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# Anti-Semitic Legislation During Holocaust: Just Unethical or Counterproductive to Long-Term Development as Well?

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**Abstract:** *In Germany under Nazi rule, in the allied countries and also in those that were invaded and occupied by Germany, anti-Semitic laws were enacted to different degrees based on various criteria. In this paper the authors analyse the effects of anti-Semitic legislation during Holocaust, especially whether besides the unethical aspect and diverse cultural, social and psychological effects, studied by many scholars, there are quantitative repercussions for long-term development. Examining and understanding these consequences of anti-Semitic legislation during Holocaust may be particularly important for researchers and policymakers alike. The authors of this paper raise two questions: what is the association between the Holocaust and the economic outcomes? and particularly what is the impact on firms' evolution? In addition, the authors provide some aspects on the effects of anti-Semitic legislation during Holocaust that have not previously been deepened.*

**Keywords:** *anti-Semitic legislation, Holocaust, economy, long-term development.*

## Introduction

The murder of about 6 million Jews in the Holocaust during the WWII was a major event worldwide. After the invasion of the Soviet Union, the Nazis initiated the Holocaust and systematically murdered the Jewish population of the territories they occupied, producing a major shock to the social structure of the invaded regions. The origins, causes, nature and impact of the Holocaust have been studied by many scholars. The authors of this paper analyse the legacy of the Holocaust, focusing on issues such as: how societies, organizations and firms that went through it have dealt with this experience and its consequences on long term development. The study of

the political consequences of the Holocaust has focused on the extent of anti-Semitism, and the implications for the strength of nationalism. Economic issues are discussed in the Holocaust literature in a few contexts such as: the expropriation of the wealth and assets of Jewish people, the economic loss incurred during the war itself by the murder of many skilled workers etc. To our knowledge none of these prior works have explored how the intensity of the Holocaust influences social and economic variables today.

Our paper raises two questions: what is the association between the Holocaust and the economic outcomes?, and particularly what is the impact on firms' evolution? We try to answer these questions by analysing some aspects on the effects of anti-Semitic legislation during Holocaust.

### **Anti-Semitic legislation during Holocaust**

Although many of the cultural, social and even psychological effects of the Holocaust have been studied by various scholars, the quantitative consequences of the Holocaust for long-term economic and political development have been approached in a lesser extent (1). The ways in which the traumatic historical shocks impact the modern business environment has been studied raising

a question about how specifically do they help shape present-day firms (2).

The Nazi Party's platform formulated four anti-Jewish aims: withdrawing the citizenship of the Jews; removing the Jews from the public official positions; forbidding the Jews from being owners or editors of German newspapers and banning the Jews to immigrate to Germany.

During the Nazis' rule (1933–1945), the anti-Jewish legislation was enacted progressively and affected different sectors of the Jews' personal and social-professional life.

The Law for the Restoration of the Professional Civil Service stipulated the firing of the "non-Aryan" government employees and created the legal precedent which was used for the further exclusion of Jews from other jobs. More, many "non-Aryan" students were excluded from the German schools.

In September 1935, the German parliament passed the so called the Nuremberg Laws. The first one withdrew the German citizenship of the Jews and they were also denied the right to vote. The Law for the Protection of German Blood and German Honor forbade marriage and sexual relationships between Germans and Jews and allowed categorization of people as Aryan, Jew, or part-Jew.

A third group of anti-Jewish laws targeted the economic aspects and allowed the confiscation of the Jewish assets in the name of Aryanization.

In other countries which were under the German influence (i.e., the allied countries and those that were invaded by Germany), anti-Semitic legislation was enacted as well but to various extent depending on the type of occupation regime and the degree of pressure put by the Nazis. In these countries the laws stipulated the exclusion of the Jews from economic activities and also indicated who was to be considered a Jew (3).

### **Social structure consequences**

The Holocaust was a major shock to the social structure of the invaded regions (1).

Studies in Russia found a statistical association between the severity of the persecution, displacement and mass murder of Jews by the Nazis during the World War II and long-run economic and political outcomes and showed that the association between the Holocaust and economic outcomes may have become more obvious after the collapse of the Communism. Both cities and administrative districts that experienced the Holocaust more intensely and where the Holocaust had the largest impact have worse economic (e.g. lower urban

populations, lower GDP per capita and lower average wages) and political outcomes (exhibit a higher vote share for communist candidates) since the collapse of the Soviet Union. This long-term impact of the Holocaust may be the consequence of the permanent changes in the social structure (1, 4).

Some scholars (5) showed that the cities with a dramatic decline in the number of high skilled professionals experience deterioration in macro-level outcomes and that this phenomenon has more pervasive and long-term consequences on people. It is interesting to note that the detrimental effects of the Jewish persecutions in Nazi Germany are still present nowadays. This finding suggests that the policies targeting the school-aged children would be very useful after large-scale negative social shocks.

### **Impact on education**

As we showed above, the "Law for the Restoration of the Professional Civil Service", which was enacted in 1933, allowed the Nazi government to exclude Jews from civil service. As a consequence, more than 15 percent of the Jewish school teachers, doctors, university professors and other white-collar professionals were fired (5).

The Holocaust had long-term detrimental effects on German

children's education. Studies showed that the number of school-years decreased with about 0.4 in children who were school-aged during the Nazi Regime. The impact was also qualitative, proved by the fact that these children were less likely to graduate from technical schools and universities. In addition, the Holocaust had an impact on the political interest of those children, so that they are less likely to be interested by politics as adults. It seems that an important factor for the impact of the Holocaust on education was the dismissal of university professors and school teachers. More, the impact on political outcomes, suggest that the size of the middle class and the change in the social structure have an important influence on the above mentioned effects (5).

The loss of human capital in Germany due to the exclusion of Jews in all professions had pervasive long-term effects on German researchers and PhD students in Science. For instance, the dismissal of Jewish professors in Mathematics departments resulted in a decline in university quality and long-term consequences for PhD students who were less likely to publish their dissertation thesis in top journals, become full professors and have positive lifetime citations (6).

The long-lasting detrimental effects of this process affected in general the human capital formation, labor market, political and social capital outcomes of Germans who were at school-going age during the Holocaust. Studies in this field found that those children had 0.5- 0.8 fewer years of schooling on average in adulthood. A positive correlation was identified between the extent of exclusion of Jews and the level of the loss in years of schooling. Further, those children are less likely to attend a college or post-graduate studies, they have lower labor market earnings, they were less likely to be interested by in politics and they are less likely to trust and take risk as adults. These results remain valid also after controlling for migration of Germans and Second World War effects. An important cause for the educational outcomes seems to be the exclusion of the professors from schools and universities. The results which reflect the political outcomes and the trust and risk taking attitudes appear to be influenced by the decrease of the middle class (7).

### **Strategic management implications**

The traumatic societal shocks have also long-term influences on the strategy and structure of organizations. Studies in the fields of strategic management and social sciences identified the ways in which

the traumatic social shocks of various causes (conflicts, diseases, natural disasters etc.), can influence negatively the institutional and cultural paths that determine future business environments. The analysis of the historical shocks provides useful elements for the identification of the causes of cultural and institutional differences and also explains the correlation between these differences and the organizational structure and strategy. More, this analysis can explain how culture and institutions impact firms and allow the scholars to estimate the impact of the emerging traumatic shocks on the evolution of the market development.

The empirical analysis of the influence of the traumatic social shocks on the heterogeneity in firm organization and behaviour showed that the organizational structure and strategy can be influenced by the permanent changes of the formal institutions (i.e., property rights, authority, legal environment) and culture (i.e., behavioral and social norms and social institutions) which are important factors of the business environment (2).

Studies in the field of management identified six organizational elements that are linked to historical shocks: financial contracting, leadership and management, organizational structure, innovation and technology

adoption, entrepreneurship, and human resource management.

As showed above, the historical events are likely to have a long-term economic impact. However the development of firms was rarely studied from this perspective despite the important role of the firms as major drivers of the economic development (2). Therefore the study of the organizational heterogeneity from the perspective of the historical events became a highly interesting topic for the management scholars.

In addition to the aspects discussed above we should mention that the mass murder of about 6 million Jews during the Second World War was one of the most relevant causes of the important changes of ethnic and religious composition of the population in the Eastern Europe during the twentieth century (8).

### **Conclusions**

The detrimental effects of the Jewish persecutions in Nazi Germany, in the allied and occupied countries are still present today, many decades after Holocaust. The traumatic historical shocks are important for explaining heterogeneity in modern firms. Studies in various fields (economics, sociology, management) found a link between the modern culture and formal institutions and the organizational design and outcomes.

The traumatic shocks, such as the Holocaust, generate important changes in the existing culture and organizations that are likely to continue throughout history to the modern days, as it has been acknowledged by the social and intercultural scientists.

Our analysis shows that there is a possible association between the severity of the persecution, displacement and mass murder of Jews by the Nazis during WWII and long-term economic and political outcomes. Also, the Holocaust had pervasive negative influence on German children's education and caused a decline in university quality.

The key influence of the historical events on the long-term economic development is largely recognized. However, the effects of history are rarely applied to the study of firms despite their major role in the economic and social development. As a consequence, this limits the understanding of many of the mechanisms of progress. Therefore, an increased focus on identifying historical, anthropological and social sources of organizational heterogeneity becomes particularly important for the management scholars, especially in Holocaust case.

We conclude that the impact on firms' evolution is an important and controversial aspect of consequences

of the anti-Semitic legislation during Holocaust. The findings of previous studies, some of them inconsistent and contradictory, suggest that further research on the association between the Holocaust and the economic outcomes is necessary.

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