Our trade policy consciously does not set out to seek goods at the cheapest price, instead it seeks to raise the living standard of all the nations so that they can buy our products in future.

The European economic community is going to create a flow of goods on the continent, which will challenge the transport facilities and means available in ways we do not yet know. In any case, the transport administration will have to be ready to take control of an unparalleled level of transport.

Transport does not just fulfil the task of moving goods and people, it also creates new needs and underpins the European community. It is not yet decided whether transport brought about the division of labour or the other way round, but it seems that they are both cause and effect. Transport has a centripetal effect and reaffirms the community, which it serves. In future it will become the column of the community rather than an external entity.

The saying in Geneva was: "In the beginning there was organisation". Faust had it, "In the beginning there was the deed!" The community is based on the structural life of European people and will be developed as we fulfil the laws of the community.

We will meet the task that has been set for Germany concerning transport, which is:

1. Our own transport system has to be a shining example and act to assist foreign economies by helping to create transport programmes which adapt to the growing demands.

2. Germany has to ensure the technical transport development beyond its own borders, which is emphasised as it extends beyond matters, such as duties, import and export, and currency and labour related questions.

3. Germany must take charge so that participating countries do not export vital transport construction materials.

These propositions will now be related to the five means of transport: rail, riverways, road, and steam-driven transport, sea and air journeys.

"Technical Unity" in the Railway System

The extension of Germany's railroad network came to a halt just before the war. Without the great peacetime effort, the huge achievement of the German Reich railway would not have been possible. After the war our rolling stock will have to be overhauled and increased, and facilities extended in commercially vital areas. Certain lines will need four tracks but within one the year, the Reich will have sorted it out.

Our recently experienced delays were normally related to conditions outside our rail network, such as Austria, Czechoslovakia and Poland, which could not take in our trains or return the empty carriages. All this affected the services on our internal railroads, but such problems no longer occur. In no time, the standard of our branch lines equalled that of the old Reich and extended throughout the enlarged Reich area.

Soon it may become necessary for neighbouring countries to bring their rail systems up to our level and we will offer all our hard earned experience of the last century so they can develop their transport systems. Many countries, however, do not have any national planning in such areas, instead they rely on the goodwill of foreign patrons in order to extend the lines often influenced by capitalistic or political considerations. We will allow these countries time to think along national economic lines, so they adapt to the needs of the European economic community.

During the war we started to build the second link with Denmark from Lübeck via Fehmarn, Laaland and Falster to Copenhagen, which had the slogan: "As The Crows Flies", but which had not progressed beyond planning. Indeed it can be called a piece of transport policy for the enlarged area. On the other hand, these plans neglected the east and south-east where rail conditions were poor.

We talk of connection improvements between Venice and Trieste to Silesia and Romania and a better connection between the Baltic and the Danube basin and of cutting through the Alps. The one concern I have is that we should never admit something as impossible on the grounds of cost of construction. The Gotthardt railway, for instance, was jointly financed by Switzerland, Germany and Italy - such cases we do well to remember when certain community nations seem too financially weak to meet the task set.

National borders in Europe's rail system ceased to be a problem long ago and we can travel with our luggage on through tickets to any European destination. Germany has led the production of this international rail transport and the rules have been developed by the administrations of the European countries moving towards an international form of self-administration. One of the most important ones is "The Union of the German Rail Administration" and which has had its present name since 1932. In 1850 the union received its first charter to transport people, luggage, corpses, cars, and live animals and thus created the basis for today's international law for rail freight and for transporting people. In 1884 it issued for the very first time the licence books for transporting people and carried out ground-breaking work in the promotion of international rail transport by organising the construction and running of the main and small lines.

"Technical Unity" for the rail system contains standards about track gauge, the method of construction and the level of maintenance of the rolling stock, loading and duty bonding, as well as the brakes of through goods trains. Even the arrangements represent a piece of international self-administration and were created by the German railways.

In 1922 at the Conference for Economy and Finance in Genoa, the world war allies formed the "Union Internationale de Chemin de Fer" with its base in Paris, thus taking away the leadership of the development away from Germany. At the second conference in Genoa in 1923 there were few signs of success or activity. With the change in the political conditions after the conclusion of peace, I believe that

Germany, will once again assume responsibility for shaping the international rail system and will become the representative of the "Union of Central European Rail Administration" in the self-administration of the railways of the European economic community.

The Magna Carta of Europe's Internal Riverboat Traffic

Our waterways are the most modern in Europe and are designed for maximum efficiency, yet we have been left behind in the extension of the network. That is because only until 20 years ago did the responsibility of planning pass from the individual states to the Reich itself. Another problem was in Prussia where any extension of the waterways was dependent on ship journey taxation and any construction upon the costs of operation, maintenance and capital servicing being met by business from sea cargo. This condition created by the waterway administration effectively ended all construction. Extending rivers and the laying of canals ought to create cheap freight opportunities for the economy, but they are taken away if the waterways are burdened with these taxation costs. This is really a case of three steps forward and two steps back. After the world war it was the weak-minded who saw no future for Germany and resisted the extension of the waterways. They coined phrases such as "inflation of transport means" and "misuse of capital" to put an end to such schemes.

Nature gave us six rivers in northern Germany running south to north: the Rhein, Ems, Weser, Elbe, Oder and Weichsel; and in the south, the Danube running west to east. The vital duty regarding our overseas trade has been to extend the rivers leading to the German sea ports and to continue clearing the Rhein, controlling the Elbe, canalising the Weser, improving the Elbe and extending the Dortmund-Ems Canal. Over three-fifths of our exported goods are transported by waterway (on a weight basis).

From a continental perspective, all our rivers tend away from the continent. Looking today at the German lowlands and Balkans we just start to realise what intentions England had with the internationalisation of German rivers in the Treaty of Versailles. Under this, the Rhein, Elbe, Oder and Danube were internationalised and placed under the river commissions; this would allow more than one nation access on these rivers and their tributaries to the sea. The aim was to free the rivers from the control of the surrounding nation and place them under the control of a supra-state body i.e. the international rivers commissions. This would allow countries, such as Czechoslovakia, Switzerland and nations in the south-east, guaranteed access to the rivers and to the sea without being impeded in any way.

This was a typical example of England's philanthropic ideas to ensure that each nation had access to the sea and in reality it was to ensure that these nations did not concentrate their exports on their continental neighbours. England was intent on

binding these nations to the sea where its fleet and traders ruled, thus keeping them under its control.

Switzerland accepted England's proposal for the internationalistion of the Rhein and contributed three-fifths of the costs for the control of the upper Rhein from Strasbourg to Basle. This is the first case I have seen of a nation paying costs for the rivers outside its borders and is likely to do with access to the North Sea. It was, however, restrained when it came to the navigation of the Rhein from Basle to Constance, even though it shares the same amount of river with Germany. The answer lies in protecting the privileges of its terminal port in Basle and its railway from any competition.

Czechoslovakia in the central European highlands could not reach the Elbe, Oder and Danube and made great use of these routes to the North Sea, Baltic and Black Sea. Until Austria, Hungary and Yugoslavia directed its trade policy to Germany, they used the Danube. The Treaty of Neuilly removed the use of Saloniki as a port.

In October 1936 our leader made a declaration which was conveyed to the international river commission which freed us from the terms of the Treaty of Versailles.

Let us turn now to the waterway construction programme of our government from a "continental perspective". In 1938 the main central canal was completed and on 11 May a law under the four-year plan ordered that "By 1945 the Reich's waterway joining the Rhein and the Danube via the Main should be complete". In the autumn of 1939 the Oder-Danube Canal was started, as was the connection of the Rhein via the Neckar to the Danube, and the canalisation of the Neckar from Mannheim to Heilbronn was completed. Plans are under way for a canal between the Werra and the Main, as well as one for a Hanseatic canal linking the Ruhr area to Hamburg, Bremen and Lübeck, and one from Riesa at the Elbe via the brown coal area of central Germany to Maltsch at the Oder, called the Elbe-Oder Canal. The idea of the uniform tendency is to link all the rivers, which tend away from the continent and to connect the German rivers to the waterway network. The result should be to promote Germany's internal goods traffic.

The former Poland offered a 'plastic' example of a continental nation with an anti-continental attitude. It began to develop Gdynia into one of the most modern ports. Using French capital it built the so-called "Magistrale", a rail track joined the former Polish upper Silesia to the free city of Danzig and Gdynia, taking its entire export traffic via these cities to the Baltic. Poland's long border with Germany had to be broken through so that Germany could be linked to East Prussia. After Gdynia's port was finished, Poland extended a large industrial area at Sandomis and I believe Poland would have embarked on another task - the control of the Weichsel river. Poland would have obtained coal and iron from its mines in upper Silesia via the Weichsel which is navigable further north and via the Przesma, which could have been linked cheaply to the Weichsel. It would have acquired

other raw materials the same way and shipped goods manufactured at Sandomis via the Weichsel to Gdynia and Danzig. Poland's anti-continental attitude explains why the internationalisation of Germany's rivers did not affect the Weichsel. Poland offered the assurance that it would not become part of the continent, instead it saw its future in sea trade with England.

The important duty of Europe in the south-east was to extend the Danube into a route navigable for large ships. Until the middle of the last century it was barely possible to get from the Danube estuary to the Black Sea. The Russians owned the estuary and in order to protect its Black Sea ports, it allowed three arms of it to silt over. In the Paris Peace Accord of 1865, which concluded the Crimean War, the Danube estuary became subject to the "European Danube Commission", which has functioned to this day. In the Treaty of Berlin in 1878 it was expressly confirmed that it should function independently of the sovereignty of Romania. The commission, to which Prussia also belonged till the Treaty of Versailles, kept the middle Danube estuary completely open but hampered the ship journey with deposits. Last year the commission ceased to exist.

The rapids of the Danube above and below Linz are being extended now by the German waterway administration to make it passable for ships, but the most difficult place is at the "Iron Gate". In the 1890's Hungary was asked to construct some large defences and received loans to do so. It will depend on the new political map which country will carry out the plans made to ease the passage of ships through the "Iron Gate". It is quite possible that for a second time the community will have to strive to overcome this natural obstacle to the passage of ship.

The Rhein is the largest and most extensive route in Europe and, despite this and its history, it is less mentioned than the Danube in books and speeches. We are doing all we can now to join the German waterway system to this great European traffic route. Besides the river connections mentioned earlier, the Aachen area and the Saarland have demanded the construction of canals for more than a century to link their coal mines and industrial areas to the Rhein. France, on the other hand, has made no effort to link up with the Rhein. In the Versailles Treaty France relinquished the port of Strasbourg which had been well extended before the war and made use of the control of the Rhein from Mannheim to Strasbourg, but it did nothing to develop the river itself. Between Strasbourg and Basle, France refused to contribute financially and limited itself to a technical/administrative rôle. France did develop the dam at Kembs but only to obtain electrical work at the steep slope at Istein. Over a century ago France built the Rhein-Marne and Rhein-Rhône canals but it never considered extending them to take large ships, so only 300 ton 'péniches' can ply them. It seems obvious to have wanted to link the French mining area of Lothringen and the Rhône via the Burgundy Gate to the Rhein with modern canals. France will have to give up its conservative canal policy if it wants to be involved the in the future of waterway development in Europe, which is determined by the sizes of the German rivers and canals. The task of the south-

west German waterway planning body is to achieve a link with the French river network and to join the Rhein to the Mediterranean via the Burgundy Gate and the Rhône.

The Magna Carta for Europe's internal riverboat traffic was contained in our leader's declaration in November 1936. "For those nations living at peace with Germany, their ships can use the waterways freely on our territory. These foreign ships and Germany's will be treated equally even concerning the issue of ships' deposits, provided of course other nations act mutually."

This encapsulates perfectly the theory of the European economic community, leaving, as it does, the sovereignty of other nations intact. Before the war the Warthe and Netze rivers were blocked by Poland from us, the Save river by Yugoslavia, the Bega by Romania, and France limited access of its canals to German ships. According to our leader's declaration, all German rivers, artificial or natural, should be open to countries, which act mutually, which means no more than the expression of a true economic community. No other nation has such well-developed rivers as Germany and no other nation contributes to the community as we do. Our leader's words are perfectly clear and give the best guarantee for the freedom of ships, which is more than could be offered by any legal treaties or ship acts.

All preparations have been made by Germany for the measurement of the waterways, the standardisation of riverboats and sailing rules, which will enable uniform regulation in the European economic community.

Motorway's Contribution to the European Transport Community

We should not let the present situation of petrol and rubber shortages affect our view when we consider transport, as they are only temporary manifestations.

The future belongs to motorisation. Germany did not exploit the petrol engine until National Socialism came along. Over 100 years ago circles in the Rhein area had constructed a steam-driven engine, which was capable of moving a carriage. They considered reserving one side of the road for this steam-driven vehicle, which could have had its own track. Then Daimler and Benz developed a light and compact vehicle ideal for the roads, but tragically cars were seen as dangerous instruments created by the devil, from which humans should be protected, unlike in the USA, where the car was seen as progress and thus promoted in every way. We lagged behind until 1933 when our leader taught us that the car was there to serve people and gave them freedom from timetables. In just a few years the government had managed to catch up with other countries.

Germany became a leading nation of Europe in road traffic and our leader ordered the construction of the Reich's motorway and peoples car. Dr. Porsche built the car

combining performance with quality at very low cost. The Reich's motorway and peoples' car (or the 'KdF' car, as designated by our leader) were the visible symbols of the German desire to get motorised and in peacetime they will 'set the scene' for road traffic.

Even before the war the Reich's motorways had a significant effect on all European nations and most powers asked whether they should build their own, but they deferred due to political reasons or prestige concerns. Only in November 1938 did Czechoslovakia sign an agreement for the construction of a Reich's motorway between Breslau, Brno and Vienna, while it still remained outside the Protectorate.

Our motorway network was designed so that neighbouring nations could join on to it. During the war new large projects are not possible but after it our task will be to extend our motorways into a European network. The first route will definitely not be from London to Istanbul, but from Germany to Italy; and the communities of the Axis powers, which these two countries have preserved in this war, will be re-affirmed through this work of peace.

Community Work in Shipping

Until the war the law of market forces prevailed in shipping and it was the pride of German ship companies and their own efforts that enabled them to compete with other sea-faring nations. After the war the same law will come into force, as the sea is not subject to the force of nature, not state control.

Another question, though, is whether European nations enter the fight individually or join together and compete against the largest overseas nations of the future. It would be interesting to mention the possibilities, which could result from such an alliance of north-west Europe and the Mediterranean into two large fighting communities. The time is not yet right though, so I will not go into it. I will say that political co-operation between European nations will not leave shipping policy untouched in the future.

Traffic developments in the north and east, on the other hand, reveal perhaps the way of the future. The problem is simple: we need iron from Sweden, which has to be mainly loaded at Lulea or Narvik. Scandinavian nations need coal and depend totally on the continent for both its other imports and exports. Demand for shipping space has grown exponentially, but space has had to be reduced because German commercial shipping had to forego a large part of its tonnage for land defence. In peacetime, rates would have gone up and loads not able to afford these higher rates would be pushed back and tramp ships would come in. Loads can no longer be pushed back as Germany needs iron, Scandinavia its coal, and foreign shipping space, especially tramp ships are not available because every ship that existed in the world has been claimed by England. Free market forces have failed and a new organisation form has to be found.

The Reich's transport group for sea shipping realised it could have overcome these difficulties by coming to agreements with Scandinavian shipping groups. The transport group decides which transports are to be carried out and sets an agreement with the loaders and Scandinavian shipping groups concerning freight according to the list of priority guidelines from the government. While freight levels on the international sea shipping market have increased eight or 10-fold, rates on North Sea and Baltic routes have gone up by 60% at the most. German and Scandinavian shipping companies operate under community co-operation, which aims to meet the needs of highest priority of the member nations and excludes any exploitation of the war-related business cycle. Before us, we have a real European economic community based on international self-administration and I am convinced that such co-operation will endure through the war. Nations are so used to freight stability and secure supply of goods that even after the war they will not want to give up those advantages that have accrued from such joint work.

Joint Work in Air Traffic

Germany is the undisputed leader in air traffic since it freed itself from the rules in the agreement with the world war allies in 1926, which were imposed by the Ambassador Conference of Boulogne in 1921. German Lufthansa, the number one company in the International Air Traffic Association, led the traffic between the cities of Europe and ran regular services up to the war. Right from the inception of the airlines it arranged that each national air traffic company had the same number of aircraft in service. Gross earnings were halved and each company handled its own expenditure. Thus an international form of transport was created which obviated any national sensitivities and was truly community based. German Lufthansa soon covered all of Europe, it formed "Eurasia", created the Condor syndicate in South America and carried out the first systematic flights over the South and North Atlantic and to the Far East. Air transport's future lies very much with the overseas nations and the Far East, but it still remains a powerful instrument for holding Europe together and concentrating our co-operation.

In this brief overview I have tried to demonstrate how we in Germany can develop structurally a European traffic community without falling into imperialist ways. The building up of the European traffic community can and will proceed step by step together with the economic community. It is wrong to believe that idle happiness will reign in the European traffic community as important battles have yet to be fought. There will be arguments about which countries and lines should run the big international express trains, about the development of traffic between Germany and the Far East and there will be heavy competition between the sea ports of Hamburg and Bremen, Rotterdam and Antwerp, Genoa and Trieste. These battles are not all bad, because life is a battle and, as we say, "the churchyard starts and finishes in the same place". Progress is achieved through competition between nations and within nations. However it is important that all transport companies

remain aware of their part in Europe and we remember that the fate of the continent stands above the welfare of the individual national economy. “Everything that damages or suppresses a nation of the continent, does the same to the whole continent. Everything that benefits a nation of the continent, without disadvantage to another, is a benefit to the whole continent”. With these words, the Italian Carlo Scarfoglio encapsulated the idea of the new sense of the continent in his essay “ Europe without England”. Europe’s traffic community will also gain victory under this banner.

Pamphlet #07

Questions about Europe's Currency
by Dr. Bernhard Benning
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Currency's Two Sides

A whole host of problems are involved with this topic. Firstly, each currency has an internal and an external aspect.

Internally, a currency has the objective of establishing stability in purchasing power, reaching a balance between earnings and an adequate supply of goods i.e. a balance between wages, prices and available goods. Then there is the importance of developing sufficient credit and money supply.

Externally, it is related to the exchange relationships of the currency against all the other currencies of other economies. The exchange rate being the focal point, which is in itself the expression of an extraordinarily complicated set of internation relationships in trade and goods settlement, which results in a country's overall balance of payments.

First of all, in order to clarify the difference between the currency policy of today and of the past, I want to refer to the fundamental changes in the value placed on the internal and external currency that have taken place over the last decade. In the time of the Gold Standard for the construction of a currency, the external relationship (i.e. the exchange rate) was the most important. The consequences are well known: trade cycles were internationally linked and economies depended on overseas economic cycles. This system had catastrophic effects on national economies during the global crisis of 1930-32 and it should never be allowed to return! Everywhere now, including England, the importance of national economic policies and thus the internal currency policy has finally been recognised. The resultant themes are stability in purchasing power and full employment, below which the external currency policy is clearly ranked.

The situation can no longer arise where a policy of credit restriction is applied, in order to formally stabilise external currencies, entailing fixing exchange rates and restricting money supply below a certain minimum. As in 1930-32, this would be like a "suicide attempt", which has been successfully resisted since 1933 by the natural energies of our society.

This does not mean that limits do not apply in the internal credit policy under normal conditions, but this belongs to the remit of a structural internal economic and credit policy. The two-fold aspect of currency is no longer enough for the

analysis of the present currency situation where the external relationship is involved. Today this in no way represents a uniform relationship, instead a multi-level structure.

The relationships between the European currencies, for example, have three distinct sectors: independent national economies, the European sector itself, and finally the intercontinental relationships between the geographic areas. Thus there are three similar sectors on three levels for currencies:

1. The relationships between the currency partners.

2. The leader currency in the area in relation to the member currency partners.

3. The leader currency of the area in relation to its counterparts in other geographic areas i.e. the intercontinental currency relationships.

The Internal Economic Situation of Europe's Currencies

How has this changed recently and what is the present situation? Since the inflation brake in October 1936 Germany's currency policy has focused on achieving purchasing stability and was successful with the help of a system of price and wage supervision. Proof of this success is provided by the following price indices collated by the Reich's Statistical Office basing on wholesale prices, which show an inflationary scenario since the start of the war: Sweden +61.3%, Denmark +89.2%, Switzerland +85.1%, Hungary +59.2%, Bulgaria +66.3% and Romania +145.2%.

So we can see that the purchasing stability in internal economies just has not been achieved and wages have had to rise as a result. However, since autumn 1941, all these countries have increased efforts to put a brake on this price pressure. Every European country now employs a price control authority and has anti-inflation laws. In fact, prices have stopped rising so fast and hopefully Germany's example will act as a guide in future. By achieving purchasing stability in the partner countries, it should make it easier to form the internal European currency relationships.

Managing Foreign Exchange and Bilateral Settlements

Now to the external relationships between the European currencies. As we know, Europe's development into an enlarged economic area began before the war and experiences prove that currencies follow the line of the most intensive flow of goods and the strongest set of balance of payments. The position of the main leader currency tends towards the strongest exchange partner. The export trade of the south-eastern countries was centred on the Reich even in 1938; for example,

63% of Bulgaria's exports went to Germany, 50% of Yugoslavia's and Hungary's, and 36% of Romania's - since the war these figures have increased. The Anglo-Saxon blockade of the whole European continent has had a one hundred percent effect on European trade in all other areas of Europe.

Reflecting their economic force in Europe, the alignment of currencies has sifted to the two Axis powers, Germany and Italy, who are taking up the task together of creating a new order for Europe's currency. Both countries have close trade relations with one another, with all of the neighbouring countries and with the other European partner countries. Both make their own independent settlement treaties, but subsequently always agree matters at government conferences. The following information might show that the German currency as the main leader currency but it could also be the case for Italy.

Since 1931 the system of managing foreign exchange has been developed into a consistent new currency system, whose main pillars are foreign trade control and settlement balance control in the individual economies and the forming of trade and payment agreements whose functioning depends on a readiness for a positive and trusting co-operation.

The system of foreign exchange management has been heavily criticised both here and abroad, and those responsible for our economic policy have repeatedly stressed that the planned economy of foreign exchanges and bi-lateral settlement treaties cannot be regarded as a complete and final system for the order of Europe's currency relationships. Recently, therefore, efforts have been stepped up to remove existing shortages and to further develop more relaxed and settlement structures. A comprehensive look at these efforts provides a good insight into the present set of tasks.

In the last few years, three main objectives can be seen in the currency development of Europe:

1. The change from bi-lateral to multi-lateral settlement.

2. The releasing of clearing balances.

3. The creation and securing of balanced currency relations.

The Development of Multi-Lateral Settlements

It has proved to be particularly beneficial that Germany has developed a practicable system for currency payment over recent years. It had to be firstly built on a bilateral basis, as initially each European partner negotiated with Germany separately.

During its development it has been possible to proceed from a bilateral to a multi-lateral settlement. In numerous inter-nation negotiations the relationships governing trade and settlement were recognised in 1940-41, in which it was expressly stated that all transactions with the countries administered by Germany be routed via the German Clearing Bank in Berlin. The fundamental point of the "joint clearing" was that all settlements between the named countries and Germany were routed via Berlin, including their settlements with third party partners, be it with Italy and their partners or with the neutral European countries. Thus a whole network of multi-lateral settlement treaties came about, the latest of which is the one between France and Norway signed in November 1941. Even beforehand, France's settlements with Belgium and Holland went via Berlin, so today for the French balance of payments, the settlement relationships represent a unit to Germany, Belgium, Holland and Norway.

In February 1942 the Governor of the Bulgarian National Bank, Kyrill Guneff, wrote an interesting statement in the "South-East Economist", which shows the positive reception of the project in the multi-lateral clearing system: " The change to the Bulgarian bank law was primarily justified by the introduction of multi-lateral clearing, since in so doing, the reichsmark became a truly leading currency for the whole transaction system within the European economic area."

Some time ago, it was announced regarding the extent of the multi-lateral turnover at the German Clearing Bank in Berlin that about 15 nations were regularly participating in the so-called Europe-Clearing with certain quotas of their transactions. Between September 1940 and March 1941 the total turnover figure doubled.

Figures issued by the Hungarian National Bank in 1941 are interesting, which show that up to nine-tenths of foreign transactions went via clearing. A figure of about one billion Pengö, whereas only 105m Pengö were received in freely convertible currencies, mainly accounted for by the Swedish Krona and Swiss Franc.

As the President of the Swiss National Bank, Dr. Weber, revealed at the start of March 1942, 70% of Swiss foreign trade with its main partners is presently linked to clearing traffic.

The Problem of the Clearing Balances

Despite the signs of progress, the method of multi-lateral settlement in Europe is still in the early stages of development. Our currency policy treads a careful path and seeks a structural and voluntary development.

The main problem remains that of the clearing balances, as described below. Germany, the country carrying the heaviest burden in the fight against the Anglo-Saxon-Bolshevist threat, needs a constant flow of raw materials etc. for the war and

Europe's entire economy uses its production capacity for this and in order to supply the European area.
Contract switching and, in addition, the employment of over two million foreign workers in Germany who want to transfer a proportion of their income back home and do so - the result is increasing reichsmark credit balances of almost all the European partner countries in Berlin i.e. for Germany, there are passive clearing balances.

These partners then grant the German war economy supply credits to the value of these balances, or rather work credits. The partners then have two possibilities to deal with the problem of clearing balances. Either the so-called waiting times for the local exporters get extended so money is held temporarily in the German Clearing Bank in Berlin, or their issuing banks step in and provide their exporting companies with local currency amounts immediately after the receipt of the reichsmark payment in Berlin.

In the first case, the exporters have to bear the responsibility and in turn seek local finance credits. In the second case it is the issuing bank with the responsibility.

Italy, Slovakia and also Sweden, to an extent, adhere to the waiting time process, whereas most other countries use the method of immediate settlement i.e. the issuing banks take over the clearing balances. Bulgaria's solution is interesting to note. In mid-1941 there was a change in the issuing bank law, which allowed reichsmark credits to be established in Berlin for the Bulgaria National Bank against the cover of gold and free foreign exchange. Thus Bulgaria was able to benefit from the reichsmark's position as leading currency in the European payment system.

The significance for the credit and currency position of European countries of the problem of clearing balances should not be underestimated, as we can clearly see a considerable increase in the from the statements of the various European issuing banks. For example, the Danish National Bank showed a net credit reserve of 850 million Krona (approximately RM 450 million) besides other reichsmark credits at the end of 1941. Slovakia had a clearing credit of two million Slovakian Krona (approximately RM 170 million). Romania's National Bank figure was similar to Bulgaria's. In all these countries, an increase in the clearing balances leads to a big expansion of local credit volumes.

So far the accrued clearing balances have been quite reasonable. What adds mostly to the political argument is that Germany bears the greatest burden of the fight against the Bolshevist threat, but it should be remembered that the clearing accounts only contain the amounts due for payment. Before and during the war, Germany supplied its European partner countries with investment goods and production equipment on lengthy credit terms. As a result, considerable active balances are set against the German clearing passive balances, which will have to be settled eventually.

After the war Germany's huge industrial output will have to be modified, in order to produce industrial goods needed by the European partner countries. This export of goods will not only reduce the clearing passive balances but also actually translate them into active balances. In the long term Germany's whole structure will have to alter, in order to turn it into a supplier of capital for the developing countries in the south-east. After the war our economic policy has to specifically take account of its position of responsibility in continental Europe by carefully planning its investments in line with internal and external economic activity.

Adjustment of Europe's Exchange Rates

The third area of the present European currency question is what we referred to earlier as the changes in exchange rates. Before the war, the value of the reichsmark fell in the individual south-east European countries in relation to the so-called free currencies of the leading devaluation countries, principally the Dollar and Pound Sterling. There were various causes: the relatively high German price level against the reduced price level in the devaluation countries and then the large German import surpluses and the ensuing settlement balances in Germany whereby the previously mentioned waiting times brought about discounting even before the war.

Since the war started, Germany has concentrated on reducing and removing these problems for the reichsmark. This was all the more important when the gradual transition to multi-lateral payment in Europe made the uniform valuation of the reichsmark a prerequisite.

By early 1941 lengthy negotiations with all south-eastern countries had succeeded in creating the first step for a currency unification in a way that the various high discount levels of the reichsmark could be limited to 20% against the theoretical parity. After that, the other discounts were removed, such as Germany's currency relationship to Croatia and Serbia and then to the Hungarian Pengö, followed by Bulgaria in October 1941. There still remains today a 22.2% discount between the settlement Mark and the Romanian currency. Except for this remaining discount, the continent of Europe demonstrates a picture in which relatively uniform inter-national currency relations have been formed - 10 years after the planned economy for foreign currencies and bilateral payments were introduced in Europe. With this, one of the most important conditions for the further development of multi-lateral payment traffic in Europe has been created.

However, some caveats need to be added. At the moment there is not yet a corresponding position of equilibrium in price structures and in the development of balance of payments. A real and not only formal equilibrium for currency and balance of payments development also depends upon inter-national price equilibrium. As explained already, in the majority of European countries the price

conditions are subject to very different price pressures. For future development it is essential that the price brake measures mentioned are successful. The 'correct' levels of exchange rate equilibrium will be determined once normal peaceful conditions of supply and demand are established.

The recent increase in the Danish Krone by 8.2% shows how fluid the picture remains. While depreciations were the rule for the south-east currencies against the reichsmark, the opposite was the case for the Danish Krone due to special reasons. Denmark achieved an improvement in its goods trade with Germany thanks to certain German price concessions. Any attempts by Denmark's internal economy to put a brake on its local inflation should be supported.

Overall the picture is of a large variation in the exchange rates in Europe. Instead of a dogmatic stability policy, the Reichsbank employs a system of variable rates between the reichsmark leader currency and the member currencies. Its exchange rate policy is an active one that adapts itself to the changing conditions with the aim of achieving an optimal trade in goods and services in Europe.

Future Formation of the European Currency System

There are other interesting European currency processes e.g. the functions of the Reich Credit Bank, or the special rules concerning the Protectorate and Holland, or the question of how Sweden and Switzerland have reacted to the illegal import freeze measures by America. Now is not the time, as we have to concentrate on two points: the future formation of Europe's currency framework and the post-war duty of establishing a new order for the currency relationships between Europe and the other large areas of the world.

Right from the start it has to be emphasised that no one considers a removal of the monetary and political independence of the individual European partners in favour of some sort of European unit currency. Besides the important political aspects, the fact of a strong income structure would stand in opposition to such a 'currency union' idea. This structure is clearly defined by the social income calculations of Jostock and Clark. Between 1925 and 1935 the pro capita incomes when calculated back to a reichsmark base were as follows: north, west and central Europe RM 1200-RM1400, south-east Europe only RM 350-RM 600, in Yugoslavia RM 400, in Romania RM 350. Between the countries there are also considerable price level differences. A hurried creation of a unit currency would end in failure precisely because of these differences in income and price level, which determine the whole economic structure of the partner countries.

Therefore we are talking about an structural framework of harmonised partner currencies, not a unit currency. In this, the leading position of the reichsmark is uncontested, as is the Lira in the south-east area. Connected with that is the focal point of Berlin as the liquidity centre of the currency reserves of the partner

currencies. Berlin thus gains an even stronger position than London did with the Sterling bloc.

Is it possible to imagine, in reality, the future of the European currency system? The Berlin transfer has to bring about freedom and foreign exchange quality in European trade, which requires the security of liquidity of reichsmark credits. During the war such liquidity in clearing balances cannot be achieved for well-known reasons. The growth of the reichsmark clearing balances forms a noteworthy parallel to the piling up of internal purchasing power surpluses, but it can quickly change once the war is over and Germany's industrial production adjusts to goods required in peacetime and for export.

Equally important is the fundamental task of producing and safeguarding balanced currency relationships in Europe. The final definitions are yet to be decided but the clear, economic goal is full employment in Europe and structural co-operation of all European partner countries in the interest of safeguarding goods supply for the whole area.

The calculation basis of the currencies is to be made by carefully comparing the various countries' price levels and ensuring that their balance of payments are kept in balance. In the case of particular subsequent price changes, an appropriate revision of the exchange rates would be required. In this way, there would still be some flexibility in the rates, which would require less interventionist measures than in the case of a reichsmark central currency, which necessitates manipulation of the internal value of the joint currencies. Of course, any changes to the exchange rate relationships should be exceptional instances. Temporary disturbances to balance of payment equilibrium e.g. caused by adverse harvests would be bridged by compensating inter-national credit relationships.

Careful agreement is also required for the granting of short-term and long-term credit, which would be based on precepts different to those in previous decades. In place of international capitalist loans of the Anglo-Saxon-French type, which caused south-eastern countries to have serious balance of payment difficulties in the global economic crisis, there will be in future credit systems based on bilateral trade in goods involving the long-term development of partner countries. The economic agreement between Germany and Romania in 1939 exemplifies this.

Europe's Future Currency Relationship to the Currencies of Other Major Nations

During wartime, this question is not yet relevant, but it will be after it. What is certain is that the structure of global economic trade will have to be changed after the war. The old style, based on the theory of 'comparative costs', suffered a heavy blow in World War I due to the use of blockades and has now collapsed in the second world war of the 20th century. Instead there will be a very different form of

trade for the partner countries, which have their economic focus in the same area and whose aim is the overall increase in the general standard of living.

One has to be aware of these revolutionary global economic changes when considering the future shape of global currency relationships. An important fact arises from this, which is that the relationship between the so-called global currencies are central i.e. against the English Pound and the US Dollar at the time. The focus has now shifted to the relationships within the enlarged area.

After the war the prognosis is of a really intensive trade in goods between the new and old areas of the world. We just have to think of the trade in German tool machinery, optical goods or chemicals in return for South American goods or Far Eastern supplies of soya beans or tin. Similar payment methods can be considered for this type of international trade as well as those designed for currency evolvement.

As Vice-President Puhl recently pointed out, it is quite right that there will always be those countries that remain hostile to the idea of bilateral settlement. For example, payment forms in trading with nations, such as North America, will need to be freer. The economically strongest, and thus, the leading currency country in each major area has to constantly monitor the trade and currency relationships between the other areas in order to keep their balance of payments at the same level. Therefore, there is no need to worry that the development of freer payment forms in such a limited sector of international currency relationships would bring about any undesired disturbances or side-effects.

Therefore, we can conclude that the currency relationship between the major areas are not subject to a dogmatically strict uniformity, rather it seems a mixed system will develop based partly on payment, partly on defined, freer payment methods.

The main task after the war will be to commit to new exchange rate relationships. To many theoreticians and practitioners, the easiest solution might appear the re-establishment of those pre-war relations, which to a great extent were artificial. However, what is easy is not always right.

There are true and reliable methods for bringing about new and correct currency relationships in the leading area countries. 'Purchasing power parity' is one, which is described in recent research as being clearer than equilibrium rates. It is not possible to say today what these rates of the leading area countries will be like due to the war conditions and the varying inflation rates in each one.

How about Gold?

What role will gold have to play in the new currency order of the world? A quick answer to that is that it will not have one where currency is concerned! The 100th

birthday of Georg Friedrich Knapp is presently being celebrated. His definitive service was to finally settle the theory of 'metallic value' and replace it with the 'National Theory of Money.' Only now can the world draw the practical benefits. Doors have now been opened with the realisation that the value of money is totally unrelated to the physical security of gold or silver.

This does not mean, though, that gold is no longer of value. Despite lacking the commercial usability of copper or tin, it will keep its value as long as governments and individuals are prepared to exchange goods for it. And as long as the USA, which owns the most gold in the world, is prepared to pay a fixed high price for it, gold will be the most highly valued commodity in global trade. While that is so, gold can act as an extraordinarily useful economic reserve besides payment credits or free foreign exchange for the settlement of intercontinental payment relationships.

Here is a quotation from a speech made by the Reich Economic Minister to the South-East Europe Company in 1941 about the attitude to gold:

"We are not against gold, the commodity, a priority which is neither a good nor a bad one. It depends on how it is used. We have never objected to its use for ultimate settlement, but it has to be distributed differently than it is in the world today. Also a stability in its value has to be guaranteed internationally which requires no longer using trade and currency methods or revising the factors that brought about the collapse of the old global economic system of the gold currency, credit and trade…. Besides, Germany (for completion maybe one can say continental Europe) will have at its disposal, when peace is agreed, enough gold for the necessary international transactions, as long as overseas debts are not a currency problem for us. As far as Germany is concerned, the gold problem is no longer a problem".

This could not be formulated more clearly.

The European Currency Bloc

Here we come to an end. If our deliberations have made one thing clear, it is the realisation that currency questions rule out an isolating perspective both in Europe and internationally. They have to be looked at against the backdrop of the political and economic events in the world in order to appreciate the true importance and possibilities to create solutions. The geo-political development of the 20th century is driving towards the European economic community. The currency order can remain just as untouched by it as any other economic area.

We tried to show that after two and a half years of war we have made some important steps towards establishing a degree of unification for the currency, as well as politically for the European continent. An accurate parallel to this is the

German Custom's Union of 1834, which developed the economic area of Germany. Now on a totally different political level, European co-operation is being brought about by the modern instruments of settlement agreements, European economic treaties and the new order of the European currency bloc.

The overriding aim of the monetary and political reform of our continent is a far reaching integration of credit markets and the regulation of inter-national transactions between each European country, which is as free and non-bureaucratic as possible. Above all this, there stands the overriding task of establishing an economic area with full employment and safeguarded supplies.

Pamphlet #08

European Trade and Economic Treaties - by Dr. Carl Clodius, Ambassador of the Foreign Office, Berlin,

The Period of the Old Trade Policy

Trade policy has undergone major changes in the last 20-30 years, which up to 1914 was used to describe the settling of basic economic issues between individual economies. Around the turn of the century, a classic type of treaty only covered three important areas: right of settlement i.e. the individual's right to trade freely, duty issues and transport issues, especially shipping ones. The trade treaty was not generally decisive for the shaping of economic relationships, but there were some, which actually had quite radical effects, such as the German-Austrian Treaty at the start of the century. The development of economic relationships between two countries was, in general, not affected significantly by trade treaties. Of course, a good treaty could strengthen one of the partners and vice-versa. In any case, the function or type of these treaties scarcely determined the overall functioning of economic life.

The first major change came in 1914 when all participants in the war became interested in having state control of their economic relationships. This entailed allowing exports of vital goods and the import of non-vital ones for the war.

Chaotic years followed the war in the absence of practical trade policies until 1924. Europe's economic fate then was determined by Germany. It is a remarkable omen that it was not clear, at first, to those at the time that even the vanquished Germany was not strong enough yet to make an impact on Europe. From 1918 onwards, Europe's economic development depended on Germany, not England or France. Europe's economy remained sick as long as its heart was sick, as long as economic chaos prevailed in Germany, and as long as the drift towards economic catastrophe remained a possibility. The first step towards recovery was the creation of the stabilised Mark in 1923. From 1924 onwards, there began a normal period of international economic relationships, particularly in Europe.

Between 1924 and 1929-30 there was the temporary impression that these relationships would revert to the methods and structure of pre-World War I times. Germany's treaty with Italy in 1925 was the first one it ever signed with a major nation on the basis of economic equality and its outline was not so different from one of the classic treaties of pre-war times. The same is true of the treaty with France in 1927. At the centre of these treaties was the institution of the customs office with which one expected to control the flow of goods between countries.

The second major collapse came with the world economic crisis precipitated by the crisis at the New York Stock Exchange in November 1928, followed by the collapse of the Credit Institute in Vienna and of a major Berlin bank in 1931. Then came the most visible expression of collapse with the depreciation of the English Pound in September 1931. What has been termed as the world economic crisis was brought to an end by a world leading powers' decision to devalue, which was followed by lots of other countries, leading quickly to the formation of the so-called Sterling bloc.

It was at this time in 1931 that the period of old trade policy (i.e. control by treaty of basic principles while leaving the rest to free initiative) came to an end and never to return. It is a vain exercise trying to prophesise about precise facts but I still would like to say that the possibility of such a period returning is not very strong. They, whose responsibility it is to direct political relationships, need to consider how to replace these original methods, concepts and structures. I do not share the view that theoretical plans can solve international or European economic problems. Adolf Hitler's Germany has constantly refused to attend international conferences and participate in any collective solutions since 1933. Our 15 years' negative experience in the People's Federation in Geneva took away our desire to revert to those methods and so I believe that Europe's future shape will not have its economic programme decided at a conference with 75 or 93 delegates. Instead the European nations will slowly arrive at a closer alliance and a clear picture will emerge from a number of individual treaties between nations.

It is important that each decision is made taking into account the requirements of the day and, especially now, those of the war. What must, though, emerge from it all is a line, a policy, a programme and a new future for Europe. This is the only safe and practical way to reach a concrete result, while avoiding discussions about theories, principles, possibilities etc. What actually shapes things is what one does on a daily basis in practice.

German Economic and Trade Policy since 1933

The methods have changed since 1931, when England chose to devalue and Germany, in its way, chose to create a controlled economy. The first steps were made with the 1933 takeover by the National Socialists. The first systems for payment and foreign currency control were created by the central European countries and around the same time Austria, Hungary and Bulgaria carried out the first foreign currency regulations. Then Germany signed the first settlement agreements with its friends and neighbours in central Europe.

The basis of the payment agreement was simply that each partner makes a transfer in his country and then each account is credited or debited, as long as the amounts balance and the same amount is transferred. However, it becomes more complicated as the gap between the two countries' trade performance grows.

Before, it was possible for free foreign currency to be used for balancing out purposes. If I sign twenty treaties with twenty countries, then some of them will temporarily have to suffer and that is why, immediately after the transfer system was introduced, it was necessary to introduce bridging finance. There are also many possibilities to balance out by triangular clearings between three countries.

This transfer system, which was constantly extended from 1931 onwards, showed that good things can come out of bad. The controlled economy, which we introduced in 1933, relies, as far as Germany's relationship with other countries is concerned, on the control of the transfer system. For this, it is necessary that state measures are taken so that the value of exports and imports remain close to each other or, at least, that imports do not exceed exports.

After 1933 the firm execution of such a system was one of the main foundations of the Reich's internal German economic policy. It is an old law that says a burgeoning economy tends to attract imports and to impede exports and vice-versa. As a result, a country that has high unemployment and is going through a bad depression internally can appear to have a handsome balance of payments and trade balance. For a while there were quite 'prominent' politicians, financiers and economists in Europe, who were very proud of this fact and who believed that such a result was actually the goal of all wise economic policies.

Conversely, a booming economy can have an adverse effect on the balance of payments and trade balance, as the demand for imported goods, such as for investment goods, rises. And after a period of depression, people in employment want to acquire goods again.

These were the factors that led the liberal economists and politicians of the old school to explain again and again that there can be no true economic recovery, which is independent of economic cycle theories. One of the most remarkable things was that for a long time the prevailing theory of economic science was to describe this coincidental situation as the thing most worth striving for, whereas human effort, prospects and energy were deemed most worthy of condemnation. There was no harsher criticism for the representative of this liberalist school than if he would have said that the recovery of a country's economy does not correspond with our ideas about a real trade cycle, and as it is not real, it must collapse. To me, it sums up the difference between the person who works to earn money and the one who wins it in the lottery. The same is true when in relation to the economy. It was incredible how Adolf Hitler dared to heal and strengthen the German economy, going against all experience and principles. Success should not have happened, as it went against the holy principles of science. Indeed success was achieved in nine years and further success is expected.

The question now is how the adverse side effects caused by the heating up of the economy can be prevented from affecting external relationships. The only way is if

the control of the state apparatus is strict and reliable, capable of blocking external countries only when there is a risk of imported goods exceeding exports. In addition, temporary restrictions on tourist visits abroad may be applied, or to ensure that the supply of goods on the internal market is not exhausted. What has to happen is that the local manufacturer is forced to make a certain proportion of his output available for sale in export markets whatever his circumstances.

Back in 1931 and then again in 1933 we had to give ourselves the opportunity of creating demand in our own market by placing protection around it. At the start, the effect was only felt in Germany but later the effects were felt internationally. We certainly could not allow the depression surrounding Germany to affect our economy.

It is good to recall now and again what happened, because the type of foreign currency policy and control that we operate brings with it considerable restrictions and difficulties for the individual. From my lengthy experience in such internal positions I know full well the ramifications for the free economy, such as the bureaucratic burden and hindrances. Against that, though, consider all the great successes we have achieved since 1933 with our overall trade policy and internal economic policy: the complete eradication of unemployment, a huge increase in the output of raw materials and finished goods. These results have to justify the sacrifices that have had to be made.

The other part of our policy has been to carry out a lot of repair work, which has been possible by implementing control of foreign currencies. This has included everything relating to business with other countries: transfers, transactions, insurance, sea freight, rail freight, post, phone charges, support payments etc. Equally important are the payments of workers' savings, which also need to be controlled.

Changes to Trade Policy Caused by the War

The principles of Europe's trade policy today generally tend to follow along the lines of development as described. The war has brought an element of change as those countries involved in the war are forced to take central control of import and export and the distribution of raw materials, ensuring supply of vital materials for the economy. In our

case, this measure has brought about a steady increase in munitions output. Germany has managed to solve everything in the space of just two and a half years and this bodes well not only for our future but also the future of other countries fighting alongside us.

The Reversal of the Law of Supply and Demand

During the war negotiations about trade, policy issues have had to be put back to a great extent. According to the old trade policy it was important to create sales markets i.e. the active person was the one wanting to export, whereas the passive one had to assert himself in order to obtain the goods. Now, though, the exporter has to fight to sell to the customer, meaning a reversal in the law of supply and demand.

The Question of Labour Deployment in Europe

This is becoming increasingly important for our European policy. Just as it happened with raw materials, like coal etc., it has been increasingly necessary to achieve a balance in labour i.e. to 'suck up' workers in areas of high unemployment and deploy them where there is a lack of manpower. In Europe, hundreds of thousands of workers have volunteered to move to a job in order to create a balance in Europe.

The Problem of Traffic

This is an important subject for Europe's trade policy, but one that is affected greatly by the war. As a result of the difficulties caused for sea freight, Europe's internal routes and rail freight have become more important. Establishing whether a raw material is available somewhere and if it can be transported to the required place are equally important matters. The achievements in this area by the Reich Railway are quite extraordinary, because almost all freight, due to geographical reasons, has to cross Germany in either a north to south direction or east to west. The lack of freight transported by sea means that Germany's railway has had to take a lot of it. Moreover, it should be said that other countries like those in the south-east have made extraordinary achievements in the last year, especially with the advance on Russia.

Effects of the English Blockade on Europe

In this context it is interesting to assess the effects of the blockade on Germany and Europe. When war broke out our opponents, France and England, lost a large amount of

their export volume with Germany. For both sides, significant proportions of their export business were lost. Besides that, England immediately lost a large part of its European trade while Germany lost the majority of its overseas trade. Due to the increase in the internal European commerce over the last two and a half years, most

countries' export trade figures have recovered to pre-war levels despite being involved with fewer foreign markets. However, account needs to be taken of the effect of inflation, say 30%, but even so, the result is that between the European countries (including Germany) the commercial volumes are roughly the same now as before the war. Germany's trade with Italy has increased five-fold in the last three years. This proves one of my earlier points about the benefit of foreign exchange control that it has brought about a greater intensity to our relationships than the slow and difficult way of negotiations and conferences.

Principles of European Co-operation

The European Regional Principle

There is a simple principle that says that what can be bought in Europe should be bought there, just as what can be sold, should be sold in Europe as long as a there is a demand that needs to be met. If each economy and person follows this principle, then an economic entity can be almost totally created without the need for treaties, agreements etc.

We have signed agreements with sough-east Europe in this regard and a treaty with Romania in 1940 under which Germany has committed to take up Romania's grain surpluses after the war at prices that are profitable for Romania regardless of world prices. Other producers of agricultural produce would be treated similarly. Between them, Germany and Italy are able to absorb the entire surplus of grain of Europe. Overall one can say that in this area Europe is balanced, which means that there is no worry that Europe cannot feed itself or that, like now, intensive agricultural cultures in the south-east have to be reduced because of artificially high prices due to a market change. An adequate supply for Europe will be assured later by the economic inclusion of and co-operation with Russian areas.

Europe's Economic Independence

The second principle of economic co-operation in Europe is this: Europe has to be made economically independent enough for it to live. It would be too idealistic to believe that Europe can live the same way as it did with free trade, if it wanted to make itself economically independent. That has never been the idea of a European community and nor should it ever be.

The essence of this principle of European co-operation is that all nations of Europe and its economic scientists must endeavour to ensure that Europe is never forced to starve again by a power outside Europe. For Europe's fate in future, this may be more important than whether its equipment is one or two points stronger or weaker

than its enemy. One could believe that the possibility of an attack on Europe would no longer exist, if certain powers outside Europe ceased to say: we (the non-Europeans) lack the military might of the old nations of Europe, those bearers of military virtues and traditions, and geographically we are not in a position to conquer Europe, if it is unified, but we have always got the possibility to force Europe to starve and regardless of all else. War or no war, victory or defeat, sometime this Europe will become noticed.

Therefore the most important thing for the security of all of Europe that has to come out of this war is that it no foreign force can threaten it. What Europe will do with its new-won freedom is a question, which its people have to decide among themselves. The fundamental thing is that it, at last, achieves independence for itself.

Europe and the Global Economy

The third principal issue concerning Europe's fate its external relationship. The view is often heard that it would detract from Europe's position in the world economy if such a process of 'intensification' in Europe took place. This view is false because large economic entities have always proved to be stronger and more productive than small ones. It is an old low of physics that states that the sum of all the parts is stronger than the individual parts and this applies to politics as it does to other things, especially the economy.

Until the advent of the Customs Union, Germany was an economic area split up into over one hundred small areas. To travel from Berlin to Cologne meant crossing 20 or 25 boundaries, so no one can say today that Germany has not become a stronger economic unit by abolishing its internal boundaries - quite the opposite. Between 1800 and 1836 when the Customs Union was introduced Germany was relatively uninteresting economically to the world. When capitalism in England created the large modern factories, we were way behind. The upswing came here when the Customs Union created the first step to forming an entity and List wrote his genial work. The step towards an economic entity was also towards a political one. From 1876 onwards, Germany's position in Europe and the world grew, which would have been unthinkable if its internal boundaries had not been abolished.

The USA is another example of a large economic area coming together to create a strong economy with purchasing power and export possibilities. It could never be what it is today if there were still the 13 independent states. Its economic strength and interest in the world stems from the creation of this large economic area. This should hold true in the future and closer economic ties in Europe should lead to a strengthening of the European area in relation to other continents, just as Germany's economic fusion led to stronger German commerce. Furthermore,

purchasing power throughout Europe will grow, so there will be no worry whether Europe will be interesting as a partner for the rest of the world.

I have already established that Europe should not become independent in the sense that it can meet all of its own requirements, rather Europe should be shaped so that it cannot be starved of food or raw materials. As long as it can produce a minimum level on which to exist, the surfeit can be used for export purposes outside Europe when living standards rise.

Internal Pre-Conditions of a European Economic Community

Having handled Europe's global position and the most important principles for closer economic co-operation in Europe, I want to take the perspective of our partners in Europe.

It is known that people tend to be reticent when they are faced with economic change and it is remarkable to note the number of great revolutionary minds and pioneers that there were in our economy and other economies while the official opinion still remained conservative.

When Bremen joined the Customs Union, the view prevailed for many years there that its trade would die. We can remember how long Bremen remained an outsider in the Customs Union because the local people preferred the city to act as a temporary bonded-warehouse facility for American goods en route, say, to Norway, rather than the consignment having to enter the German customs area. Instead, Bremen should have acted as the port for all of the 80-100million people.

When in 1931 the Customs Union of Germany and Austria was planned despite the obstacle of the French 'diktat', there were many brave German souls in Vienna at the time that told me that it would be the ruin of Austria. In 1938 I made a point of reminding them of their words when unemployment disappeared, when most factories doubled their pay rolls, when the only concern was about raw materials and building enough factories.

Despite the Austrian experience, there are still those who say that it is impossible to run an economy if it is incorporated in a customs union where there is a powerful industry like Germany's. The mistake is in believing that the new conditions would be the same before and that it would be difficult for the small nation to survive next to the larger one with its production capabilities. It is amazing that the experts in the small economy lack the imagination to see that it then forms part of a large economy. In discussions about the problem of European integration we always come across these limitations in the thinking process.

The issue of foreign currency control is going to be an important question for the shaping of economic life in Europe. In my introduction I broadly described the

development that led to today's trade policy and how foreign currency control began as an emergency measure and ended up being an effective tool for controlling foreign trade. Even today duties or contingencies play no part. Instead the transaction control is the only trade control used between countries. When someone talks about a future Europe this is the most important thing. The removal of duties is not so important, as it plays no significant part today, but it may regain importance at a later stage. I am convinced that in the foreseeable future we will no longer have what was called foreign currency transactions. I fully welcome that because the disadvantages of it, such as loss of planned control of the economy, would be greater than the possible advantages to be gained by individuals.

On the other hand, it is worth trying to loosen a little the tight mesh in which economies exist today. Today we have got to a point where we have created bilateral treaties that effectively guarantee all transactions. During the war only a few items, such as luxury ones, were excluded. At discussions abroad I am frequently confronted with objections to European co-operation that are quite irrelevant. The war is obviously the base cause of such thoughts, but certain effects of it have nothing to do with European co-operation, instead they are to do with the war and the blockade. The main difficulties cited are to do with raw material supply evidenced by shortages and food rationing. In fact, the European economy is the weapon against this blockade. If we have failed to remove the effects of the blockade today, then the successes we have had so far are thanks to the joint efforts of all the nations of Europe.

It is wrong to believe that the present shortages are related to European planning, instead they would be worse without it. Freedom will return more and more after the war, so, although we may still have foreign currency controls to some degree, it will be possible to travel, live and trade in Europe as we did before the time of controls. In the European system we will have a form of clearing that evens out the peaks. For the individual interested in this for his commercial needs and activities, a situation is almost re-created which is barely different from the situation of free foreign currency control.

Ways to Achieve European Co-operation

At the start I mention that we National Socialists are not particularly enamoured of collective international conferences. Over the last twenty years I have participated in many international negotiations with various European nations. Many were fruitless, others just initial ones or attempts to negotiate; but one thing is certain and that is that the ones that had a positive outcome were those trying to achieve co-operation between one state and another, rather than collective ones.

By creating a network of nations in Europe co-operating with one another, a fabric is formed. This fabric is stronger than a so-called skeleton agreement with certain principles containing a list of provisos, rendering its actual application no more

than an illusion. From an intensive one to one relationship it will be possible to move on to three-way treaties and to reach compromises between the individual nations. By carefully bringing about bilateral treaties, Europe will slowly start to distance itself from the outside world with which close treaties concerning goods, foreign exchange and traffic will not be excluded.

Over the years Germany has endeavoured repeatedly to form friendly agreements with lots of governments. A good example of this is the one with south-east Europe, with whom we have tried to form a compromise and a closer tie since 1933. Our desire was to prevent the farmer in the south-east from living in poverty, and a condition unworthy of the whole European economy.

I believe that Adolf Hitler's great actions to save the German farmer will go down in the annals of history and also that people in Europe will start to realise how he also saved the European farmer.

I know that we are still not yet able to bring the farmer in the south-east of Europe up to the level of the one in the north where the economy is more intensive and prices and living standards are higher. However, a start has been made with changes visible in villages in the south-east where wealth has grown, livestock has increased and production is more intensive. I believe too that we will elevate Europe in general to a level higher than ever before.

When we started this policy in 1932/33 we came across a lot of resistance, scepticism and distrust, not only in Germany. Two treaties, one with Hungary in February and with Yugoslavia in May 1934, set standards in the agricultural sector. These were the first treaties in which we granted unilateral preferences and it is clear that we have to pursue further the route of compromise.

Let us now take a look at certain very wealthy countries in the north of Europe. There one sometimes hears the argument that things are so good with them that Europe would have to come up to their level first. It is clear that that cannot be the objective of a community-led European economic policy. Marxism got it wrong in that it did nothing to elevate those lower down the order, whereas a social economy, in our sense, should use all the appropriate measures to elevate the lower social classes. In the same way, the European economic community has the aim of elevating those countries left behind economically due to historical, geographic or climactic reasons to the level of the other countries. Just as has happened up to now, it will become apparent that the only country that contributes to the scheme will itself benefit from it more and more. The overall effect will be a strengthening of Europe's position in the global economy.

We Germans are convinced that this outcome of European economic co-operation and economic isolationism will be, and must be, one of the most significant results of the war. We also believe and hope that people from Europe, who without exception are fighting on our side, will work together with us in the same spirit to

achieve a new European economic structure. One thing is certain: a truly peaceful European economy can only come about through voluntary and joyful co-operation between all participating nations. The aim of a war cannot be to achieve something in this area with force and violence, but it can be the objective of our statesmen to act as preparers of the way, pointing out the opportunities to be gained from building a European economy. After the war they will leave others to construct and extend this home where there is voluntary co-operation between all the nations. The project's success rests on every nation's belief that such a development is in their interest as well as Germany's, so that a European policy (not just of one nation) is pursued, which at the same time serves the good of each individual nation.

Pamphlet #09

The Basic Question: Europe - Geographic Concept or Political Fact by Prof. Dr. Heinrich Hunke Economics Committee Adviser of the NSDAP, President of Germany's Economic Publicity Agency

New Learning and Thought

Since the start of World War I, Germany, Europe and the whole world has had an object lesson in economics and economic policy full of truly bitter experiences for all concerned and which, on the other hand, provides new perspectives of unimaginable magnitude. True, crises happened before the world war; the wealth of great nations' had been wiped out by violent conflicts and in the American Civil War, economic warfare emerged as a new weapon. But the last 25 years have shaken the spiritual and practical structure of the economy in such a way as no other period.

In August 1914, the world held as absolutely true the belief that the economy was something that existed on its own and was a law unto itself. It was the President of the Issuing Bank and the men of commerce, professors and lay-people who noted from the inexorable increase in global trade both the signs and the nature of a new economic era. Now, 25 years later, the economy has become controllable, one used to serve its people, and now experts and theoreticians are involved in gaining more knowledge about economic and political life.

We in Germany had to deal with the problems of economic reconstruction very early on, so we were the first to get away from the idea of everything being determined by the automatic laws of economics. It was National Socialism that was first to recognise that work represents the foundation and wealth of a social economy. This means that work has to be the corner stone of any future moral order. Here, then, is the Archimedes Principle that can turn the whole capitalist economy upside down. We have also learned that the main tasks ahead can be recognised and affirmed without the belief that they can ultimately be achieved. What is required is a clear understanding of what stands before us, without which the desire to tread new economic paths will never be present.

In 1923 in Germany the ever-depreciating reichsmark created a feeling of impossibility and moral derangement. The creation of the 'stabilised mark' was an unexpected miracle for most of us. In 1932 we all saw that we had to solve unemployment, but the old doctrine failed to see any possibility of doing this. It started with the crystal clear understanding of a few people about economic processes, then the faith of many people and the iron resolve of one individual who sought the solution of this massive task, which flew in the face of all previous experience.

Today we are faced with similar tasks together with the other European nations, such as rebuilding the European economy, mobilising our agricultural sector, industry and transport. Solving these problems keeps providing us with new perspectives and challenging the theories and practices of the past.

Two things appear necessary to us now: firstly, everyone needs to be made aware of the tasks that face us. Therefore it pleases me that it has been possible for our leading experts to discuss here the economic problems of labour deployment, agriculture, industry, transport, currencies and European co-operation. Then these tasks have to be recognised, understood and carried out unanimously. This is the most difficult thing. In this period of new thinking it is more important than ever before to create a link between word and deed, because the effective solution of a problem relies on it first being unanimously recognised.

Finally I want to make some basic observations about the situation today regarding the economic problem in Europe and try to establish a direction for the solution of the political and economic problems. In doing so, I hope to make a significant contribution to the problem of our enlarged area. To me they appear all the more important when this important concept lies hidden under other issues and is exposed to the same dangers.

The Starting Point for the European Task

Three Eras

In considering this question what has to be held true is that the creation of the European economic community is a totally natural manifestation of the regeneration of the old continent. A quick look at the last 450 years since Christopher Columbus landed on the Coral Island in the West Indies shows this clearly.

Firstly there is an argument that Europe lived up to 1942 from its own energy and built up its own great culture and economy. This fact remains beyond doubt.

In purely economic terms, the discoveries had absolutely no significance for the European economy for the centuries preceding us. The only exception being the importation of spices and precious metals.

In his book 'Recent World History', Dietrich Schäfer, in agreement with every other historian, quite rightly says, " The New World, which today is flooding the Old World with its products and threatens to kill off production in Europe, has nothing to offer its discoverers. The animals it uses to create a large part of its wealth emanate from Europe. Maize was the only indigenous type of cereal to

America, which along with the potato were the only two crops that the New World could supply to the Old World. It is well known that it took centuries until these crops grew in sufficient quantities to feed local populations. Even the tropical and sub-tropical produce, which America sells today, were totally lacking in the first one hundred years after its discovery or were only available for export on too limited a basis to produce a profit. Sugar cane brought over from Europe was first grown in Tahiti, but after the three centuries of Spanish ownership the yields still remained limited. Europeans, we know discovered tobacco in America, but took time to develop a liking for it. So there was absolutely nothing in the beginning that could be traded profitably or in sufficient quantities. Emigrating to India was impossible, whereas to America it was possible on a limited basis."

The exploitation of the overseas territories only actually happened in the last century and a half, made possible by European people and their inventions, which turned these territories in to an overseas Europe. White people crossed the "pond" and were followed by machinery, the railways and other means of transport. All European nations worked together in this task. Germany, above all others, provided the New World with its organisers, soldiers and workers. It was undoubtedly an impressive achievement within just a few generations to provide an entire new world with a new population, a new spirit, a new culture and civilisation.

We still believe that it was only in the 19th century that the overseas territories became truly significant for Europe. What we must also accept is the fact that the achievements of Europe overseas were accompanied by its disintegration.

Three facts immediately stand out: the emergence of the global economy spelt the loss of Europe's economic sovereignty; the amassing of huge colonial possessions led to the destruction of the Reich; and the success of the Anglo Saxon economic principles signified the end of the European economic community. Three theses, then, that should be easy to demonstrate.

The Character of the Global Economy

I mentioned that Europe's economic sovereignity was destroyed by the emergence of the global economy. It cannot be denied that Europe lost all interest for its people in a very short space of time due to the wonderful opportunities overseas. Even at the start of the 19th century, it was possible to transport the entire cotton crop of the USA on board one ship since the output was so small then. More and more rapidly Europe's food and raw material basis moved to the New World and to other continents, so that we soon became dependent on that which we used to make ourselves. Suddenly our cereal and our cotton became America's cereal and cotton and everyone said: " What does America have to say?" For thousands of years before, though, it had been very different!

This development would have posed no danger if the new global economy had represented something real, something lasting, that gave all European nations the same opportunities. Not so, this one lived off the world power of England and turned the other European nations into provincial areas of the English Empire. Today all this is evident to us, strange as this may sound, as we now recognise that the creation of a global economy can never be equated with the society of any nation. The domestic, urban and social economies are all supported and formed by somebody. Family, community, nation. As long as mankind, in the political sense, remains no more than a concept, the global economy will not become reality. Instead it will remain dependent on political power for its foundation and order. What the global economy means and how long it will survive depends on its creator. We can see clearly that our efforts to establish labour division throughout the world have undermined our very own existence.

Political Weakness of Continental Europe due to the Idea of English World Superiority

The decisive point is that Europe's loss of economic sovereignty entailed the loss of its political sovereignty. At the time of the discoveries around the world, the political order of our continent began to decay. The German Reich had provided this order for centuries, which had guaranteed its social, cultural and economic values. As the Reich fell apart, the emphasis moved out to the nations on the edge of Europe - to Spain, France, Holland and finally to Great Britain.

What is really decisive, though, is that Great Britain believed that the only way to create and maintain order overseas was to render Europe politically weak. The English Prime Minister, Salisbury, for example said in substantiation of the Balance of Power Principle In Europe, "We do not seek to divide territories, but to break down any dominant power."

Mr. Eden echoed these words in November 1936: "The extent of the political empire's responsibility in the world necessitates its close involvement in European affairs. Through its free position, England has come to accept three main principles in its relationships with Europe.

1. No power can be allowed to challenge its natural superiority in the North Sea and the English Channel.

2. Small nations must never be allowed to fall into the hands of large powers.

3. Large powers must not be allowed to gain superiority in continental Europe, as this would pose a threat to Great Britain.

Thus we see that England regarded European political weakness as a pre-requisite for its economic dominance and also that the question of Germany does not feature at all. Expressed more succinctly, all of England's global economic plans will endeavour to quash Europe's attempt to regain its political and economic sovereignty with every means available.

Britain's Dominant Theory about the Modern National Economy

Following on from the above two points there then came the infiltration of Europe by the Anglo-Saxon economic view, which disguised itself as the modern global economic theory and was thus widely observed. It represented the following principles:

1. Market forces determine everything that happens on earth. Price is responsible for regulating economic affairs and decides the fate of nations and individuals. It replaces the need for social ideals, moral ties and state requirements.

2. The owner of capital is in control of economic goods, production and consumption. Capital represents the commanding position in our economic life.

3. International freedom of movement is the be all and end all. Everyone should be able to settle where they see the best place for their commercial activity i.e. where there seem to be the cheaper production conditions and the lowest transport costs.

There is no doubt about the huge significance of these three principles. The world has practically lived and breathed this view without looking at its foundation and detecting its side effects - until they were revealed to everyone by the great economic, political and spiritual crisis. In my opinion, the English economy is determined totally by this prevailing Anglo-Saxon economic view, as England's economic greatness ultimately relies on the belief of its people in the rightness and singularity of the British principles. Thus, either consciously or unconsciously, England guided the economic development of all nations along it own lines. Experts were dominated by this powerful theory. The dominance of the London Stock Exchange and the hegemony of the English Pound were also the expression of England's spiritual power, just as the old economic science of England was. It is also true that even up to our time there was the belief that capital shaped the economy and that the theory of comparative costs was the pivotal instrument of global economic theory.

As a result, people failed to recognise what really shaped their lives; and that is people and room - not international markets. What also happened was the automation of Europe. In a farming village it is taken as understood that everyone depends on each other and help each other, but in Europe each nation, each

person's job and each business lived just for its own interest. Europe had become a geographic concept.

The Foundation of the European Economic Community

Now, though, Europe cannot exist purely as a geographical concept. Instead, its foundation of existence lien in its political power and its consciousness of political unity.

I will totally ignore the fact that geographers cannot even define Europe properly. Carl Ritter, the old expert on geography, concluded that Europe, as the ruler of the other continents, "could quite rightly provide the highest classification concerning the world's historical and political condition, placing it into two main categories:

a) the European world, to which even the europeanised one belonged.

b) the non-European world, which was not advanced to the level of European civilisation."

Regarding the question of the boundaries of the European continent he said, " the eastern border has been decided by the development of history" and " Europe's natural border coincides with that of its people, its way of life and civilisation."

Today our Leader himself has again pointed out that Europe has no geographic definition, just a national and cultural one. To him, its borders are simply defined by the West's history to date and he pointed to Europe historical emergence, which originated from that island in Greece, coming via the Roman Empire to the west. To him, Europe was the area "of a family of people, amongst whom the political organisation and objectives might be quite divergent and different. In blood and cultural terms, though, it represents overall a unity that is complementary to itself."

From this realisation that Europe is not a geographical concept a number of conclusions have to be drawn, which are of crucial importance for the future economic and political co-operation of the people of Europe.

1. Theoretically, concepts such as an enlarged area and its economy have to be rejected because they are vacuous and undefined. Nothing is said about the area itself, other than it is of a particular size, one larger than has been generally the case. We are not helped by the mere introduction of an unsubstantiated concept in economic arguments.

2. The decisive things in the new unity of Europe are the type of co-operation and way of living within this unity. Important political conclusions stem from this statement. Firstly, that it is only possible for Europeans to live a European life if the struggle between nationalities of this area is limited to the spiritual sphere and nothing

else. Then there is the spiritual and political solidarity, even a community relating to the area which is the decisive feature of the new structure. Finally, that the only aim of economic co-operation can be the European economic community.

3. The decisive economic and political conclusion, therefore, is that Europe does not become, say, a so-called enlarged area in the sense of a smaller global economy pervaded by the old Anglo-Saxon economic laws. Instead the European economic community has to be shaped according to new political categories, so it will look different to the economy of the past.

Categories within the European Economic Community

Europe, the geographical concept, is therefore in the process of making room for a political fact. The decisive economic categories of this development will consist of replacing the individual with society, global market with living area ('Lebensraum'), capital with organisation of the workplace. The success of these three principles will herald an economic and political development of revolutionary magnitude.

Three Principles

Society Replaces the Individual

This means that an economy's objective becomes totally different and the unbridled urge to earn money is no longer the regulator of the economy. In its stead is the controlling authority of the community, which safeguards the tie between economy and society. This must be kept separate from the organisational restrictions, otherwise damage will be caused.

Living Area Replaces the Global Market

To clearly differentiate between these two concepts, it is best to compare the views of their two great proponents: that of Adam Smith and Friedrich List. According to Adam Smith's theory of free trade through free competition each country produces those goods which it can produce best i.e. most cheaply. Each country can then buy most efficiently and sell to best advantage. Friedrich List, on the other hand, held that division of labour within nations, and not between nations, brought about the best performance. For him, an economy does not consist of mathematical values or exchange values; rather it grows from the availability and use of latent productive forces among the people and is synonymous with the awakening of all the productive forces of the nation. The following table serves to show the two opposing economic views:

Adam Smith *represents the market theory,*	***Friedrich List*** *represents the theory of productive forces,*
whose highest value is the value of the market or the exchange value,	whose highest value is the productive force,
international labour division is the route to wealth,	confederation, i.e. the pooling of productive forces is the route to wealth
the aim of Adam Smith and of free trade is harmony between all individuals,	the aim of Friedrich List is the development of the energy of the people
Adam Smith's thinking is cosmopolitan,	Friedrich List's and our thinking is political.

There can be no doubt that the two economic views are theoretically and practically poles apart and that is why the outcome of the present struggle will be of utmost importance in economic and political terms for every European nation.

A note about the concept of living area itself, which I have briefly outlined as follows: to Germany, its living area is:

1. A sufficient area for it to be able to live and grow in an enclosed settlement in Europe.

2. The shift in focus of Germany's economy to within its actual national area.

3. The recognition of the development of a mainland European economic community, which allows the utilisation of its inherent economic forces, and ensures mutual supplementation through economic achievement between friendly neighbouring nations.

4. The extension of a colonial economic area, such as is common and possible elsewhere in the world.

We see from this definition that living area is not identical to the area of the nation. We also see that the liberal view, which says that economic supply is totally independent of the politically governed area, is erroneous and can be rejected, in the same way as the mercantile view of the identity of the national and economic area is rejected. This view of living area clearly establishes the economic relationship with the other nations of Europe, for if we demand living area for Germany, this also affirms living area for other foreign nations. The aim of the theory of living areas is simply to form a new European order, which guarantees all nations its own living area.

Thinking in the Workplace Replaces the Theory of Capital

As I said before, here lies the Archimedes Principle, which gives us power to construct once again a new culture, a new economy on our continent. For ages, it has been recognised that work is the source of wealth, a fact only overshadowed in more recent generations by a fateful superstition that said that capital somehow had some determining influence on work. From this was born the unhealthy consequence that a nation could have too many workers. Only falteringly do people start to realise again that the limit of a nation's wealth depends on its ability to organise its work.

It is obvious that these three principles, mentioned above, will have their practical effects. I have to point once again to the example of the revival of the south-east European economies after 1933. This shows how new methods used in these countries produced real indisputable successes. You see, Germany did not suffocate its partners there with financial dependence, or make them financially indebted. No monocultures were demanded or caused; prices were not held down. Germany just bought goods, paid for them properly. Germany released and developed the productive forces in these countries in the sense of Friedrich List.

A New Era

The final constitution of the European economic community could be something along the following lines:

First of all there will be a general change in ways of production through the utilisation of productive forces of the people. What is produced will be determined by the energies of the nation and its area, not by the price that the world markets will pay. One could perhaps say that freedom of work replaces freedom of the economy meaning that those national monocultures that are controlled by price would practically come to an end. It cannot make sense to join all the European countries through a customs union just to build a smaller version of the English global economy full of the same mistakes. Customs unions are a useful means of removing unnecessary difficulties between two national economies of the same level, if required. It would unnecessarily disturb and jeopardise the natural coalescence of the European economies if customs barriers were suddenly removed in Europe today.

On the other hand, the objective of future economic co-operation is to create a community of living space i.e. it cannot be, say, the task of the new economic policy to destroy monocultures and replace them with impossible insularities. If the German Reich had pulled back the emphasis of its economy to its national area then that would send a strong message to the rest of Europe. The small nations of Europe must never remain in any doubt that they too are dependent on their neighbours and must take them into consideration. In 1932 Sering rightly pointed

out that the strength of the American economy would break as soon as customs barriers went up on all of the 48 states' borders, as in Europe. Not only that, that the European nations would run the danger of being suppressed economically and losing their political independence if, one day, a new structural group came along and stopped the economic deterioration of the individual nations.

There will be two fundamentally new manifestations in this European economic community: full employment and self sufficiency in essential goods. For me, there is no doubt that the experiences of the German people will lead them to teach other nations ways to achieve higher employment. Nor do I doubt that the success of European tasks, which are determined by the exploitation of large parts of the continent, will call into play energies, which can be barely imagined today. In doing so, as Bernhard Köhler once said in relation to the German people, the people of Europe will liberate themselves from proletarian restlessness and build a new life for themselves. Equally important will be the requirement that essential goods must always be available if this requirement is adopted as a principle in people's consciousness, and thus adopted into the practice of the economy. The requirement is itself final, because what other meaning could the concept of living area have other than permanent access to essential goods! The development of all inherent economic forces of a nation and their supplementation by friendly neighbours are therefore the normal economic foundations and the necessary links in the security chain of a nation.

Clearly, these effects of the European economic community will herald a totally new era for Europe and the implementation of the new principles will have many obstacles to overcome. The development of many processes of economic control and economic trade between nations shows the careful approach to solving problems that is necessary. The difficulties in Europe are in peoples' mind, not in the economic world.

Today it probably would not occur to anyone to take delivery of the earnings for a community and divide it up until that money is used. It would all be worked out on paper and each person allotted his amount. Even up to 100 years ago, for example, brick workers had their earnings distributed, where the 'Meister' used to take delivery all the money and place it in a pot before his colleagues. Then he and the foremen would take what and this was kept separate from the amount in the 'pot'. Then, starting with the 'Meister', each worker would take their coin in turn. The distribution of the small silver and copper coins continued until the money had finished. The workers tended to watch the working out on paper with distrust, as it could be wrong. However, there was no error in this method of calculation. Nowadays we tend to laugh at this method of payment, because it is different to what we are used to. Our attitude towards many management related issues related is influenced by the same type of distrust, but eventually it will give way to a greater level of understanding.

Going back to the problem of clearing peaks, it is understandable that there are still those people who regard them with deep distrust. They would prefer to be in the position of those brick workers, being paid bit by bit, whereas in reality the situation is clear:

1. It goes without saying Germany is at the moment struggling to meet its contractual obligations in the way it did before, because it is striving to achieve a final victory.

Besides that it must be observed:

2. Early on in the war Germany trusted its neighbours to deliver later. Here the word is 'trust'.

3. Even longer ago, the individual nations were creditors to foreign countries, but with the difference that settlement was to be in gold and foreign currency.

So basically nothing has changed except for the fact that today this type of settlement system would be extraordinarily difficult, because very few nations regard this method as acceptable and practical. If gold and foreign currency were available then there would be no hesitation in entering these values in the balance sheet and to claim as cover for cash. An agreement made in a treaty is today considered by individual partners as a risk or a burden because their expectations have already been dashed.

4. This is the decisive point. Today the German economy continues to supply incredible quantities of goods and its capacities still easily exceed the demands that are being placed on it.

The problem regarding clearing peaks that I mentioned basically relates to decisions to do with the new Europe. The significance of the power of Germany's economy sets the conditions for the game that has now started. You see, management is all about balancing out, but you can only do that if you have the appropriate opportunities. Beyond that, the prerequisite for bringing about and developing the European economic community is making people familiar with the new world of ideas.

Taking a Look Back to the Past and to the Future

On our way to creating a community with living area we must not get diverted by the minor obstacles. A quite unusual stage has been reached on our way to the new Europe. Looking back we can clearly see as follows: we could recognise common European problems through our shared plight. It started in November 1932 with the Europe Congress in Rome to discuss the subject "The European Crisis" and to review spiritual unity, economic domination and the continent's cultural questions.

Then last year in the autumn the anti-Comintern Pact was formed in Berlin. That is real progress in engendering the physical forces of Europe in the fight to maintain European culture! For me there is no doubt that no nation in Europe can avoid the great question which is being fought over today.

More importantly though, our shared plight brought about spiritual and political movements of the same orientation throughout the diverse nations in Europe. Almost simultaneously and independently of one another, men in all European nations rose up and formed groups, fronts and movements. This was simply an expression of the time that had come. They formed new ideas and, in the most important countries, gave the state a new face. I deliberately refrain from citing examples. Agreement is so profound that the one party system is the new political form that is right for Europe, in contrast to the multi-party one. In the area of economic control such unity also prevails.

In this time of disruption, difficulties and defence that we have to face it is only natural that we keep remembering our shared past. Our common cultural basis will slowly grow into a European consciousness.

The decisively important thing that is going to happen on our way to a new future for our old continent is co-operation. Prussia, and with it the Reich grew from the colonisation of all those of German origin. I believe that nothing will promote and shape the European economic community more than future co-operation with the east European nations.

There is no doubt about the seriousness of the hour, nor the great opportunities that exist for the whole of Europe. Today we are fighting for our very lives. Much of what was created overseas by European people is now lost. Fate has left us with home, family and work, which are now being defended in Europe by us. It now depends on us whether we can once again build a new world and safeguard a new life and wealth for ourselves. Ahead of us the outlines of this new world can be made out. Whether we build that land ourselves, or not, is up to us. It depends on our will and how we develop and utilise our strength.