

President of Germany's Kiel Institute proposes financing war rearmament using the Nazi model

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Ever since Defence Minister Boris Pistorius announced that Germany must become “fit for war” again, the major media and economic institutes have been attacking the welfare state and calling for it to be dismantled in favour of a massive rearmament of the Bundeswehr (Armed Forces) and the militarisation of society as a whole.

Here are two examples. On April 1, the right-wing conservative *Frankfurter Allgemeine Zeitung* (FAZ) published a long commentary under the headline “Pensions or armaments? What is more important to Germans.” In it, Manfred Schäfers states indignantly: “The Ministry of Finance lists planned expenditure of €127.3 billion for this year under ... ‘Pension insurance and basic security in old age and in the event of reduced earning capacity.’ This amounts to a share of 26.7 percent of total expenditure from the federal budget. In contrast, the defence budget, at just under €52 billion, accounts for just 10.9 percent.”

But that’s not all. Schäfers notes that even the largest part of the defence budget is accounted for by personnel costs such as social security contributions, soldiers’ salaries, and welfare measures (after brutal war missions such as in Afghanistan and Bosnia): “€18.9 billion, that is a third of this section of the budget. Military procurement does not even amount to €2.8 billion.”

The FAZ commentator then goes on to show in detail that the question of funding for armaments is completely open until “war readiness,” at the latest when the special fund for the Bundeswehr of €100 billion, distributed over five years, is used up in 2027. At least €30 billion would then have to be financed directly from the national budget through savings, as the debt ceiling is not to be tampered with.

For the FAZ, it is already clear where the axe will have to be applied: to the elderly, their pensions, and their old-age security. The commentary ends with the indignant statement: “Even today, federal budget spending on people in old age is around six times higher than that for military procurement. This shows in a nutshell what the Germans really hold dear ... although external security is one of the core tasks of any state.”

Stephan Stuchlik took the same line in a commentary on the *Tagesthemen* news show on April 7. On the occasion of the presentation of the reform plans for the Bundeswehr by Defence Minister Boris Pistorius and his demand for €6.5 billion more next year, he warned: “The truth: The €100 billion special fund is nowhere near enough to make the Bundeswehr fit for war. And: there are double-digit billion-euro gaps in the budget plans for the coming years if Germany really wants to meet NATO’s 2 percent target in the long term.”

Stuchlik demanded: “We urgently need to talk about how much a defence-capable Bundeswehr is worth to us, for example in comparison to nursery places, healthcare and social services.” He added: “And the next challenge we face is the question of how to get the 20,000 more men for the Bundeswehr. ... At the latest when the issues of a general year of

civilian service or compulsory military service come up, the turning point will affect families in the country.”

These and similar comments are all characterised by anger at the broad opposition that Germany’s ruling elites confront from working people. Spending on armaments for conducting war, the war against Russia in Ukraine and the barbaric genocide against the Palestinians in Gaza, are rejected by the overwhelming majority.

The president of the Kiel Institute for the World Economy (IfW Kiel), Moritz Schularick, goes much further. In the news weekly *Der Spiegel*, under the cynical headline “We must rearm for prosperity,” he made a completely different, and in his opinion the only realistic, calculation about the need to finance armaments for war.

He includes that not only the rearmament of the Bundeswehr is needed, but also the establishment and development of a European defence industry with “planning security through long-term purchase contracts at attractive prices.” In other words, really fat profits must be guaranteed for defence companies such as Rheinmetall, Airbus, MAN, ThyssenKrupp, Diehl, etc., and for a long time to come! Not least in order to become independent of American suppliers to the Bundeswehr and European armies, especially in the high-tech sector.

“How much more money would we have to spend for this?” Schularick asks, and answers: €150 billion by the end of the decade. “That’s roughly equivalent to an increase of one additional special fund—but per year.”

In view of these gigantic sums, he raises the obvious question: “How can and how should such a package ... be financed?” Basically, there are three options: raise taxes, reduce other expenditure, or take out new loans. Higher taxes would stifle the economy, while cuts would primarily affect the social budget, which accounted for almost half of the overall budget.

Schularick comments: “In the medium term, there will be no way around making tough budget decisions between ‘guns and butter.’ In the short term, however, harsh cuts in the social sector are also counterproductive because they are politically polarising and destabilise the country domestically. That would also make us weaker and undermine our support among the population.”

So, he asks, what is the right way forward? “The right way would be to invest in the security of our country and Europe in the coming years, financed by loans. ... In particular, Germany should support France’s initiative for joint European defence investments.”

The investments in a European defence industry proposed by France are also to be pre-financed by so-called Eurobonds, which are issued jointly by the EU states, i.e., through long-term debt or bonds—something Schularick fails to mention. Nor does he say a word about how these bonds are to be repaid in the end.

The Kiel Institute president’s “solution” is therefore strikingly similar to the scam with the Mefo bills (Mefo-Wechseln), which the Hitler regime

used in the 1930s to finance a war economy that was just as gigantic by the standards of the time as the ruling class is planning again today. And just as the Nazis used the Mefo bills to finance a five-year-long fake boom by means of full employment through rearmament, Schularick is again promising “rearmament for prosperity” today, as the headline says.

At the end of this monstrous pro-war programme, however, if it is not stopped by the working class, there will not be prosperity but, as with the Nazis, wars of extermination, barbarism and the devastation of entire continents, if not the whole world, through nuclear war.

Because Schularick’s programme for financing future wars inevitably implies that wars will be waged and won, given the dimensions of the credit ceiling. Today as back then, even the harshest social cuts and the most brutal exploitation of workers in Germany would not be enough to repay these debts in purely economic terms. This would require the expansion of fascist terror to other countries through campaigns of conquest.

In 1933, the then Reichsbank president Hjalmar Schacht was the originator of this system. At that time, it was realised by the four large armaments companies—Siemens, Gutehoffnungshütte, Rheinmetall and Krupp—which founded a dummy company, the “Metallurgische Forschungsgesellschaft” (Mefo). Through Mefo, they put bills of exchange worth 12 billion Reichsmarks into circulation by 1938—an unimaginable sum at the time.

The bills of exchange thus resembled a parallel shadow currency, as the government guaranteed their repayment after five years, i.e., in 1938, without inflation occurring. They neither appeared in the state budget nor in the balance sheets of the companies, so that they could be kept secret from foreign countries and foreign shareholders.

When the bills of exchange matured in 1938, the Nazi regime had no means of honouring them and was far from reaching the goal of its war preparations. Hitler then placed the Reichsbank under his personal responsibility and instructed it to grant credit to the state budget, however much he and his war ministers—such as Hermann Göring and later Albert Speer—demanded.

But even this gangster scheme only worked for one year. Since 1933, the Nazis had never intended to repay bills of exchange and loans of these dimensions by cutting the state budget. This would not have been possible even with the most brutal exploitation of the working class and would at best have provoked class struggles. Their plan was to pay them off with the loot from the plundering and murder campaigns throughout Europe and especially in what was then the Soviet Union.

In the summer of 1939, the whole credit scam threatened to burst. The problems in supplying the population with food and industry with raw materials piled up. Attempts to produce raw materials artificially or replace them with scrap material failed miserably.

On 22 August, 1939, Hitler summoned the 50 leading generals of the Wehrmacht (Army) and the Luftwaffe (Air Force) to Obersalzberg and informed them of his secret plans: Not only were Poland and France to be invaded, but soon afterwards a campaign of annihilation against the Soviet Union and its population was to be launched. His words to the Wehrmacht leadership, who agreed to all the planned crimes, were: “We have nothing to lose, but everything to gain.”

What drives the German imperialists today, barely more than 75 years after the ignominious end of the greatest barbarity and slaughter of human beings in history, caused by their Nazi terror regime, to plunge into such a risky game again today, in which they are betting everything on victory in their next wars? Even if these wars inevitably lead to the nuclear devastation of the globe?

The cause lies in the deep, desperate global crisis of capitalism. They are determined to defend their bankrupt, historically outdated profit system at all costs. This is only possible through new imperialist and colonial wars and through fascist terror against their own working class and against

foreign peoples. They try to master the mounting class struggles through chauvinist smear campaigns and wars. They demonise opponents such as “Putin” and “the Russians,” just as the Nazis once agitated against “Slavic subhumans.”

The Kiel Institute for the World Economy is reviving the relevant traditions of the organisation with its “advisory activities” in this affair—fascistic and bloody traditions! Its presidents, professors, post-doctoral students, doctoral candidates and other academic staff were not only “involved” in the Nazi war crimes and the Holocaust, as the Nazi apologists from better-off circles always put it. They were active accomplices.

As early as the 1930s, they provided economic expert advice for corporations in the war economy, for Reich ministers and the military to support their planning. From 1943, the institute was elevated to the rank of a “defence economics company” protected by Albert Speer’s Ministry of Armaments.

The Kiel Institute gained particular importance with its “refinements” of the “General Plan East” and the “Hunger Plan” for the Soviet Union, which had to be constantly adapted to the current course of the war: through empirical-statistical surveys in the occupied territories, including outright looting of the institutes and universities located there; through recalculations of how many tens of thousands of Poles were to be forcibly resettled in the Vistula-Oder region, how many millions of Soviet citizens were to be eliminated through starvation or murder squads. All to ensure that the German population at home and the army at the front or in the occupied countries were fed.

Sources:

1. <https://www.wikiwand.com/de/Mefo-Wechsel>
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3. Take, Gunnar (2020): “Die Kriegsforschungsprogramme der RAG. Eine Analyse anhand der Projekte des Instituts für Weltwirtschaft (IfW) von 1939 bis 1944” (“The RAG’s war research programme. An analysis based on the project of the Institute for World Economy [IfW] from 1939 to 1944”), in: Baumgart, Sabine (Ed.): “Raumforschung zwischen Nationalsozialismus und Demokratie: Das schwierige Erbe der Reichsarbeitsgemeinschaft für Raumforschung (RAG)” (“Space Research between National Socialism and Democracy: The Difficult Heritage of the Reich Working Group for Space Research [RAG]”); 2020, pp. 38-47.
4. Take, Gunnar: “Forschen für den Wirtschaftskrieg. Das Kieler Institut für Weltwirtschaft im Nationalsozialismus” (“Research for the economic war. The Kiel Institute for the World Economy under National Socialism”). Berlin, 2019.



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