FASCISM FOR WHOM?
Fascism

FOR WHOM?

by

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PREFACE

THE IDEA that a book about the two Fascisms should be written by an Italian and a German together was suggested to us by our publisher, Mr. W. W. Norton, whose idea fortunately fell in with literary plans that each of us had for himself.

The first and final chapters of this book, discussing the international aspects of the two Fascisms and their impact on the world, were written by us in collaboration. Chapters 2 to 5, about Italian Fascism, were written by Max Ascoli; Chapters 6 to 9, on German National Socialism, by Arthur Feiler. Each author assumes the full and sole responsibility for his own section of the book.

We have had much friendly help in the accomplishment of our work. First of all, our thanks are due to Alvin Johnson, for this as well as for any other work we have been allowed to do since the victory of Fascism in our native countries. He was the first to read the entire manuscript, and his advice was of immense help in the organization of the book as a whole and in many details. Max Ascoli was greatly helped in the editing of his four chapters by the co-operation and the friendship of Sr. Paul Padover and of Miss Clara Mayer. He is also very grateful to Miss Esther Sussman, who did not spare her energies in typing his part of the manuscript. Arthur Feiler is very thankful to Mr. John Herling, who
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New School for Social Research

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Max Ascoli

Arthur Feiler
Part One

INTERNATIONAL FASCISM
1. INTERNATIONAL FASCISM

The Warning Bell

TO KNOW precisely what the word Fascism meant as the name of a national political regime was hard enough even before it blossomed out and came to signify a new international policy, the prospect of a new international order. This extension of Fascism from the national to the international sphere was the result of the Nazi Revolution; albeit with some blunders and saber rattling, pioneer Italian Fascism had played the traditional game of Italian foreign policy. Today international Fascism is more than the axis harmonizing the foreign policies of the two Fascist nations. It is represented by organized or potential political movements in many countries of the world. Where it is neither organized nor potential the fear of it is enough to make liberally-minded people gasp. It has entirely changed the character of war and peace; since 1931 undeclared war and cancerous peace are everyday phenomena in our world. It has radically modified the meaning of words, ideas and institutions, and it has prompted a new and still utterly unpredictable course to the destinies of nations and of men.

This is the reason why a book on the two national Fascisms begins with an analysis of international Fascism. The experiences of Italy and of Germany must be seen today not only in their provincial peculiarities but as definite exemplifica-
tions of wider causes and trends. The international phenomena, on the other hand, throw light on the accidents which made the Fascist regime possible in Italy and in Germany, and which make it possible in other countries. Before analyzing the causes and results of the two Fascisms, that final international result will be studied which affects, challenges and possibly jeopardizes the civilization of our world.

Both in its national and its international aspects Fascism originates in the unfulfilled promises of democracy. There is in the Fascist phenomena a grandioseness which cannot be belittled; it is at the same time the parasite and the Nemesis of democratic shortcomings. Deeply irreligious as it is, inimical to the spirit of the New and the Old Testament, it bears the marks of a merciless act of justice as if it were the instrument which an irate God were using against men who had failed in a great endeavor. In each of the phases of human organization in which the promises of democratic life have been more blatantly unfulfilled, germs of disintegration have multiplied around centers of infection which have combined in the general phenomenon called Fascism. This disintegration is to be found in the sphere of economic and social life. Has democracy provided an equitable distribution of opportunities? Has it provided security? People are no longer ready to answer these and other questions in the affirmative; they are less and less ready to do so. A similar disintegration prevails in the sphere of international life. The democratic organization of peace was doomed to failure from the days of Versailles. The world has been made safe for Fascism. Nationalism has by no means been confined to the Fascist countries. It is spreading throughout the world. Truly, Fascism is a mirror of our society in which the civilized world can plainly see what it has made of itself. The danger would be less terrifying, were it not that Fascism is the realization both of fears and dreams.
Fascist Peace

Fascism can appear uncompromisingly nationalistic and at the same time singularly ready to enter into pacts and alliances with nations and institutions previously considered unfriendly. The agreements between Italy and the Church, between Germany and Poland, Italy and Yugoslavia, finally between Germany and Italy, are obvious instances of this trend. Fascism can blend in itself the intransigent and the compromising temper. Apparently Fascism does not believe in the usefulness of multiplying its enemies. Although Mussolini seemed to have forgotten this principle at the time of the Ethiopian War, it must be borne in mind that he challenged not the great powers of the world but the League of Nations and a defenseless state. The Fascist nations are constantly busy negotiating political and economic agreements with other countries: to enter into a contract means having their power recognized and, at the same time, gaining the right to interfere with other people's interests. Trojan horses have been so much in demand by the Fascist nations that their manufacture has acquired the character of mass production; and still the democratic countries are ready to open their doors to let them pass.

Neither the pactomania nor the ruthless exploitation of rights acquired through pacts are in any sense the peculiar invention of Fascist diplomacy. They are a feature of democratic and capitalistic foreign policy which Fascism has adopted with a vengeance. Just as it is always ready to enter into negotiations, so it surrounds its actions with an imposing array of authoritative precedents. With pedantic punctiliousness it defends what it is doing with the naïve assertion that similar things have always been done and that its behavior is exactly in line with the behavior of the most reputable among the nations. Italy, according to its leader, was be-
latedly imitating English and French patterns in conquering Ethiopia; Germany organizes the bulk of the German-speaking people under one Reich in accordance with the principle of nationality and the ritual of the plebiscites. Obstreperous self-assertiveness is accompanied by the meek complaint of the last-comer, who pleads for equality with the "Me, too" argument.

Yet even in its conventionalism and in its peace treaties Fascism is revolutionary. It destroys principles by overemphasizing them. It debases international agreements by promoting an inflation of international agreements. It violates the rules of the international game even when it makes the most emphatic profession of underscoring them, and just because of the effort of underscoring. This is felt by everybody having to deal with Fascist representatives, but for the most part it defies specific evidence or definition. There is always something like a mental reservation in Fascist diplomacy, the attitude of men whose minds do not revolve around the traditional ideas of international comity and international solidarity, an alien style which creeps in through the faultless ostentation of correctness. The record of old-fashioned, democratic diplomacy is by no means beyond reproach either, and lofty ideas of international solidarity have always been used to protect local and national interests. Yet in democratic countries the people are allowed to align themselves according to different and opposite conceptions of national interest, and it has frequently happened that a particular body of opinion is militant in defense of international ideas. Such idealist or pacifist groups have to be reckoned with as they say their say in the oscillations of democratic politics. The British peace voters are an obvious recent example.

A totalitarian political regime, by eliminating differences of opinion on foreign as well as internal policies, reduces to a minimum the internal repercussions of foreign events. Demo-
critic countries on the other hand must constantly readjust the correlation between internal and external policy: it is the synchronized movement of the two which makes them go. One of them is definitely excised in Fascist countries where internal policy means simply administration. Internally there is peace, dependent on the administrative machinery. So the attention of the leaders is focused outside and the burden of responsibility at home is replaced by the necessity for maintaining prestige at home and abroad. The repression of internal political life produces men who have foregone the habit of talking, explaining or arguing politics, who can better express themselves by raising arms, by marching and shouting in regimented crowds. Hence, perhaps, the meticulous conformity of Fascist diplomacy and its hermetic autarchy, the attitude of men who may still with some effort use traditional language but who have been re-educated to operate with a primitive sense having no connection with the traditional words they use. It is an instinctive, almost physical sense which creates its own symbols, its own terms of reference and ways of expression.

**Fascists and the Others**

When a nation prohibits its citizens from playing the game of politics, it is bound to create its own internal language which can never be adequately translated into the language of democratic countries. The people under such a regime do not know where they are going and rapidly lose interest in knowing. The leaders, on the other hand, must invent many new instruments for checking and controlling the mood of the people. This situation by no means constitutes a handicap in dealing with international affairs: it can develop a powerful structure based on this more instinctive relationship between leaders and led. Each of the modern nations which has established a dictatorship has gone the way of cultural,
moral and economic self-sufficiency. It is a secession from the countries still adhering to some universal standards of economic and moral value. But this secession is not complete. Indeed it could be a guarantee of peace if it were, if the dictator countries could afford to ignore the democratic ones. But the more a dictator country organizes itself into thoroughgoing self-sufficiency, the more it wants to concentrate upon itself the tense interest of the outside world. The economic sacrifices of a regimented people shall be compensated by the admiration or the awe that they arouse abroad. One part of the strength of the dictators is in the public opinion of democratic countries. They need a gallery for their performance and they work for it. Having muzzled public opinion at home they must impress and conquer public opinion abroad. Prohibiting the game of internal politics determines an entirely new political situation in which practical politics is played on a world-wide scale by some One-Party states against old-fashioned national states which are utterly unprepared for the new kind of fight to which they are challenged.

In the Fascist countries isolation from universal standards of economic and moral value induces an irritable and susceptible mood, while the dependence upon international public opinion necessitates continuous coups for capturing or for frightening it. Opposed in its very essence to international public opinion when freely informed, the dictators nevertheless depend on its support; they have set themselves up as infallible supermen and cannot tolerate being ignored or slighted. This situation is in itself so contradictory and so powerful, that there is justification for the “Leaders” if they have frequently contradicted themselves in defining the international impact of their own movements. So Mussolini could within a few weeks deny that Fascism is an article of export and assert that the twentieth century will be the century of Fascism. So Hitler can simultaneously conceive National So-
cialism as jealously restricted to the people of German blood and as an active anti-Communist and anti-Jewish movement in every country. So Fascism can simultaneously proclaim its hatred of democracy and its fondness for the self-determination of peoples, thus bringing about the Balkanization of Europe by democratic slogans. Fascism is boisterous abroad as the result of the peace it has enforced at home; it is fanatically nationalistic and bound not only to challenge the national integrity of other nations but to transcend its own nationalism for a new international, an international that Fascism brings in its womb as a new order which aims to discipline the whole world.

These forces and trends result from the monopoly of politics established by a totalitarian party first in Italy, later in Germany. When Fascism marched on Rome the workers of Vienna, the peasants of Catalonia and the tradesmen in Czechoslovakia were, if informed at all, possibly somewhat amused by a picturesque political phenomenon. To the man in Texas the Ethiopian War might mean, at most, good business. But our world is a closed technological and moral unit. These interrelations make of it an entirety and leave to men the choice of which entirety it should be: a totalitarian, self-sufficient and aggressive one, or one based on the intelligently-controlled articulation of individual and national freedom. In our time there is no possibility of isolated self-sufficient irresponsible experiments. The increased armaments of the Fascist states have already brought about an international race of armaments which raises the debts and the tax burdens and depresses the standards of living in all democratic countries. And this is only one example. The impact goes much farther. The very attempt to establish the most nationalistic type of self-sufficiency has brought about a new international which is devouring national independence, personal and corporate freedom all over Europe.
The International of Nationalism

International Fascism is not the result of conferences or conventions and has a more substantial basis than the shady agreements between Rome and Berlin. It defies any danger of exposure: if someone had forecast its course when Fascism came to power in Italy and even in Germany, he would have been ridiculed, just as Mein Kampf was laughed at when it appeared. Yet the technique of international Fascism is simple to the point of childishness: it is a reproduction on a world-wide scale of the methods that the two Fascisms have followed in reaching and maintaining their power. But German democracy did not draw any lesson from the experience of the Italian one; nor has international democracy, with its organs for peace which today are called League of Nations and Non-Intervention Committee.

Among all the causes which have made possible the growth of Fascism on all three fronts, possibly the most important is the horse-traders’ cunningness of the democratic leaders: an extraordinary ability in avoiding issues, in biding time, in taking no statement of the enemy at its face value, because after all behind any blunt declaration there is a conciliatory intention, and the problem is always to wait for the moment when conciliation will be easy. The cunning democrat is always provided with abundant first-hand information about what happens in the Fascist camp: he knows that by threatening a March on Rome Mussolini means that he wishes to enter with two or three of his followers in a conservative government; or that Hitler is so much beset by economic difficulties, by his quarrels with the Army, and by his war against the Catholic Church that he has no real urge to swallow Austria. Let the rain fall in Ethiopia and it will wash out all dreams of an Italian Empire. The democrat interprets everything that happens with historical perspective: Italy has
been before engaged in colonial adventure and Spain at regular intervals has a civil war. There is very little that is new in all these recent events: let the troublemakers have rope enough, let us not take any uncompromising stand, let us avoid making martyrs of anybody and especially of ourselves.

Such a philosophy is an extraordinary aid to Fascism. It diverts attention from its focus, it prevents the concentration of its enemies, it allows its policies to be at the same time blunt and unpredictable. So Fascism is unheeded when it announces its goals, and it strikes terror into its enemies' hearts when it attains them. So far both Fascisms have constantly enjoyed the advantages of initiative. They have lured their enemies with a mirage of a compromise or of a deal until they were ready to strike their blow. The Italian government kept all channels of international bargaining open, even the one of Geneva, until Ethiopia was conquered. Before and after the Rome-Berlin axis was established the two governments had, and still have, unofficial spokesmen or friendly interpreters in every country intimating that either of the two, if given something valuable, would like nothing better than to loosen the unpleasant ties with its uncongenial ally.

Fascism when it marched to power in the two countries, emphasized the “Red” issue, convincing some of the capitalistic groups that it had saved them from Bolshevism. So it could play at the same time on Communist extremism and on capitalistic fear, and having broken at the extreme left it could one by one, as in Italy, in one fell swoop, as in Germany, conquer the other political groups. The same policy is being pursued by the anti-Comintern front. Spain is labeled “Red” and a holy crusade against the Soviet Union is threatened. How could England side with the Soviet Union? How could German capitalism have fought in defense of the work of the trade unions? And how could the Austrian Monarchists have made a common front with the Socialists
in 1934? These repetitions are too monotonous and too frequent to be of interest as an object of analysis: yet the democracies do not take heed. Each one of these experiences is considered a thing apart, frittered in the pettiness of its details, as if it were exclusive to Italy and Germany. The growth of Fascism is a disease which poisons the organism and blunts its awareness.

In both countries Fascism succeeded in shaking and tearing the nerves of the people to such an extent that its stern rule appeared to many as bringing the promise of peace. There is for every man a point where his resistance breaks down and where the materialization of an evil appears as a relief from its constant threat. There is an oversaturation of politics and of political discussions and elections and plebiscites and feverish reading of newspapers that may at the end bring a definite desire to have none of it all. National Socialism used this system and made the political heat so unbearable that the political structure of the German Republic collapsed. Italian Fascism followed this technique twice, once before going to power, and once after the Matteotti crime, when it left the opposition free to exhaust itself in a violent press campaign. Today peoples in Europe—and not only in Europe—are offering their contribution to those rude solutions that cut all uncertainties—as the peoples of Central Europe now know.

*How Solid is the Axis?*

But the democrat is not inclined to take things tragically. He knows that the economic situation in Italy as well as in Germany is grave. He knows also that the alliance between the two Fascist governments has no other foundation than emergency, and that one is distrustful of the other. Between extreme nationalisms, he is convinced, no alliance is possible. Many a democrat clings to a great hope kept secret lest expression might jeopardize it: possibly the two hated regimes,
Bolshevism and Fascism, will kill each other. A war of Germany and perhaps Italy against the Soviet Union could end in a deadlock that could be broken only by the joint action of the great Western democracies. Another non-intervention committee could watch the belligerents, waiting for the right moment when both have bled to death. Or else Germany will conquer the South Tyrol and march on Trieste. At least one of the trouble-making governments would be humiliated and Fascism could punish itself. All these things and many more may happen in the opinion of the democrat provided there is no Armageddon, no alignment against Fascism that would only serve to stir its wrath.

What all this wisdom forgets is that Fascism is not just a peculiar form of political administration but a regime and a revolution. It has started in both countries as a purely political one and in both countries, although with different speed and intensity, it upset the social structure. It thoroughly reorganized the economic life by bringing all the productive forces under the dictatorial political command. Italy, the accidental discoverer of Fascism, was dragged along this way, pushed by chance, vainly trying many times to rest along the road. Germany went over to it deliberately and almost overnight. The experiences of the two countries supplement each other. Italian Fascism was quick to conquer power and extremely slow to develop its own policies as a new regime. German National Socialism had a long and hard way to go before at the same time reaching power and making what it wanted of it. Back of both countries there is a drive more powerful than the ambition of their leaders. The experience of both countries proves that the political adventure led to the economic adventure, which is called armament economy or autarchy. The consequence for both countries can hardly escape being a concerted and ruthless international aggressiveness.
There is no doubt that the Rome-Berlin axis has little or no appeal to the hearts of the two peoples involved. But where are the public policies in dictatorial countries which can be safely assumed as dictated by the people's heart? The driving force of Fascism is compelling Italians and Germans toward goals which they try to achieve sometimes with enthusiasm, sometimes with misgivings, almost always with bewilderment. National Socialism and Fascism are not organizations of alien invaders. But the peoples, even if members of the ruling parties themselves, are not asked whether they are in agreement with the policies that the two regimes follow; and the leaders lead only in the sense that they give constant, adequate dramatization to the forces which they have unloosed. The men responsible for the foreign policy of Italy tried to enter in almost every possible international combination before falling into the alliance with Germany. There was even a time before the Nazi Revolution when a Fascist foreign minister was so zealous for the League of Nations as to be considered the best disciple of Briand. Later the Locarno policy was tried and so were the Rome protocols and the Laval agreements. The leader of Italian Fascism was far from quiet in realizing that between the foreign policy of Fascism and that of Italy there was no necessary identity.

United, the two nations are powerful. Already their alliance brings its results: cunning international politicians offer favors to each one of them so as to separate the one from the other. The Danubian region, the Mediterranean basin, the hoped-for succession to British and French colonial empires—these are great goals for regimes which, after having conquered and reshaped the political, social and economic life of their nations, are bound to invade the life of other nations. Divided, these two powers could not look one into territories of the other for any worthwhile conquest. United, the two regimes can fulfill the nationalistic foreign program of their
countries, and even go beyond it. Nazi Germany is interested not only in the Danubian region and in the way to Baghdad, but in literally every country of the world. Before the War, Imperial Germany had, perhaps, the same interests, but as a foreign power for trading and military purposes. Now Germany has groups of avowed or potential allies among the citizens of every country. On a different scale the same is true of Italy. With so many of their sons scattered all over the world, with the cultural and economic appeal that they exert, they can determinately enter into other nations' political life.

The two regimes understand each other. Both of them have outlawed the game of politics at home and have entered into the political game of other nations. In the same way they have brought under stern discipline their productive forces in their internal markets and use their unified economic system as a powerful weapon in international politics. Their symbols, their way of marching and of saluting are practically the same. In Berlin Mussolini learns the "goose step" and Hitler comes back from Rome with the inspiration of rebuilding Berlin as the "eternal city" of the Third Reich. They possibly despise each other—but no more than many Germans and Italians despise many of their fellow-countrymen. They know that in every country they have fanatic admirers and bitter enemies. If they were divided their admirers would be plunged into confusion and their enemies rejoice. At any day some of their allies may conquer power. Franco in Spain and Henlein in Czechoslovakia are the two most obvious potentialities at the moment of this writing; Rumania, Yugoslavia, Hungary, Poland, with or without civil wars, may come next. International Fascism is an international political party, for the time being specializing in fomenting civil wars. It has back of itself two solidly organized countries and it is not in danger of being torn by conflicts between Trotskyites and Stalinites.
Which Unity for Europe?

It must be admitted that international Fascism is succeeding where international democracy has failed. Through economic penetration or the organization of political disorders, it is bringing about a new unity in Central Europe. If it is unchallenged and if the desire to maintain peace at any price prevails in England and in France it can enthrone friendly governments in the central European states while establishing an economic unity which could cover the greatest part of the continent. And if the compromising mood remains predominant in England and definitely spreads to France, plans about a four-power pact to keep the peace of Europe may be revived. More than a pact, it might become a coalition government organized to rule Europe—with the Fascist wing definitely preponderant. In Italy and Germany, too, Fascism went to power with a coalition government; and many cunning Germans and Italians rejoiced in it because the responsibility of government and the companionship with well-bred men would tend to mellow the Fascist temper.

These speculations on the future may be contradicted by events, but already it is possible to see some of the reasons why in international life, too, Fascism has been more effective than democracy. It is not only because Fascism had more arms and was more ready to use them but mainly because it has challenged the dogma of non-interference with the political life of other states. The Third International had opened the way, thus giving to Fascism both a precedent and a pretext, and the pupil has proved to be far superior to the teacher. Thanks to Fascism, we have learned that it is not possible to organize democratic peace unless only democratic nations have the right to be admitted into an international democratic community. It will remain perhaps the lasting merit of Fascism to have struck at the principle of sov-
ereignty. Two political movements which started with all the signs of the most fanatic nationalism have definitely consolidated the precedent that there are ideas which cut across state boundaries, passions and hatreds which are more powerful than the spirit of nationalism itself. There are no reasons why the Fascists have to be the only ones to exploit this precedent which, boldly following the Communists, they have established.

One of the greatest aids which can be given to Fascism is to interpret its foreign and international policies according to criteria which belong to an era that the Fascist revolutions have closed. Our time is one of great international political movements, of passions and ideas which take hold of men in the same terms, with the same intensity, regardless of nation or of class. The deep repercussion of the Spanish Civil War in the United States is a clear example of this point. Fascism, the Nemesis of democracy, can also be its salvation.

In our days international Fascism is still going strong and to a large extent unchallenged. Attacking from the outside or boring from within, it is destroying the national integrity of small countries. There seems to be little doubt that, unless the trend is checked, the turn of larger countries than Austria or Czechoslovakia is bound to come. No one can know how Fascism would succeed in organizing and administering Europe: and there are no reasons why the process of Fascist reorganization should be stopped at the boundaries of the European continent. And no one can know today how the two Fascist powers would divide their spheres of influence and work out their partnership. But it is possible to know what the results of Fascist hegemony could be, in terms of social organization and human dignity, by studying and comparing the development of Fascism in Italy and in Germany.
Part Two

ITALIAN FASCISM
2. THE BACKGROUND

Rome, April 1919

MOR-TE-A-WILSON, An-nes-sio-ne—“Death to Wilson,” “Annexation.” The mob packing the Piazza del Quirinale in front of the Ministry of Foreign Affairs, streaming through Via Nazionale and swarming into Piazza Venezia, cursed Wilson and clamored for the annexation of Dalmatia. Orlando and Sonnino had left Paris when the Allies had denied them Fiume and Dalmatia. Only a few months before, Woodrow Wilson had been welcomed in Rome like an emperor of peace; in the Capitol he had been proclaimed a Roman citizen and had been offered a golden model of the she-wolf suckling the twins. In April the crowds were shouting: “Give us back the wolf!”

In the spring of 1915, four years earlier, angry crowds in Rome had cursed another name, that of Giolitti, the old “boss” of Parliament who had advocated neutrality for Italy as a better bargain than war on the side of the Allies. The people had come to loathe the idea of bargaining. The men in power had been bargaining steadily for months, and the best brains of the nation differed widely as to the course that would secure the greater gain. The people understood little of all this, and were easily swayed by any kind of propaganda that would incite them to action. Action meant war. Many reasons were given in favor of that war by the various
groups and parties, and more reasons were discovered in the
process of campaigning for intervention: a wish to complete
the Risorgimento by annexing Trento and Trieste, solidarity
with France and Belgium, the vital tie with England. These
reasons were strong enough to justify a decision. But when
the responsibility for war is not laid to the enemy, the rea-
sons given the will-to-fight rapidly melt away during the
struggle. The citizens of a nation that voluntarily goes to war
are later driven to blame everything on internal treason or
on foreign propaganda.

What moved the crowds in 1915 was something more than
good causes or French propaganda, and what moved them in
1919 was something more than naïve, disappointed imperi-
alism. Italy had reached national unity without having tested
herself in any serious war. Was she really a unity? Was she
a nation? These vital questions had been constantly side-
tracked during fifty years. Italy had had great leaders in the
Risorgimento, but had she followed and proved worthy of
them? By the effort to conquer Trento and Trieste Italy
wanted to affirm her right to hold Rome. Her own private
war for the completion of the Risorgimento would be inserted
into the World War; through it Italy would find her place
and her size in the world. “Death to Giolitti” meant death
to bargaining and cleverness.

In the course of the war more than 600,000 Italians died and
the public debt rose from 15 billion lire in 1914 to 84 bil-
nion in 1919. The war damages alone amounted to 12 billion
lire. Who and what had been the cause of all this sacrifice?
What did Italy reap from it? Italy was desperately poor and
she had broken with her past when she cast her lot with the
Allies. Her own retarded Risorgimento had been inserted into
a decisive conflict of world imperialisms. The test of her
strength had proved unbearably expensive, the awareness of
her power was dulled by the strain of a hard-fought war and
by the bitter memory of a defeat. Her national war had turned out to be reasonable only if understood as a nationalistic one, her revolt against political cleverness and bargaining had led to a gigantic bargain at Versailles where she alone appeared to be utterly unprepared. Orlando and Sonnino, shifting aimlessly from Paris to Rome and back, mirrored this situation. The nation did not know what she had done nor why she had done it, nor where she was, nor what she was to do. By cursing Wilson the crowds cursed themselves and the world.

Italy, having torn herself away from her past by plunging into the war, was no longer the same nation. For four years millions of peasants had lived uprooted from the land and had learned something of the ways of the world. Together with workmen, artisans and intellectuals, they had learned the rigors of military discipline and the technique of violence. Sardinian shepherds had changed their diet of bread and cheese for meat and wine. During wartime, and especially after Caporetto, the peasants from the feudal regions of the South had been talked to as men having rights, even the right to own land. Shortly after the end of the war, in 1919 and 1920, the peasants of Latium, of Sicily, of Calabria, of Apulia, marched by the thousands on the uncultivated lands owned by absentee lords, and apportioned them among themselves.\(^1\)

It was not only Italy as a nation that had wanted to test herself by going to war; each class and group likewise wanted to assert its right to live and grow. Every social group strove to reach the most advantageous possible position. Those who stormed in the streets of Rome and other Italian cities in the spring of 1919, were just handfuls of politically-minded citizens compared to the swelling masses that demonstrated in their wake after the war. In the spring of 1919 it seemed as if each group had begun to fight a war of its own and for itself.

Masses in Motion

Enterprising men springing from the common people quickly found a way to intervene in economic difficulties. As the cost of living was rising in 1919, in practically all Italian cities the people took the situation into their own hands for a few days during the month of June: prices were cut 50 per cent. The discipline was surprising. Grim-looking and shabbily-dressed workingmen patrolled the shops, taking care that everything was paid for at half its former price, neither more nor less. There was no confiscation of private property and no violence. The popular political parties, including the newly-born Fascist groups, could only approve and say that it was a fair and sound thing to do. But the movement vanished as it came and prices rose again.

The proletariat had more effective means to protect itself than to enforce a wholesale 50 per cent reduction overnight. Agricultural laborers, industrial workers, white-collar employees, schoolteachers, railroad men could all join trade unions. The membership of the Italian Confederation of Labor decupled, from 233,936 in 1915 to 2,150,000 in 1920. At the same time the Italian Confederation of Workers, organized by the Catholic party, reached a membership of 1,800,000. The trade unions provided regimentation for all who had left the Army. Those who had not been in the War were given their chance to fight. The trade unions were belligerent to a degree scarcely justified by their rapidly won victories. The result of all the strikes and the turmoil from the end of the war to the rise of Fascism was the readjustment, on the whole, of real wages and salaries to the prewar level.

Italian labor, especially in the North, was already powerfully organized before the war, with an impressive record of battles and victories. Yet it was as if everything had had to
be started anew after the war, had had to be re-invented, without precedents or traditions. It had been the same with the movement that led to intervention in the war. The very fact that Italy could array an army of three million soldiers on the war front was evidence of the strides the Italian state had made in the fifty years since it had been organized. That during this short span of time Italy had become a great power, even if the smallest of the great powers, that she had built a complete network of railroads and a powerful merchant marine, that her public debt had been reduced and the foundations of a fairly complete system of social legislation laid down, all these facts were hardly a source of pride or inspiration. They were a result of clever political maneuvering and of good housekeeping. What was needed was a great test, a new way of looking things squarely in the face. What was needed in 1915 was war; in 1919 it was revolution. Others, those who wanted Wilson dead, needed a greater Italy or an empire. But the aim of the war, the character of the revolution, the geographical location of the empire, all this was lost in a mist of vagueness. These were three absolute ideas, each conceived for its own sake in all the nakedness of abstraction, with a myriad of concrete objects and with no object. To these three fires every Italian brought his contribution of fuel. There is scarcely one adult Italian today who in the light of what followed can disclaim this responsibility.

The workers and peasants enrolled in swollen trade unions used to call the old group of responsible labor leaders "fire department." If before the war the number enrolled in class-conscious trade unions had been large, the volume of trade of Socialist and republican co-operatives imposing, what did the labor and Socialist leaders do with their power? Soapbox speakers, anxious for an audience, were never far enough to the Left. The Socialist party won 156 of the 535 seats in Parliament in the elections of 1919 (32.3 per cent of the total
vote), 123 in 1921 (24 per cent of the total vote); while the Communists in the same elections gained 15 seats. But seats in Parliament were of little use to believers in the absolute revolution. They wanted an entirely new start, not a compromise with democracy. They denounced political maneuvering, existing institutions, and the notion of patriotism. Above all they damned the war, its reasons, its leadership, its experience. War veterans, especially officers, were beaten and spat upon. The Ministry of War warned the officers that in days of popular excitement it was advisable to wear mufti.

In the same year (1919) the Catholic or Popular party was founded. Almost immediately it showed its strength by sending 100 of its members to Parliament (20.5 per cent of the total vote). When the Italian state was founded in the nineteenth century the Pope had ordered the Italians to ignore it. Had the order been obeyed it would have meant that virtually the whole nation would have shunned the political organization of their country. But the papal command was moderately disobeyed, and to the extent that it was obeyed it proved a blessing to the new state since it reduced the number of people interested in public life. The political framework was too delicate to stand the game of democratic politics played by large masses. Later on, especially after the turn of the century, the Catholics took an increasing interest in political life; but rather than elect deputies of their own they used to offer their votes to candidates of the moderate parties in exchange for certain pledges. After the war, when the Italian masses were aroused, the Catholics had to form a party of their own. The Catholic Partito Popolare was, more than a party, a cross-section of the nation with all classes and groups and political trends represented. Its manifesto was wise enough to be the platform of a government rather than the program of a political group. The only program of action which could have united the Italian people as a whole, was adopted by
that cross-section of it which could still be kept in check by the ability of a great leader and by the discipline of the Church. All the rest was flowing toward the absolute of revolution or of empire.

It was a paradoxical state of things: the militants of the only organization which in Italy had consistently opposed political unity and democracy now offered that program which could save democracy. But the great majority of Italians were already carried away by the whirlwind of revolution, either from fear or from desire. What kind of revolution it was to be, no one knew. The kind most talked about was the Russian; but a delegation of Red leaders that went to Moscow early in 1920 had come back rather chastened. And yet very few doubted that a revolution was bound to come. Everybody lived in suspense. The best minds of the nation were keyed to a prophetic tone and tried to foresee the time rather than the specific mode of realization. Waiting for the moment when the storm would blow over Italy, the general tendency was to trim one’s principles accordingly. Even the staunchest conservatives regularly used as preamble for their political speeches: “We are not disinclined to any reform, no matter how bold . . .”

The game of politics becomes a gamble when the stake is too high and the hazard too great. The whole country which by intervening in the war had plunged itself into heavy gambling was now the stake. While no one could foresee the winning numbers, at least the series could be guessed: the prospective winners were on the Left, the safest bet was on the radical side. Parties and groups called “Renewals,” together with organizations of war veterans, sprang up all over the country. Everybody was for “renewals,” for “progressive action,” for “courageous adjustment to the needs of the new

2 Don Luigi Sturzo, today an exiled writer in London.
times.” The most conservative adopted the prevailing terminology, adding only that they were for a “well-understood” progressivism. And when riots flared up they professed themselves “against every violence, from whatever side it may come.”

Fiume

Then on September 12, 1919, d’Annunzio marched on Fiume. In the tense atmosphere a few deeds were enough to bring about an entirely disproportionate crystallization of results. Quixotic political deeds could fire the strained popular imagination with omens of an imminent doom. The nation, uprooted since her entrance into war, needed only a slight push to be sent rolling on her uncharted course. Sometimes history seems to be thrifty and to achieve a maximum of results with a minimum of effort. Then it takes as its agents men whom the onlookers at the political gamble are likely to consider out of the game, politicians whom every realistic observer judges unworthy or disreputable. And by confusing all the gazers history plays its most sanguine jokes.

It is difficult to imagine a more unlikely maker of history than Gabriele d’Annunzio, the weary dilettante and decadent poet. Sensible people could only shake their heads in amazement when d’Annunzio with a few hundred mutinous soldiers from the regular Army shut himself up at Fiume and proclaimed his rule to the world. In the gradual reflux of war madness some army leaders in other European countries had taken the law into their own hands for a time. But what happened in Fiume could scarcely find any comparison. Everything there was beyond the bounds of sanity, in the realm of the incredible. Fiume was at war with the world; Fiume was the only spot on earth where purity and clarity prevailed, as d’Annunzio from his balcony repeated each night to the

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*a On d’Annunzio and his role in recent Italian history the best account is in G. A. Borgese, Goliath, New York, 1937, pp. 86-102 and 150-168.
THE BACKGROUND

crowds. The Italian government surreptitiously fed the city and the mutinous soldiers with trainloads of food; nevertheless each night d'Annunzio pilloried the rulers of Italy as murderers of the "crucified city." Fiume could save the world. D'Annunzio sent messages to the Soviet government, to Mustapha Kemal, to all races and nations. He also offered his own solution for the social conflict, his new political order based on the "corporative" organization of the workers. Actually some old revolutionary syndicalists were on his side in Fiume, and the powerful leader of the maritime workers was backing him.

This was the absolute revolution, the absolute war, the absolute empire, all rolled into one. The Italian disease had found an unbearably true picture of itself. Sensible, decent Italians shook their heads in dismay and blushed to hear of the moral and sexual life in the "crucified city." It all looked like an absurd farce. D'Annunzio played the role of a world leader with a few thousand fanatics who impersonated the revolutionary masses of the world. During his fifteen months of power over Fiume d'Annunzio taught his crowd how to modulate its hoarse voice, how to respond to the cheer leader and to keep time in a few cadenced words: "To us," "Death," "Glory or Death," "With you, Commandor," "Present," "Alalà!" This was a richer variety of expression than "Death to Giolitti" or "Death to Wilson." The trend of emotion started in 1915 was now articulate, reaching its peak in Fiume. There was something tragic in all this insanity, the seed of a cruel history to come. Those men were "problem children" of the war, soldiers who could not be demobilized. They could not go home; many had no home to which to go; all were fighting against the return to normalcy. They could not give up the harsh pleasure of comrades who live, sing, march and die together. They clung to their life-weary poet from whose words, as well as from drugs and from youthful frenzy, they drew
their intoxication. The war temper was in their bones, they
wanted to find a new form of military citizenship.

With very little violence, the boys barricaded in Fiume were
finally sent home on Christmas Day. Fiume had shown the
Italians the plain reality of permanent war and permanent
revolution. To this extremely sensitive and nervous people
Fiume was or could have been the inexpensive equivalent of
a new war and of a great revolution, a poet's image of a
new way of living which intelligent men could thus know
and avoid. A small political effort could either have ruined
Italy or given her a new order. Seldom has a nation been
so free to decide its destiny in the most unprejudiced way,
and seldom has leadership had so great an opportunity. Italy
could not remain a plastic mold forever; the event of Christ-
mas 1920 meant that the war fever, the thirst for the absolute,
were coalescing into a sober state of mind.

Meanwhile, a few months before the end of d'Annunzio's
adventure the Left parties had their turn, their own Fiume.
The industrial workers barricaded themselves in their fac-
tories and offered the country a substitute for a Bolshevik
revolution. It was a big stay-in strike, which was soon settled
without firing a shot. Yet it was enough of a deed to crys-
tallize opinions. The clouds of the absolute, which had over-
cast the sky of the nation since Italy's entrance into the war,
had precipitated in a few showers on Fiume and the indu-
trial centers. Now it was beginning to clear. Italy was not
going to indulge in foreign adventures; neither was she going
to imitate Soviet Russia. Each of the more aggressive groups
having in turn tried its own intervention and its own war,
Italy was at last to have peace. Her people had been set in
motion in 1915, and in 1920 peasants, workers, white collars,
intellectuals, all groups and classes had been awakened. If
the four years of war had been a great test of national
strength, the two following years, 1919 and 1920, had proved
that the nation could meet the most dangerous crises without the presence of an external enemy. Foreign writers realized then that Italy had stood a great test. In fact, the whole period of history from the Risorgimento to the war, to the two fateful years of the aftermath, was nothing short of a miracle, according to some foreign observers. Now that the whole Italian people had been stirred, now that sharp social, national conflicts had been met on a political level, within the frame of the existing institutions, now it was possible to expect great things from the ingenuity of the Italian people.

March on Rome

Then, in 1921 and 1922, the greater crisis came upon Italy. Sometimes it is during the convalescence that the fatal attack comes. Perhaps there was a group of men in Italy who deliberately denied her peace to the nation; marginal men who feared an order where they had no room. Perhaps the old-fashioned shrewdness that the politician Giolitti had displayed in liquidating the Fiume episode and the occupation of the factories was too repulsive to the young men who had had their taste of revolution in 1915 and 1919. Or perhaps far greater forces were at work, preparing a future that would affect the whole world, and pushing some men to aggravate the Italian disease, some other men to go on in their near-sighted shrewdness, while large sections of war-weary people hoped to have found in Fascism a new, exhilarating type of normalcy. No one suspected how epoch-making was the event when seventy thousand boys and a few politicians haphazardly marched into Rome at the end of October 1922—the last and least expensive Italian substitute for a revolution.4

The Fascist Mind

During four years Italy had been flooded by political programs: Bolshevik revolution, coalition government formed by Socialists, Catholics and democrats, new “progressive” political combinations sponsored by war veterans, d’Annunzian imperialism. All these possibilities had been exhaustively debated. Normal political life was slow to start. In the years 1921-22 five cabinets had been tried before the one appointed at the end of 1922 with Mussolini as Premier. Each of these cabinets had been weaker than the others. Each had reigned without being able to rule, just as a constitutional sovereign may reign by signing decisions in which he has no part. As Claudio Treves, the most intelligent leader of the Socialist party, said: the new democracy of the workers, of the peasants and of the middle classes was not yet ready to assume power, while the ruling professional politicians and statesmen were discredited and exhausted.

The Fascist movement offered a way out of the deadlock. It had started in March 1919 with a radical anti-capitalistic confiscatory program which it quickly abandoned and turned into a technical instrument for the conquest of power. It had a rough vitality sharply contrasting with the stagnation of Italian political life. It could outgrow each one of the elements that had helped in its conquest of power. Landowners of the Po Valley had given financial support to Fascism, many civil and military authorities had openly provided it with arms and with chances to defeat its enemies. Yet the movement had pursued a course not traced by capitalists nor generals nor civil servants. In little more than two years, Fascism invaded and conquered the whole country with military precision.

The secret of the Fascist victories was simple enough: it consisted in a combination of political aggressiveness and
methodical violence. The aggressiveness had political power as a definite goal. The way to power was to terrorize enemies and deprive them of everything: organization, following, and even program. Fascism had a very light baggage because it could easily live in the enemy’s territories by right of confiscation. What was the use of programs for Fascists when there were so many programs around that they could absorb? The platform which they adopted on March 23, 1919, was good for a start. When the movement was on its way, it discovered its real vocation: to do away by personal violence with the leaders of the major political parties and to capture their rank and file. The masses were assured that what the Fascist leadership wanted was to energize their organizations. The sharecroppers of the Po Valley were told that their labor contracts were going to be respected and enforced. They had been more and more detached from the soil by their Socialist leaders, who organized them like industrial wage-earners with collective contracts and wages in cash. These agricultural workers quickly turned to the new leaders and became the bulk of their army. The Fascist discovery was the use of methodical violence to reduce proletarian organizations to the personalities of a few scared leaders.

There was scarcely a political organization that could judge itself safe against these predatory attacks. Programs and membership could be stolen at any moment; counter-violence could only offer justification for Fascist violence. This new discovery in tactics started as a boyish game, with some money offered by panicky capitalists ready to try anything in exchange for security. There had been a disease in the leadership of the new Italian democracy, in the proletarian parties and in the trade unions. Fascism was the product of democratic decay; it was not a revolution with a character of its own, but a parasitic growth on the democratic structure that could produce no popular leadership of its own. It was revo-
lusionary so far as methods were concerned, and it was on the other hand a haphazardly conservative movement that had piled up the greatest number of problems, programs and organizations in its huge war booty. Nobody knew how this booty would be administered when Fascism came to power, but it was the opinion of many liberals in Italy at the end of October 1922 that the so-called new regime was nothing more than a cabinet of national coalition, put together after somewhat unusual and colorful events, and that in being resettled under Fascist leadership all problems, programs and organizations would have a chance to be set to work with a greater efficiency. Were there not some Catholics and liberals and democrats in that cabinet? Had not Socialist and trade union leaders come very near to accepting portfolios? Many an astute observer thought then that Fascism was just a wild method to achieve the obvious.

*Liberalism Without Freedom*

On October 28, 1922, the titular leader of the Fascist party found himself catapulted into power. A clever politician, he knew how to ride on the crests of popular waves, yet the blind vitality of the Fascist movement proved a hard match even for him. Several times he was overwhelmed by the undertow of energy in the surf he happened to ride. He could not imagine its lash to be endless; he thought several times that the ebb was at hand and managed to stabilize the advantages. In August 1921 he arranged a peace treaty with the Socialist party and the Socialist trade unions. When his movement definitely showed that it did not want peace he was dragged along with it. In his first speech as a member of Parliament he proposed a coalition government to Socialists and Catholics and he repeated the offer many times. A politician tainted by some political thinking, he nearly ruined his movement by committing it to definite ideas, like anti-capitalism in the
beginning, republicanism later on, democratic reformism by alliance with popular parties, rugged individualism and so on. He was the oldest and most intellectual leader that a chaotic movement of inexperienced youths could bear.

Since the cabinet was a coalition, this proved to many that Mussolini had been right in his early advocacy of democratic claims and that with the March on Rome the Fascist party had reached the zenith of its power. Shrewd political observers, old leaders of the Giolittian type, even philosophers like Benedetto Croce, thought at that time that with the sobering influence of power the youthful habit of violence would recede; that if the Fascists had castigated extreme political parties and stolen their strength, now through the Fascist government this strength, this popular support, would be reabsorbed by the state, and thereby energize political life. A group of liberals became so convinced that Fascism had a liberal function as to enter the Fascist party deliberately under the leadership of Gentile, Mussolini’s Minister of Education.

In a way Fascism did have a liberal function. The coalition government under the Fascist leadership rapidly achieved goals for which the liberals had long striven. In ten months it enforced some of the most radical reforms that liberal Italian educators had mainly proposed for twenty years. It balanced the budget. It managed to reduce taxation. It vigorously pursued the program of social legislation and low-cost housing which the previous democratic administration had started. Many political observers now raised the searching question: Was it necessary for forces which perform a liberal function to be covered by a liberal label? Was it not possible that Fascist roughness had opened a short-cut to efficient democratic government?

In the economic realm Fascism undoubtedly followed a policy in strict accord with the most traditional old-fashioned
wisdom. Even before the March on Rome Mussolini had said: "Political dictatorship applied to economics is nonsense and disaster." In his first speech to Parliament on June 21, 1921, Mussolini insisted: "We ought to reduce the state to its legal and political sphere. The state must give us police to protect honest men from scoundrels, well-organized justice, an army ready for any emergency, and a foreign policy in accord with the national interest. All the rest, and I do not exclude even the secondary schools, must be brought back to the private activity of individuals. If you want to save the state you must abolish the collectivist state which we have received from the war, and go back to the Manchester state." In his speech at the Fascist Congress in November 1921 he said: "In economic matters we are liberals, because we do not think that national economy can be entrusted to bureaucratic and collective organizations." "The Ethical State is not the monopolistic or the bureaucratic one, but that which reduces its function to the necessary minimum." As Premier of the Italian government Mussolini told an international assembly at the second congress of the International Chamber of Commerce: "I think that the state must give up its economic functions with which it is unable to cope." 

Deeds accorded with words. The telephone service which was almost entirely a state monopoly, was entrusted to private corporations. Municipalities under Fascist leadership began giving back whatever public utilities or street car systems they happened to own. Old, embittered liberals like Vilfredo Pareto and Maffeo Pantaleoni, who for decades had fought state interventionism, thought that they saw in the Fascist movement the stern avenger of the Spencerian state.

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The young Fascist leaders, busily at work learning their new job as rulers, could think of themselves as the knights of liberalism. They were realists, unbiased by ideologies and unwilling to think political programs through. They were also stark politicians who had succeeded in defeating or taming other politicians; this meant that they could draw their principles of political conduct only from the reality that they happened to be dealing with. Their program of government was simply to govern. As to economic activity, they wanted to have full, productive economic activity. In every field they tried to find the plan of action in the thing itself, with the instinctive belief that doubling the emphasis on every problem produces the solution. In such a state of mind they dealt with the problems of public order, of economy, of administration. The method was childish, but in post-war Italy it produced results. For too many years there had been a lag between programs and actions. Fascist enthusiasm was trying to abolish it and was investing with dramatic emphasis the administrative routine of social life. This was the era when the trains were made to run on time.

The Fascist leaders were not only politicians without a policy, they were also, all of them, individualists without respect for other people's individualities. These two attitudes, one resulting from their naive pragmatism, the other from their origins and training, were in sharp conflict, but they were coexistent. As party leaders who had become state leaders and state functionaries it would have been their tendency to be superlegalistic in their obedience to law, as they professed in their declarations. But there was in them too a notable lag between words and deeds. Especially when it came to matters of policy, these politicians, who had become functionaries in order to find their policy in a punctilious administration, could not help being intolerant and violent. Their violence was private and purely partisan, because the laws had not
been changed and opposition parties were still allowed to exist. They could emphatically underline existing laws in an effort to learn and to enforce them, but their political and material force could not be reduced within the legal frame. Their extreme individualism, as far as it is possible to rationalize it, was a blend of economic individualism mixed with remnants of libertarian syndicalism. The most intellectually-minded among them could vision an equilibrium of economic and social forces controlled by the Fascist party. But the only force that could not be reduced to equilibrium was Fascism. Two years after the March on Rome, Fascism, having adapted itself to the national peculiarities and problems, and having shortened the lag between words and deeds, still remained menacingly unassimilated by the political and social system of the nation. Still less could it be reflected in any organic series of political purposes.

Italy during those two years went its way laboriously and peacefully. The Italian people on the whole is not inclined to take politics very seriously. Most Italians have never participated actively in politics. In the great enormous social discrepancy and historical distance between the center of national politics and its parochial sections, the echoes of national events either faded away or resounded grotesquely. It was certainly difficult for the peasant of Basilicata or Puglie to realize that the name Mussolini meant a system of government different from that represented by the names of Giolitti or Facta—if he had ever heard those three names at all. Clever political observers in the urban centers themselves agreed that there was no great difference between Mussolini and Giolitti. Mussolini was, some said, a disciple of Giolitti who liked to toy with guns but did not really mean to shoot. Mussolini could in the same breath proclaim himself an economic liberal and declare that liberty was a putrefied corpse. It was a case, shrewd observers maintained, of oratorical recklessness.
THE BACKGROUND

The opposition parties were in a hard predicament. On the one hand many of their leaders and adherents were still exposed to political persecution, on the other hand Fascism was taking from them the inspiration for its practical policies. A broadly compromising attitude was combined with a use of violence that in some cases reached morbid cruelty. In the first two years of its power Fascism still had extraordinary capacity to syphon up scattered individuals and groups. It absorbed the Nationalist party as a whole, it took in its ranks various liberal and radical groups. Almost no political organization in Italy was free from the danger of being absorbed sooner or later. It was a political trust. Violence and receptiveness both helped the trend. The opposition leaders who could overcome physical fear had two main issues against which to fight: denunciation of violence and criticism of the new leadership which quite frequently showed itself unprepared, awkward and wasteful in its eagerness to obtain immediate results. The first issue was too general and likely to fall into a complaint about errors in procedure; the second was too personal and likely to be frittered away as gossip. Experienced people, political observers with a sense of humor, did not want to stir up Fascism by opposing it. They were inclined to hide their time and to let nature take its course.

Such was the situation when on the evening of June 12, 1924, the newspapers published the news that Giacomo Matteotti, secretary of the Socialist party and member of Parliament, had been kidnapped and probably murdered. Matteotti was not a man willing to take holidays from political responsibilities. Through sheer personal prestige he had checked the inclination of some Socialist leaders to be absorbed by Mussolini's cabinet. He was sharp and clear-minded, intolerant of moral looseness and political cleverness. By constant questioning and denunciation he had made himself odious to the Fascist leadership. He had wanted to know what Fascism
really was, behind the smoothness of its compromising realism allied with violence. The blind vitality of Fascism, on the contrary, deliberately refused to think or to be the object of thought. On the thirteenth of June it appeared certain that the kidnaping of Matteotti had led to his assassination; the police could not prevent the discovery, immediately broadcast by the press, that the abduction had been organized by some of the highest Fascist officials and that there was in the Fascist party, housed in the Ministry of the Interior, an organization which had as its aim to terrorize, persecute and murder political opponents. The Prime Minister himself was cognizant of its existence.

The revelation staggered the country. It became clear both to Fascists and anti-Fascists that the crime was no isolated fact, but the reckoning of a long series of events and the result of a system. The process of events had been one in which many Italians at various turns had had their share of responsibility: almost twenty years of dynamic activism, of muddling through adventures in order to find a way out of the entanglement of previous adventures. The system was one in which the younger generation had found itself plunged: a blend of thoughtless trust in chance, of petty cleverness, and of violence. The Fascist movement had proceeded in blindness, without knowing what it was, with little play for its leadership. The Fascist politicians, from the titular leader to the minor ones, had had enough to do nimbly maneuvering and looking around for a safe place to land in case of a fall. But Fascism had found one real master who had obliged the movement to define itself. It was Matteotti. After the thirteenth of June the Italian people did know.

In those summer days of 1924 the head of the Italian government and leader of the Fascist party was panic-stricken. He had had a hand in everything, in strict legalism and in violence, because it had been his policy to have a sail ready
for every wind. In a speech to his own parliamentary Fascist
majority on June 26, 1924, he said: "I have already said it
and I say it again: I want Parliament to function. I say it
again. It is not my intention to govern by executive acts.
When government itself makes the laws, Parliament has noth-
ing to do. To go back to absolute legality, to suppress law-
lessness, to purify the party . . . I want to follow a policy of
national reconciliation, to forget the past, to forget all the con-
flicts of the past . . ." 7 It was too late. Matteotti had barred
all clever fumbling. The opposition, led by Amendola, a man
of the same temper as Matteotti, by shutting itself out of Par-
liament and denouncing the government through the press,
acted in a way which politically was suicidal, but which pre-
cluded every possible deviation. It faced Fascism with an in-
transigence that Fascism was obliged to emulate and to retain.

Intransigence was the only solution left for the Fascist
party and its leader. For the first time they were cornered,
forced to face a long-range situation. Until the Matteotti crime,
Fascism had been the parasite on Italian life. It had taken
membership and programs from opposition parties, discipline
from the Army, concrete goals from the bureaucracy. It had
no principles of its own, and it could only destroy or steal
what it had not in itself. It could appear as the energizer
of Italian politics only because it had displayed so much energy
in absorbing Italian parties and institutions. It had no inner
center and no measure of itself. The Fascist party and its
leader had no choice but to accept the challenge of Matteotti
and Amendola, and to crush the opposition parties by stress-
ing their own intransigence. Belatedly, harassed by his lieu-
tenants, Mussolini had to bow to this necessity, and on Janu-
ary 3, 1925, he accepted for himself and for his party the
responsibility of Matteotti's murder.

7 Corriere della Sera, June 27, 1924.
Thus a new phase of history began when Fascism, with its retreat cut off, stumbled into a new social discipline and dimly perceived the lines of a new form of state. Thus new forces in motion throughout the world were first shaped by the development of events in Italy.


3. SOCIAL RECONSTRUCTION

1925-26: A Nation Without Institutions

THERE WAS no doubt that the Fascist leaders, as a result of the Matteotti crisis, had to destroy all opposition or else be destroyed by it. They could not be at the same time rulers of the country and candidates for the penitentiary. The newspapers which called them murderers had to be silenced. The political parties—all political parties but the Fascist—could not scorn the legitimacy of the government while avoiding the risk of fighting for a government of their own. All non-Fascist and anti-Fascist groups had to be disbanded. In the workers’ trade unions, both Socialist and Catholic, the hope still lingered on of a better order of society and of an improvement in the toilers’ lot. This meant politics, which had to be forbidden lest it found its polarization in the one great issue, Matteotti’s murder. There were Fascist trade unions, too, which in 1925 proved to be quite active in organizing strikes—most memorable of all the one of the metal workers in Brescia. Obviously they could neither suffer nor stand the competition of the Socialist and Catholic syndicates in organizing walk-outs and in bidding for the workers’ enrollment. So strikes had to be forbidden and the workers’ freedom to choose among competitive trade unions had to be outlawed. The slope seemed to be bottomless and every Italian, Fascist or non-Fascist, was dismayed because no one could visualize how a modern nation
could be politically oriented without a free press, aware of its problems without political parties, or socially balanced without trade unions.

Yet the strange thing about those two years, 1925-26, was that while all free institutions crumbled, nothing happened. The people did not show any great sign of distress and, slightly changing their habits, they went on with their business. From 1922 to 1925 the farcical side of Fascism with its overnight creation of generals, militia and rituals was so abundant as to blunt the awareness of events. In 1925-26 the people were so dizzy by the changed situation that they could scarcely realize the importance of the new order of things. Under the clear sky of Italy life was going on with its immemorial rhythm. Men could start their day without reading in the newspapers that the government was wrong; on the contrary, they were bluntly told that the government was none of their business. The business of ruling the nation belonged to the Fascist party that had already seized the monopoly of political action and wanted to impose the one of political revelation.

In January 1925 the Fascist party set up a committee of eighteen members to revise the Italian Constitution. The proposals of the committee were in favor of a reinforced executive and against compulsory trade unionism as well as every governmental attempt to interfere in economic activity. It was plain old-fashioned reactionaryism, in complete contradiction to the ensuing development of Fascist legislation. The eighteen Solons, as they were called, did not know what had happened to the nation and where it was going, nor what kind of laws were suited to it. There was no previous experience to inspire it nor precedent to guide it. Russia was much too alien then and far away. Fiume everybody knew

1 See Relazioni e Proposte della Commissione per lo Studio delle Riforme Costituzionali, Florence, 1932. Only one commissioner was in favor of compulsory syndicalism and of the prohibition of strikes.
had been a farce. It must be admitted that German National Socialism, some ten years later, had far easier sailing.

Fascism had made the old political structure of the nation crumble. But Fascism was now a part of the nation itself—quite a large and strong and representative part of it. Nobody can know whether it had determined the disintegration of democratic institutions or whether it was a result of it which made the disintegration at the same time manifest and irreparable. But certainly Fascism was the most active element of the whole process, not because it had a greater consciousness of it, but because it had a richer vitality and instinct. The Fascist theorists were incredibly confused and naïve; and they did not gain clarity and force in the course of time. It would be quite amusing to report them extensively: according to some theorists Fascism was a church, an army, a social philosophy, the Counter-Reformation, the new Reformations, modern and anti-modern, anti-Europe, anti-Humanistic and Humanistic. All names of regimes and political theories and philosophies were thrown into the Fascist cauldron, stirred with Hegelian tools so as to prove that "to a certain extent" Fascism was everything, liberalism and anti-liberalism, anarchism and dictatorship. The future historian of political theories will not be tempted to register the names of Maraviglia, Orano, Panunzio, Malaparte, Giuliano, and scores of others. These men were the absurd spokesmen of an absurd situation. It would be too easy to laugh them off on the ground that there was little sense in their theories. There was no sense in the events either; or at least the keenest political observers could not find any.

**Toward the New Social Order**

1. Utilization of Fear

Confusedly, in an intuitive way which would not bear reflection, Fascism was discovering in its own experience a few
basic senses of direction according to which the crumbled structure of the Italian political and social life was going to be rebuilt. The first of these non-formulated principles is an immemorial one: that fear is at the bottom of every human being. Many among the Fascists had an intuition of it during the war, in days and nights spent under the grip of death. They realized that in every man there is a certain degree of horror where his physical strength and moral personality melt. Under normal circumstances such an atmosphere of horror cannot be artificially created in the life of a nation; but in the aftermath of a war or in periods of great economic insecurity and social tension, the spirit of fear can be whipped to a point where it embraces everybody. Those who stimulate the fear are men who have become dulled by it, men whose fear becomes violence which in turn terrorizes others. Many such men were driven into the Fascist party and rose high in its hierarchy. They knew the keen pleasure of forcing political opponents to recant or to beg for mercy or to swallow a jar of castor oil. They discovered that in peacetime, too, men can be reduced to a bundle of nerves and whipped into any shape.

During the six months of the Matteotti crisis the Fascist party as a whole, leadership as well as rank and file, had lived in a state of fear. It was difficult then to find in the streets men with Fascist buttons on their lapels. The leaders for a time were busy writing memoranda, each putting the responsibility on the other. Their ingenuity was taxed in trying to find some vaults in an obscure bank in Italy or, better, abroad, where evidence damaging to some fellow-leaders could be safely locked. One prominent Fascist for a long time adopted the motto, "As long as it lasts"—and during the second half of 1924 signs seemed to indicate that it was not going to last much longer.

In the end despair drove armed men to impose themselves upon a morally excited but helpless mass. Having demolished
the political structure of Italy and realized as a result of it that after all nothing happened, they learned how to be systematic in their technique of injecting fear. They were not strangers in a conquered land, they were Italians among Italians. In 1925 they knew much better how to arouse fear in their fellow-countrymen, having been fearful themselves; they had acquired that solidarity with their victims which could make them really representative. Moreover in a civil struggle the dividing line between oppressors and victims is a very thin and always shifting one: either chance or individual miscalculation may easily trap men on the losing side.

With its shoulders to the wall Fascism had to become thoroughgoing or, as they say, totalitarian. The word then acquired a meaning: to survive, Fascism had to absorb the totality of the nation. It was no longer the parasite of Italian institutions: it became in a totalitarian way institution-wrecker first, institution-builder later. Both for the wrecking and for the building the technique of fear was of great use to them. It was learned then that institutions, too, like men, can work according to their purpose only within a certain range of political stability and social tension and that by modifying the conditioning elements every tradition, no matter how old, can be emptied and violated. Freedom of the press, for instance, became rather a shallow thing while the journalists were herded into a Fascist guild which imposed upon every newspaper a closed shop system. In the same way the right of dissent became rather difficult to exert when the price one had to pay for it was one's personal freedom or even life. The separation of power became an academic concept when the men who sat on the bench or in Parliament or in the administrative offices realized that they were job holders at the mercy of a ruthless political party.

Hobbes, theoretically, and all tyrants practically, always knew that men, when sufficiently terrorized, can be driven into the
most absolutistic political order. But the Fascists' discovery was novel nevertheless, because they employed fear in a systematic and totalitarian way. No man living in Italy was neglected: in the fear of every man the Fascists found a reservoir of political power. Moreover, it was a system of interlocking fears; no Italian, whether Fascist or anti-Fascist, was exempted from it. The worker had to worry about his livelihood and the Fascist leader had to dread falling into disgrace. Nothing keeps men so obedient as the fear not only for their future but for the most immediate necessities of life. When the obvious and commonplace elements of life are granted as a gift, fear can be transformed into exhilarating enthusiasm. The Fascist technique was diabolically clever in extracting from every man the maximum of enthusiasm and fear. The technique was based on the assumption that the nervous system of man, like a good musical instrument, gives the best results when delicately scratched. Only a handful of people were deprived of life, jobs or prestige, just a few to serve as a warning reminder. The initiative for the various waves of repression did not even appear to be taken by the Fascist leadership: each one of the successive turns of the screw in 1925-26 was justified by attempts on the life of Mussolini. All these attempts but one, to be sure, were rather mysterious affairs where the hand of the police could be easily detected.

II. USE OF DEMOCRATIC TOOLS AGAINST DEMOCRATIC GOALS

The second Fascist discovery, in the realm of statesmanship, was seemingly technical. It was like the discovery by a good mechanic of an unexploited potentiality in the machine which he handles: something the inventor of the machine did not suspect but which may bring about undreamt-of results. The Fascist leaders realized first that each one of the organs of government had capacity of greater efficiency if used without scruples of constitution or of tradition. Once hindrances of
legalistic restraint were removed the police was able successfully to work not only for the detection, but also for the prevention of political and common crimes. Legislation, once the legislators ceased to be representative and responsible, could be extended to practically any sphere of human activity, and could regulate the birth of children, the education of infants, or the minute details of salesman ship. Legislation and police and executive and every branch of government had been hitherto thwarted, according to the Fascists, by some superstitions or taboos called separation of power, responsibility of the government toward the people, respect of individual freedom, etc. By thrusting aside each one of these taboos government, instead of being an organ of society subjected to the fickleness of popular mood or to the vagaries of business cycles, could work as the maker of society; instead of being subjected to a control by the intelligence and the interests of men, government could become the shaper of the intelligence and the director of interests.

It was like a political technocracy: by eliminating the democratic restraints and scorning democratic ideals the instruments of modern democracy could be made to perform revolutionary work. The Fascist mind reduced the institutions to the actual physical persons who were supposed to administer them and gave them as the one goal the greatest possible efficiency for the sake of the state and of the Party. Hence there was no dispersion of energy: the technocrats of political control, working as efficiency engineers, found that in two organs of political and economic democracy, the electoral system and trade unions, there was another unexploited opportunity of power provided the principle of free representation be eliminated from both. In pre-Fascist Italy the organs of democracy linked individuals and groups to the state and the community; education was given to every child, social insurance was granted to every worker, freedom of political organization guaranteed
to every citizen. The general assumption of democracy, which Italy had accepted since the Risorgimento, was that thanks to all these links popular initiative could enrich the life of the state and control its course. The Fascist technocrats instinctively reversed such an assumption and decided that better results could be reached if controlled initiative descended from the state to the people.

Hence Fascist legislation cannot be called reactionary. It did not try to destroy the existing institutions and trends which had been determined by democracy; rather, it energized them. Fascism did not abolish the system of universal primary education but it integrated it with universal military training imposed on schoolboys. It did not attempt to destroy the workers' tendency to organize in occupational groups, but, by making organization compulsory, it diluted and dissolved its revolutionary potentialities. Every organization was emptied of the reasons which had prompted its creation and was coordinated in a unitarian technical system of command from above. The method of using democratic tools and emptying them of democratic goals brought about extraordinary practical results. Using Marxist terminology, a Fascist theorist could have said that democracy had dug its own grave by creating forces and institutions by which it was disrupted because it did not know how to use them. The Fascist politicians groping in such a direction, trying to muzzle unionism by making it universal, did not know what a golden mine they had found. But they had to go on and work unremittingly in an all-around totalitarian way because fear and the necessity to propagate fear was pressing them.

III. PRIMACY OF POLITICS OVER ECONOMICS

The third Fascist discovery was the priority of politics over economics, or rather the possibility of bringing about a popular revolution in order to place economics under the control of
politics. When political dissent and political organization were forbidden the normal result should have been the establishment of a rule by a bureaucracy under the leadership of a paternalistic oligarchy. Administrative technique would have taken care of all those decisions which previously used to be influenced by the game of politics. This would have been sheer old-fashioned reactionarism. Within the Fascist party many elements were inclined to give such a direction to its course: former nationalists who had been absorbed into the Fascist movement, big capitalists who wanted freedom from social disturbances and from governmental interference, high functionaries and tired radicals looking for an energizer of conservatism. Or else there might have resulted a military dictatorship receptive enough to accept in its midst the new chieftains who had been overnight exalted from lieutenants to generalissimi. The standing army and the career officers would have been the backbone of the new regime. It would have been a military dictatorship. This possible course, too, had many followers in the Fascist party and in the country at large: generals who had helped the Fascist march to power, certainly the Crown, possibly the Church. But Fascism, on the contrary, was a revolutionary national movement: it had outlawed politics not out of disdain, as would have been the case if the bureaucracy and the military had taken the helm, but because it was seething with an uncontrolled and reckless political instinct.

The prohibition of politics that the Fascist party inaugurated meant the creation of a political monopoly for itself: the imposition of only one system of expression and set of symbols through which all interests and ideas had to be articulated. This meant that every organized interest had to enter into the Fascist party in order to gain a legitimate chance of success, and that the defense of interests could be made not through debates in Parliament, or public hearings, or influence on the
press, but only through lobbying within the party. A large section of capitalism and a sizeable number of labor leaders readily adopted the new technique of expression. Fascism could have become then a federation of various and conflicting interests. Indeed many people thought that this was going to happen, that the old game of competitive class and economic interests would continue to be played, even if more hazardously because of secrecy, and that the common Fascist denominator imposed upon everything and everybody was not going to change the existing equilibrium of forces. But Fascism was a political movement as well as a popular political party which had become identified with the state. As a political party it was in constant drive for proselytism; as a state it had to discipline into its structure the totality of the nation. This conflict between the character of a political party, which means factional representation of a segment of public opinion, and the character of the state which needs to impose its discipline on everybody, seemed to many dangerous enough to menace the whole structure. Yet it gave new strength and definite goals to what was meant by totalitarianism.

Being engulfed by the Fascist party every interest lost at the same time something of its autonomy and of its original sharpness. The Fascist coloration painted everywhere was also an active and insidious solvent. Economic problems, age-old conflicts, did not appear so dangerous as they used to look, once they were embraced in the unity of Fascism. Once submerged in this unity, capitalists and laborers, consumers and producers, industrial managers and banking financiers had to accept in various degrees a denaturation of their identity and aims. Under the one-party system conflicting interests could not articulate themselves in competitive political organizations. Thus the Fascists proved the old truth that economic forces can be subjected to political pressure because to a very large extent they too, like political phenomena, are determined by
political opinion. Some of the Fascist theorists grasped the facts correctly by saying that Fascism reduced the science and the practice of economics to its old role of political economy. So the technocratic organization of politics was ready to take economics under its grip. In 1925-26 only the psychological state of mind had been created, which was destined to lead to these results.

A definite emotional urge springing from the Fascist masses was giving to the regime that all-pervasive strength which softened the sharpness of economic conflicts. These masses were primarily composed of people of the lower middle classes, of untrained youngsters, and of dissatisfied workers who were equally fearful of having their behavior interpreted in strictly economic Marxist terms and to be reduced to the class where they belonged according to their incomes. In a way they were against the economic order because it was an order which could nail individuals and families to their status with little or no hope of redemption—short of revolution. They were against the economic order because it was economic, based upon the hard reality of the productive process. By denying this reality they set themselves free. The movement which had advocated a Socialist revolution had urged on them the awareness of what the bare economic facts of their life were, offering them a mirror where they could recognize themselves with the gaunt, hopeless features of the proletariat. Rather than look themselves into that mirror they preferred to throw it against those who so insistently had been holding it in front of their faces. This act was in all earnestness a revolution. An unrestrained lust for idealism, an urge to be convinced that there are greater values in life than bread, a muddy desire immediately to overcome one’s status had stirred the lower middle-class masses. The wealthy classes were not displeased with such popular sentiments. The Fascist theorists could thus
claim that Fascism had established not only the primacy of politics over economics, but of the spiritual over the material side of life.

Dilettantes at Work

These three discoveries of fear, of the new technique of statesmanship, and of the priority of politics over economics, took at least ten years to be articulated into working institutions. They never became systematic theories but were pursued instinctively as hunches which allowed Fascism to plunge right into problems that seemed hopelessly complicated. These problems, it must be stressed, are the same in every civilized nation and clamor for solution everywhere: to settle the no man's land between politics and economics, to translate political democracy into economic democracy, to readjust the relations between producers and consumers, industrial and finance capitalism. The leaders of Italian Fascism had the good fortune all to be upstarts, known until their ascent to power as rabble-rousers or half-baked intellectuals. Yet just this lack of preparation gave to the Fascist leaders a double advantage: it made their conquest of the government something incredible that no serious person could either foresee or take seriously, and at the same time it gave them, as a substitute for preparation, a reckless brazenness in jumping squarely into the most terrifying problems of our day.

Moreover, these Fascist leaders were Italians. Among the many strains which merge into the Italian character there is one which is irreducible spiritual purity itself, represented by men like Dante and Leopardi. On the opposite extreme, always moving between rhetorics and cynicism, there is the type of Italian dilettante. Like the essential purity of Dante and Leopardi, the grim geniality of the Italian dilettante is something which perhaps cannot be paralleled in other nations. D'Annunzio is the most typical representative of this type of man. It is the type of the great builder of forms, all compre-
hensive, all uniting and integrating—and mostly empty. It is the genius which expresses itself in façades rather than in buildings where men can live and work, in tragic masks rather than in human faces, in Catholic ceremonials rather than in Christian charity. In the art of giving immediate formulation and provisional coherent unity to contradictory elements, the Italian dilettante is superb. This provisional unity is worked out like stucco which pretends to be marble: and in Italy the background of the Roman and Catholic Empires certainly helps the illusion. There can be no more blatant conflict with the Anglo-Saxon mind which is always inclined to look even at what is more enduring from the viewpoint of the contingent and the detailed. It is proper that at the intersection of the main problems of our times a group of Italian dilettantes should have had the distinction of offering to the world the name of a new political regime, the frame of new institutions and the style of a new order.

The leaders had to work under such circumstances as would have reduced to despair more skilled and responsible men. But the Fascist chieftains could face all conflicts and responsibilities in a sanguine mood. A nation that had had all political articulations broken was reduced to the dust of its individuals and yet was obliged, because of its historical and geographical situation, to have the institutions of a modern nation. In leading these bewildered people the Fascist chiefs could muddle through like Anglo-Saxons, and, at the same time, be grandiloquent in their outlook like Orientals. A certain combination of meticulousness and turgidness is in the make-up of the Italian dilettante; a desire to go down to fundamentals of what he so quickly perceives with his intuition, an urge to be identified with it and to cease being a dilettante. In the Church this psychological attitude is known as conquest of faith through punctiliousness of devotion. As Italian dilettantes, the leaders of the Fascist government, in building their
new state, were trying to transform into permanency their too-quickly gained intuitions. They could prosper at the twilight between good and bad faith, between intense determination and charlatanism. More than ten years had to pass before the constantly heralded “corporative” state started acquiring some sense and reality. In the meantime the Fascists thrived by following their hunches about fear, the new technique of statesmanship, and the role of politics. Unencumbered by intellectual schemes, free from moral restraints, and not burdened by political responsibility, they could leave to reality the determination of their concrete goals.

*Ten Million Workers*

The reality in 1925 was represented by ten million workers who had to be taken care of. The trade unions had been swept away. The employers on the opposite side of the social alignment were reserved and even diffident in dealing with the new regime. The landowners of the Po Valley who had financed the first Fascist bands had remained loyal to their investment; but the big banking and industrial interests were at the same time professing allegiance to Fascism and carefully looking around for some forms of less risky conservatism. Among the leaders of the regime there were men who in the past had made a living out of the class struggle and who were quite familiar with the technique of rousing and harnessing the crowds. To those men the burden of more than ten million workers was certainly a great challenge; but they knew how to deal with the workers and they had an augur’s cynicism about the innate revolutionary vocation of the proletarians.

Some of these Fascist leaders had long since been lured by the idea that in the area covered by the smoke and fire of the class struggle there was an enormous reservoir of political
power. Long before the war they had gone into the thick of that area and fanned that fire. Later some of them realized that little could be gained and too much risked in an apocalyptic destruction of the capitalist system, and that by moderating and by controlling the heat, an inexhaustible source of political power could be utilized. At the time of the war, one of these leaders, Rossoni, had told the workers, “You cannot deny the Fatherland, you must conquer it.” But this again was old-fashioned revolutionism covered by the national flag. Indeed the workers who first occupied a factory in Italy hoisted the national flag; they belonged to Rossoni’s syndicates and, in 1919, in the small town of Dergano, they set the example for the other occupations to come. Later the attempt was made to create mixed syndicates where both employers and employees were represented. To the employees the mixed syndicates appeared as company unions, to the employers almost as factory soviets; so the attempt had to be given up. Other men were thinking about experts’ groups whose function was to arbitrate between capital and labor and whose wise and technical decisions were supposed to transcend class interests.

These groping attempts were all steps moving in the same direction. As a matter of fact, in postwar Italy everybody was swimming down the same current, with the exception of the Communists and die-hard Tories. The Socialists and the Catholics and all non-extreme political groups had searched for some legal channels through which the pressure of class conflicts could be moderated. But every political group was encumbered by its own ideologies, tradition and bureaucracy. The leaders of the Fascist syndicates were experts in proletarian organization and class violence, not ideologists; they knew how to put their ears to the ground and to run swiftly on the trails suggested by their hunches. The humblest among
them had the naïve propensity to sell out alternatively either labor to capital by making themselves available to bribes, or capital to labor by systematic sabotage of collective agreements. As far back as 1925 the shrewdest of them were toying with an idea that they could neither formulate nor put across in practice: the idea that it was possible to organize on a permanent institutional basis the selling out of labor to capital and of capital to labor not for mere sake of private profit but as a basis for the collective organization of the Fascist state. Behind this idea there was another one even less articulate and far more revolutionary: that social tension was not a danger to modern society but was, on the contrary, a source of great strength to modern government, if adequately controlled.

The attempts to establish mixed syndicates or expert groups were definitely in such a direction. But there was no safe ground where the pivotal function that the trade union leaders had assigned to themselves could be worked out. The mixed syndicates were trusted by nobody; the Fascist syndicates were so persistently under suspicion of being company unions that they were forced to compete with the Socialist trade unions in prompting strikes. But the Fascist labor organizers could never get rid either of the temptation or of the reputation of being bribed. The general fear that overtook the Fascist party after the Matteotti crisis made these leaders realize that the Fascist state offered the safe ground where their functions could be safely organized. The Fascist party had the state in its grip. It had also ten million workers to take care of and some bewildered, and not entirely reliable, capitalistic groups to deal with. Since the Fascist state was afraid of everything it could not be indifferent to anything. It had to engorge everything in itself, capital and labor and economics and politics and culture, every institution and every man in the nation, because from every corner the need of rebellion might arise. The liberal state is supposed to act as an arbiter between
opposite forces in society; the Fascist state could not even pretend to be detached or impartial in the presence of social conflicts because it could not leave any room to chance.

To bring people within the state should have meant logically to prohibit any type of trade unionism. The democracy of the French Revolution had already tried that: it would have been quite normal in a movement of mass militaristic nationalism to destroy every barrier between the soldier citizens and their state. But Fascism was neither sheer nationalism nor old-fashioned reactionarism, nor utopian democracy. Instead of imposing on the citizens a prohibition of trade union organization, Fascism made trade unionism, for all practical purposes, compulsory and universal. Thus the institution of syndicalism was extended to everybody while its traditional function as an instrument of autonomous defense of workers’ interests was discarded. The technique of instilling fear reached its perfection when it was applied to each Italian worker who had to be loyal to the national political system if he cared at all for his job. Finally the need for motivations of a different character from the strictly economic ones was satisfied when the totalitarian syndicates were organized as welfare institutions with the function of transcending the egoism of the class interests. All these results became apparent in the course of years but they were already implied in a pact which was sealed in Palazzo Vidoni, headquarters of the Fascist party, on October 2, 1925.5

The Labor Trust

The partners of the Palazzo Vidoni agreement were three: the secretary of the Fascist party, the representatives of the General Confederation of Industries, which meant the largest block of employers in Italy, the representatives of the Confed-

5 The best account of this episode, of the following legislation and of the actual results up to 1934, is in L. Rosenstock-Frank, L’Economie Corporative Fasciste en Doctrine et en Fait, Paris, 1934.
eration of the Fascist Syndicates. The two Confederations recognized for each other the sole bargaining power as representatives respectively of employers and employees. There are no reliable figures about the number of workers enrolled in the Fascist syndicates: already in 1925 in Italy the dividing line between the credible and the incredible had been blurred. With the Palazzo Vidoni agreement the Fascist syndicates conquered the monopoly of the labor movement. They achieved it not because they were syndicates but because they were Fascists. The signature of Roberto Farinacci, secretary of the Fascist party, sealed the pact. The industrialists were satisfied as the ones who had made the best bargain. The pact explicitly abolished the workers' shop councils; implicitly, as it was formally declared a few months later, the Fascist unions gave up the right to strike. "Palazzo Vidoni," which means the whole organization of Fascism, gave to the pact significance and a certainty that it would be carried out. The industrialists had to rely entirely on Palazzo Vidoni for the compliance on the part of the workers and Palazzo Vidoni was free, therefore, to set its price. Fascism had its stronghold not only in Palazzo Vidoni but at the Ministry of Interior and of War and of Justice and in every center of government.

The Palazzo Vidoni agreement deprived the Italian worker of the right to act directly for the protection of his job through job councils and for the improvement of his working conditions through strikes. This does not mean that he was deprived of the right to have his status protected and his condition improved. His right was later on formally recognized in the Labor Charter. But he remained the bare holder of his right because the action for its defense was taken away from him. In the same way Fascism, by assuming the monopoly of

\[ ^{a} \text{The Fascist syndicates claimed a membership of 1,776,023 in 1924 and of 2,150,511 in 1925. See G. L. Field, } \textbf{The Syndical and Corporate Institutions of Italian Fascism}, \textit{New York, 1938, p. 62.} \]
the labor market, acquired the power to influence or even to
determine the price of labor. By forbidding strikes it elimi-
nated the most troublesome element of insecurity in the proc-
cess of production and distribution and by thus determining
the price of labor it took upon itself the control of the nation’s
purchasing power. Wage disputes and the constant tendency
toward an improvement in the conditions of labor ceased to
be the stimulus to labor-saving inventions and to business ex-
pansion: the Fascist state had become a substitute for this
stimulus through its own process of co-ordination and plan-
ning. Some of the industrialists thought with a certain nos-
talgia of the old-fashioned responsible labor spokesmen with
whom they had grown familiar. Yet the elimination of strikes
was considered a God-sent gift by the industrialists. They did
not know then, on October 2, 1925, that, like the freedom
of the workers, Italian capitalism, too, had been shackled.

The formal source of what later on became to be known as
the Corporative State is in the Palazzo Vidoni agreement.
Since then Fascism started doing with economic and social
institutions what it had already done with the political ones.
Gradually it absorbed and then denatured them, it uprooted
them from their traditions and forced them to follow its own
course. It did not become the supreme paymaster of the na-
tion but through the control of all available jobs it did become
the supreme employer. After a short time the Confederation
of Industrialists took the name of Fascist Confederation of
Industrialists and the same was true for the Confederations
of the Bankers, the Agriculturists, the Shipowners, etc. The
spread of the word Fascism to workers’ syndicates and
employers’ associations had a deeper function than that of a
stamp of legitimacy. It meant that between conflicting eco-
nomic interests a new institution, the Fascist Party-State Syn-
dicate Corporation, had succeeded in implanting itself ap-
parently with functions of brokerage and peace-making, actu-
ally with the purpose of extracting from every group a share of controlling influence. After the Palazzo Vidoni agreement any conflict between a Fascist syndicate and a Fascist employer became a divergence of interests within the same administration. The pact in itself was not, as it was heralded, the handshake between capital and labor, but the handcuffing of both by the Fascist party-state.

The Basis of the New Social Order

The meaning of Fascism may be, to a certain extent, hidden by a too-great focusing of attention on the mode of its happening. The Fascist way of eluding dangers by escaping straight ahead, from party to state, from state to syndicates, from syndicates to corporations, would have led only to an oddity of history if it had not been in the same direction of international trends and needs. The organization of labor had dislocated the political life in Italy as well as in every civilized country. When a large proportion of labor is united under a centralized leadership it may become at least as powerful as the political state itself. On the other hand, the modern state can have only a limited tolerance to strikes, especially when they are recurrent and widespread or determined by political motives. And the state cannot avoid imposing legal responsibilities on the trade unions if it wants to protect those of its citizens who enter into an agreement with them, or who are organized under them. All these necessities make unavoidable the constantly growing interference of the modern state in the organization both of business and of labor.

In the countries where democracy is more deeply rooted, as in the case of England, where a strong conservatism cushions the shock of innovation, the absorption of the labor movement into the national life happened gradually and organically but not without great changes and dangers. Even in England organized labor never represented more than a section of the
working population. The British state was bound to enlarge its sphere of social regulation by setting standards and laying down policies: but in order to have compliance to its own laws it had to rely on its citizens and it did not intend to impersonate them. It found some ways to limit legally the activities of the trade unions, but it never founded its own trade unions. It acts on the assumption that labor and capital can agree, but it never made the attempt to make the agreement and to be at the same time capital and labor. It entered into many fields of social and economic activity carrying with it all the authority of the law and that formality, that distance from the object of its regulation, that air of aloofness which always is characteristic of the law. Italian Fascism, on the contrary, was voraciously all-absorbing, disrespectful of traditions, informal and aggressive. In the fall of 1925, after the Palazzo Vidoni agreement, it was ready to sweep over the areas of the relations between capital and labor, politics and economics, government and business.

The Fascist labor laws were promulgated on April 3, 1926. Further regulations were given on July 1 of the same year. Trade union organizations (the Fascist ones) were formally recognized by the government and therefore subjected to its supervision. The mass of the Italian workers was distributed in the network of the occupational organizations. Parallel organizations of employers were created. Every employer and every employee is considered represented by the syndicate of the occupation or trade to which he belongs and has to pay his dues. The membership in the syndicates is formally considered voluntary and the application for membership can be

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denied according to political reasons, but in any case the
worker or the employer has to pay. All problems about dif-
ferent types of unions, workers’ representation, minority
rights, are eliminated. The leaders are appointed by the gov-
ernment although the law says that they should be elected by
those whom they are supposed to represent and that their elec-
tion becomes valid when ratified by the government. The gov-
ernment is always free to withdraw its ratification. The gov-
ernment passes on the merit of the collective agreements. The
government, therefore, intervenes when there is a dispute
about their interpretation. The government, through its syn-
dicates, decides when a new labor pact has to be negotiated.
When a judgment of last resort is needed the government
settles the controversy through its labor courts.

To the Fascist leaders labor represented the weakest section
in the present-day alignment of economic and social forces.
It could appear terrifically strong, stronger than the state, only
because of some widespread superstitions and fears: like the

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6 On December 31, 1937, these are the comparative figures of persons re-
presented and of members in the Fascist syndicates:

<table>
<thead>
<tr>
<th></th>
<th>PERSONS REPRESENTED</th>
<th>MEMBERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrialists</td>
<td>155,926</td>
<td>85,148</td>
</tr>
<tr>
<td>Artisans</td>
<td>728,353</td>
<td>349,156</td>
</tr>
<tr>
<td>House owners</td>
<td>4,373,157</td>
<td>101,227</td>
</tr>
<tr>
<td>Agricultural employers</td>
<td>4,168,048</td>
<td>991,910</td>
</tr>
<tr>
<td>Traders</td>
<td>898,839</td>
<td>615,765</td>
</tr>
<tr>
<td>Credit and Insurance</td>
<td>19,611</td>
<td>7,562</td>
</tr>
</tbody>
</table>

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>3,667,869</td>
<td>2,633,394</td>
</tr>
<tr>
<td>Agriculture</td>
<td>3,087,037</td>
<td>2,594,960</td>
</tr>
<tr>
<td>Commerce</td>
<td>527,315</td>
<td>473,301</td>
</tr>
<tr>
<td>Credit and Insurance</td>
<td>62,040</td>
<td>33,000</td>
</tr>
</tbody>
</table>

( Relazione della Commissione di Finanza, March 14, 1938.) Like all figures
these are open to many interpretations. One could even draw the conclusion
from them that the most anti-Fascist class in Italy is the class of house owners!
The statistics may give an indication of the various degrees of pressure ex-
erted by Fascism on the different economic groups.
idea that the workers are the bearers of the coming revolution and that they are the largest part of the population held together both by the economic status and by the psychological reaction to it. Actually, the Fascist leaders felt, labor was a belated last-comer in the bourgeois society, the poorest relative, who conquers his family right when the ancestral estate is almost gone. A revolution could be accomplished by organizing labor not as the framework of a new society but as a tool to whatever goal an ambitious leadership could contrive. Labor offered the softest material for experimentation: it was incomparably easier to deal with than capitalism. Through the complete control of labor, Fascism could also conquer and curb capital. The ten million workers were not a burden on the Fascist shoulders: they were the mass of maneuver that Fascism needed in order to try its revolution.

*The Social State*

This revolution was still empty of every content, yet it was running far beyond any point that the leaders who first stumbled into Fascism could dream of. It was entirely negative: it denied the revolutionary vocation of the working class, and it used the organization of the workers as an instrument not of freedom but of oppressive regimentation. It denied democracy and used all its instruments to the benefit of a self-appointed elite. Fascism gave a resounding no to Socialism, to democracy, to liberalism, to political parties, to ideas of objective justice. But it was as if in its being reversed each institution or idea could find a stand stronger than it had before; as if the major organs of modern society had been just waiting for the Fascist push in order to topple over and to stand on their feet. The Fascist leaders had no ideas but everybody had prepared ideas for them; they had no blueprint of social organization but they had available at their disposal all the instruments of democratic control, like elections, propaganda, political parties;
and by dissociating those instruments from their natural purposes, they could establish their mastery over society.

After the laws of 1926 the character and the method of the revolution became more defined. It was still a largely unconscious and at the same time insistent movement toward a new order of society and a new conception of man in society. This order found its expression not in the rambling theories of Fascist philosophers but in such institutions as the syndicate, the schools, the Opera Nazionale Balilla, Opera Nazionale Dopolavoro, the Fascist party. If one reads literally the laws which regulate the school system in Italy promulgated in 1923 by the philosopher Gentile when he was Minister of Education, one can hardly escape the conclusion that these are liberal laws inspired by the desire to develop to the utmost the personality both of the teacher and of the pupil. The Opera Nazionale Balilla considered at its face value is an attempt to give physical training to the people’s children, so that the sons of undernourished parents may become strong men. The

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6 See Max Ascoli, “Education in Fascist Italy,” in Social Research, September, 1937.
7 The Opera Nazionale Gioventù Fascista, which includes now the Opera Nazionale Balilla, is divided in several organizations, according to sex and age of the children. The boys belong to the “Figli della Lupa” (Sons of the Wolf) from 6 to 8; to the Balilla from 8 to 12; to the Avanguardisti from 12 to 18, to the Giovani Fascisti from 18 to 21. At 21 they are admitted to the Fascist party. The girls, according to the same difference of age, are enrolled in the Piccole Italiane, Giovani Italiane, Giovani Fasciste, and, at 21, become Fasciste.

Every year, on the twenty-first of March (anniversary of the foundation of Rome), the boys and girls who reach the minimum age of their senior group are admitted into it in a solemn ceremony called “Leva Fascista” (Fascist draft). In the “Leva Fascista” of 1938, 267,000 “Figli della Lupa” passed to the Balilla, 254,000 Balilla passed to the Avanguardisti, 250,000 Avanguardisti passed to the Giovani Fascisti, 157,000 Piccole Italiane to the Giovani Italiane, 120,000 Giovani Italiane to the Giovani Fasciste.

In the same day
318,000 Giovani Fascisti became Fascisti
38,000 Giovani Fasciste became members of the feminine Fasci.
Dopolavoro aims at giving to the middle and lower classes in Italy that enjoyment of leisure-time that in wealthier countries is offered by the mass production of amusements, by public funds and by capitalistic philanthropy. The Fascist party may appear as a militaristic organization of social workers which takes care of the material welfare and of the morale of the masses. Yet all these appearances cannot be exploited even by the nakedest Fascist propaganda: these institutions have a political, revolutionary function which has but the most superficial relation with the avowed purpose.

In the conflict between capital and labor the party-state has taken the role not of a broker or of a judge but of a partner of both. In the same way in the relations between parents and children the party-state relieves the parents of a large share of the care of their children and gives them in various measures some education: in exchange, it wants to have all the youth for itself. It offers much-needed relaxation to the workers but it wants to have complete control of their leisure time. It gives some fiscal relief and some material help to the families of the small bourgeoisie or of the proletariat—when they bear many children for the country. It provides Italian citizens with a social service such as they have never known before, on the condition that they be ready for any Fascist call. The Fascist state does not do anything for nothing. Whenever there is friction or conflict or a need among men, Fascism intervenes and takes whatever it can. So it did in the conflict between capital and labor and in the struggle between Church

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8 The Opera Nazionale Dopolavoro (leisure-time organization) had 3,160,000 members on October 28, 1937. Ten years before, in 1927, its membership was but 538,000. The organization provides for a very large range of recreational activity: sports, summer camps, theaters, trips at a nominal price. The more than 20,000 branches of the Dopolavoro are formed in each unit of labor. The members of the Dopolavoro are mainly industrial workers and people of the lower middle class.

9 On October 28, 1937, the membership of the Fascist party was 2,152,240 and of the feminine Fasci 737,422.
and state. Italian citizens have their children educated and they themselves, when in need, are granted some relief, but in return they have to mortgage the lives of their children. The Fascist state gets stronger out of the conflict and the needs of men. It can sell its services at the price it fixes because every competition has been outlawed and the citizens have no rights, that means no expectation of anything for nothing.

The Fascist state is a social state. Its services are sold to society; its strength comes from a constant gnawing-away, as a remuneration for its services, from pre-existing institutions, like the factory, the school, the family. Its own institutions, its schools, the Balilla, the syndicates, the Dopolavoro, the Fascist party, are the instruments through which the gnawing-away is done. Their goal is something more than education or physical training or leisure-time enjoyment or social work; they impinge and encroach more and more on society, on the actual life of the individual, and take away something from each one of them so as to create The Fascist.

The New Man in the New Society

The democratic state regulates the life of the individual through legal patterns which are called the Citizen or the Taxpayer or the Recipient of Relief. Obviously there is not a single man who is identical to any one of these patterns, but through the establishment of this artificial equality the democratic state can keep society together and bind men together with certain rights and duties. This is called the legal state or government by law. The Fascist state, on the contrary, is not legal but social; it deals with men as they are, not with legal patterns or abstractions. Its laws are window-dressing; its real work is in society, in a technical, methodical action which cannot be represented or limited by any pattern of law. It does not recognize the rights of the citizens, but for the
price that it imposes it offers them services. Frequently these services are excellent. It is realistic, ruthless, fearless of taboos. It is surprising that economic realists all over the world have not recognized in Fascist Italy the country where their theories have been applied.

The Fascist man, the goal of the whole system, is not intended to be a legal abstraction. He is thought of as a creature of blood and muscles. The Italians are not only warned to mold themselves according to this pattern but they are individually, one by one, strengthened in the muscles and molded in their determination. A real, factual equality can be thus created in a mass of 9 million soldiers and in a larger one of 42 million people. This man supposed to be equal to every other man in the crowd, this crowd wherein all individuals are merged is not the creation of some alchemy or some supreme magician. In the Italian Fascist Revolution personal leadership expresses itself in a frantic running after the surge of events so as to offer always the same mask for the dramatization that the populace at home and abroad needs. The events were determined by the astonishing series of discoveries that Fascism stumbled into, tapping, one after the other, new sources of power. The Fascist man, goal of the Fascist system, is the direct result of the experiences of those men who discovered Fascism, or rather the result of their necessity to make their own experience permanent. So the Fascist man is unconscious of where he is going, just as the founders of Fascism were unconscious of what their discoveries would have brought out. He relies on technique, on punctilious methodical preparation. He is a gambler who does not care about the means to be used and who can play all games, violating all their rules. He is confident that sustained, ruthless energy is the best propitiation for success. He is thoroughly modern. He happened to have come to light in Italy because in Italy there was more light-heartedness and less resistance and a cer-
tain general predisposition to give quick striking exemplifications to new trends. He is a close relative of large masses of modern men in every country. He has no conscience. He is human energy without humanity, just as Fascism is democracy without freedom.

Possibly never in peacetime has man so thoroughly been reduced to such a situation of an automaton of blood and muscles; certainly never in Italy where the individuals have always kept themselves aloof from the political power, defending their independence with every ruse. This automaton can do its piece of work with the greatest punctiliousness, but it has outside itself all centers which set its direction and control its operation. The man or the men who are supposed to regulate all this energy are the very last ones to whom a function of control can be entrusted. They have a hard time trying to keep themselves on the crest of the wave, to propose themselves as cause for everything which happens, and their only hope of salvation is in the constant increase of the pressure of that energy which they are supposed to regulate. In Italy things have to be done (whether wars, or trans-Atlantic stunts, or great reforms) in order to give employment to the energy of those who have been trained to give up their conscience, while every Italian has to give up more and more of his conscience, so that things may be done. At the top one man yells that it is his absolute will that makes things go. All this Fascist energy, precise as it is in its application, is in reality unloosed and unpredictable in its course like a force of nature. But it is difficult to talk about reality on this subject: the Fascist mind is so thoroughly realistic and it has been so successful in denying ideologies and in reducing them to the concreteness of the living man. The Fascists as well as many of their opponents even maintain that their regime is the rule of one living man.
Fascist Realism

All these institutions through which the Fascist social state works are based on the substitutions of realities for ideologies. In place of the abstract citizen there is the concrete individual worker. In place of the pupil trained to make his choice in the free competition of ideas there is the student militia man trained to obedience. Institutions are molded according to the life of man. The worker works—and he has the syndicates; he rests—and he has the Dopolavoro; his son is born—and will become a “Son of the Wolf” at six, a Balilla at eight, an Avanguardista at twelve, a Young Fascist at eighteen, a Fascist at twenty-one. As an object of worship there is the Fatherland which has definite boundaries. As an object of ambition there are other people’s lands. Everything is concrete, solid, metallic. Their omniverous state is the peculiar Italian outgrowth of universal conflicts and needs. To keep it going, more and more of the everyday life of the citizens has to be absorbed, which means that they have to be further dehumanized so that an even more powerful and blind stream of energy may be drained from them. A condition of emergency, a life of constant danger, allow Fascism constantly to tighten its grip on the citizen.

Fear is still at the basis of the system as in the days when those groping adventurers founded it. Fear, not for the disappearance of some chieftains, but fear that the people at home may experience security and peace. These realistic Fascist institutions, shaped according to the reality of life and the needs of men, are shot through with fear: that the workers may discover their interests, that the students may think, that the individual Italians may be alone in their leisure time. There is a potential danger for all the new institutions in the

10 “Our state is an organic human state that wishes to adhere to the reality of life.”—Mussolini, October 28, 1933.
older ones from which they have taken their strength: like
the factory, the school, the family. The psychological need
to feel oneself not motivated by self-interest may at any
moment appear as an escape from life. The skill in turning
the institutions of democracy against democracy may show it-
self as parasitical cleverness that can work only for a time.
This orgy of realism may reveal itself as a nightmare.

It may. With apprehension or hope the Italian people for
years have been waiting for this event. Instead, they have seen
the incredible experience of their country followed by other
nations and their regime acquiring an even more overwhel-
mimg strength when, after it had absorbed the political and so-
cial life, it began to organize the economic one.
4. ECONOMIC RECONSTRUCTION

*Economic Fascism?*

ONE HEARS frequently in the United States and in the other democratic countries such an expression as "Economic Fascism." By that two different things are meant: either that the political ruling group, by controlling the economic activity, may become dictatorial, or that the economic ruling class may gain control of the political system and stiffen it so as to prevent new social reforms and to thwart the already established ones. In both cases it is assumed that those who gain for themselves unchecked control over the economic system, whether they be politicians or capitalists or labor leaders, will extend it to the sphere of politics, and will not tolerate any democratic opposition. This is generally called Fascism.

This is not the place to examine to what extent these assumptions are relevant or to complain of the general misuse of the word Fascism. For better or for worse, the word Fascism is with us. Part of its suggestiveness lies in the emotions it creates. It may be used by everybody against everybody. Born in Italy, it has acquired connotations which are wider than those of the Italian experience. Something which is called a Fascist dictatorship may actually have any other form and content and purpose: even the purpose of preventing Fascism. Brazil is a case in point. It is conceivable that
in some instances economic regimentation may open the way to dictatorial rule.

If we want to clarify the various meanings of the word Fascism, and if we want to take stock of the experience of the country where it was first invented, we must emphasize that in Italy the process of Fascism was from politics to economics and not from economics to politics. Political dictatorship was driven to encroach upon the spheres of production and consumption, of capital and labor. By absorbing all main manifestations of national life, Fascism had to discover economics within itself, to elaborate its own conceptions and policies about currency and exchange and imports and exports. Between the idea of Fascism and the idea of economics, between the Fascist mind and the business mind there has always been an antipathy which in the course of time developed into conflict. Fascism, at least in its Italian conception, is an attempt to escape from the compelling force of economics; it had to learn its economics grudgingly.

*The Era of Fascist Rugged Individualism*

To say that Fascism was primarily a political phenomenon does not mean that the Fascists during their conquest and during their defense of power were not acting according to personal economic motives. They wanted power and privilege and that most obvious among all tokens of power, wealth. The party was available to subventions from various sources before and after the March on Rome. From the Association of Italian Bankers alone it is reported to have received 20,000,000 lire in that fall of 1922. After the Fascists had reached power money poured more and more abundantly into the hands of their leaders, the great majority of whom belonged to the lower middle class. Today in each provin-

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1 See A. Rossi, *op. cit.*, p. 230.
cial center the Fascist chief owns land and has good investments and lives comfortably in some ancient palace that now bears his name. Yet it would be incorrect to call most of the Fascist leaders tools of those economic groups from which they have received bounties. In their initial partnership with some capitalistic interests when they were conquering power their share of contribution was represented by aggressiveness, skill in organization and physical courage. The conquest of the state gave them the right platform from which to consolidate their commanding position.

Like the state which grew out of their own experience, the Fascist leaders never gave anything for nothing. They or their organization did receive subventions but it was like ransom money. They cleverly exploited the panic of certain capitalists and cultivated it into a permanent fear that will endure as long as the regime, because now all capitalists have realized that, no matter what their present condition may be, they must stand by Fascism or fall with it.

When Fascism came to power its conception of the relation between politics or government and economics was in line with the most orthodox liberalism. If the events of 1922 were at all a revolution, that revolution could have been called a liberal one. Didn't Gentile's reform of education in 1923 try to break the monopoly of the state schools? Didn't the government deliberately foster the entrusting of most public utilities to private interests? The official doctrine during the first two years was dominated by the same themes: the state gives standards to the cultural and economic life and controls their application but has to rely on many social and psychological forces, such as the Church, which may compete with the state, the urge for learning and the desire for producing and keeping wealth. Above all, in the official doctrine of 1922-23, the state had to rely on the individual. The sharp realism of Fascism, its innate tendency
to reduce big abstract institutions to concrete individuals, had little patience with bureaucracy and uniformed loafers. On the eve of the March on Rome the leader of Fascism had said that the state has to be soldier, policeman, and judge, but not insurance man, or railroad man or even postman. The state had to suggest and control standards that the rest of the nation could live up to. This meant that the state had to take care of politics: every other business was to be left to those who were trained for it.

Obviously this applied to that essential part of business which consists in money-making, in organizing production and distribution of wealth, in allowing each man to reap the greatest possible profit out of his investment in labor or in capital. From the autumn of 1922 to the summer of 1926 there was prosperity in Italy as there was in most countries. The crops of 1923 and 1925 had been exceptionally abundant. Fascism was busy ridding the national economy of the war burdens imposed upon the country's capitalism. In 1923 the state abandoned the monopoly of life insurance. Slogans familiar in every capitalist country were re-echoed with categorical fierceness by men who did not admit contradictions: keep government out of business. Fascism was a political trust which reduced all political competitors in order to assure the nation economic, cultural and spiritual freedom. Was it not said in the Fascist song, "Fascism is the salvation of our freedom?" There was no doubt in the minds of those liberals, like Giovanni Gentile, who had joined the Fascist party, that Fascism was a rough and emotional form of militant liberalism. The cotton manufacturers in the North, traditionally inclined toward economic liberalism and free trade, thought the same.

The financial contribution that Fascism received before

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and after conquering power had certainly some influence in shaping this economic policy during the first years. Undoubtedly Fascism gave to Italian capitalists a good breathing spell from the fall of 1922 to the summer of 1926. But it must also be remembered that there was prosperity during these years and that Fascism, while facing a very hard political task, had no reason to multiply its enemies by harassing business. Fascism had received considerable support from the army and the bureaucracy but it did not accept any condition from these two institutions or give them any appreciable partnership in its rule. As a matter of fact when during the Ethiopian War the whole banking and credit system was taken over by the government, at the head of the Association of Italian Bankers there were some of the same men who, on the eve of the March on Rome, are supposed to have financed the Fascist party. Finally, it must not be forgotten that before 1925 Italian capitalists were far from being unanimous in their Fascist sympathies. Most of the great industries of the North contributed with moderation, as ransoms paid to Fascism for its victory. Some of the major banking interests, including the all-powerful Banca Commerciale, stayed on the fence as long as possible, keeping in touch with all existing parties so as to have good connections whatever might have been the turn of events.

The evolution of Fascism from rugged economic liberalism to state interventionism to state socialism is definitely related to the development of political events which led to the Matteotti crisis, to the tightening of the political trust and to its enlargement into a labor trust. The great stumbling block of economic liberalism is the problem of labor, and the Fascist, a self-taught student of economics, had to face it. Labor in our society cannot be left alone to starve in periods of unemployment, it cannot be unreservedly either entrusted to employers who may exploit it for the sake of their profit
or to labor leaders who may exploit it for the sake of their power. After having settled the problem of labor with the law of April 1926 which followed the Palazzo Vidoni Agreement, in the summer of the same year Fascism proved to have come of age in dealing with economic problems when it burst into the heart of them by daring its most ambitious stunt.

*The Revaluation of the Lira*

In the summer of 1926 the lira as well as the French franc started falling rapidly. The head of the Italian government went to the rescue of the lira as if the monetary stabilization had to be won with the technique of warfare. All experts were in agreement that the danger of a severe inflation had to be staved off and that a ruthless deflation might have been equally dangerous. The government started through the central bank (Bank of Italy) such a drastic reduction of credit that the country for several months was on the verge of a runaway deflation. Step by step the government forced the lira to go as near as possible to its prewar parity with the pound which was at 25. In August it had reached 150. The industrialists urged to have it stabilized at 125 in order not to have their export business wrecked. When the stabilization around 90 loomed, the government emphasized that it was only a temporary stop at 90. Some regions that live on the export of natural products, like marble or hemp, were practically ruined. All the debtor groups, especially the farmers, were plunged into distress. The tourist trade fell sharply and unemployment spread all over the country. Fascism won an extraordinary victory: it had proved to itself and to the nation that economic forces, too, can be intimidated. It had imposed its will upon the nation. It was an economic absurdity, but it was the Fascist will.

The revaluation of the lira gave to Fascism the realization of its power over the economic life, just as the Matteotti
crime made it realize its power over the political life. In recent years Fascism has reached the awareness of its international power, of its capacity to intimidate the great Western nations and to flout international law. At the time of the Matteotti crime it intimidated the opposition and it flouted criminal law. During the revaluation of the lira it intimidated industrialists and bankers and it flouted economic law.  

Of all those laws the economic ones proved to be the easiest to violate. Nobody raised a protest: the organs that could have voiced any dissent were no longer available. A most severe economic crisis gripped the country. There were 7,631 bankruptcies in 1926, and 10,366 in 1927. Private corporations had to pay their debts or else go into receivership. On November 6, 1926, the government forced a conversion of its floating debt, and the holders of short-term bonds that were bought at 100 received in exchange long-term bonds worth 78.7. The result was that investors and industrialists appealed to the government for subsidies. During the revaluation the Fascist syndicates kept in check those workers who lost their jobs and those whose wages were reduced 20 per cent. All these men asking to be relieved represented power to Fascism. Fascism realized that economic phenomena, too, are based on popular opinion.

The depression which started in 1926 gave to the dictatorship a chance to impose stern discipline upon the people. A government that ruthlessly solves the currency crisis, starts the battle of the wheat, launches a large-scale program of road-building and of land reclamation in order to relieve unemployment, brings producers of certain commodities into car-

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— a government that is doing things cannot be taunted by opponents on the ground that it has violated some constitutional or criminal laws. At the same time, by dealing with objective problems which are faced by every country of the world and by highly publicizing its programs and its achievements, Fascism overcame the peculiarity of its origins and presented itself to the world as a phenomenon of international significance. The economic crisis brought about by the revaluation of the lira offered to Fascism one more advantage that nobody at the time could foresee. When the world depression arrived in the fall of 1929 the Italian business system was already inured to work under a strong dictatorial rule. In 1929 Italian people were ready to welcome other nations in the distress and hardship to which they had grown familiar. Their regime had not been brought about by any economic depression, but it had justified itself thanks to an economic depression. Once again, after an interval of centuries, Italy was in the lead.

The Corporative System

The economic policy of the Fascist government is a strange combination of long-range construction, pompously announced to the startled people at home and abroad, and of petty shrewdness, of uncanny ability to find compensations and sops for every social and economic group. The workers who had been deprived of 20 per cent of their wages as a result of the revaluation received the Labor Charter in April 1927, by which the government guaranteed them paid vacations, improvement of the social insurance system and other indemnities in case of unemployment or of lay-off. In two separate articles of the Charter private property is defined as the best instrument to foster national wealth and as subordinate to

4 Compulsory cartels were organized immediately after the revaluation of the lira among producers of marble, sulphur, and rice.
national interest. Since 1926 the Fascist state was called Corporative; but until 1934 there were no corporations. Which means that the co-ordination of the various elements of the productive process, capital, labor, consumers, producers, was arranged not in special organs called corporations, but in Fascism itself, both party and state, as a daily routine of its existence. For several years the Fascist theorists were saying that Fascism was not in a hurry to have the corporations because it was all corporation.

A simple principle underlies the all-corporation labyrinth: that it is possible to solve all problems arising out of the productive process by creative administrative agencies. These administrative agencies are in their turn an amalgam of state organs and of political machines. Their number is practically infinite and is continuously growing. There is one of them for every need which may arise with a minimum of regularity and there is one for taking care of conflict among various approaches to the same need. They may be called labor exchanges or committees for the battle of the wheat or provincial or inter-provincial councils for the discipline of any occupation and trade, or committees which have to pass judgment on the usefulness of building a new plant or of enlarging an old one.

The definition of private property in the Labor Charter gave occasion for one of the most interesting inter-Fascist polemics. Professor Spirito, a disciple of Gentile, advanced the opinion that the corporations should have abolished private property, transcending it in a harmonious unity of labor, management and capital. The workers, in his opinion, should have had a share in the management and the profits of industry. The state should have subordinated everything to its authority, giving to all those involved in economic processes the dignity of state functionaries. Spirito's movement reached its climax at the Congress of Corporative Studies held in Ferrara in 1932. The idea of the corporation as owner was submerged by the outcries of more orthodox economic theorists and of the representatives of the industrialists. Spirito was formally rebuked by the Fascist authorities. Yet the same authorities for two years had given him encouragement and freedom to express his ideas. Possibly Spirito's movement was used as a balloon d'essai. See Nuovi Studi di Diritto Economia e Politica, II, 1932, Fascicle VI.
—and so ad infinitum. They are all state agencies in the sense that they all directly or indirectly are created by some laws or decrees. But these administrative agencies are essentially Fascist—which means party organs, instruments of the monopolistic political machine. They do the “fixing” and are free from judicial control. And they create innumerable cases which need to be “fixed.”

These administrative agencies have entirely covered that zone between political machines and legal administration which in the democratic nations is still one of the most dangerous centers of political and social disturbances. With the establishment of a totalitarian political party Fascism has cut the Gordian knot of the conflict between political partisanship which organizes only a section of the citizens and administration which must take care of them all. The Fascist solution cuts across that other dangerous and undefined zone which lies between government and business. All along the boundary line between what is private and what is public, what is the interest of the individual or of the group and what is the interest of the nation, stand the bulky and ever expanding structures of the corporative state. In their grandiloquent architecture its builders pretended to signify the primacy of the spiritual, the popular passion that forces every economic interest to transcend itself. Actually these institutions are organs for “fixing,” and to these organs every individual and every interest has to pay a fee. This fee is not necessarily in money; frequently it is paid in services; the essential part of it is paid with objective guarantees and one's loyalty. Every citizen has to realize with the greatest possible frequency and intensity that his life depends on the state.

Economic policy is determined by the Fascist administrative agencies where all interested groups have their claims
weighed. Since 1934 these administrative agencies are called corporations. The capitalistic interests are the ones which get a more frequent hearing, being the ones who can afford to pay the largest fees. Yet it would be wrong to call the economic system of Italy a purely capitalistic one or to consider capitalism as a dominant influence in the determination of Italian economic policy. For each step of the business activity there is a Fascist administrative agency: an Italian employer is subjected to control as to the number and the kinds of persons he may hire or fire, as to the type and quality and quantity of his production or the volume of his business, and as to his profits and investments. Since

The corporations established in 1934 are twenty-two, divided in three groups and subdivided as follows:

GROUP I: 1. cereals; 2. fruits, vegetables, and flowers; 3. viticulture and wines; 4. edible oils; 5. beets and sugar; 6. animal husbandry, etc.; 7. forestry and wood industries; and 8. textile fibers and their products.


GROUP III: 17. insurance and credit; 18. fine arts and liberal professions; 19. sea and air transports; 20. inland transports; 21. public entertainments; 22. public hospitality services.

Each corporation has an equal number of representatives of the employers and employees. The representatives of the employees are all functionaries of the Fascist syndicates, plus for each corporation three representatives of the Fascist party and a variable number of technical experts. The National Council of Corporations is made up of all the members of corporations, and deals with problems of general economic or social interest. The President of all twenty-two corporations is the head of the government.

The corporations have the power to establish schedules of professional and economic fees, of fixing prices, determining the quotas of production. They have also the authority to pass judgment on the establishment of new productive units.

In each province there is a Provincial Council of Corporative Economy, the function of which is to promote the economic activity of the province, to co-ordinate the various Fascist agencies organizing capital and labor, and to supervise the work of the labor exchanges. On the whole subject see Rosenstock-Frank, op. cit., Field, op. cit., and V. M. Dean, "The Economic Situation in Italy: The Corporative System," Foreign Policy Reports, 1935.
the revaluation of the lira unofficially and gradually, since 1936 officially and definitely the government is the sole umpire over the banking and credit system. A supreme administrative agency called Committee of the Ministers for the Banking Matters, which has the head of the government as its chairman, decides who is to be a banker or the head of a bank and what the credit policy has to be and what its technique.

Fascist Capitalism

In Italy where everything is Fascist and the word Fascist gives a definite peculiar connotation to every institution to which it is attributed, the present economic system may be called Fascist capitalism. This means that Italian capitalism has its sphere of activity determined by the will of Fascism and must subordinate its own interests to the interests of the regime. Capitalism has no political or constitutional right of its own; it has not even that justification for its existence which comes out of the fulfillment of social functions or the assumption of responsibilities and risks. It has been pushed out of such fields as shipping, mining, oil, production of war materials, and substituted by state-owned institutes. It has lost the control of the banking system and of all the so-called key industries. What survives in the fields of agriculture, middle-sized industries and trade, increasingly acquires the features of a parasitic relic of the past. Capitalists with their controlled, moderate returns receive a premium for an insecurity from which the government does not want

7 The government has taken over the “three big” banks of Italy called National Interest Banks: Banca Commerciale, Credito Italiano, and Banco di Roma. The stock of these three banks is almost entirely in the hands of the I. R. I. (see Footnote 11).

8 These key industries are (a) shipping, (b) shipyards, (c) steel works, (d) public utilities, (e) airplane manufacturing. However, some really key industries like the Fiat, one of the largest automobile manufacturing companies in Europe, the Montecatini, the Snia-Vivas, are not included. These are empires which so far stand by themselves.
to relieve them. The institution of private property lingers on as long as the government does not want to embark on a new taxation and investment policy, and so far likes better for the time being to leave private individuals as titular holders of some share of the national wealth.

A section of high capitalism, on the contrary, not only survives but flourishes. It has those predatory, monopolistic features that in their Socialist days some of the present Fascist leaders thought were characteristic of capitalism. No more than a half dozen men, great industrialists and international promoters, have been allowed to keep and concentrate in their hands such a power as to be in many respects above the Fascist law. They know the ins and outs of the corporative labyrinth; they can always reach the top officials or leaders and deal with them as equals. The restrictions which hinder all the other Italian businessmen do not apply to them. They can settle their own labor troubles or transfer capital abroad or enlarge their plants whenever they please. Actually they hold high positions in the corporative structure as representatives of the Italian businessmen, for whom restrictions and red tape do exist. These great capitalists in an economy where capitalism is on the wane have been rendering to the regime services of great importance. Whenever a new line of economic policy has been adopted by Fascism, they were the ones who knew how to work it out. Their intimate knowledge of business makes them invaluable when regulations of private capitalism have to be adopted by the corporative state. Italian capitalism, too, like every decaying institution or class, had its secrets sold out by some of its most brilliant men. Some of them did not intend to sell out capitalism to Fascism but to check Fascism from the inside. In the period from the revaluation of the lira to the end of the Ethiopian War they had opportunity to realize that Fascist capitalism is not exactly capitalism, just as Fascist
trade unionism is not exactly trade unionism. Fascism has been very patient in preserving and exploiting institutions and traditions, adopted from the pre-Fascist era, until it was ready to crush them. Freedom of the press was curbed only in 1924, freedom of occupational organization in 1925, academic freedom in 1931. It is following the policy of eating an artichoke. The moment of the substantial and fleshy kernel will come.

The erosion of capitalism is taking place by a slow, roundabout process. High-sounding principles are broadcast to the world every two or three years, decisions which are going to mark a new era. So it was in 1926 when the corporative state was announced; in 1927 when, in the Labor Charter, it was proclaimed that “Production is a function of national concern” and that it is “responsible to the State”; in 1934 when the corporations came at last into existence; and in 1936 when, as a result of the Ethiopian War and of the sanctions, the nationalization of the key industries was proclaimed. There is always a lag of months and sometimes of years between the bombastic utterance of the principle and its articulation in administrative rule. In each case after the first flurry of emotion and drop in the stock market, clever and well-informed people can assure their friends that nothing is going to happen. Yet Fascism has a very peculiar way of keeping some of its own promises, even after forfeiting them in the piecemeal fixing of its administrative agencies. When Fascism rhetorically promises to enter aggressively into

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9 The last formulation of economic policy was given by Mussolini in his speech of March 23, 1936: “Agriculture is not susceptible of great changes. As far as the commercial activity is concerned, two sides of it must be considered, foreign commerce, which has become a direct function of the state, and domestic commerce, which is not likely to change its structure. The banking system is already under the direct control of the state. The big industry that works directly or indirectly for the defense of the nation will be reorganized in big units under the direct control of the state.”
new fields of activity one may rely on Fascist rhetoric. Extra-
ordinary events have so far been used by Fascism as justi-
fication for making good its threats to capitalism: like the
world depression or the Ethiopian War or a drought, or the
menace of a European war. Fascist loyalty to its words be-
comes compelling when it finds its retreat cut off by force
majeur.

Fascism and the World Depression

Yet it must be admitted that the government of Fascist
Italy is not the only one in our times that constantly aims
at bringing political regulation into economic life and that
keeps businessmen uncertain about what their lot is going to
be. The extent of the looked-for regulation is different for
each single country and is determined more by the plans
of the politicians in power than by the resistance that they
have to confront. There is a difference of tempo in going
toward directions which seem to be indicated by universal
objective trends rather than by ideologies. Under a hard
world-wide depression the number and the style of the meas-
ures that governments can think of or adopt is rather lim-
ited. The Fascist government used the depression in order
to further restrict the zone of private capitalism and eventu-
ally to do away with it. In order to fight the depression it
is giving subsidies to farmers by establishing an artificially
high price of wheat and it is stimulating them to concentrate
their production on this one crop. In order to relieve un-
employment it has organized and it is bringing about (since
the Ethiopian War with a slower tempo) great public works:
land reclamation, roads all over the country, replanning of
cities, etc. In order to save or to reorganize or to liquidate
the industrial concerns more hit by the crisis, in November
1931 it established a special institute of credit called Insti-

10 On the whole agricultural policy of Fascist Italy see Carl T. Schmidt,
_op. cit._
tute of Industrial Reconstruction. There seems to be little in all this which may be either praised or damned as particularly Fascist.

The Fascist government followed policies which are at least strikingly close to those of democratic nations. It blundered. It tried to raise the morale of the people by announcing many times that prosperity was around the corner. In its haste to do something, it adopted unsound economic schemes and in its program of public works it carried on projects which had no economic justification. For years its budget has been hopelessly unbalanced and the government has to make up for the deficit by constant internal borrowing. Italy is an extremely poor country. In the last quarter of a century possibly she has grown poorer. Her national income even in the

11 This Italian version of the Reconstruction Finance Corporation has grown into the instrument through which the government rules the economic activity. It was established in January 1933 with the purpose of giving credit to firms hopelessly insolvent or well on the way to insolvency. At the beginning of 1934 it took over all the industrial stocks owned by banks, reaching in one stroke three goals: it acquired the control of some of the main industries, it definitely separated commercial banks from industries, and stepping into the credit organization, it acquired a predominance in that too. While managing the key industries, the I. R. I. feeds with the needed credit the minor industrial concerns and therefore defines and disciplines the zones where private capital is still allowed to play. Finally, the I. R. I. has the function of pumping up private capital for the expansion of the main industries. The I. R. I. itself guarantees to the bonds a moderate minimum interest plus a percentage on the possible profits of the enterprise. Given the present economic situation of Italy and the policy of the government the bonds emitted by the I. R. I. have been very popular.

12 The deficit for the fiscal years since 1931 was as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Deficit (in millions of lira)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1931-32</td>
<td>2,867</td>
</tr>
<tr>
<td>1932-33</td>
<td>3,549</td>
</tr>
<tr>
<td>1933-34</td>
<td>6,819</td>
</tr>
<tr>
<td>1934-35</td>
<td>2,030</td>
</tr>
<tr>
<td>1935-36</td>
<td>12,686</td>
</tr>
<tr>
<td>1936-37</td>
<td>15,230</td>
</tr>
<tr>
<td>1937-38</td>
<td>12,000</td>
</tr>
</tbody>
</table>

* Figures are in millions of lire.
most recent years of comparative prosperity—1922-26—and in spite of the increased population has never reached the one of the years immediately preceding the War.¹⁸ Thirty per cent of the national income is consumed by taxes. This enormous burden of taxation is not enough to take care of the social services which are financed for the most part by a share of the fees that the citizens pay to the Fascist syndicates.¹⁹

What governments can do in facing difficulties of an international character is to exert an influence on them by interpreting them. The possible interpretations are very few and they are all enclosed within a very limited range like variations on a basic theme. In our times it is the theme of social democracy: of finding a place for the organized masses within the state, of tracing the new barriers between politics and economics. Fascism, as its depression policy shows, is one among several possible interpretations of social democracy. Only by tracing its lineage is it possible to define its peculiar individuality.

There was a time when the Fascist leader used to write, “The State must be reduced to its legal and political functions.”¹⁶ Fascism then was a small political movement, naïve and unaware of itself: its instinctive repugnance for economics took then the form of rugged liberalism. Since then it has brusquely rejected its naïve liberalism and in its own way

¹⁸ In the years immediately preceding the War the national income was approximately 20 billion lire annually; in 1922-26 it was counted at 120. During this period the lira dropped to one-sixth of its value. In 1931-32 the national income dropped to 65 billion lire. According to some optimistic calculations the national income is now again at 120. Even if so, the average per capita income would be less than 3,000 lire (or $750) a year. See London Economist, February 22, 1938.

¹⁹ Seventeen per cent of the dues that the Fascist syndicates collect are given to the Balilla Organization, Dopolavoro, and other Fascist organizations. A considerable amount of social assistance is given by the syndicates themselves, with the establishment of hospitals, summer camps, etc. L’Organizzazione Fascista dei Lavoratori dell’Industria, 1935-36, pp. 249-257 and 275-309.

it became the social state and underwent the experience of social and economic democracy. All the forces which make for social and economic democracy are working within the Fascist state; but the Fascist state keeps them under its tight control. This means that the economic and social forces of our times (movement of labor, organization of consumers into co-operatives or producers into cartels, etc.) operating within Fascism according to rigidly imposed style, can very seldom reach public expression but act surreptitiously through the smooth working of the administrative bodies. The Fascist state never leaves one of them alone: it has always to play with them, to act on them, or to impersonate them. It even pretends to impersonate social democracy at its best. In reality it has offered a filtered, thoroughly denatured but powerful version of it.

The Fascist state proposes its own interpretation of economic democracy to the other nations as particularly appealing and convincing. Times are changed since 1928 when it was still said, “Fascism is not an article of export.” The effort to keep all social and economic forces under control so that no chance of foreign events or of internal turmoil may disturb them is called Autarchy. The turning point of this process was determined by the Ethiopian War and by the sanctions. Once more Fascism found its strength by going into a great danger. It learned real and not verbal intransigeance first from Matteotti and then from the oppositions when Matteotti was murdered. It learned how to organize itself as an autarchy when fifty-four nations pretended to impose economic sanctions on Italy. Before the sanctions, the Fascist government had been moving toward the goal of autarchy with loud outcries and with uncertain pace. The battle of the wheat, the stimulation of greater production of electric power were steps in such a direction. The Ethiopian War and the sanctions brought about the control of the banking system and
the socialization of the key industries. Italy then started deliberately imitating Germany, entering into that road that was going to bring her to the alliance with Germany. Extraordinary events have frequently forced Fascism to live up to the level of its claims. Even the claim to be a Fascist nation had to be made good: Fascist in the sense that the versatile geniality of some Italian leaders had discovered and that Germany had ruthlessly embodied.

As in the case of Germany, the effort to develop to the utmost, at any price, the national resources, together with the increased production of armaments and the high number of young men in the army have substantially reduced unemployment. There are now evidences of a certain shortage of skilled labor. The high taxes, the two recent capital confiscations\(^\text{10}\) and all the burdens imposed by the corporative systems are practically wiping out, or radically transforming, the middle business classes. Yet even the distinction of classes and of social groups has its meaning blurred in the Fascist regime. This element of Fascism which is added to everything produces in everything to which it is applied transformations which are difficult to grasp. Fascist economic liberalism has been substituted by Fascist social democracy in the process of Fascist self-education. They were forceful impersonations of liberal and social democracy but not adequate to the idea of them. All our ideas and patterns which are tested by universal communication and based on universal standards have little circulation in a Fascist regime and are of little use for the understanding of Fascist things. So it is difficult to identify social classes in Italy today. There are a very few high capitalists who are prosperous. But by and

\(^{10}\) The first of these two capital levies was in 1936, a levy of 5 per cent on real property; and in 1937 of 10 per cent on capital and reserve of joint stock companies.
large the middle classes are receiving incomes and salaries which acquire more and more the character of wages. No one has control over his instruments of production no matter what his title on them may be; incomes are insecure, shrinking and unprotected by rights. On the other hand, the government distributes the income of that capital of which every Italian as a Fascist is supposed to be a shareholder: considerable chance of employment with wages that for the unskilled workers are at the borders of the subsistence level, and besides that satisfactions of national pride, Dopolavoro railroad or theater tickets, Ethiopian Empire, or re-modeled Roman greatness.

To be sure there are people who live even below the lowest subsistence level, especially in those regions of southern Italy where the standard of living has always been low. But the government, especially through the party, has created an efficient and clever organization of relief. Large masses of people could not starve for fifteen years. The fluctuation of the cost of living has been accompanied by decreases or increases of wages. Real wages decreased during the first years of the regime and especially during the revaluation of the lira. After the devaluation of 1936 the cost of living went up about 20 per cent and with two successive decreases, on August 16, 1936, and on May 6, 1937, wages were increased about 20 per cent.\footnote{According to the available figures, hourly wages and purchasing power of agricultural workers show a decrease in respect to 1929, but an increase in respect to 1913-16. Schmidt in his \textit{Plough and the Sword}, pp. 112-4, reports the following figures:}

$$
\begin{array}{cccccc}
1913-16 & 1919 & 1922 & 1928 & 1938 \\
\text{Hourly wages} & 0.23 & 0.88 & 1.47 & 1.52 & 1.36 \\
\text{Purchasing power} & 100 & 168 & 158 & 157 & 135 \\
\end{array}
$$

This shows a decrease in purchasing power between 1922 and 1938 of 14.6 per cent.

For the industrial workers the figures as gathered from Italian official
change in the Italian economic structure, whether determined by revaluation, devaluation, or the Ethiopian War, has been paid for with cuts in the workers' wages. Neither is it conceivable that for fifteen years starving workers could be whipped into obedience. In reality social distances have been shortened under Fascism. The ostentation of wealth or privilege, especially since the sanctions, is definitely discouraged. The people, no matter what was their former status, are drawing closer together. Sometimes it is because of almost unanimous enthusiasm, as in 1936; sometimes it is because of a sense of insecurity which can find no expression.

Since the economy of the nation is being rebuilt on the line of a totalitarian autarchy nobody knows, not even the so-called leaders, where the national economy and the nation as a whole are going. The price for the control of everything is that this unified bloc of capital and labor, finance and management, politics and economics is always exposed to the chance of an accident—and by its very existence increases the possibility of such an accident. The national economy has been deliberately shaped in contradiction to every principle.

sources (Bolletino Mensile di Statistica) in the period 1928-38 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>1928</th>
<th>1930</th>
<th>1934</th>
<th>1936</th>
<th>1937</th>
<th>1938</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average hourly wage</td>
<td>2.02</td>
<td>1.90</td>
<td>1.66</td>
<td>1.76</td>
<td>2.15</td>
<td>2.15</td>
</tr>
<tr>
<td>Cost of living</td>
<td>101.6</td>
<td>95.5</td>
<td>75.3</td>
<td>86.0</td>
<td>93.3</td>
<td>98.7</td>
</tr>
<tr>
<td>Real wages</td>
<td>100.0</td>
<td>100.0</td>
<td>110.1</td>
<td>101.7</td>
<td>115.9</td>
<td>109.5</td>
</tr>
</tbody>
</table>

Looking at the trend during the last decade, the conclusion seems to be that industrial real wages increased by 9.5 per cent, while agricultural wages decreased 14 per cent. But it is extremely difficult to reach any serious conclusion on the basis of Italian official statistics. If the real hourly wages of industrial workers have perhaps been increased, the pay envelopes have been in many cases reduced by the work-sharing devices imposed by the Government.

It must also be added that the few available data on popular food consumption show an alarming decrease. In the city of Milan the retail sales of foodstuffs considered at 100 in January 1934 went to 95.9 in January 1935; to 78.9 in January 1936 and dropped to 72.0 in January 1938. See Gaddi, G., La misère de travailleurs en Italie Fasciste, Paris, 1938.
of business enterprise, on a different dimension that men can scarcely measure. It is a collective economy where there is no balance of debts and credits—a gigantic gamble based on the future resources and on the present aggressiveness of the nation. It is a system possible only where every man is a proletarian under the benevolent protection of the state. In the field of politics and of economics the Fascist technique has been the same: to adopt all existing instruments and by uniting all of them together to use them with ruthless efficiency. Much more than the invention of a regime Fascism is the invention of a method. Democracy is based on the assumption that the national interest is fostered by the game of political and economic forces: indeed that it represents the net profit of that game. Fascism reverses that procedure. It has no patience with election returns or balance sheets; it assumes the national interest as a postulate and it takes upon itself the definition and the defense of it. But even to say “national interest” is not adequate: it is Fascist interest. Prisoner of its own totalitarianism, Fascism cares only for itself and it knows and makes known only itself. Its successive discoveries in the political and economic spheres have been the revelations of its own strength. The Italian state is now living on its own credit from its own people. Passing from the Ethiopian to the Spanish adventure, it eats up the resources of the nation and it can rely on international disturbances for the necessary pressure to go farther on the way to Fascist state socialism. It is a road that leads to war. But why should Fascism care? It has organized Italy into a fortress economy and prepared its army to the limit. During fifteen years of dangers and economic hardships it has increasingly found new strength for its new state.
5. THE NEW STATE

The Runaway State

MACHIAVELLI is credited with having first attributed to the word State the meaning that it still has. The word signifies to "stay," "to endure," and to give continuity to collective life. But Italian Fascism has attributed to the word State a meaning quite different from the one given it by Machiavelli. By gathering together all social forces, it has constructed a gigantic machine which has the terse compactness of an engine made for speed and aggressiveness, not a massive structure built for endurance. The state of Machiavelli had its continuity guaranteed by a Prince; in the eighteenth and nineteenth centuries the state has had its foundations laid in a dynasty or in a constitution and its constantly growing articulation in the bureaucracy. The Fascist state is, as someone has recently said, streamlined.

The Fascist state is not an organ of conservatism. The governing class calls itself revolutionary: this is correct even though the revolution through which it achieved power was a rather dubious one. At present it can keep itself in power only by promoting or threatening revolutions. Now that the Italian Fascist regime is getting mature one can find in its traits many reminders of its origins and of its growth. As in the period when some of its leaders agitated for Italy's intervention in the World War, so now Fascism considers
a war as a good equivalent for revolution. When in the second half of 1935, the depression was receding all over the world, the Ethiopian War was a good substitute for a revolution. It prompted the new economic policy of Fascist state socialism. Later on when this policy was fumblingly under way, came intervention in the Spanish War. As in the old days when it found itself catapulted into power, Fascism relies on contemporary events for its inspiration rather than on programs, or on well-defined goals. Its political philosophy is one of radical instrumentalism. The concrete goal of each revolution or war is of secondary importance; but the revolution has to be permanent so that the people can be kept constantly uneasy, clinging tightly to the careening Fascist car. Its course is dictated by its own weight and by the nature of the ground.

Fascist Laws

Yet the attempt to consolidate the regime with legal forms has been going on since 1925. Legal draftsmen have patiently busied themselves clothing in juristic garb the growing power of the Fascist leaders and of Fascist institutions. The office of Prime Minister, not responsible to Parliament, arbiter of the national policies, was created in December 1925 so as to legitimize Mussolini's position. The Fascist party was made an organ of the state and its constitution is now signed by the King as if it were a law, according to a decree of December 1929. The secretary of the Fascist party has the rank of Cabinet Minister and the title of Excellency. The House of Deputies, a club of four hundred cheer leaders, is still, as long as it is kept, a body whose members have the right to consume freely soft drinks in the House's buffet and

1 For the description of the Fascist political institutions see Herman Finer, Mussolini's Italy, New York, 1935, Parts IV and V.
2 See the account of the role of the Fascist Parliament in L. G. Field, op. cit., pp. 29-60.
to get free railroad passes. The elections to Parliament have been reorganized by giving to those who are qualified to vote the right to approve the list of four hundred names that the Grand Council of Fascism has selected. In order to give legitimate status to the gatherings of the major Fascist leaders, the Grand Council of Fascism has been recognized as a constitutional organ, which at the same time retains its functions as supreme party directorate. Its organization has been arranged and rearranged in the two successive laws of December 9, 1928, and December 14, 1929, in order to give a more commanding influence to the head of the government.

All these laws which legitimize the authority of Fascist individuals or organs have one common characteristic: as soon as they are formulated, the power that they define outgrows them. The Prime Minister has a far greater authority than the one recognized by law: he may dismiss Ministers or party officials at a moment’s notice, he may choose his successor, he can decree and enforce practically any law he wishes. In theory the Grand Council has the right to select candidates to Parliament from lists of names designated by the corporations: but in practice the central government, or rather the head of it, does everything, from designation to selection. This is the result of the nature of the totalitarian state rather than of the personal qualities and ambitions of the head of the government.

A state such as the one defined by Mussolini that has “taken everything within itself, does not tolerate anything against itself or anything out of itself,” is a political body that together with limits and restraints is bound to lose sense of proportion and of orientation. The absence of such checks as an independent press, competitive political parties, the electorate and the judiciary, gives a secret, esoteric character to the omnipotent state machine. When administrative agencies are not checked by a vigilant law, they are always bound to abuse
their discretionary power, and at the same time to shift the more embarrassing responsibilities to the next higher agencies. The highest one syphons up the strength of the whole system but cannot check the abuses of its single parts. What is called Fascist legislation is in reality an endless jungle of administrative by-laws which have no law back of themselves because the state has no limits. As a substitute for law and limits there is a man to whom all powers go. Actually what is called Duce is simply a name for lawlessness.

The state that Mussolini defined does not admit either rule or ruler. Its pretended infinity, its absorption of everything within itself, make of it something which can find its stability only in adventure. It is a runaway state. The man who made himself the visible personification of the state has so many functions entrusted to him and so many roles to impersonate, that it is a miracle that from time to time he can steer at all. But even on these few occasions he can rectify the course in the general direction where it is already going, or acknowledge certain shifts which objective realities have imposed.

Such was the case in 1929, when the head of the government, who had bowed to the Vatican in the Lateran Treaties, having felt a few weeks later some uneasiness among his followers, attacked the Church with blasphemous violence. Such was the case when he had to accept the disappearance of Austria. Such was the case long ago when he had to give up the hope of peace and collaboration with the Socialists. He has vainly looked for a more manageable state. Now he has learned his role much better. Oddly enough, it is a role not very different from the one of a constitutional king.

The Party

The central organ of the Fascist state is the party. Identified as they have been since 1922, party and state still retain a certain difference of character and function. The party has the
function of social control which means a minute, detailed check on every group and on every individual, such as no police organization could exercise. The whole work of the feminine sections and a large part of the regular Fasci are dedicated to social welfare. In every town the Casa del Fascio is the clearing house for all the public bodies: syndicates, trade associations, youth organizations, welfare chests, etc. The Casa del Fascio is a peculiar institution which fulfills an important function in Italian life, more important than the City Hall where, under a mayor (Podestà) appointed from Rome, the drab routine of city administration is being carried on. The Casa del Fascio is a new political center which integrates all the various branches of social activity, but where there is no politics. This means that there is no partisanship even of an inter-party character, no division according to opinions, no electioneering of any kind. The leaders of all Fascist organizations are selected from above; but from time to time the sudden fall of a leader or of a powerful clique reveals that a ruthless struggle for power and prestige is being secretly waged within the party. The nearest equivalent to a Casa del Fascio in Anglo-Saxon countries would be a district club in an American city dominated by a political machine—in the good days of the political machines. In the Casa del Fascio all sorts of business are being transacted. The “fixing” functions of the corporative or syndical bodies are always co-ordinated there. One can also relax there and have some physical exercise and enjoy a concert or a good meal at a reasonable price.

In the Casa the officials cultivate that sense of punctilious administration, that zealous devotion of each one to his job, that tendency to find the goal of administration in fiercely administering which has been, since the beginning of the regime, one of the main strengths of Fascism. The same result has been achieved in other countries also. Thanks to
the cultivation of that sentiment men have been trained to go with zestful pride through many harassing drudgeries and to enjoy them. In Soviet Russia it is physical labor, and in Fascist Italy civil administration that is made the object of pride. The Casa del Fascio is the hot-house of all such sentiments and emotions. Leaders are trained to look after their men, make them keep in good moral trim, and accept with enthusiasm the drudgery of Fascist ceremonies which is becoming burdensome.

Finally, the Casa del Fascio prepares the Italians for all those functions which have to be fulfilled in the direct interest and under the direct command of the state. The pre-military education of the youth has its headquarters or is in some ways related to the Casa del Fascio; the same is true of the whole system of the youth organization. Men are not born Fascists, they have to be trained to it. One of the most important functions of the Fascist party is pedagogical. The state is Fascism; the party is its preparatory school. The state means army and bureaucracy and hierarchy; the party keeps men ready in that same military outfit on which at any time its soldier's coat can be worn.

The admission to the Fascist party, according to the present rules, is supposed to be only through the coming of age of the "Young Fascists." Logically this should mean that the political aristocracy now in power should in the course of time not only democratize but dissolve itself. Everybody becoming a Fascist, the membership in the Fascist party would acquire the same character as a birth certificate, and totalitarianism would destroy Fascism. So far, there are no signs that this possibility, which is in the minds of many, will be realized. The black shirt may have become everybody's uniform in Italy; but even within the party not every man in a black shirt has the same opportunities. The youth organization and the Fasci realistically test each man, value
his aggressiveness, reward his zeal. A young, ambitious law
graduate, active in the organization of the Fascist university
students, anxious to start his career, being already something
of a public figure, has a far better chance to find a position
in the corporative or party organizations than engineering or
medical graduates have in their own fields. Young middle-
class intellectuals with legal or literary training and a natural
habit of sociability have frequently carried the seeds of dis-
content or of revolution—and the Fascist leadership knows
this. Thus, while to the great majority of young Fascists the
party membership card is at best one more certificate of social
insurance, to a selected few it is a promise of power. The
party is a self-perpetuating agency, a self-selective elite with
broad popular bases.

The Fascist Officials

The most active bulk of party members is still composed
of men belonging to the lower middle class. It is a Fascist
middle class, linked with the party, created by it, owing its
livelihood and its standing to the strength of the party.
Through the monopoly of labor the party has become indi-
rectly the great employer of the country; actually the only
employment agency, endowed with the power of deciding
who has to be employed and by whom, and to settle all con-
troversies aroused by the exercise of this power. This calls
for large executive and clerical staffs in Rome and in every
center of the country. The young graduates in law or econom-
ics who find a position in the Fascist syndicates may not be
too familiar with labor or the laborer's life; but they do good
work if they make headway against the intricacies of labor
laws. The control of production requires administrative agen-
cies which in their turn call for functionaries. The same is
true of the organization of the youth, the welfare work, the
militia and of every social interest or function. The party is,
in its own right, also a great employer: to each Fascio and
to the provincial federation of the Fasci and to the general
headquarters in Rome belongs the task of giving the final co-
ordination to the co-ordinated activities. Around this bu-
reaucracy flock swarms of lawyers, of men who want to get
inside of things, of "Commendatori" with nondescript quali-
fications but good connections.

The state bureaucracy proper did not increase considerably
under the Fascist regime. The party bureaucracy prospers
under the shadow of the state, but somewhat independent of
it, in a wide twilight zone which is called semi-governmental.
The lymph of Italian life is sucked into this semi-governmental
zone, where the party and all its related institutes have
struck their deep roots. It is impossible to determine how
much the country pays for the system and what benefit the
people receive from it and who gets the greater part of the
benefit. The official government, in line with the tradition
of the state, has still to publish some reports and figures
about its own budget; the semi-governmental system, on the
contrary, can be measured only indirectly by the number and
importance of its bureaus and boards, by the amount of the
new semi-governmental by-laws that fill the official publica-
tions daily. The area of the semi-governmental twilight is
protected against all hazards of responsibility and publicity:
the citizens have no hope to establish any claim against them.
The state functionary has still the old-fashioned manner and
dignity of his calling; the new semi-governmental functionary
is at the same time casual and haughty, in a brisk militaristic
way. He is the actual miniature reproduction of what the
Duce is supposed to be. In reality, it is due to myriads of
little Duci that the regime lives. They form a new class, which
is the one that rules.
The New State

The Ruling Class

It is not necessarily a corrupt class. It is increasingly composed of men who have no knowledge of pre-Fascist Italy. To them Fascism is a matter of course which does not imply any political connotation because there is nothing against it or out of it. They have been trained to embody the pattern of the Fascist man, or, if they are older, they have willingly remolded themselves according to the requirements. The peculiar style and education of Fascism apart, they are like every other class of men, good or bad, lazy or active; most of them are neither one nor the other but just ordinary men. On one point, however, they are all united as all ordinary men would be, but here they show the determined ruthlessness that Fascism has taught them. They cannot afford to lose their jobs. The older of them can advance claims based on their records of street fighting; the young have practically been picked up and trained for their positions since they were at school. They could hardly find anything else to do. Theirs are peculiar jobs, at the margin of capital and of labor and of production, expensive to a point that nobody can measure but that everyone in Italy out of his own personal experience can judge. From time to time the keenest or most nervous among these Fascist officials realize that the Fascist structure presses too heavily on the nation and is at the same time still extraneous to it. In 1934-35 some of these men earnestly tried to find out how the workers could be given a more direct participation in the life of the institutions which were supposed to belong to them. At the end of 1935 these men were shipped as "volunteers" to Ethiopia.

What has so far been called Fascism in these pages applies to this myriad of little Ducis who cannot afford to lose their jobs. They are the ones who gnaw away the force and vigor of such old institutions as the school, the factory, the family.
They are the builders of the whole corporative structure, the "fixers" whenever there is a conflict or a need. By the sheer weight of their mass they prompt policies that the supreme leadership has to adopt: like the expansion of the state into the key industries which provides new jobs; or the tightening of autarchy which creates new offices. There are world-wide trends, menaces of war, expansion of state activity, which lead in such a direction: in the democratic nations these trends are followed with that slow process which comes from the burden of traditions and with all the inner checks that a politically diversified society imposes.

This large mass of petty Ducis, in so poor a country as Italy, have to be satisfied with a decent living and the security which comes from their power. But the party is their party, the state is their state. They are persons of importance in their community. Their frown can make people feel uneasy. Each one in his own Fascio, or syndicate, or board of directors, has wide discretionary powers: he can assess taxes which are called voluntary contributions to the party, or variations in the price of commodities. He settles individual and social conflicts like a patriarchal judge. The twilight zone of semi-governmental, semi-military activity, is the one where all experience can be allowed. The provincial leader can be a Robin Hood or a shark. In his court of social justice he may tell a landlord that if he insists on ejecting a tenant who cannot pay his rent he may find himself bound for the penal islands. Or else he can be the pillar of a vice or gambling establishment. The superior hierarchies exert some control, but in the Fascist system with so many laws, so much room for personal power, and no publicity, it is difficult to trace culprits and still harder to allocate responsibility.
The Supreme Leadership

The Fascist state has in the mass of minor leaders the guarantee of its hold on the nation; in the world-wide trends toward extension of governmental activity it has the corroboration of its policies. Finally, in the supreme leadership of the party-state it has the contribution of a third element which is a keen, clever awareness of the meaning of the whole system. The supreme Duce, the most prominent past and present cabinet members and party national secretaries, belong to the group. These men, too, like the minor leaders, come from the lower middle class. They have brought from their origins that capacity for technical ingenuity, that ease in adopting or perfecting methods, that is a useful substitute for tradition. With remarkable quickness they have learned the technique of administrating routine or of the army or of business management. Most of them, known as rabble-rousers when they came to power, have definitely grown with their jobs. In the radical lack of any moral scruples, they have remained true to themselves. Power has added impunity to their ruthlessness. Success sharpened their minds and made them embody the type of the modern adventurer with the fullness of color which is possible in a country like Italy.

For every man, no matter how shrewd, there is always a point where his good faith lies and where he takes for granted certain rules of the game that he assumes are shared by his competitor. The supreme leaders of Fascism always manage to recognize that point in every man and to strike below it, where one is taken by surprise. So they did with their political opponents in Italy when they alternatively used the technique of violence in the game of politics and of suspending violence in individual instances in order to conquer an enemy by buying him off. Only in rare cases did the Fascists give important positions to enemies whom they had bribed. They
have a cynical contempt for human beings. Almost every man, in their opinion, can be either bought or frightened. Those few who cannot be tempted or crushed are either ignored, if their private life harasses them enough to keep themrotting, or imprisoned; in some instances they are killed. But the first orgies of violence have long passed, and the supreme leadership has used with great moderation the technique of eliminating enemies by having them killed. They use violence as a surgical instrument, not as a sickle.

Even during the first turbulent years of Fascism there was scarcely anything in Italy which may be compared to the wholesale murders of other revolutions. The Italians have a millennial civilization behind them and an extremely individualistic temper that has always known how to find its way under all sorts of disciplines. They are not naturally a disciplined people but a strong government can make them understand things by broad hints. However, their individualistic, anarchic nature has to be reckoned with: it is dangerous to overwhip them. The supreme leaders of Fascism always knew this. Those comparatively few enemies whom they managed to have killed were the most stubborn ones, those whose existence was a challenge and who could not be silenced. Giacomo Matteotti, Giovanni Amendola, Antonio Gramsci, Carlo Rosselli, Nello Rosselli: no seduction or fear could bend these men. Each one of them was killed not by a firing squad or in a way that left dangerous traces. Matteotti was “taken for a ride” and because he kept fighting and shouting his kidnappers had to finish him. Amendola was beaten up on a country road so savagely that the tumors which developed on his body poisoned his blood. Gramsci, the leader of the Italian Communists, was killed by tuberculosis in jail. The two Rossellis were stabbed in France by some Cagoulards, Italian-hired French Fascists. The Italian
press printed the news that the two brothers had been murdered by their political friends.

A sinister cleverness is the distinctive mark of the Fascist supreme leaders. They are morally unrestrained, products of an epoch that has unleashed the beast in men of all races, and of a civilized country which imposes indirection even to ruthlessness. Obviously, they have not been the creators or the inventors of Fascism—not one of them. They have mixed themselves in a movement of inexperienced youngsters, an emotional aberration of the Italian people, and they have managed to ride on its wave. During the first years they tried to foresee where the course was going and to direct it along the line of some old political tradition; later on they gave up the effort, gladly accepting to ride to adventure. It did not make much difference to them if Fascism smashed all those chapels where once they were priests, Mussolini's libertarian socialism, Balbo's republicanism, Rossoni's proletarian syndicalism. By their presence and ostentation of command they succeeded in impressing on their compatriots the illusion that a social avalanche was a planned march under strong leadership. Their cleverness consisted in stirring the brutal forces until an irreparable event, violence to an individual enemy or a foreign nation, became a necessity. They played with necessity, became its willing instrument, and claimed all its merits when the event materialized. They were particularly clever in helping to create those situations where reason and charity have no room.

It is possible to justify, if not altogether excuse, the minor Fascist leaders; they are the bulk of the party and at the same time cogs in its machine. Most of them, moreover, have never known any other form of political organization than Fascism. But there is no justification for the major leaders. They know what they are doing. They know that they could never
live as subjects of their regime. Deliberately, they are now playing in the international arena the same game they played in their own country.

The People

During the last twenty-five years the Italian people have been marching toward certain definite goals. The bulk of the nation is still rural. What the rural people want is to snatch more land. From 1911 to 1936, the year of the last census, the Italian people have had three wars, the Libyan, the World, and the Ethiopian; in 1936 they were brought into the Spanish conflict. The nation had its menaced or potential revolutions and now it is under a permanent one. During these twenty-five years the number of owners cultivating their own lands has increased from 1,109,000 to 2,073,000. The number of wage-laborers has decreased from 3,278,000 to 1,792,000, which means a drop of 45.4 per cent. In 1936 there were nearly two million independent artisans. The number of landowners increased rapidly during the World War when the rise in agricultural prices allowed many tenants and sharecroppers to acquire land of their own. During the years of Fascism the trend toward an increased number of landowners has been, to say the least, stopped.³

A large portion of the two million landowners and of the two million artisans also have to work as wage-earners if they want to make a living, because their piece of land is small and their shop is nothing more than a box of tools. What those peasants and little artisans want is to be independent. The need for independence of the Italian common people definitely identifies itself with the material thing which is already in their hands, or within reach of them. They have such an earthy, pagan way of looking at things that they

³ See C. T. Schmidt, op. cit., p. 133.
become dreamingly lost when they have to deal with what is not the object of their possession or their ambition. Many an Italian immigrant has slaved for years in the United States, living only for that moment when he could settle on that definite piece of land that he knew about in the old country. This attitude of stubborn earthy materialism and of drifting imagination can make the Italian peasant bewildered and appear awkward when he has to face the intricacies of the modern world. The doggedness of their sense of independence prevented the Italian peasants from widening and translating their individualism in political terms, as with the help of favorable circumstances the French and the American farmers were able to do.

In Fascism the small landlord, the peasant, the artisan, the shopkeeper found a regime which came closer to them than the democracy established by the Risorgimento. These classes are the bulk of the Italian nation; the industrial workers themselves, in a country where industries have been established comparatively recently, are in the great majority former peasants or sons of peasants. Fascism touched all these people, shook them, put them into many organizations of which they had never heard before. It prided itself on taking an interest in them. It spoke a primitive, emphatic language that they could perhaps understand better than the one of the Socialist or Democratic politicians. By its efficiency and novelty Fascism stunned the people. On some other occasions it made them fear or despair, as in the second half of 1924 when crowds of silent men assembled and kneeled down on that street corner near the banks of the Tiber where Matteotti had been kidnapped. Later on Fascism again bewildered the people with its stunts, its dynamism, its constant urging the citizens to come out and parade or shout. It feeds the poor, or at least it does not let them starve. But it does not leave
any man in any way alone and it does not take anybody into its confidence.

The plain people in Italy have a sense of wholeness, a need to be all-around men that finds its contentment in a narrow circle of earthy things which belong to them: their field, their tools, their family. The government now conscripts their children almost as soon as they are born. Before Fascism came, those of them who were landless peasants or who worked in the factories, could feel like men in the trade unions; now in the Fascist syndicates they are at best like conscripts in a regiment. Those who own something do not know whether what used to be theirs still belongs to them because of the frequency with which they are visited by government officials who give orders and collect taxes. The people have a capacity for endurance which is equal only to their indifference toward everybody; they can keep still and appear stolid as blocks of stone. Shrunk into themselves, almost indistinguishable from their earth, they can nurse their resentment under any season and for any number of years.

Fascism is constantly meddling with these men—with all the people belonging to those deep strata that had been ignored by the Risorgimento, skimmed by the pré-Fascist state, and barely scratched by Socialism. The Fascist leaders could feel sure of themselves because they, too, sprang from the people. But in their dynamic urge to do things, they have forgotten that the people want to have clear, definite objects to believe in and that they can be hypnotized by magic but cannot live on it. The most familiar things acquire a mystifying character and take an unpredictable course in the whirlwind of Fascism. The plain people are forcibly brought into it because, they are told, the government takes care of them. Their naïve, pagan devotion goes to concrete clods of earth and to the Virgin Mary: there is no room in it for the strange gods which are brought from Rome. Their sense of individual
dignity has never become articulate in active political conscience: pre-Fascist democracy found little or no response in it. Yet their social way of living is more substantially democratic than the so-called popular institutions and so genuine that it can revitalize them. It is still the half-unconscious strength of men who want to be self-supporting, respected, because they have a piece of land, or a house, or their tools—or are the members of a trade union. All this moral wealth has been buried for centuries. Perhaps Fascism has done here its most suicidal work: already it must be thanked for having given us Silone.⁴

**The Intellectuals**

Between the intellectuals and the plain people of Italy there has been a gulf for centuries. Illiteracy has been one of the reasons, but by no means the only one. A moderate amount of education could create uneasiness between a peasant father and his son who had gone to the university. The half-educated Fascist leaders who lost the touch of the popular pulse are no exception: in Italy something seems to be amiss in the passage from the native popular wisdom to bookish learning. Yet the traits of the intellectual, even if altered by the self-consciousness brought by the habit of theorizing, clearly denounce their kinship with the plain people. Like the common people, the intellectual moves in a world which has at its poles a realism that in his case may become cynicism and an easy flow of imagination that in his case may become baroque or rhetorical. Both can find only with great difficulty a point of stable equilibrium between their two poles. Yet they have never known how to talk to each other. The

⁴The two books that Silone has written, *Fontamara* and *Bread and Wine*, have made the Italian peasant known to the world. Exile made of him what he is now. He was Secondo Tranquilli fifteen years ago, a young Left-Wing intellectual from a remote corner of Italy; now he is one of the great voices of our time.
democratic, political institutions, too, readjusted for the Italians by Italian patriots, did not find adequate resonance in the instinctive democracy of the people. Each one of these kindred worlds moved somewhat withered in an uneasy isolation.

The Italian intellectuals were no better prepared than the peasants for the shock of Fascism. There had been in Italy since the first decade of the century a small and noisy nationalist movement among writers and teachers. But Fascism was something different from that. Italian nationalism was dogmatic, literary and snobbish; Fascism, on the contrary, was all set in the careless arrogant style of half-literacy. In the Fascist ranks at the time of the March on Rome there were only a few submarginal intellectuals; and even when in the two following years cultured men were eagerly sought by the party, not many felt tempted. When Fascism came, the intellectuals were scattered all over the political arena offering a fair picture of the national alignment of forces. The bulk of them was at the safe center with a moderate degree of political interest, occasional fits of civic fervor as during the war, and absorption into their jobs most of the time. These jobs were almost exclusively teaching and journalism. Like the rest of the nation the intellectuals were stirred by the Matteotti crisis, and like the rest of the nation, they were gradually reduced either to keep silent or to write and talk as they were told.

The intellectuals, too, had their part in determining that condition of things where Fascism became possible. Only during the war the comparatively young among them discovered, as officers, the plain people of their country. Even to those whom education had freshly uprooted from the people this was a revelation. All the writers of war memories describe as their happiest experience the joy they had realizing how

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8 On the intellectual forces that led to Fascism see Borgese's Goliat.
decent and human their soldiers were, how easily they could make themselves understood by them, and learn from them. The Italian Army brought itself into order after Caporetto and won its war because of this comradeship, which was established after the defeat, between the soldiers and the officers, who were all men with some degree of intellectual training. It was a sign of what Italy could be and do; but it was during a war fever when every sudden revelation can be overcome by the impact of new events—and it was after almost sixty years of national unity. During these six decades Italian intellectual life had been reorganized, unified and brought up to the level where it could face the cultures of other nations and make its contributions. It had enriched itself by absorbing men who had uprooted themselves from the lower strata of society, but in no way had the awkward feeling between culture and people been dispelled.

The most scholarly section of Italian culture in the twenty years before Fascism was represented by Benedetto Croce. It was critical, exact, sober in its outlook; it had the dry accent of men who want to go to the bottom of things and not be duped by high-sounding words. The principles of the Risorgimento and of democracy were subjected to a rather severe check-up. This critical attitude was not determined by any kind of radical political ideology. On the contrary, the dominant philosophy, Croce’s idealism, was a stoic conception of the world, inclined to find a meaning in things as they are by setting them into a large historical perspective. If the peasants could have heard of such a philosophy they would have observed that it was their own way of looking at things. They had always been diffident toward high-sounding words and, like Croce, they had always known that the only way to establish a relative order in the world was to have everybody take care of his own affairs: so that the rulers rule and the peasants cultivate the earth. Croce’s philosophy, for
all its Hegelian accent, was genuinely native. It was clean, honest wisdom rather than philosophy. It reflected and made plausible that disjointed constellation of unrelated worlds that was Italy.

Croce, as well as the plain people, relied on an inner goodness or decency of man who, if left alone to do good work, always brings about a certain order in things. A peasant distrust for the preaching tone disinclined him from stressing all the differences between good and evil, right and wrong. The knowledge of such differences, according to him, has to be taken for granted: only the scoundrels make a profession of talking about them. Always a liberal, he was impatient of the sanctimonious style of the priests of liberalism. If facts and reason justified a severe check-up of the Risorgimento or of any other heroic period of democratic history, there was no harm in leaving facts and reason do their work. The devotion to democratic ideals and to the Risorgimento, too, had to be taken for granted. He had that shyness in talking about great things which is one of the surest signs of good breeding. He was at the same time indicative of the common people of Italy and enormously influential over the intellectuals. It was a dry, sterilizing influence. The last thing that could be expected was that it could, directly or indirectly, contribute to the Fascist avalanche.

Yet from certain viewpoints Fascism could appear as a kind of Croceanism with a cruel vengeance. Fascism, too, said that the business of government belongs to the governing group and it said also that works and deeds and not sermons make history. It resembled Croceanism as the racketeer resembles the businessman. It did not take any principle for granted. The intellectuals trained by Croce, on the contrary, needed, under the pressure of Fascism, definite criteria of right and wrong and active faith in liberalism and an immediate link with the tradition of the Risorgimento. All the
intellectuals were in such a need, whether they had offered their talents to Fascism or were groping for a quiet corner where they might be left in peace. All were equally unprepared, taken into a situation without precedence, trapped by an enemy that was equally terrorizing, whether it was imitating their own language or harassing them. Those more definitely opposed to Fascism needed some criteria that could justify how, with their respect for history, they could be opposed to a regime that was ruling their country and respected by foreign powers—a regime that was already an established fact in history.

In dealing with the intellectuals, in conquering or crushing them one by one, the regime exhibited the most accomplished refinement of its cruelty. Actually, very few teachers in the universities or in the high schools were dismissed for reasons connected with politics. Twelve university professors refused to take the oath of allegiance to the Fascist government in 1931: their own refusal drove them out of the Italian universities. The government did its best to avoid making martyrs. The intellectuals were left free to humiliate themselves: the professors in their chairs in the act of their teaching, the writers at their desks in the act of their writing. The scientific treatment of fear obtains its best results when it is applied to the nervous system of intellectuals. They are professionally intelligent people, trained to find reasons for things; their business is to articulate the inner life of man: so they are given from time to time certain acts to perform that they may try to justify later on, in terms of their own self-respect—like taking an oath, teaching or writing what they do not believe in. As always, such Fascist cruelty is determined by necessity much more than by the will of a single man. The

regime is safe so long as it is not an object of thought. Therefore it has to make its course more and more unpredictable and it has to cripple the minds of those who might think.

The Italian intellectuals have been the first to fall under Fascism. They did not know what Fascism was, and the outside world knew even less. They had to stay alone, trying to understand what this crisis was which tore the life of their country out of their grasp. Their education and dominant philosophy had made them unfit for such a task. Even those among them who wanted to exalt the Fascist regime have succeeded so badly that not a single book trying to explain Fascism to the intelligent men of the world has been produced. Cloistered in themselves, those among them whose intelligence and character still survive have to find those criteria that they did not have at hand when Fascism came. They have to find the reasons why, with all its strength, the Fascist state is a lie. Theirs have to be not abstract criteria, but plain, human ones, so that the humble people may understand. Like the peasants of their country, the intellectuals have shrunk into themselves, living a sort of underground life. Everything good has been driven underground—not in a police, but in a germinating sense. The good seeds must have time to mature in the Italian soil, which is good.

These criteria that the Italians, the first to experience Fascism, have to give to themselves and to the world, will not be in terms of economics. One does not refute or even describe Italian Fascism by saying it does not pay. No one can prove it because Fascism escapes from economics, just as it breaks all rational yardsticks. Its economics is of such a character that the criteria of the free nations do not apply to it. It takes into its own accounting the wealth of the life of the generation to come, the deprivation of human rights, the sacrifice of human dignity. It shows on the other hand that it feeds the people, it takes care of their leisure time, it
reduces unemployment: and all this is true. At the same time it cheats in every word it says: men are no longer the same when they have no rights; bread is no longer the same when, instead of coming from one's work, it is the substitute for freedom. Those Italians whose minds and characters have survived the experience of Fascism have learned to know what such expressions as “rights” or “freedom” mean: since they have been outlawed, their country has become a mystery to them and a menace to the world.

For Whom?

So, Fascism for whom? Who benefits from Fascism? Possibly the self-perpetuating oligarchy of major and minor chiefs. Yet even the collective gain of these few thousand oligarchs is a poor and doubtful return for the enormous risk that the world is running. In reality nobody benefits from Fascism, just as nobody benefits from war. It means destruction, untold suffering, debasement of character and a great refinement in spiritual cruelty. It started as a crisis of Italian conscience; since it spread to Central Europe it revealed itself as a crisis of the human conscience. Those will benefit from Fascism who will learn from it.
Part Three

GERMAN FASCISM
6. THE BACKGROUND OF NATIONAL SOCIALISM

The Unended War

THE WORLD WAR did not end in 1918. The Treaty of Versailles has not proved to be a peace treaty. Since 1914 Germany—and Europe with her—has been and still is, as in the seventeenth century, in a second Thirty Years' War which may last much longer than thirty years. Since that fatal year the old saying has been reversed: politics now is only the continuation of war by other means. The scene of the war changes. At one time it was Germany herself, as in 1923, the year of the occupation of the Ruhr. Since 1936 it has been Spain, where Europe has been fighting under the deceptive veil of “Non-Intervention.” Sometimes it was Austria and the Czechoslovakian crisis of 1938 will not be the end. The European Civil War is continuously going on. Men, ideas, social institutions and material wealth are caught in its devouring whirlpool, destroyed, reshaped, destroyed again and replaced again: National Socialism is only one symptom—not the last one—of Europe's decay.

For Germany, these are the dates: First, 1914 to 1918, the war, leaving a country exhausted to the point of death and its 65 million people with idols destroyed, with beliefs shattered, hopeless and despairing. Second, 1919 to 1923, the post-
war filled with attempts at rescue, at building a new state as a home for the people; ending, despite all, in the most complete destruction of national economic life by the runaway inflation, and thus, for a second time, in hopelessness and despair. Third, 1924 to 1928, consolidation: the Dawes Plan as the first step towards realism with regard to reparations; the agreements between Briand and Stresemann as the first steps to a new Europe; the influx of foreign capital as an aid to economic reconstruction—at last, a new period of a tolerably normal human life for the German people seemed on its way. Until, fourth, in 1929 all such expectations are once more smashed to bits. The world economic crisis starting in that year is followed by the breakdown of German foreign credit in 1931. More than six million unemployed—about 33 per cent of the working population—are the result. Foreign relations, domestic policy, finally the state as such are rushed again into the vortex. In January 1933 Hitler is appointed Chancellor. From that time on National Socialism dominates Germany.

This very rough schedule makes one fact clear: in a period of nearly a quarter of a century, there were only about four years that permitted the German people a breathing-spell. Such a strain is too much for body and mind. Neither individuals nor peoples can live permanently in a state of fever. Sooner or later a crisis is bound to come.

_Europe's Lost Chance_

When the Armistice introduced what should have been a new era in the history of mankind, Europe was afforded an opportunity of unique grandeur. A task had been imposed upon her: to realize the lessons of the war—to teach the peoples the evil consequences of unchecked striving for power and wealth—and to live up to that new knowledge. It was Europe's greatest chance since the French Revolution and
probably her last one for a long time to come. But the European victors did not even see the task before them and so they lost their chance. Germany, the defeated nation, or rather a part of Germany, understood the task and tried to perform it—and failed too. This failure is the tragedy of the German Republic.

"Il n'y a plus d'Europe," said Metternich at the Congress of Vienna in 1814, and the words have remained true since; there is no longer a Europe. Then at least the world retained the concept of Europe as an entity. Today, there are on the European continent only a number of hostile states, ruining themselves by their lust for hegemony. In 1919, there was a chance. "Never again" was everywhere the rallying-cry of the tortured peoples who better than their statesmen understood that by the war all had been crippled and none had gained, and who came back from the battlefields weary of a power which served only to degrade others and themselves alike. Disarmament was the slogan of the time: disarmament, not only dictated to the defeated country as punishment but the voluntary disarmament of all; the creation of a new, truly united Europe, not as the negative wish of the weak but as the creative means of the strong and courageous for a positive aim. Such a Europe, no longer deprived by armaments of ever increasing portions of her income, could also have successfully attacked the immense social problems following the war. In the trenches the poor had lain together with the rich, fighting and suffering and dying for the defense of their country. They came back with the demand for freedom, justice and the dignity of man in every domain, for better social rights and a decent standard of living for the people as a whole. And to what extent at least some of the rich felt that these demands were justified was best shown by Stanley Baldwin, then Financial Secretary of the British Treasury, who voluntarily gave one-fifth of his whole property, an
amount of £120,000, to the state for cancellation of £150,000 of war loans "as a thank offering in the firm conviction that never again shall we have such a chance of giving our country that form of help, which is so vital at the present time." He then hoped that "it should be possible to pay to the Exchequer within twelve months such a sum as would save the taxpayer fifty millions a year." But the expected billion pounds sterling of voluntary gifts did not arrive. This hope failed—like so many others.

Weimar

It remains to the everlasting credit of the founders of the German Republic, that they had an understanding of the requirements of the time. In the midst of a hostile world, with a completely broken-down economy, with civil war flaring up in various parts of the country and with chaos threatening, with foreign armies in the most important areas of the country, its definite frontiers not even known and the demands the victors were to impose still undetermined—these men and women undertook the task of rebuilding their state as the incarnation of peace and justice, of freedom and social right and a true democracy.

And their achievement was remarkable. The Weimar Constitution gave equal freedom to every opinion and, by abolishing all political privileges or differentiations of the franchise, extended equal participation in the state to every citizen, male and female. Furthermore, the constitution and the special laws that followed it attempted to realize the same principle in the social sphere as well. To combine political with economic democracy, to transform the laborer from a subject into a citizen, in industry as in the state—that was the objective. The Republic ventured to establish the democratic principle that the business enterprise should no longer be considered a concern of the owners and the managers alone but of the employees also, that capital and labor together constitute the
enterprise. Consequently the Republic conferred on labor real and assured rights of participation in all socio-economic deci-
sions. Freely elected shop councils represented the employees in the individual plants. Free trade unions, recognized by law, guaranteed the employees' rights of self-organization and collective bargaining and enabled them to act as partners with equal rights in stipulating the conditions of their work. These trade unions, as representatives of the employees, negotiated with the representatives of the employers concerning the condi-
tions of labor in the different industries. If an agreement was reached, its terms could be declared to be of binding force for all enterprises in the particular industry and a right of every employee that could not be bargained about. If there was no agreement, the final decisions by strikes and lockouts remained possible. But a machinery of arbitration was established. And while it usually left the final decision to the self-administration and self-responsibility of the two parties involved, such arbitration could be made compulsory in cases of an overwhelming general interest. Moreover, in the boards of directors of the large joint stock companies, which formerly had been elected by the stockholders alone, some seats were now allotted also to representatives of the employees as the most impressive testimony that they, too, formed a part of the enterprise and that the enterprise belonged also to them. Finally, the same principle was applied to the supreme economic advisory body of the Republic. In the Reich Economic Council capital and labor were given the same number of members with equal rights for the discussion of all problems of economic as well as of social policy. It was a recognition of the fact that all measures of eco-
nomic policy, all questions of credit, finance, tariffs and the like, affect the condition of the masses just as much as that of the entrepreneurs. In addition, the earlier system of social insurance against illness, accident and old age was now com-
pleted by unemployment insurance. A National Labor Exchange Bureau strove from its angle to diminish the insecurity of the worker. In these and other measures “one is rightly entitled to see a good deal of a solution of the social question on the basis of the present economic order” says an official report of the end of 1928. Only a few months later not only that social order but the Republic as well was drifting toward the abyss.

Three fateful events in the one year 1929 mark the turning point in German postwar development. The world economic crisis is one of them. Before it darkened the sky, Germany once more saw the sun shining over her freed soil: the occupation of the Rhineland ended, the last foreign soldiers withdrawn. Ten years of the Republic’s foreign policy were crowned by this prize. Germany had regained her respected place among the nations of the world. By her striving for peace, she had strengthened peace. The Young Plan, agreed upon also in that year 1929, diminished again by common understanding the burden of the reparations. But for Germany these achievements of her foreign policy produced another result too. The government’s consent to the Young Plan brought into the open for the first time a nationalistic opposition of unforeseen strength and activity. The high point of success of that policy of reconciliation and reconstruction at the same time marked its end. A new era was about to begin. Stresemann died on October 3, 1929. But the policy that he represented had already died some time earlier.

“Ask a German democrat who is responsible for the German reaction. ‘The Allies,’ he will reply with bitterness. Ask the same question of nearly any foreigner then living in Germany, and the answer is ‘the German Republicans.’ Both are

right." This is the judgment of Edgar Ansel Mowrer, an able observer. And he is doubtless right too. But if the enumeration is meant to be complete, one must add a third group: the German Anti-Republicans.

The Inheritance of the Empire

The German Republicans understood the requirements of the present. But they were not hard, not strong-willed, not fervent enough to overcome the inheritance of the past.

"Politics," says Hermann Heller, "is the organization of contrasting wills on the basis of a community of wills. . . . Democracy is the government of the people as a unity over the people as a multiplicity." As it was, the German people before the war had never been a unity. They had always been divided not only by sharp social contrasts, but even more deeply by religious differences and by monarchical rivalries. A Protestant Prussian and a Catholic Bavarian, crossing the ocean, were more easily converted into Americans than remaining at home they could have been converted into Germans. Under Imperial Germany, therefore, the organization of those contrasting wills had not been achieved by voluntary acknowledgment of a majority rule by a minority, striving in turn to become the majority of tomorrow by winning the people to its ideas and ideals through free discussion. The necessary community of wills on the contrary, had been imposed upon the people from above by forces claiming to be the incarnation of the state as such: the Crown which derived its power from the grace of God; the Army; the bureaucracy. A mailman, railway conductor, schoolmaster, tax-collector, policeman or sergeant—and upwards through

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2 Edgar Ansel Mowrer, *Germany Puts the Clock Back*, New York, 1933, p. 11.

the whole hierarchy—felt themselves to be not servants of the public, but its masters, invested with an unapproachable authority as representatives of the state. The state, whatever its sociological implications, ruled. The people were restricted to a silent or a grumbling, but always a yielding, passivity.

And while that situation as such was certainly poor preparatory education for democracy, three further consequences, likewise detrimental, emerged from it. First, the people became accustomed to expect everything from the state and from the state alone. They forgot that self-organization and self-activity are the main pillars of freedom, not only of freedom from the state, but of freedom within the state as well. Second, since the state belonged to its rulers, not to the citizens, the latter concentrated their spontaneous activity on those fields that were left free by the state, especially in the economic sphere. Thus economic organizations attracted the devotion that could not be given to the state. Economic questions, economic aims, displaced in the public interest to an ever growing extent the political problems and independent thinking about them. Finally, this whole state of affairs deprived the political parties. Not admitted to a real responsibility, not permanently confronted with the possible necessity of taking over such responsibility and the leadership of the country, they played only the negative part of wordy critics. They were largely split up into factions according to material group interests and thus destroyed what was valuable even in their own tradition as a part of the development of political thought in the country. The parties lacked seriousness because they lacked responsibility.

The Weakness of German Democracy

Nevertheless the collapse of the Empire and the foundation of the Republic did give the German people a new start. And it is wrong to say that "the Weimar Republic was a
matter of genuine democracy for a comparatively small group," that "the majority of the people—even in the parties which supported the Republic—were consciously or subconsciously anti-democratic." It is more wholesome to recognize the fact that everywhere in the world it has become immensely more difficult to establish democracy anew than it had been during the eighteenth century—and that it is also immensely more difficult to maintain it than it had been during the nineteenth century.

The growth of the political units, the increase in population and the development of modern technique may be considered the main objective reasons for that change. For from them arose, together with the industrial revolution, the new possibility of centralized power: spiritual, administrative, military, economic and social. Centralized states with their armies and their bureaucracies engaged in an ever increasing number of state activities. Centralized capital resulted in the rule of a few hundred over hundreds of millions of dollars and hundreds of thousands of employees—and in centralized capital-less masses, who might find a weapon only in centralized organization. Centralized indoctrination and propaganda culminated in the cheap yellow press and finally the radio, by which one man sitting at his desk may easily address hundreds of millions of people.

Indeed, the maintenance of popular self-government in such a complete transformation of society, without the electorate's becoming the puppets of secret wire-pullers able to use the different positions of centralized power for particular group-purposes and group-interests, is the gigantic problem confronting democracy everywhere. And all the more so because also the nature of the questions that are to be dealt with has changed so much. The meaning of the Stamp Act or the

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Molasses and Sugar Law of George III could easily be understood by every man in the thirteen American colonies. Today, the peculiarities of the national and international sugar regulation and taxation are known at best to a few experts. The fight against the Corn Laws in England was in the popular mind quite clearly not only a struggle for cheaper bread but the decisive battle between the old landed aristocracy and the newly rising urban manufacturing bourgeoisie for the power within the state. How difficult it is to discover similarly basic problems in our present-day tariff debates! The men who nowadays fabricate the laws and who direct the discussions are to a large extent not statesmen burning with ideas but, aside from the lobbyists, they are specialists who, according to the well-known definition, know more and more about less and less and who by themselves are certainly not the best guides to a genuine democracy. Again, to erect or maintain democracy with the state a battleground of manifold pecuniary interests and organized power groups is, clearly, an immense and universally difficult task. The German Republic was not able to perform it successfully.

Looking back, the most astounding phenomenon seems to be that this defect became so tardily apparent, and not before the world economic crisis in 1929 and the ensuing German credit crisis of 1931 made complete and evident the long process of disintegration.

Until that time, the Republic could record remarkable achievements. The most grievous devastations of the war—not counting the men who had given up their lives or their health—had gradually been restored. Germany’s productive apparatus had been rebuilt and improved. The standard of living of her population was, on the average, again at a good level. Her cultural life showed again its strong activity in all its ramifications. Life as a whole in Germany was, in spite of all, apparently on the way back to normal. Yet it was too
normal. The great decisions had been made in 1919. Then the Treaty of Versailles had been signed by a Republican government, thereby declaring that future amendments should be reached by peaceful agreements with the victors. Then, too, the Constitution of Weimar had sealed the decision for democracy, against a Russian system of Soviets, against the workers’ and soldiers’ councils, which in the first months after the breakdown of the war had tried to keep power and to develop some kind of a proletarian dictatorship. Finally, radical upheavals from the right had been defeated like those from the left; and when a danger of civil war again arose in the coups d’état of Kapp in 1920 and of Hitler in 1923, the Republic could quickly suppress them; the time for a march on Berlin had not yet come.

Only when all these decisive steps had been taken, and when even the inflation horror was over, when at last the Republic seemed to have become a normal state—a subsurface development set in and imperceptibly grew: this kind of state began to lose for its citizens more and more of that attractiveness which is indispensable for every state if it expects to be backed by its people in stormy days. For it was a weak state. Nor was its weakness due solely to the humiliation inflicted upon it by the victors. Even Wilhelm II, the Emperor who had fled to Holland, deserting the people after having led them into defeat, was allowed to retain possession of an enormous fortune as a private rentier. And a corresponding submissiveness was shown to all the other war-lords, including General Ludendorff who, unpunished, did not spare words in blaming the unhappy people for his own blunders. It was an irresolute state. While the people expected something dramatic and concrete to show that a new day was dawning, not sufficiently comprehending the immense achievements of the Constitution and the social legislation, all the old social forces had been left in power. Not even the large estates of the
old Junkers were energetically attacked, and to top it all, as though to prove that nothing had fundamentally changed, old Field Marshal von Hindenburg became President of the young Republic after Ebert’s death. Above all, it was a state without a glimmer of utopianism and therefore without appeal to the imagination of the people.

In the course of such a decline segments of the body politic attempt on occasion to become masters of the whole, rather than its servants. They seize tasks and functions belonging to the state. And with the functions they capture also the feelings, the loyalties of the people, taking them away from the whole and diverting them to the parts. Finally they become real states within the state. And that may develop to a point where the democratic state is made empty of power as well as of devotion, where it is degraded into being simply a tool of those partial powers and eventually falls an easy prey to them. The remedy against this danger is not necessarily a complete centralization. On the contrary. The democratic state may deliberately further decentralization, giving play to the natural and truly democratic desire for spontaneous self-organization and self-activity. But the state must be on the alert to guard the supremacy of the whole over the parts. And this supremacy must be based on the understanding and the belief of the people. Where this only possible remedy is lacking, the state will decay and democratic freedom will decompose with it. That is what actually happened to the German Republic.

Then, the German Army was indeed a state within the state. It cultivated a group feeling among its officers entirely independent of the form of the state. Sometimes it dominated, by its secret armaments, the foreign policy of the Republic. It nursed along the "Schwarze Reichswehr" and other private military organizations like the National Socialist S.A. Eventually it took a decisive part even in the formation of the
last governments of the Republic. But the Army was only one among other states within that unlucky German state. Once Dr. Hjalmar Schacht alone in his own person played that part. That was in January 1930. He had functioned as one of the German representatives in the 1929 negotiations for a new revision of the reparations, and he had put his name under the agreement accomplished by the Young Plan. But when this plan aroused a fervent assault on the part of the so-called national opposition, he joined that opposition under the pretext that the government had changed the real meaning of the plan by some additional stipulations on details of its execution. Furthermore, he refused as president of the autonomous German Reichsbank to fulfill the obligation which he himself had signed as German representative. He refused the participation of the Reichsbank in the Bank for International Settlements, and he announced this action not to the unsuspecting German government but to the American chairman of the organizational committee, meeting in The Hague.

It may be objected that this was an abnormal case. That it certainly was! Usually the states within the state did not act in such a provocative manner. But their development was just as destructive. Sometimes even the trade unions approached such a position. But far more important and detrimental to the prestige of the state was the organization of the industrial entrepreneurs as a state within the state under the leadership of heavy industry. Their prominent men had emerged from the World War with a new title: as “Wirtschaftsführer,” economic leaders. At the beginning of the Republic they planned to capture, in combination with the trade unions, the economic policy of the state completely and openly. Self-administration of the economy by the economy was the slogan. When this was prevented, they developed their private organizations with all the more perfection. With their
own bureaucracy (who received much higher salaries than the corresponding civil-servicemen in the state) and with their own power of taxing their members and their customers, they were strong enough to pursue their own aims in foreign policy, in economic policy, in state policy—with the state, when it suited their purposes, but also against the state, when that seemed preferable. They thoroughly understood how to transform the ruinous consequences of the inflation into a new source of increased gains for themselves and their enterprises. But they understood also how to make sacrifices of a sort when they chose: a large amount of material support for the National Socialist and similar troops came from big capital, from industry and commerce. The political power of these groups was occasionally rivaled only by another and last state within the state, which should be mentioned here, the old landed aristocracy. They increasingly found their place of vantage in Neudeck, the manor of President von Hindenburg, given to him (or rather to his son in order to save the inheritance tax) as a donation by the National Federation of German Industry.

What the result of all this was for the state itself, is thus described by Mowrer: "In the fourteenth year of its existence, the German Republic became the private concern of a little group of adventurous patriots who seized the power in an unexpected manner and ruled autocratically for the supposed good of the people." But even this, as everybody knows, was not the end of the story. For at the beginning of the fifteenth year, this little adventurous group—consisting of the Schleicher, Papen, Hindenburg fils, etc.—was also got rid of. And the executioner was the National Socialist German Labor Party, the ultimate and most powerful state within the state of the German Republic. Its rise made that totalitarian disintegration

*Loc. cit., p. 298.*
of the Republic complete—and ended it. For eventually, National Socialism was able to swallow all the other states within the state and the Republic as well, by a totalitarian co-ordination, because it understood better than the rest the laws of power. It was filled up to the brim with a revolutionary energy and that dynamic will for action which was so utterly lacking in the last governments of the Republic, and had developed for itself a private army and a fanatic ideology.

Nationalism

It was the misfortune of German as of Italian liberalism that its fight for freedom in the eighteenth and nineteenth centuries was not permitted to start from the same clear and simple basis as that of the other great peoples. The German state where that freedom might have been realized did not then exist at all. National unity had first to be fought for against the stubborn resistance of the numerous constituent states and their princes. But the German liberals lost that fight, both in the Napoleonic Wars and again in 1848. When the Reich was at last founded in 1871, it was an achievement of victorious German armies on French battlefields, the achievement of Bismarck, not of the people—and democratic freedom was not realized in it. Of the two competing aims, freedom and national unity, only the latter had reached its goal. And while the desire for freedom dimmed before the new splendor of national power and economic success, nationalism grew by the same impulses. The Pan-German League (Alldeutscher Verband) and the Association of German Students (Verein Deutscher Studenten) were its propagandists. National pride, imperialistic expansion and racial exclusiveness were its goals. There is indeed nothing new in principle in the nationalistic preaching of National Socialism. Even its riotous anti-Semitism had its forerunners, skilled in popular indoctrination; men like Ahlwardt and Stoecker in
Berlin, or Lueger and Schoenerer in Vienna, from whom Hitler while yet a youngster learned his philosophy and even his methods.

The difference is that in prewar Germany this intense racial nationalism was cultivated mainly among parts of the upper and the middle classes. The Verein Deutscher Studenten certainly influenced not inconsiderably the political thinking in German universities. It thus contributed to the education of young intellectuals who later on fulfilled what seems to be nowadays the sad task of so many intellectuals everywhere, that is, to prepare for the men in power and for the interests in power, the data, the arguments and the lyrics by which the latter may more easily attain their purposes: brains functioning consciously or unconsciously as the prostitutes of power and wealth. The Alldeutscher Verband furthermore, before the war and especially during the war, exercised at times a very great influence on German politics. But it acted mainly as liaison organization between the narrow ruling groups of the Army, the landed aristocracy and the heavy industries, applying pressure upon government, parliament and public opinion by its personal connections and its ample means, much more than by the comparatively small number of its adherents. National Socialism has, for the first time, indoctrinated the people as such by its racial nationalism, to an extent that it could be established as a popular religion. This is the new situation resulting from its fanatic propaganda.

Here again, the war and all that followed formed the basis of that success. To believe in force, to despise reason, to find satisfaction in commanding and in obeying, to attach little value to the individual, to aspire to an adventurous life and to loathe pacifism—this is what the war had taught many young people, and not in Germany alone. The chief factor in Germany was the defeat and the continuous suppression and humiliation imposed upon Germany by the European
victors. They truly were the best supporters of National Socialism. For they made it so easy for its propaganda to induce ill-informed masses to turn from the fact of defeat and to look for some scapegoat for that national shame. It was only necessary to invent the legend of the “stab in the back,” to tell the people that the German army in the war had been betrayed by dark political forces behind the front. Once aroused, it was not difficult to turn this suspicion against everyone “different”: against Marxists, Catholics and, above all, against Jews. The world economic crisis beginning in 1929 gave the last incentive. Everywhere in the world increased nationalism was its result. National measures were applied against an international evil in order to protect the national economy at the expense of other nations. National currencies were manipulated, national import duties raised, national exports subsidized, and domestic markets were reserved for the domestic producers and jobs at home for the people of the country. Economic nationalism reached an unprecedented peak. But in Germany National Socialism could easily divert the economic despair to its political goals. Let us set ourselves free from the “dark international conspirators” and from “Versailles” by building a new state based on blood and soil, on race and nation.

As a matter of fact, the turn toward nationalism in ever larger masses of the people was companion to a kindred turn in the upper groups. The states within the state, discussed above, had no need to wait for the economic crisis. On the contrary, the prosperous years from 1925 on were just the period when they rallied their forces for a clearly defined objective: not only the end of the reparations, which was bound to come in any case, but, more important than anything else, rearmament, the end of the Treaty. The Army,

the Junkers, big capitalists, the Palais (that is, the group around President von Hindenburg) in 1929\footnote{Cf., e.g., Hitler, by Rudolf Olden, p. 231.} were jointly decided to put an end to the policy of fulfillment and to proceed step by step into the open with their real purpose. By joining this array National Socialism could much more easily draw from its money-chest. The task and the achievement of the Nazi propaganda in those years before the party's accession to power was to provide the tumultuous mass support for that new policy, not yet revealed. It succeeded by ingeniously finding a new name for the practical realization of its blatant racial nationalism: "the liberation of the German people."

Here again we are at the point where the two words so long fateful in German history play their role: nation and freedom. But now the perversion is complete. For the notion of freedom as used by the National Socialists has been drained of its content as freedom of the individual. All individual freedom, on the contrary, has to be surrendered. The freedom of the individual from the state is to be sacrificed as completely as the freedom of the individual in the state. The individual is nothing. Only the state counts. And freedom is not allowed to have any meaning other than the freedom of the state. The state must be freed from any restraint by foreign states. But it must also be freed from any "foreign" influence at home, from "foreign" races, from "foreign" ideas, from "foreign" creeds—and "foreign" is everything which is not National Socialism. Such is the freedom of racial nationalism.

There is only one further point to be added to the National Socialist concept of freedom. It is to be found in the second part of the party's name. National Socialism would never have been able to ascend to power, had it not had in its ideol-
ogy also this second notion: its Socialism, a very particular sort of Socialism, combined with its nationalism.

*Capitalism in Decay?*

One explanation of the success of German (as of Italian) Fascism is especially popular among Marxists. Fascism, they say, came into power as the defense of capitalism against the rising power of the working class, of Socialism, of Communism. And from there they easily reach the conclusion that Fascism is the form of the class struggle in the age of capitalism in crisis, that it is “the last refuge of decaying capitalism.” In this point there is a strange conformity between the Marxists and the National Socialists themselves, at least in so far as the latter never get tired of claiming that they saved Germany from an imminent Communist upheaval.

As we have stated, the National Socialists at times received important financial help from important capitalists. And behind those gifts there was very likely not only a general agreement with the party’s nationalistic aims but also the idea that its troops were fortunately so anti-Communist that they could, in days to come, possibly be highly useful for the defense of property. If the equal franchise of democracy were really leading to a Socialist majority, really desirous of abolishing private ownership as such or at least private ownership of the means of production, one would certainly have to assume that the wealthy classes, being so much smaller in number than the propertyless, would make every effort to destroy equal franchise, and democracy with it, rather than give up their properties.

But true as all this is, it is only a part of the truth and not even a decisive part. And as a half-truth it rather darkens than clarifies the problem. First of all, it does not explain the mass support from the little man. And secondly, it is contradicted by the fact that there was no prospect whatsoever
of a Communist upheaval in Germany in that period of the early thirties; and not a bit of proof that such an upheaval was coming has been produced, not even by the Reichstag Fire. On the contrary, the German Communist party in those fateful years was so impotent, so irresolute and so poorly led, that it could have been destroyed without the least resistance, almost by just not noticing it. But the same could have been done—and this is even more important and impressive—to the Social Democratic party. Through decades German Socialism had been regarded as the champion of Socialist believers throughout Europe and the world, with its armies of workers, its trained brains and disciplined organizations, its wealthy trade unions and co-operatives. Now all this vanished at one stroke, or more accurately, without a stroke. Social Democracy was done away with as a political force even before the access to power of National Socialism. On July 20, 1932, the Papen Reichs-government expelled the Prussian Socialist Ministers by a “lieutenant with ten privates,” and those men obediently went out of power like fired office clerks. To explain this complete destruction of German Socialism merely as the last stage of decaying capitalism in desperate defense against Socialism’s growing power, sounds somewhat ironical. “Revolutions,” writes Hamilton Fish Armstrong, “are less often won by revolutionists than lost by their opponents.”

The Crisis of Socialism

The fact is that German Marxist Socialism had long since reached exhaustion. This became evident as early as 1914 when with the outbreak of the war German Socialists (as those

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*See his excellent little book, We or They? Two Worlds in Conflict, New York, 1937, p. 98.

of other European countries) with few exceptions joined their fellow-citizens for the defense of their country, doing away with their internationalism and with their class struggle as well. They did not even think of utilizing the war for the overthrow of capitalism as the conventional Marxian theory promised. When the catastrophe of the war finally led to the German Revolution of November, 1918, the then widespread "cry for Socialism was strangely enough not a cause but a consequence" of that revolution.\textsuperscript{10} Then, indeed, "the country was Socialist but Socialism did not know what to do with the country." The result was that aside from a number of voluminous works nothing came of the long discussions about "socialization." Finally, the year 1933 saw the triumph of Fascism instead of the predicted "inevitable victory of socialism."

On three main predictions Marx had based his prophecy. Marx predicted for capitalism the concentration of property in such a way that the wealth of the earth would to an ever growing extent be concentrated in the hands of an ever decreasing number of people, while an ever increasing majority would be proletarized, until these proletarized masses should expropriate the small number of their expropriators. In reality the development led, in different fields, to a very high degree of concentration of management, control and power, but by no means did it lead to an analogous concentration of ownership, which by stocks and bonds and bank deposits, saving accounts, mortgages, life insurance and by a multitude of other devices actually remained much more widely diversified. Even the concentration of management remained restricted mainly to large-scale manufacturing industries, banking, transportation and the like. In a great number of other economic activities decentralization and diversification were retained. Today

even Eugen Varga, one of the outstanding economists of the Communist party of the Soviet Union, has to concede 11 "that instead of a society consisting only of two classes, bourgeoisie and proletariat, in reality the majority of the population of the earth consists of independent producers, peasants and handicraftsman." Thus the first prediction proved to be wrong. So also did the second. This prediction held that the necessary outcome of capitalism would be the increasing misery of the vast majority of the population, but the actual result after the first stage of the industrial revolution was an improvement in the standard of living of all groups of society, and moreover even the relative advancement of the workers. Finally the third prediction—the necessary unavoidable breakdown of the capitalist system—which at the beginning had filled its believers with the certainty of a quick victory, turned out in the long run to be disastrous for the movement as a whole by destroying its will for action. Marx had taught that this final catastrophe of capitalism would be the revolutionary achievement of the labor class at the highest stage of the development of the capitalist system. In reality the only attempt to attain Socialism by revolutionary action took place in Russia, an entirely undeveloped country, and actually counter to all prescriptions of Marxian theory. In the highly developed industrial countries, on the other hand, the proletariat lost more and more not only of the more revolutionary fervor, but also of collective energy for greater issues. This was true also of its leaders. The result can be seen in Germany.

There we have the dramatic history of an idea. Its conception was the achievement of a genius who possessed the power to an astounding degree of seeing through the outer appearance of things and of discovering the real essence of social

power below the surface of our age. But while it was unequalled in the breadth of its view, in the strength of its critical analysis, in the conclusiveness of its system—it was mistaken in the decisive deductions on which its factual predictions were based. In spite of these mistakes and to a certain degree because of them, it succeeded in building up a church of believers, who were stronger in their belief, safer in their faith, happier in their creed than most of the other churches of our time had ever been able to make their adherents. But again, after that new church of faithful believers was built, it was tragically crushed in the very moment of the test, finding the faith gone, the will power weakened, the leaders and the followers paralyzed, unable to do anything, even to defend themselves, for they knew not what to do. And even this final catastrophe was deeply rooted in the concept of the idea. For Marxian Socialism had always remained a negative prophecy, the negation of capitalism. It refused to work out the way from criticism to positive realization. To attempt this was regarded as utopian. But no faith can survive in negation. Every church must have a utopia, a picture of the future life.

As it was, the split between Social-Democracy and Communism contributed to the weakness of both. But more decisive for the eventual destruction of German freedom through the victory of National Socialism was the division of the supporters of a democratic, liberal and social Republic by the continued separation of the Socialists from the other progressive groups. The Socialists concentrated their efforts more and more on day-to-day trade union activities. In this routine work they lost more and more the ardor for those values of freedom not expressed in figures of wages and hours of work, while at the same time retaining the old revolutionary Marxian phraseology. The other progressive groups, contrariwise, were repelled by that phraseology which they viewed as devoid of
reality. But they lost the connection with the masses necessary for action, and thus they also were weakened.

When eventually the economic crisis convulsed society to its foundations, some other truths, which might have been understood earlier to great advantage, came into the open. Internationalism as the idea of peace and a new peaceful order in the world is not by itself opposed to but can beneficially be combined with the natural feelings of men for their home, their native country and their people; if an internationalist doctrinarianism violates these feelings, which are inborn in every man, in the workers just as well as in any other class, it will only prepare the way for all the more aggressive nationalism, readily using that internationalist doctrine as a pretext for its nationalistic aggressiveness. Class struggle, furthermore, does not for a great length of time satisfy the needs of human souls. Nor does the prediction of proletarization win over those who are unwilling to surrender to proletarization without fighting against it. Finally, it was erroneous to expect from the workers alone, the weakest group in society, the defense of freedom and a revolutionary fighting spirit. Quite other groups grew revolutionary with the horrors of the crisis. But then National Socialism took the lead.

The Revolt of the Middle Classes

“One may,” writes a National Socialist author,12 “conceive the economic crisis as an emergency. But one may conceive it also as a gift from heaven, because it is the best opportunity for National Socialism to prove itself in a highly conspicuous manner. Were we now having a flourishing capitalist economy, this opportunity would be lacking.” A gift from heaven—indeed, National Socialism knew how to respond to it.

It is one of the main features of the economic crisis of 1929 that it was not confined to the urban sectors of manu-

12 Fritz Nonnenbruch, Die Dynamische Wirtschaft, München, 1936, p. 198.
facturing industries and of banking, credit, commerce and the stock exchange, but included also agriculture. Farmers in Germany as elsewhere suffered terribly from the unparalleled breakdown of agricultural prices which greatly exceeded the decline of prices for manufactured goods and services. Thus they felt their purchasing power diminished, the interest on their debts and their taxes ruinously increased, their farms threatened by foreclosures. And their despair was easily turned into revolt against everything and everyone: against their creditors or, more generally, against capital as such; against industry and, more specifically, against the industrial workers whom they thought to be more clever in defending their wages and thus responsible for the high price level of manufactured goods; against the tax collector, and this, of course, very quickly came to mean the state. The Republic finally was identified in the peasants' view with every misfortune, with defeat and reparations, with tax burdens and indebtedness, with inflation and deflation, with Marxism and capitalism—in short, with “the system.”

And the battle-cry “against the system,” shrewdly spread by National Socialist demagogy, also worked wonders among other middle-class groups of a kindred spirit of pre- or early capitalism. There were the small shopkeepers, the handicraftsmen, the small manufacturers. They hated the unfathomable, anonymous power of modern capitalism with its mysterious giant impersonal enterprises whose competition they felt as a permanent menace. But they likewise hated Socialism which dogmatically predicted nothing else for them but their final proletarization, to which they were not willing to surrender. They wanted to go back to the “good old times” which in their romantic belief had preceded the terrific rise of high capitalism. To destroy “the system” was what they wished. In this desire these old middle-class groups were joined by large sections of the new middle class—white-collar
workers and salaried employees. They, too, hated proletarization which brought them into social proximity to the workers. What they wanted (if they wanted anything clear at all) was a capitalism in which they could become capitalists themselves. What made them enemies of “the system” was the lack of opportunities for rising to social independence. The thrifty who had been deprived of their savings by the inflation—middle-class people again, professionals, rentiers, widows, and so on—were also easily brought into the array. They had for a long time preserved their hatred against the more fortunate who had been clever enough to evade their fate of expropriation, and against the state which they regarded simply as the servant of the wealthy classes. Now the time had come for revenge. All these people, turning radical, found National Socialism their predestined champion. There were others, too, who were radicalized by the crisis but wavered at first undecidedly between the radicals of the Left and those of the Right, between Communists and National Socialists. They were the millions of unemployed. Among them were young people who, fresh out of schools or universities, stepped into unemployment without having ever had a place in society and with little hope of finding one. And there were finally the millions who had lost their jobs and who finally began to conceive themselves as a permanent fifth estate in a fierce class struggle with their privileged fellow-workers who had clung stubbornly to their jobs and their wages. Theirs was a radicalism without a definite aim. But they, too, hated “the system” and fell an easy prey to everyone who promised its destruction.

Thus, along with the political and spiritual system, the social system was shaken to its foundations. The disintegration of the Republic was complete. Its moral reserves were exhausted because it was without the force for action. Who would be able to answer “the anti-capitalistic yearning”?

Among those who at least felt the strength of that yearn-
ing was General von Schleicher. His idea was to combine the strength of the Army with the numerical strength of the trade unions and to build on these two pillars a government representing some kind of a "general's Socialism." He was defeated by the forces around the Palais who were afraid of an attack upon the big estates in East Prussia and of an investigation into the scandals around them. Gregor Strasser, man of the left wing of the National Socialists, seems also to have pondered a combination with the trade unions. But he thus only destroyed his influence in the party. The time for such alliance had definitely passed. "For the first time since the beginning of Socialism, anti-capitalistic resentments are turning against the Socialist movement," Hendrik de Man had seen as early as in 1931. His fellow-Socialists had not seen it. But Hitler saw it. He felt himself the man of destiny and proclaimed his Socialism as the only possible answer.

He did not explain what this Socialism was going to be. Nor did the Nazi party's program afford any understandable answer. But what he gave instead was much more important. He understood the nature of the rumbling protest against "the system." He knew that it was concerned with more than economic matters, that for the decisive part it was a spiritual convulsion. And he felt that people were ready to bear even economic hardship, if only they could be induced to believe that they were enduring it for some larger aim to which they could give their devotion, if only they could be induced to believe again in anything! Thus he simply proceeded by identifying his Socialism with his nationalism and by using this nationalism as a new integrating force, actually for a new totalitarian integration. Socialism—that is, the devotion to the people; he who knows no higher ideal than the weal

13 Hendrik de Man, Socialismus and National-Faschismus, Potsdam, Alfred Protte Verlag, 1931, p. 6.
of his people is a Socialist. Socialist—that is, the community of the people as contrasted with the disrupting idea of the class struggle. We will bring the German people together again, and if they are not willing we will compel them to join together. Even anti-Semitism is simply Socialism for it means fighting against Jewish capital, against international capital, and the like. There is no distinction between the two parts of the party's name. Both mean exactly the same. Each may choose which part he prefers. And indeed, after the perversion of the notion of freedom, this new perversion fulfilled its task. It succeeded in clearing the way to power for National Socialism.

Who—Whom?—The Problem

This, then, is the social significance of what happened in Germany: the anti-capitalistic revolt of pre-capitalistic masses coupled with the financial support of big capitalistic forces, with racial nationalism as its flag.

Strange and contradictory is that combination. But all the more fascinating is the question, Who—Whom? This fateful query, which has been discussed for twenty years—and has not yet been decided—with regard to Bolshevism, characterizes also the problem of National Socialism, as it does in every revolution. Who subdues whom? Who destroys whom? Who rules whom? Who triumphs over whom? Four mighty forces have been combined and have been struggling within National Socialism from the start. Which of these four will be finally victorious: anti-capitalism, pre-capitalism, capitalism or nationalism?

14 Hitler's speech of June 28, 1922.
15 Speech of May 1, 1933.
16 Cf. Arthur Fierer, The Russian Experiment, Harcourt, Brace and Company, New York, 1930.—The author uses the term Communism as indicating the theoretical doctrine, while the term Bolshevism is employed for its actual materialization in the reality of the Soviet Union.
7. SOCIAL STRUCTURE UNDER NATIONAL SOCIALISM

The Forgotten Social Program

IN OCTOBER 1930, after its first great success at the polls, the representatives of the National Socialist party in the German Reichstag brought in a bill, nicely penned, to prove its anti-capitalistic fervor. The entire fortunes of “the princes of bank and stock exchange” were to be expropriated without compensation for the common welfare of the German people. The same confiscation should be applied to the fortunes of eastern Jews and other racial aliens, immigrated since August 1, 1914, and of their families and members of their families. Finally, all increments of property acquired since that day by profits from war, revolution, inflation and deflation should be dealt with in like manner. The big banks were to be nationalized immediately. A maximum rate of interest of 4 per cent was to be introduced. And so on. It sounded pretty radical indeed. But it was not meant so in earnest. And it ended as a great farce. The Socialists and the Communists, understanding the situation, threatened to vote for the bill along with the National Socialists and to push it through. The result was that the motion was shamefacedly withdrawn. It has remained buried. The National Socialists did not remember it at all when they attained complete power over
Germany and were able to write anything they wanted into the statute-books of the land.

They have forgotten even more. The party's program, their twenty-five points, adopted in 1920 and later declared unalterable, demands not only (point 12) the complete confiscation of all war profits. Unearned income, it says, is to be abolished (point 11). All joint-stock corporations—or all trusts (the wording is not clear)—are to be nationalized (point 13). Profit-sharing in large-scale business (point 14) is to be introduced. The big department stores shall be promptly communized and leased out cheaply to small shopkeepers (point 16). Ground-rent is to be abolished and all speculation in land is to be prohibited (point 17). Above all, there is the famous “Brechung der Zinsknechtschaft,” the destruction of interest-slavery. To explain the real meaning of this mysterious slogan has been hard—even for official party-interpreters; by its very obscurity the greater wonders did it perform in their propaganda. It was said to mean the fight against international finance and loan capital; or to describe the situation of the toiler working in factories for unearned interest, directors' shares and dividends of the stockholders; or to express the servitude of a people that covers its financial requirements by issuing loans; or anything else. At all events, it was solemnly proclaimed the quintessence of National Socialism. But with the party's access to power the slogan had fulfilled its function. And so had all the other social points of the program. None of them has been transformed into reality. None of them has even been heard of since. Silently they stole away into oblivion.

Only one short phrase of the program, as far as it is concerned with social problems, has not been forgotten. That is the proclamation “Gemeinnutz vor Eigennutz,” common welfare before self-interest. In fact, a very similar proclamation
is to be found in the Constitution of Weimar, which reads: "Property is an obligation. Its use shall be at the same time service to the common weal." That then sounded like a commonplace. National Socialism, on the contrary, knew how to use its slogan as a formidable weapon.

Socialism by Belief?

The New Gospel

"In the relations between the economy and the people there is only one thing unchangeable: the people . . . Decisive is the will to attribute to the economy, always, the function as a servant of the people, and to capital the function as a servant of the economy. The people is the primary aim; the party, the state, the army, the economy, the judiciary—they are only secondary agents—means for the preservation of the people." Those are a few sentences from Hitler's speech of January 30, 1937. Does one think that they are truisms without any factual content? Then one must be made to realize that in National Socialist Germany such sentences have been uttered for years as the gospel of a new creed. Repeated literally like a revelation or translated into the wording of the individual propagandist, that gospel is preached to the people in a never ending sermon.

And the enthusiasts quite naturally do not stop at this point. They only start thence, as does, for example, Fritz Nonnenbruch in his book, *Die Dynamische Wirtschaft*, published by the official party's publishing house. Under capitalism, his argument runs, the people existed for the economy. But under National Socialism, capital and the economy as a whole must serve the people. National Socialism proclaimed German Socialism as its economic goal. And what can capi-

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1 Article 153, part 3.
2 Cf. *loc. cit.*, p. 27.
FASCISM FOR WHOM?

talism do if it retains its foothold economically but is defeated politically? As early as in the first year after its coming to power National Socialism reversed the relation between the people and the economy. The people now regarded the economy as its economy. And that was a most important event. For that belief united the people and the economy anew. The people worked for its economy. It behaved as though German Socialism were already a reality.

Does the skeptic urge that this might be a very pleasant situation for capitalism? Then in the view of Mr. Nonnenbruch, he would only prove his blindness. For according to that authority the possession of the economy by the people is not a material but a psychic and spiritual fact: “The German people, by its belief in National Socialism, has psychically taken possession of the economy... The material reconstruction of the economy follows from that psychical appropriation of the economy by the people. It is simply impossible that socialism in Germany should not be achieved in practice since it is already there—psychically.” National Socialism shuns a picture of what the economy of its German Socialism must look like in its details. The belief of the people in National Socialism is regarded as more important than such a portrait.

Such is the explosive enthusiasm of men who believe themselves to be stationed at the lever of the “dynamic economy” and who in that pleasant role think nothing impossible: “The National Socialist state is the expression of the superiority of the race over the facts.” It would be too easy simply to deride such exuberance. It is more important to recognize the real vigor behind it. For the dictators—all of them, their whole caste, even the hundreds of thousands of little dictators—are by their very feeling of omnipotence filled up to the brim with optimism, with energy and activity which they are also able to spread among their people by their ceaseless preach-
ing: a real vigor indeed which thus may become a factor of actual importance. And that is not all. For the gospel of the people as the paramount issue of every work may give some real gratification to the people, at least to a part of the people and for some time.

THE HONOR OF LABOR VS. THE CLASS STRUGGLE

Man does not live by bread alone. The entrepreneur wants to have profits. But besides he finds in his work entirely different satisfactions: the happiness of creative activity, the sporting pleasure of being permanently engaged in combat and of remaining victorious in it, the opportunity for self-expression, the expansion of power and of social prestige. The life of the unemployed, on the other hand, is rendered miserable not only by material need. What pains him just as much is that he feels evicted from society, that he does not find there a niche of his own, that he sees no purpose in his living. He, therefore, proclaims his right to work. He wants not only a wage, he desires to be a useful member of society again. The same principle, in fact, holds true for every kind of human activity and for every social stratum. The statesman and the farmer, the artist and the artisan, everyone aims also at supermaterial satisfactions, and everyone wants to be somewhere "at home," socially, by being recognized in the dignity of the work he does. A very old truth indeed. The world certainly did not have to wait for National Socialism to discover it. But National Socialism has added something new to the old knowledge: the unparalleled vehemence of its propaganda and its claim that it is building a new society on the basis of that doctrine.

The dignity of labor is the continuously repeated text of the sermon. If the result is not supposed to be "every man a king" then at least it has to be: "every German a nobleman." For the toiler on the soil this is the official battle-cry.
To create a “new nobility from blood and soil” is the goal of the agricultural policy of the Third Reich\(^8\) which uses “peasant” (Bauer) as an honorary title. But the same idea is applied to practically every group in society. Labor is to be honored because it is service to the community. And this is the case with every kind of labor. Workers with hand and with brain, workers in farms, factories, shops and offices, workers of all grades and ranks from the leading executives in huge corporations down to the unskilled wage-earner—they are all “workers,” for all of them are working for one and the same great purpose, the people. That is their honor, the honor of all. But this honor of labor is of course an attribute only of good and honest and diligent work. This fact, therefore, presents the opportunity of speaking more often of duties than of rights, of sacrifices to be made more than of rewards to be gained. The honor, very rightly, consists in the first instance merely in the fulfillment of the duties and in the willingness to make sacrifices. Moreover this common honor is to do away with class hatred and even with class differences. It permits an appeal to the professional honor of each particular group without offending the others. It is to replace dismemberment by solidarity, thus laying the basis for a classless society. Finally, the common honor attributed to every kind of work shall influence the social atmosphere of the whole country down to each single plant. It shall root the isolated individual in his nation, in his profession and in his place of labor. Thus he is to feel at home again in his social environment, upheld by the community of which he may feel himself a recognized member in a recognized rank. If applied to industrial labor this sounds suspiciously like the well-known paternalistic philosophy of certain entrepreneurs which so easily leads, among other things, to yellow trade

\(^8\) Cf. pp. 178 ff.
unionism. But one must not forget that those doctrines too have always found adherents among the broad middle classes and the laboring people as well—and that it makes an immense emotional difference, if the new "ethics of work," the new "community of work," are not only preached to one group of society, but to all of them equally. As long as the propaganda finds believers, it may prove anew the old truth that not only the reality forms the thinking but that also the thinking—and the emotions!—form the reality. Thus the doctrine may act, too, as a force of transformation, at least for some time and for some part of the people.

NATIONAL LABOR SERVICE AND SOCIAL HONOR COURTS

Besides, National Socialism supports its doctrine of the honor of labor by some realistic institutions.

There is, first, the National Labor Service. It too is by no means a discovery of the Third Reich. Its idea is also found in the United States, in the Civilian Conservation Corps. And in Germany it was introduced as early as 1931, two years before National Socialism’s access to power. In both countries it was one of the measures against unemployment, especially against the unemployment of the youth. The young unemployed should be taken off the streets, out of the big cities. They should be given a sound life in camps in the countryside, sound work in forests, soil improvement, land reclamation, road-building, etc. National Socialism began with expanding it and ended, by a law of June 1935, with making it compulsory. This is the characteristic innovation. Every German boy must now spend six months in the Labor Service before he joins the Army for two more compulsory years, and especially before he enters a university. In addition, the voluntary land-help brings young boys and girls from the cities to the farms where they may help the peasants and strengthen
their own attachment to the native soil. The whole institution is utilized internally for an intense indoctrination of the young generation with National Socialist spirit. For the rest of the people, on the other hand, the National Labor Service is glorified by all arts of propaganda as the realization of the new creed: in it there is no difference between the rich and the poor, between the trained brain and the toiler’s fist; all have to do the same manual work, all will thus learn the honor of labor in the service of the people: “We believe that in so serving we also serve God.”

Another instance of National Socialist institutions for realizing the honor of labor are the Social Honor Courts, established by the “Gesetz zur Ordnung der nationalen Arbeit” of January 20, 1934. And this indeed is a very impressive innovation because it introduces a new principle hitherto unknown in social legislation. The law is directed against “gross violations of social duties.” And it understands by them, as far as the employer is concerned, “misuse of authority, and willful and malicious exploitation of the followers,” or offenses against their honor, by an establishment owner, the leader of the establishment, or other supervisors; the penalties, which may be imposed by the Social Honor Court upon such an employer, include, aside from warning, reprimand and disciplinary fine up to 10,000 marks, also his disqualification for the position of a leader of an establishment. That is to say: Such a man can be forbidden, temporarily or permanently, to function as employer of hired employees henceforth; he may retain his property but he must in the future either work alone or work in his own plant like an employee while

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4 See p. 240 for the later development.
6 Chapter 4, Articles 35 to 55.
7 Followers in this connection means employees. Cf. p. 794.
his former functions towards the employees are to be carried on by a deputy. The law has its drawbacks, too. It can easily be misused, simply for blackmail, or politically against persons who are disliked by the men in power. And it threatens also the employee; especially for “willful and malicious agitation among the followers such as to endanger industrial peace” and for “disturbance of the community spirit in the establishment”; the penalty in that case may go so far as “removal from the labor position formerly held,” which may practically even mean the impossibility of finding a job for a long time. But apart from these dangers which are necessarily connected with the system, the principle of the institution of the Social Honor Courts primarily protects the weak from brutality and from the misuse of social power, as does apparently the practice of those courts. According to official reports on their activities there were 223 proceedings in 1935, of which 164 were directed against employers, and 251 in 1936 of which 189 were against employers. All this is certainly far from being a new social order. But it is a new principle, a new idea. And in practice it may not only punish abuses of social power that have already been committed, but even more it may prove a deterrent to such abuses in the future. National Socialism entails such a terrific amount of cruelty and human misery that one gladly records the few cases where it may also contribute to their diminution.

But what about the proclaimed new society? The sermon of the honor of labor, important as it is emotionally, with its unceasing propaganda, cannot possibly produce it. National Socialism knew that. It added to propaganda two other means, that lead somewhat nearer to reality: sweets and scourges.

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8 Recapitulated in Der Deutsche Volkswirt of April 2, 1937. Cf. also the issue of December 24, 1936, of the same weekly for some interesting individual decisions.
The First of May and the Second of May

On April 24, 1933, Dr. Goebbels, Minister for People's Enlightenment and Propaganda, issued a proclamation to the entire German people, saying that "the Government of the National Revolution had erected the first of May into the Holiday of National Labor." All wheels should stand still, all machines should stop, no work should be done on that day, while everywhere throughout the country, houses and streets, railways and trolley-cars, factories and public buildings should be decorated with flowers and fresh verdure and the national colors. "We have become a poor people. But nobody can deprive us of the joyful will for life, of the courage for work, of the intrepid optimism that overcomes all obstacles. The whole people honor themselves by giving labor the honor that it deserves. Germans of all ranks, groups and vocations, join hands with one another. United we march into the new epoch."

It was the fancy of a propagandist genius. For decades German labor, like European labor everywhere, and especially its Socialist organizations, had fought for that idea of the first of May as labor's holiday. Now they got it through National Socialism. The impression was enormous. The labor organizations had already been stunned by all the terrific blows of the preceding months. They now agreed to participate in the celebration. And the triumphant festivals took place throughout the country—as they have done since—with all the pomp of speeches and fireworks and bands and flags and uniforms and marching masses, which National Socialist organizers know how to manage in a masterly way.

That was the first of May. The morning after saw National Socialist storm troopers invade the headquarters of the trade unions. They expelled their leaders, some of whom were badly maltreated and thrown into jail or concentration camps. Na-
tional Socialism, by revolutionary action, took possession of the buildings and all the funds and other property of the trade unions and their subdivisions. The trade unions of all denominations (Socialistic, Catholic and liberal organizations alike) were dissolved. They had no idea of what was ahead of them. Only a few days before they had proclaimed self-responsibility and self-determination, their great traditions of the past and their great tasks for the future. Now they were dead. That second of May, 1933, following labor's holiday, was the end of German trade unionism. For what has emerged from that National Socialist usurpation was no longer any kind of trade unionism, not even a Fascist kind.

**The German Labor Front**

**IN PLACE OF TRADE UNIONS**

The heir of the trade unions—heir both of the seized property as well as of the dissolved membership—was the German Labor Front. It could celebrate its establishment as early as May 10, 1933, when in another great festival its leader, Dr. Robert Ley, asked Hitler to accept the protectorate of the new organization: “the German worker wants to be led, he is yearning for leadership.” The legalization of the Labor Front was nevertheless postponed. When Dr. Ley asked for it, “the leader answered in his fatherly kind-hearted manner: Let us first await what is to become of this changeling.” Thus, the Labor Front functioned illegally until October 24, 1934. But the decree issued at that time merely upheld what had already been done for nearly a year and a half. The German Labor Front is the successor of the trade unions. Yet it is not a trade union itself, in organization or in membership or in functions.

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9 Cf. his speech in Nuremberg on September 11, 1937, where he told that story.
The Labor Front, in the first place, is not an institution established by workers. It is, according to the explicit wording of the decree, a section of the National Socialist party. The party holds the leadership of the Labor Front. Its head is the organization leader of the party; he is appointed by the Leader and Chancellor; and he in turn appoints and dismisses the subleaders of the Labor Front who are chosen primarily from the membership of older social organizations of the party. The territorial organization of the Labor Front corresponds exactly to that of the party. And its financial management too is controlled by the party's treasurer. There is nothing of spontaneity or self-activity of employees in the Labor Front. Membership is supposed to be voluntary, "but actually there are strong incentives in favor of membership," as it is mildly put by the Commercial Counselor in the British Embassy in Berlin.\textsuperscript{10} There are supposed to be about 25 million members; Dr. Ley in his proclamation for the first of May, 1936, mentioned 30 million members of "Strength through Joy." The fees of the members of the Labor Front are around 1.5 per cent of their earned income; according to Dr. Ley's report in Nuremberg on September 11, 1937, they amounted to 32 million marks per month. This huge membership and income—a heavy additional tax imposed upon the working population—is one of the strong footholds of the party's power. And it is used entirely for emphasizing the party's political and social ideology. To promote "peace in industry," to build up "a real community of the people in life and work" is its aim. Therefore, secondly, the Labor Front is not an institution of employees. Membership is not restricted to that social stratum alone. The Labor Front is called "the organization of the German working men by brain and fist"; to embrace the employers, too, has from the

beginning been Dr. Ley's great ambition.\textsuperscript{11} Consequently—and this is the third and decisive point, where the Labor Front is to be distinguished from trade unions—the task of the Labor Front is not to improve the working conditions of its employee-members by bargaining with the employers about wages and hours of work. Its activities, as determined by the law, are predominantly devoted to other aims than those arising from the employer-employee relation. Support is given to members who are in need, in addition to the help afforded by the social insurance institutions; according to Dr. Ley's reports, 80 million marks were spent for this purpose in 1934, and about 100 million in 1935. Vocational training is another important activity. The purpose is to train young people in a special skill for which they are best fitted, or to train adults in a new skill, if that appears desirable. The publication of a great number of trade journals for the different industrial groups also requires mention. Some million marks (avowedly nine in 1934) are further spent for inculcating the National Socialist spirit in the huge number of Labor Front representatives of all ranks who are indispensable in the business of keeping the members of the organization in line with what their superiors wish them to think: \emph{weltanschauliche Erziehung} (education in the way of life) is the title of this very important activity. The Labor Front, furthermore, is building a large factory for the mass production of low-priced motor cars, financed out of the regular fees of its members and installment payments made in advance of purchase by prospective buyers. But more prominent than all of these functions of the Labor Front is what it has added to German social activity as a new contribution of its own: the German version of the Italian Dopolavoro work, the vast organization of the National Socialist community Strength through Joy.

\textsuperscript{11} Cf. p. 198.
“STRENGTH THROUGH JOY” AND “BEAUTY OF WORK”

Collectivist organization of leisure—that is the idea. One territorial section, for instance, thus reports about its activities in one month: there were vacation travels, hiking trips; theater performances, afternoons for women, children’s festivals, Saturday afternoon affairs; courses in gymnastics, athletics, tennis, swimming, horseback riding, and other sports; lectures, conducted tours through museums and exhibitions, courses for group study, for stenography, arithmetic, languages, music and cooking. And that is only one section. Others in other parts of the country amplify the list: they have their members attend concerts, arrange folk festivals, build up large lending libraries, organize village community evenings, and so on and so forth. One can do a lot of things with the annual budget of between 300 and 400 million marks of the Labor Front, and with its immense membership which always guarantees an attendance and provides large gate-receipts even with low rates. As a matter of fact, all the manifold activities of Strength through Joy do not cost the organization very much, including even the extra exemptions to such members as are not able to pay the very cheap rates, while at the same time the Labor Front is very often strong enough to tax the employers through so-called voluntary contributions for their participating employees. Dr. Ley, in his report of September 1937, proudly stated that the total costs of Strength through Joy in the last year could be reduced to 13 million marks as against 17 million marks in the preceding year, in spite of increased services; the turnover of the organization since its coming into existence up to that date, on the other hand, totaled about two billion marks.

The most conspicuous achievement of the institution is the vacation trips. Strength through Joy has bought steamships
to carry its members to the Mediterranean or to the Northern Sea. It has built special summer resorts for its members on the Baltic Sea and intends to build others in other German regions. It regularly arranges short vacations for hundreds of thousands of men, women and children who may not even have dreamed before that such pleasures of life could be made available for them. Truly, to a great many of them it gives an entirely new aspect of life. And many of them doubtless derive great enjoyment, too, from the other activities of Strength through Joy. Often they probably realize tardily that they are paying a high price for it. The National Socialist leaders know it very well—and they want it. One of them is reported to have said: “The member of the German people’s community (Volksgemeinschaft) must have no private life and especially he must not have his private skittles-club.” That indeed is the point. The alleged thirty million members of Strength through Joy must never be alone. They must always be en masse. They are not to be individuals. They are to be collective parts of a greater collectivity. Thus they may be less inclined to think independently and less likely to lose their tempers about the less agreeable aspects of their life and about the loss of their freedom. That, then, is the purpose for which the party through its Labor Front and its Strength through Joy employs its monopoly of organization. But all that does not diminish the really great value of the actual achievements of Strength through Joy which are only degraded by their political exploitation.

Besides, this organization has still another equally efficient branch: “Beauty of Work.” It “deals with questions such as improvement of ventilation and lighting in factories, installation of rest rooms, sanitation, and the raising of the standard of working conditions from an aesthetic point of view by voluntary schemes such as factory garden-plots, etc. It is reported that during the first two years after the establish-
ment of this branch 250 million marks were spent by employers at the instigation of 'Beauty of Work' on hygienic and aesthetic improvements, accident prevention schemes and devices intended to increase the protection of the workers against the effect of dust, soot, poisonous gases and noise. 13 Strength through Joy sends around traveling cinemas in motor trucks showing model factories and model offices. They advertise the possibilities of "Beauty of Work." But they certainly advertise with much stronger effect the merits of National Socialism, initiator of all such improvements. And that is the political result of the whole work of Strength through Joy, just as it is the result of the doctrine of the honor of labor—and as it is also the result of various charity campaigns and particularly of the "Winter Help" which was able to collect an additional amount of between 350 and 415 million marks annually for the distribution of food and fuel and clothes among the needy; three million children received Christmas presents from the Winter Help in 1937. The psychological effect has been immense, at least for some time and for some part of the population: "Formerly, nobody took care of us—now they do."

THE LABOR FRONT AND THE SOCIAL PROBLEM

As a matter of fact, all this is not yet the whole story of the Labor Front. For the social problems remain. The antagonism in the employer-employee relation cannot be done away with. And the Labor Front for its part, too, is involved in these problems, although they are not recognized in its statutes. But in order to understand this situation, we must first look at the other innovations that National Socialism brought about in Germany's social structure after the destruction of the trade unions.

The German Version of Corporativism

VOCATIONAL ORGANIZATION

While Fascism declared Italy a corporative state many years before the first corporations actually came into the picture in 1934, the situation in Germany was just the reverse. There, a vast amount of quasi-corporative organizations had been developed during the Empire and strengthened during the Republic in every field of human activity. When National Socialism seized power, it did not need to inculcate a new corporative philosophy or to build up a formerly unknown socio-economic organization. It was only necessary to make the existing organizations compulsory, so that the whole people might be embraced by them and, above all, to change their leading personnel, replacing their old leaders with new men having the correct Weltanschauung.

The inclination of large parts of the German people for vocational and group organization, especially among the middle classes, readily supported the aims of National Socialism. It has been already observed how much such organizations correspond to the feeling of unpolitical men and women who understand the state not as an institution of their own but as their superior. Their vocational organizations seem to them so much nearer than the great and remote body of the state. There they feel at home in their social vicinity. And this is exactly what National Socialism wants them to feel. For it does not wish—and it does not allow—the masses of the people to participate in the formation of the political will of the nation. That is reserved for the party, which is supposed to be the elite. The masses, on the contrary, must be removed from the state. And the best way to do that

is to keep them busy in the vocational organizations where they may experience the illusion of participating, according to Hitler, "not only in an economic but also in a political activity." To tempt them into such an illusion will, moreover, be all the easier if the occupational organization can be utilized at the same time for very realistic material gains: for the diminution of competition, for the exclusion of newcomers who want to enter a trade, for protecting on every occasion the "ins" against the "outs" and, of course, especially against the "outs" from abroad, against foreign competition. Thus the whole concept comes nearer and nearer to the reminiscence of a glorified past which is still alive among large parts of the German middle classes, of a pre-capitalist, pre-liberal age, the gilded memory of which makes them so easily accessible to all romantic anti-capitalist and anti-liberal doctrines. Why not use as models the old guilds of the Middle Ages? Let us go back to the old estates that gave every man his fixed place in society. Let us build up such an organic state, a state organized and formed by the estates.

THE IDEA OF "ESTATES"

As a matter of fact, National Socialist doctrine—much more than its practice—is masterfully adapted to such desires. During the first months of National Socialism the Estates were the latest fad. The trouble was that it was so difficult to decide what the favorite word really meant; so many understood entirely different things by it. Thus, while agriculture and handicrafts were allegedly organized as estates, the clash came in the very field of high capitalism. The National Federation of German Industry thought first that it could solve the problem by simply adopting the word, namely, by changing its name into National Estate of German Industry. The party rightly objected against using the classification as an

14 Speech of January 30, 1937.
estate for an organization which comprised only the employers and not also the employees. Many industrialists for their part regarded the vociferous discussion about estates as a marvelous opportunity for an all-embracing cartelization with monopolistic powers for the regulation of production and prices. Dr. Ley, on the other hand, when building up his Labor Front as an organization of employees and employers alike, probably dreamed that this organization was destined to develop into the industrial estate—with himself as its leader. After a few months the confusion was so complete that the National Socialist government decided to postpone the state by estates although "it is self-understood that it must come in our country." It was much later that the idea was openly renounced, when Dr. Ley proclaimed the complete victory not only over the class struggle but also over the state by estates "which in a way is a disguise of the class struggle." But this is now the official doctrine even for the handicrafts; "If one preaches the community of the people, one cannot have at the same time a structure of estates."

THE REALITY

The result is that the actual social structure of the Third Reich took very divergent forms. But all of them serve excellently the purpose of National Socialism. For to all the manifold forms of organization National Socialism applies one and the same decisive principle which actually brings about co-ordination: the principle of authoritarian leadership. This leadership is imposed upon the allegedly self-governing bodies of the estates and the other associations and organizations,

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16 Speech of September 11, 1937.
17 Staatsrat Schmeir in a speech of May 5, 1938.
exactly like the one imposed upon the Labor Front. By these methods National Socialism strips from its version of corporativism any genuine meaning of its own and transforms the German organic state into the totalitarian co-ordination or the co-ordinating totalitarianism which really is the purpose of the system.

**Corporative Agriculture**

**THE MODEL**

Agriculture is the field in which National Socialist ideas about an organic state formed by the estates, about a state based on blood and soil—and, at the same time, about totalitarianism—have been written most clearly into the law of the land. Here indeed all liberal concepts and institutions have been eradicated down to their minutest traces. What that means practically for the people concerned can therefore best be studied in this field.

**ENTAILED FARMS**

First of all, National Socialism has altered the whole legal status of a large part of German agriculture by the Entailed Farms Law (Reichs-Erbhof-Gesetz) of September 29, 1933. The law affects all those farms which are large enough to be regarded as self-contained economic entities but not larger than 309 acres (125 hectares) and which belong to an “honorable” farmer of German citizenship and of German or kindred blood who can prove that no one among his ancestors was of Jewish or colored blood as far back as January 1, 1800. A farm complying with these conditions is an entailed farm by the law, with or without the wish of its owner. That is to say that the latter can be deprived of the right to operate his farm and even of its ownership (in favor of a member of the family) if he is no longer “honorable,” or able to farm
in the proper way, or to meet his obligations: an inefficient hereditary farmer (inefficient, according to the judgment of the regime) can also be subjected to supervision or be replaced by an administrator. But the hereditary farmer himself cannot sell his farm or a part of it (except for particular, important reasons with the approval of a special court); he can only transfer it to his heir. Furthermore, he cannot mortgage his farm. He cannot divide his farm, unless his acreage is large enough to split it into two or more independent entailed farms, which later may fall to different heirs because nobody is entitled to inherit more than one. The individual entailed farm must be transferred undivided from one generation to the other to a single heir according to the order of inheritance as it is fixed by the law: in the first line to a son (the youngest or the oldest, according to the habits in the particular part of the country) or to the father of the deceased or to his brother or to a daughter or to a sister, and so on. The privileged heir, too, must meet the requirements of citizenship and blood purity. Otherwise he is eliminated from the list to the benefit of the next in line. And the same rule applies if he decides against being a peasant and declines to inherit the farm. For the rest of his family the owner can provide only by restricting the number of his children or by leaving them other property not belonging to the entailed farm to which they may succeed. Besides they shall receive an adequate education and equipment commensurate with the means of the farm and may return to the home—to labor there when in need; but they are not co-heirs of the farm and not entitled to any compensation for leaving the farm to the privileged heir. The owner's wife, finally, is not even mentioned in the roll of the potential heirs to the farm. She never can succeed to an entailed farm. She has only the right of maintenance on the farm in case of need.
That is the way in which National Socialism desires to preserve the farm population as "the source of blood of the German people." The farms shall remain permanently as heritage of the kinship in the hands of "free peasants" (as the law likes to call them). No longer shall the soil move into the hands of the most efficient cultivator, tested by competition. Competition, free mobility of self-responsible farmers, new blood, and the like, are nothing but liberalistic prejudices to National Socialism. Therefore the farmer's non-inheriting sons and daughters have to leave the farm for the benefit of the privileged heir. In fact, about 700,000 farms, nearly a quarter of the total number of farms in the country, making up about 45 per cent of the area under cultivation, have been subjected to that law.

THE NATIONAL FOOD ESTATE

The National Food Estate (Reichsnährstand), on the other hand, the model of an estate organization, comprises agriculture as a whole, forestry, horticulture, fishing and hunting. Moreover, it combines with agriculture proper also all the processing industries, all co-operative societies and wholesale and retail trade in agricultural products as well.

By the law of September 13, 1933, and the ensuing executory decrees, especially that of December 8, 1933, approximately one thousand voluntary associations and organizations that existed before have been replaced by this giant centralizing estate with the result that they were dissolved and their properties were transferred to the new organization. The Food Estate itself is a compulsory organization to which everyone belongs by the very fact of his being engaged in its field; annual levies on the members and fees for the use of its

18 According to Mr. Darré's speech at the Party Congress in Nuremberg, September 1937.
institutions have to be paid in order to meet its expenses. Apparently it is a self-administering body. The constituent
cells of its territorial organizations are the Local Farm Asso-
ciations (Ortsbauernschaften) in every village. Above them
are 520 District Farm Associations (Bezirkbauernschaften),
which in turn are organized in 20 Regional Farm Associations
(Landesbauernschaften); these finally are topped by the cen-
tral body. Each year there is a National Farmers' Congress;
furthermore the self-administering character of the Estate is
emphasized by a National Farmers' Assembly of about 1,000
members to which the old German appellation Reichsbauern-
Thing has been properly applied, and by a permanent Council
of about 100 persons. Thus the National Food Estate is sup-
pposed to be "the representation" of its members. Its task
is to serve its members, regulate their mutual economic and
social relations, adjust their endeavors according to the com-
mon weal and help the government by expert opinion and
advice. The Secretary of Agriculture may entrust it with
special tasks. One of its main obligations is to watch the pro-
fessional honor of its members.

THE NATIONAL FARM LEADER

But while those are the legal stipulations of a seemingly
self-administering estate, the leadership principle of the totali-
tarian dictatorship provides again for an entirely different
reality. The leader and the legal representative of the National
Food Estate is the National Farm Leader. But he is not
elected by the members of the estate or by any of its self-
administrative bodies, but appointed by the Chancellor. As
it is, he is also Secretary of Agriculture who in any case
controls the estate in behalf of the state. And this principle
of the appointment of the leader from the top downward is
also applied in all the lower ranks of the estate. The National
Farm Leader heads all its departments. He selects the mem-
bers of the Council and the members of the Assembly. He appoints the regional leaders. At the bottom, the local peasants are usually simply led by the party's representative in the village. Here again (not so very different from the situation of Labor) is co-ordination. All the rich and diversified life of the formerly free agricultural organizations had to be sacrificed to this main aim of National Socialism. To it, the formation of the Food Estate with all its romanticisms and its alluring reminiscences of a glorified past is—spiritually and politically—a means of power.

AGRICULTURAL CARTELIZATION

The concrete task of the estate-organization, at the same time, is similarly completely different from the placarded ideology. The new social honor, the new collectivism with its emphasis on the communal life in the social vicinity—folk dances and folk costumes and youth's activities and adult education—do play their role, psychologically. But the reality of the National Food Estate is that it is a model of a gigantic, all-embracing, compulsory, vertical cartelization. This cartelization regulates the passage of all important agricultural commodities from the farm through wholesale and retail trade to the ultimate consumer. It determines the prices in every stage of the passage, deciding about increased profitability in one stage and diminished profitability in another. But at the top of this giant cartelization is again the omnipotent state and its decrees.

Here, as in so many other fields, National Socialism found its way prepared by the Republic, which since 1928 had introduced a multitude of measures in order to protect the farmers from the agricultural crisis. Not only had the indebted farmers been protected from foreclosures and supported by the diminution of taxes, by lowering the rate of interest on their debts and by governmental contributions to these interest pay-
ments. The breakdown of the price level of the main agricultural products had also been attacked by a continuous raising of the import duties, and this protection had finally been completed by the erection of state monopolies for grain, for oils and fats, etc., with the result that the domestic prices of the main agricultural commodities had been completely severed from world market prices, surpassing the latter sometimes by 100, 200 and more per cent.

What National Socialism added was again the totalitarianism of the cartelization and monopolization. The National Food Estate has a "Main Section III," called "The Market." This section—to omit minor details—comprises nine Central Associations (Hauptvereinigungen), namely, for grain, cattle, milk, potatoes, eggs, gardening and vineyards, breweries, fish and sugar. These Central Associations incorporate vertically in each field the producers, processors and merchants alike; they are the central compulsory cartels, supposedly self-administrative bodies. Aside from them there are four Government Administrations (Reichsstellen) dealing with grain and fodder; animals and animal products; eggs; and oils, fats and dairy products. The functioning of this immense machinery may best be shown briefly by the example of the grain regulation, which is also highly enlightening for its characteristic development, and for the change of the character of the institution.

SELF-ADMINISTRATION OR REGIMENTATION?

In the beginning, under the impact of the world agricultural crisis, the regime considered the securing of satisfactory prices for the farmer the predominant issue, as its predecessors had done also. Thus fixed prices for bread grain were decreed. And since the ample experience of the World War had shown that high fixed prices for one use of a commodity are immediately followed by too large supply for that particular
use, while low fixed prices on the other hand result in evasion by diverting the same commodity to other uses—grain for bread as human food or as fodder for the cattle—the fixing of prices for bread grain had to be accompanied by the establishment of quotas for the amount of grain which the individual farmers were allowed to deliver at the high prices for bread. Compulsory cartelization of the flour mills, also with quotas and with fixed price margins, had to follow. The grain and flour traders, practically transformed from merchants into distributors, were subjected to a corresponding regulation with restricted profit margins and fixed quotas. And the same regulation as to prices and quantities was finally applied to bakeries too. This method had the further result of curtailing the margin between the price received by the rural producer of grain and the one paid by the urban consumer of bread, either by eliminating unnecessary middlemen or by simply taxing the intermediate stages; later on, it was refined by the creation of equalization funds, accumulated, for instance, by levies from mills or bakeries which were allotted a high quota for a better (and therefore cheaper) employment of their plants, and distributed among members of the same trade who were suffering loss. All that is enacted in the Central Grain Association, with prices and price margins actually decreed by the government. The Government Grain Administration, on the other hand, has to bring about the equilibrium between demand and supply. For this purpose it functions as an import monopoly, using as its agents the private importers, who have to offer the imported grain to the Administration; besides, it may store domestic surplus supplies and cover a succeeding deficit out of them or it may export the surplus and thus use the world market for final equalization. But it can succeed in reaching such an equilibrium only in the event that domestic deliveries plus imports at least effectively cover the domestic demand.
If the two items together do not suffice for that purpose, this system of quantitative regulation has only one ultimate way out at its disposal: it must impose quantitative restrictions also on the demand by assigning quotas to the consumers.

But in such a situation of scarcity this whole system of regulation changes its character. While in a situation of over-supply its main aim is to protect the prices of the farmers, it must, in a situation of scarcity, control and enforce the quantities of the farmers' deliveries. The important fact is that the apparatus of totalitarian administration, once built up, can be used for the one purpose just as easily as for the other—that its character can thus be changed nearly imperceptibly. The fixed prices, introduced as minimum prices in favor of the producer, are then transformed into maximum prices which the producer is not allowed to exceed. And the quotas which originally were bestowed on the producer as certifying the quantity that he was allowed to deliver at preferential prices, if he pleased, indicate now the amount that he must deliver at all events, even though he might use it with higher profit for feeding cattle or for other purposes on his own farm. This is what has gradually come about, and has become most significant as a result of the bad harvest in 1937. Consequently a governmental decree of July 27, 1937, went even further. The farmer must not only deliver his quotas of wheat and rye. He is compelled to deliver the total bread grain harvested by him. He may retain, in controlled quantities, only what he needs as seed and for human consumption in his own household. Every use of those grains as fodder, either by the grain producer himself or by any other person, is strictly forbidden and severely punished.

As a matter of fact, all principal agricultural products have been subjected to a kindred regulation with prescribed use of the products, compulsory deliveries and quota restrictions. This holds true for the farmers and for the merchants, the
mills and the other processing industries as well. This comprehensive regulation is the chief practical task for which the National Food Estate is employed. From a self-administering body it has been transformed into a tool of the government for the administration of agriculture by strict decrees to be carried out by the vast organization of the Estate. The farmer is allowed to enjoy high prices fixed by the government. But he is not supposed to manage his farm in the way he chooses. Every detail about the farm, its tillage plan, its production, must be communicated to the government by farm cards (Hofkarten). And farm advisers take the role of supervisors. More and more the farmer (as well as the merchant, the miller, the processor) becomes an employee of the state. This transformation of the farmer was most clearly revealed when, in the spring of 1937, in the course of the Second Four Year Plan, Mr. Goering undertook to mobilize agriculture with intensified speed for the “battle of nutrition.” A then issued decree “for securing the cultivation of the land” subjected the non-hereditary farms to even stricter rules and compulsions than the hereditary. The farmer who does not comply with the commands or the intentions of the regime may subsequently be admonished or put under the supervision of a trusted man of the regime or replaced by an administrator or even compelled to lease out his land partially or totally to an experienced person. The owner of an uncultivated but cultivable plot of land may likewise be warned and finally be compelled to lease it. No wonder that farmers grimly call the state officials or the officials of the National Food Estate, coming to their farms to transmit the state’s orders and supervise their execution, by the short and significant name of “Soviet-Commissars.”

National Socialists like to boast of having replaced the

19 Cf. his speech of March 23, 1937, and Frankfurter Zeitung, March 5 and 24, 1937.
old economic system with their agricultural organization, of having taken agriculture and all the trades connected with it out of the capitalistic nexus, so that they now obey entirely new economic laws of their own. "No longer does the price dominate us and our actions—we fix the price." That is lyricism, not economics. The farmers in Germany are just as eager as they were before 1933, and as they are in every other country, to get as much as possible out of their work. They obey the economic law as indicated by the price. They like to increase the production of those commodities which promise them a greater profit, and to diminish or to abandon the production of others whose prospective profits are low. If they act otherwise, it is not on account of the alleged new economic laws discovered by National Socialism but simply because they feel compelled to yield to the new non-economic laws imposed upon them by the National Socialist state. And the more these non-economic laws of the state conflict with the economic law, the more frequent are the contraventions. Bootlegging is the normal consequence. The ultimate resort of the state is plain compulsion. The following newspaper items, picked up at random, may speak for themselves: "According to a statement of the district administration (Kreisamt) in Gera a farmer was taken into protective custody, because he had not fulfilled his duty in milk delivery, in spite of several warnings. He had churned the milk himself and then traded the butter in on his own hook." "In the district of Bentheim a farmer was taken into protective custody because he had continuously used bread grain as fodder against the rules." There it is: the concentration camp as the ultimate economic regulator.

20 Mr. Darré in a speech of September 24, 1934.
21 Frankfurter Zeitung, October 30, 1935, and October 21, 1937.
Organization of Handicrafts, Industry and Trade

CHAMBERS, GROUPS AND CARTELS

The vast organization of handicrafts, industry and trade in the National Socialist state may best be understood if one keeps in mind that it follows along the same line as the agricultural organization with but one decisive difference: these sections of German economy have not been given the real character of Estates. That is to say, first of all, they are not allowed to regulate production, prices and distribution. This regulation remained in the hands of the cartels and kindred associations of the various industries, but the official organization was not allowed to conquer these functions for itself. This restriction holds even for the handicraft-organization, although the pompous name of National Estate of German Handicrafts has been bestowed on it and all the other sonorous titles of medieval splendor are used in it up to the National Grand Master of Handicraft. For industry and trade, the pompous phrases have been renounced. Cartels and trusts are too realistic profit institutions to be adorned with a romantic vocabulary, and the cool-headed calculators of high capitalism would only feel uncomfortable and a little ridiculous in the solemn robes and perukes of bygone days. Even so they have more than enough pathos and ceremonials to swallow.

Before National Socialism’s access to power in 1933 there had been a threefold entrepreneurial organization of these branches. First, the employers as employers, bargaining collectively with the trade unions of their employees, were organized in employers’ associations, topped by the Federation of German Employers’ Associations. These organizations have been dissolved together with the trade unions by National Socialism, and its orators like to glorify this dissolution as an
achievement of equalizing justice; they omit mentioning that the employers, in contrast to the employees, have been permitted to retain their other powerful associations. Besides, there had been a regional and a functional organization. The regional organization was the one that was officially recognized: Chambers of Industry and Commerce, Chambers of Handicraft, topped by their central Federations. Their tasks (like those of the corresponding Chambers of Agriculture) were in part educational: the support of vocational schools, the supervision of vocational training, and so on. Mainly, they had to represent their members in relations with the government (local and state) by giving their opinion on pending legislation, by reporting publicly on business conditions in their districts, and on demands and grievances—and they had to help their members by giving them advice and information about general business matters, taxation, opportunities for export and a thousand things of that kind. The functional organizations, on the other hand, were voluntary and private—and all the more powerful, depending upon the real weight of their particular branches and also upon the cleverness and energy of their respective leading men or syndics. Among them were the associations of the heavy industries, of the chemical industry, of the machine manufacturers and the like, sometimes with highly divergent interests but eventually centralized by the National Federation of German Industry; there were furthermore the associations of wholesale merchants and of retail traders, of banks and of insurance companies, of the different crafts and many others. They were pressure groups, engaged in all questions of economic policy and trying to exercise their influence in the final decisions concerning them.

National Socialism has retained this double organization along regional and functional lines. But membership in both groupings has been made compulsory. And while formerly
the two lines ran independently of one another, split up in many subdivisions and without any common link between them, they have been brought together now, first by the erection of eighteen Economic Chambers (Wirtschaftskammern) in fourteen economic districts, and second by the Reich Economic Chamber (Reichswirtschaftskammer). The latter represents for the whole of Germany (as do the District Economic Chambers for their territories) the central peak of both regional and functional organizations. And by combining the two of them, it amalgamates also in one centralized body branches formerly separated. The functional organization, from the individual enterprise upwards to the top, is taken care of by six so-called Reich Groups, namely, Industry, Handicraft, Trade, Banks, Insurance and Power; the Reich Group Industry for its part is subdivided into seven Main Groups; and a wide net of further subdivisions, horizontal and vertical, has been woven throughout the groups. Now these Reich Groups are members of the Reich Economic Chamber, as are the regional organizations, namely, the Chambers of Handicraft, the Chambers of Industry and Commerce and the Economic Chambers. The former central Federations of both the regional and functional organizations have not been abolished—they have been renamed; the former National Federation of German Industry (Reichsverband der Deutschen Industrie), for instance, is now the Reich Group Industry, and the former Federation of Chambers of Industry and Commerce (Deutscher Industrie-und Handels-tag) is now the Arbeitsgemeinschaft der Industrie-und Handelskammern, which means exactly the same. The only

22 The Federation has, in addition to its regular members (the 95 Chambers), extraordinary members; namely, the recognized chambers of commerce and other economic associations of German industrialists and merchants in foreign countries and is, according to its statutes, the central organization for those too,
structural innovation is their all-embracing unification. The regional chambers and the functional groups act in the same way and have primarily the same tasks as before. The Reich Economic Chamber, on the other hand, deals with the larger questions that transcend the limited fields of its sub-organizations and are common to all of them, to chambers and groups; it is the place for the discussion of the general questions of economic policy.

**THE LEADERSHIP PRINCIPLE**

But “discussion” in the authoritarian state means something entirely different from discussion in a democracy, and that holds throughout the entire huge organization and all its subdivisions. The group—thus, for instance, runs § 16 of the decisive decree of November 27, 1934, the foundation of the whole structure—“has to advise its members and to take care of them in its field. The leader has to guide the group according to the intentions of the National Socialist state and to further the affairs of the group and its members by taking into consideration the interests of the industrial economy as a whole and by protecting the interests of the state. The members have to follow the instructions of the leader which are motivated by the purpose of the group or of the whole organization.” As a result, organization in the National Socialist state means nothing but co-ordination. What is euphemistically called self-administration is actually intended to be an instrument in the hand of the state—an instrument for directing the activity of the organized entrepreneurs in accordance with the supreme will of the state and its necessities, decided upon by the ruling bodies of the state.

All the single groups in fact have their leaders, and all these leaders their advisory councils. But neither the election of the leaders nor that of the councils is left to the free choice of the members. “What is necessary in the interest of the
whole,” said Dr. Schmitt, then Minister for Economic Affairs, in a speech of March 13, 1934, “cannot be frustrated by the shortsightedness of a members' meeting. Responsible and able men, who say yes to Adolf Hitler’s Reich, must take the lead and must thus be enabled to make the decisions which they think suitable to the interest of the community.” In cold reality that means simply the identical situation described above for agriculture, namely, that the leaders, and the advisory councils as well, are imposed upon the members from above, always from the top down. But a long (and highly enlightening) conflict preceded the decision as to who should constitute the top itself, and how it should be determined. Self-administration must have a head of its own. And an ostensible self-administration must at least have such an ostensible head—all the more so, should one want to advertise, if not the idea, at least the ideology of the Estates. At the beginning, therefore, National Socialism gave to the industrial economy the same kind of leadership as to agriculture: a National Industrial Leader (Führer der gewerblichen Wirtschaft) corresponding to the National Farm Leader. He was a completely insignificant man, a devoted member of the party and appointed by the National Socialist Minister for Economic Affairs. Thus there seemed to be no danger at all.

THE GOVERNMENT STEPS IN

Nevertheless, conflict arose from two directions. On the one hand, there was the desire of important groups of industry and of handicraft to assume, in addition to their other functions, the regulation of the markets for their products, in matters of quantity of production, prices and distribution. If one was to have an Estate—why not enjoy its profitability? This indicated the imminence of an all-embracing and all-powerful cartelization. On the other hand, the National Industrial Leader started to build up a bureaucracy of his own
in order really to lead his giant organization. And this was even more perilous—because it threatened the state bureaucracy with very unpleasant competition. As to agriculture, this problem of two parallel competing bureaucracies was solved in a simple way: the National Farm Leader was appointed Minister of Agriculture. As to handicraft, industry and trade the solution was just as simple, only in the opposite direction: the government abolished the institution of the National Industrial Leader as such and the Leader with it. "The organization of handicraft, industry and trade has been planned from the beginning to be the steering organ of governmental economic leadership. Its task to keep the government permanently informed about the wishes and needs of its members, is paralleled by the other task to direct the will of even the last enterprise according to the purpose set by the government," wrote the weekly *Deutscher Volkswirt*\(^28\) which is supposed to be the organ of Dr. Schacht. Thus even the cartel-problem could be solved. As early as the law of July 15, 1933, dealing with the erection of compulsory cartels, the Minister for Economic Affairs had achieved greatly increased power in this field. He was given the right to command unwilling members of a trade to join a syndicate, cartel or convention for the purpose of regulating the market of the particular trade; he can also forbid in any trade the expansion of existing, or the erection of new, enterprises. He thus had obtained a new powerful weapon for the protection of private interests\(^24\) in addition to his long-established power of controlling the cartels. Now by a decree of November 12, 1936, the cartels (all of them, voluntary and compulsory alike) were put under the supervision of the Organization of Handicrafts, Industry and Trade. But this new regulation by no means meant the fulfillment of the far-reaching wishes of the

\(^{28}\) In its issue of November 20, 1936.

\(^{24}\) Cf. below, p. 232.
Organization. On the contrary. For, according to the decree, the Organization functions in this regard as a part of the governmental supervision over the cartels. And that is actually the way the Organization functions in every regard. As a matter of fact, the Minister for Economic Affairs appoints the leader of the Reich Economic Chamber and his deputies, just as he appoints the leaders of the Economic Chambers in the districts. But even the Council of the Reich Economic Chamber, allegedly the peak of industry's and trade's powerful self-administration, from the beginning has been, by the basic decree of November 27, 1934, declared to be an "advisory organ of the Minister for Economic Affairs. The Council meets at the Minister's request. The Minister fixes the purpose of the deliberations and leads the negotiations. He appoints his deputies"; the leader of the Reich Economic Chamber is only allowed to convocate the Council "in matters of self-administration." Indeed, after the abolition of the National Industrial Leader, the question as to who was now to be the leader was correctly answered by Dr. Schacht's simple words: The leader of the Organization of Handicrafts, Industry and Trade is the Minister for Economic Affairs. He leads the huge organization with all the authority of the authoritarian state.

Capital and Labor

THE "LEADER OF THE ENTERPRISE" AND HIS "FOLLOWERS"

"In the plant," says the National Labor Law, "the entrepreneur as the leader of the enterprise (Führer des Betriebs) and the salaried employees and wage earners as the followers (Gefolgschaft) work together for the furtherance of the purposes of the enterprise and for the common weal of the people and the state. The leader decides, as regards his followers, all matters pertaining to the enterprise in so far as these matters are regulated by the law. He has to care for the weal of his
followers. The latter have to be faithful to him according to the community of work." The leader and the followers; command and obedience; paternal solicitude of the entrepreneur for the welfare of the employees and devoted loyalty of the employees to the entrepreneur, both sides bound together by the common work for a common purpose: it is this military relation between the officer and his soldiers which is now supposed to be the basis for the social relation between capital and labor. That is the practical application of the principle of leadership in the social sphere.

The leader of the enterprise is the one who decides. In every plant with twenty employees or over he issues written factory regulations (Betriebsordnung) which contain rules for the beginning and the end of each work-day and the intermissions, about the time and methods of the remuneration of labor, about the reckoning of piecework, about fines, dismissals, and so on. The leader of the enterprise is to be supported by advisers from among the followers (Vertrauensmänner). But those advisers, who have replaced the former shop-councils, have no rights of their own. The leader need not follow their advice, and only with him and under his guidance they form the Council of Advisers (Vertrauensrat). Moreover, they are by no means an independent representation of the employees. It is the leader of the enterprise who has to prepare each year, in agreement with the head of the National Socialist cell organization of the plant, a list of advisers and their substitutes towards whom the followers then express their attitude by secret ballot. The employees are only allowed to say yes or no to a list handed to them; if there is no agreement, the advisers and their substitutes are named by the Labor Trustee (Treuhänder der Arbeit), a state official, who may also recall an adviser because of technical or personal unfitness. Such is the new military order of the plant. The total absence of rights of the employees is to be made up
by mutual trust, by the consciousness of a community of work. And this aim is supported by various employees' organizations within the plant: sport associations and women's groups and— to mention only the latest achievement in this sphere—the work-troops (Werkscharen), which provide the younger employees with uniforms and an additional military and spiritual training. All the hired pens and orators of National Socialism never tire of praising this new order for having abolished the class struggle and thus accomplished the unification of the German nation in the relations between capital and labor.

WAGES BY DECREED

The reality, in this sphere as in so many others, differs widely from the official preaching. On the one hand there can be no doubt that the human relations between employer and employee, which National Socialists now claim to have invented, did exist before in a great many German enterprises as everywhere in the world, with all their implications of mutual loyalty, of a common interest in the well-being of the enterprise and all its members, of a common pride in its success and a common sorrow in its difficulties. Where such human links existed before, they certainly have survived even National Socialist militarization, and they have done so especially in such enterprises where neither the employers nor the majority of the employees have been infected with National Socialist propaganda. Where, on the other hand, such human relations were missing before 1933, they are not very likely to have since become overwhelmingly passionate. But be that as it may, the actual development of the employer-employee relations is highly different from the official version. It tells the pathetic story of social forces struggling behind the screen and kept silent only by continuous interferences of the dictatorial state.

The outcome is that wages in National Socialist Germany
are fixed by the state, not by the entrepreneurs nor by any kind of social self-organization or self-administration.

Parallel to the organization of the Labor Front, thirteen Labor Trustees in as many districts of the Reich have been appointed by the National Labor Law. They function under the supervision of the Reich Minister of Labor, and have to observe the orders and instructions established by the Reich government. They are charged with the maintenance of industrial peace. But they are not to be compared with the arbitrators under the Republic who functioned as intermediaries in industrial disputes. They do not mediate but command. Thus the entrepreneur needs the consent of the Labor Trustees if he wants to dismiss more than a few employees with less than four weeks' notice, while the Trustee is also entitled to command that such dismissals shall become effective only after two months. The Trustees may likewise introduce regular vacations with full pay for the workers. Most important, they are entitled to promulgate wage-scale ordinances, which take the place of the former wage tariff agreements between capital and labor. At first the idea prevailed that under the new order the wage problem in the individual enterprises would as a rule be solved there individually, and that only in exceptional cases would the broad power of the Labor Trustees be applied. That proved to be not even in the interest of the entrepreneurs who favored a general uniformity in labor conditions and wage levels throughout a particular industry instead of finding their competitors equipped to fight them in wages paid as well as in prices asked. Actually in all important industries the Labor Trustees have issued their wage-scale ordinances. They regulate not only the wages but also the other conditions of work. The state as the dominator of the conditions of work is the result. The state dictates the wage level. It imposes its will upon the employers and upon the employees.
THE UNREST IN THE PLANTS

But it has not proved easy to maintain the fiction of the complete elimination of class antagonism even by the constant harangue on the community of work, nor easy to make the social forces of both parties to the labor contract surrender to the dictatorial will.

In the individual plant, the party established its power by uniting the party members in the plant in National Socialist cells which keep a strict eye upon everything that is going on in the place. Especially in the beginning, the heads of these party cells, although mentioned only incidentally in the law, exercised in many plants a power that made them, and not the entrepreneurs, the real leaders of the enterprise. And as to labor, the party’s power was further fortified by the law of April 4, 1933, which abolished all former protection against arbitrary dismissals for those laborers who were “suspected of an attitude hostile to the State”: a strong weapon for breaking any resistance of the workers by sending the Marxists into the misery of unemployment.

It is all the more impressive that as early as 1935, after two years of National Socialist rule, the regime found itself confronted with the danger that new and forceful social organizations, representing the old antagonism of capital and labor, were developing out of its own creations, namely in the Organization of Industry and Trade on the one hand and the Labor Front on the other. The Labor Front, as shown above, is an institution of the party, not a self-responsible organization of employees, but on the contrary extending its membership also to the employers. Nevertheless, numerically the employers are only a small minority in the Labor Front, socially they feel themselves strangers, and in reality the Labor Front was bound to be pressed more and more to take its stand with the employees. This development started in the indi-
vidual plant. There the Labor Front established its representatives: one office steward (Betriebswalter) in smaller enterprises; several block stewards (Blockwalter) in the different subdivisions of larger firms. And while emphatically maintaining the official version of complete abolition of all class distinctions, these representatives of the Labor Front function actually in a way very similar to that of the former plant-representatives of the trade unions. To them the employees report complaints and grievances. They are to settle them, as far as the individual firm is concerned. But when the complaints are of a more general character, involving a territorial section or a whole trade, they are to report them to the proper place in the hierarchy of the Labor Front. The organization of the Labor Front is very well adapted to this situation. It has, similar to the employers' Organization, a territorial and a functional structure. Obviously its eighteen national trades organizations would immediately develop into a kind of national trade union for their respective industries unless they were prevented from doing so by the will of the state.

Even so, there was enough evidence of such a development. It reflected the unrest in the plants. And it was supported by the genuine weight of such a huge organization which must prove its usefulness to its members—and by the equally genuine ambitions of its officials who wanted to test their abilities and to expand their power. There were times when the Labor Front was regarded as the stronghold of the Socialist wing of the National Socialist party. Advocating the wishes of the employees in all social questions, the Labor Front at the same time claimed to be the predestined link between employers and employees, the place for dealing with all problems concerning the two in common. The Labor Front even began to attempt expanding its influence in the field of economic policy from which it had been purposely excluded: its central organization built up an economic department, and that eco-
nomical department continued to grow in size and importance. The employers, on the other hand, lacked a counterpart for dealing with labor questions in their own organization officially confined to economic questions. No wonder that they tended more and more to break through that restriction and to utilize the Organization of Industry and Trade as their mouthpiece for bringing forward the entrepreneurs' point of view in social questions, thus functioning openly like the former employers' associations. From both sides the class struggle seemed to reappear.

THE "LEIPZIG AGREEMENT"

The National Socialist solution of this emerging problem by the so-called Leipzig Agreement of March 26, 1935, between Dr. Schacht and Dr. Ley, was a master-stroke from the point of view of National Socialism. Its main content was to make the Organization of Handicrafts, Trade and Industry a corporate member of the Labor Front. And this measure, while at first glance seeming only a repetition of the fact that the employers as such were already members of the Labor Front, has actually changed the whole situation. It established a new organizational link between capital and labor throughout the whole structure. Employers and employees now sit together not only in the Councils of the individual firms. They were also linked by the Leipzig Agreement—with equal numbers of representatives for both sides—in local Labor Committees, in District Councils of Labor and Industry and finally in the Reich Council of Labor and Industry. The latter forms the peak of this whole organizational chain. Its task is to carry out any work entrusted to it by the government, the Labor Front and the Reich Economic Chamber. At the same time, the economic department of the Labor Front was combined with the administrative body of the
Reich Economic Chamber and thus placed under the direct control of the Reich Minister for Economic Affairs.

The result is that attempts towards independent development of self-activity in the two giant organizations of industry and labor have been halted. They have been brought anew under strict domination from above. The two organizations are again restricted to their particular tasks. There is to be no interference of the one in the field of the other: no activity of the Labor Front in economic policy, no activity of the Organization of Industry and Trade in the employer-employee relation. With regard to the latter the grievances of the entrepreneurs have been satisfied. They need no longer feel threatened by the numerical superiority of the employees in the Labor Front. In the organizational link there is numerical parity between employers and employees. But even that does not matter very much. The organizational link is proudly called “Joint Self-Administration of Labor and Industry.” In reality it is nothing of the sort. The Leipzig Agreement has established once more the subjection of the social problems to the dictatorial control of the dictatorial state, dominated by the dictatorial party. It is the state dictating.

*Who—Whom?—Means and Ends*

One and the same principle thus permeates the entire social structure under National Socialism. Whether the workers are involved or the farmers or handicrafts, industry and trade or their mutual relations—the state has always reserved definitely to itself the ultimate power. The individuals find themselves in a maze of organizations. “Most of the millions of citizens whose affairs are so minutely regulated by Nourishment Corporations and Labor Fronts, have no notion of what these giant organizations are,” says an English report.28

28 *Economist*, April 11, 1936.
And the same holds true certainly for most of the manufacturers who are supposed to find their way through subgroups, trade groups, economic groups, main groups, Reich groups and so on up to the top. The threads by which they hang are invisible and unknown to a great part of them. But they are visible and known to the men in the center of power. When, for instance, the Minister of Economic Affairs incorporates the Chambers of Handicrafts in the Economic Chambers, his organ celebrates that decision as "a proof of the will of the state-leadership to make the handicrafts organization a reliable tool for steering the economy by the state." When an industrial syndic describes his organization, he states with official enthusiasm: "There is only one uniform economic policy throughout the whole Reich and that is determined by the Reich Economic Minister. . . . With some thousand independent groups the Minister cannot do anything. His orders would not come to the right place the quickest way." Such is the predominant aim of the system. Of course, the social forces have not been completely eradicated; even the strongest dictatorship is not strong enough to do that. But they have been silenced. And the state watches every sign with the greatest care in order to prevent them from re-awakening or at least from coming into the open. The entire social organization is employed for this purpose. It is clear: the National Socialist version of corporativism does not mean the state in the hands of the corporations—it means the corporations in the hands of the state.

But even that does not answer the question: who—whom? The complete domination of the state in the social structure can proceed with every one of the four tendencies wrestling within National Socialism, with anti-capitalism, pre-capitalism, capitalism, or nationalism. The predominance of the state

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as such does not yet indicate the actual social content of that state. To look at the social structure alone gives only one-half of the picture. For the state can apply its predominance in any way it pleases, in behalf of one social class at the expense of another, or even at the ultimate expense of all classes for a non-economic, that is, for the nationalistic aim. Therefore we ask: How does the National Socialist state use its domination in the social structure? What does it do? What is its will? Only the actual policy of the National Socialist state, and in the first instance its actual economic policy, will afford the clue to our problem.
8. ECONOMIC POLICY UNDER NATIONAL SOCIALISM

Two Four Year Plans and a Sequel

FIGHTING AGAINST UNEMPLOYMENT

WHEN National Socialism seized power early in 1933, it found Germany’s economic situation very similar to that of other countries: more than six million unemployed and, in addition, the deep agricultural depression. On the other hand, in the world economy as a whole, and in Germany as well, there were the first indications that by the second half of 1932 the lowest point of the depression had been reached and that an active fight against the economic crisis promised success. Thus, the regime started by applying means similar to those that had already been initiated or prepared by the last Republican governments and such as were applied elsewhere, that is, briefly, a policy of still further raising agricultural prices, and of creating jobs by state initiative, by public spending. A government proclamation issued immediately after its appointment asked for four years for “rescuing agriculture from misery and abolishing unemployment”: Hitler’s First Four Year Plan. With regard to public spending, it was a cautious beginning. A “law for diminishing unemployment” of June 1, 1933, authorized the Minister of Finance to issue treasury bills up to one billion marks. And the pub-
lic works enumerated in that law were also highly inconspicuous: buildings, bridges, house-repairing, suburban and land settlements, public utilities and the like—the well-known attempts at giving the initial incentive to private recovery.

ARMAMENT

As a matter of fact, this seemingly modest and cautious beginning very soon gave way to a wholly different goal. While the creation of employment for all the idle men and the idle plants remained the hoped-for—and actually achieved—result, this economic aim was more and more completely superseded by a political purpose that altered the whole character of the undertaking. The fight against the economic crisis was transformed into a means for the one and all-decisive end: rearmament.

Here, again, the German procedure is in itself not so very different from that followed by other great powers in this age of the unended war. To have the unemployed men, and idle capital, producing guns and planes and battleships instead of paying them the dole, was more and more generally recognized as the easiest means for raising the highly desired production of “investment goods.” If they are not exactly productive investments, except in the ironically misleading indices of the statistical tables, at least one need not worry about the demand for this production.

TOTALITARIAN PREPAREDNESS

The new features National Socialism added to this general armament race, aside from giving it new impetus elsewhere, are thoroughness and—new at least in its nationalistic intensity—propaganda. National Socialism concludes from the World War that a great war of the future will be a total war, appreciably more total than that of 1914-18. In such a
future total war not only armies will fight against each other, but the countries and the peoples themselves will be totally at war. Totalitarian preparedness must, consequently, be achieved during peacetime, and must be immediate, total. All aims of individuals and institutions—and of the national economy as well—are to be totally subordinated to this ultimate objective of the nation.

Public spending for armament in Hitler's First Four Year Plan was therefore soon expanded far beyond the modest limits of the initiating law—secretly at first, but openly since 1935, after the loudly proclaimed reintroduction of compulsory military service. But the fact that the entire male youth of the nation must now spend two years in military training, in addition to one half-year in the compulsory labor service; the production of the enormous supplies for a large modern army; the erection of the barracks and the maneuvering grounds for the troops and for the planes which take no small part of the arable land out of cultivation; the automobile highways, constructed or under construction throughout the country; the relocation of important industrial plants from the borders to the center for military considerations—all these measures, grave as they are, are still only one part of the totalitarian transformation of the German economy and the German life that is being carried on by that rearmament program. At the German universities new chairs for a so-called new science have been erected: professorships of "Wehrwissenschaft," the science of armament. More and more the whole economy has been transformed into an "armament economy," an economy totally dominated by the military point of view. National Socialism's Second Four Year Plan has completed this militarization.

1 "Armament economy" seems to be the correct translation of the German word "Wehrwissenschaft," since it is just halfway between "war economy" and "defense economy."
AUTARCHY

"Within four years," Hitler proclaimed on September 9, 1936, "Germany must be independent of foreign countries with regard to all those materials that can be produced in any way by German ability, by our chemistry and our machines and mining industries themselves." As a matter of fact, the erection of such new great raw-material industries and also the campaign for the intensification of agriculture had already been considerably developed during the first period. But the proclamation of the Second Four Year Plan was the beginning of a new era nevertheless. This second plan, in continuation of the first, meant the definite subjection of all economic forces and activities of the country, and of distribution and consumption and investment as well, to the one and only purpose of preparedness and to the one and unified command of the National Socialist state and its army in the person of Mr. Goering. It really has impressed its stamp on the whole life of the country. It is the materialization of National Socialism's nationalistic creed, transforming Germany into a military camp and her people and all her individual citizens into a mere annex of the army and the state. "The economy," wrote Mr. Goering 2 "must conform with the uniform will of the supreme leadership as with a supreme fundamental law."

The new industrial technique, according to this second plan, is mainly concentrated on four fields: Textile fibers, one of Germany's main deficit items, shall be provided for by the production of staple fiber, a cheap rayon which serves as substitute for cotton and is also mixed into woolen textiles; petroleum derivatives like gasoline and lubricants are produced in rapidly increasing quantities from coal, and so

2 In the magazine, Der Vierteljahresplan, February 1937, p. 66.
is rubber, the new “Buna”; finally, the production and the use of light metals like aluminum and magnesium is to be largely increased and also the exploitation by new technical methods of poorer deposits of iron ore, zinc, lead and copper. At the same time, new materials like artificial resin, and porcelain and glass, are to be substituted for other scarce materials like metals. Thrift in the utilization of materials in every field has led to a new wave of industrial rationalization throughout the whole economy.

It would be a great mistake to belittle these enormous concentrated efforts and particularly to deride the newly produced materials as poor “substitutes” (Ersatz). The long-established triumph of rayon, to mention only one example, should warn us against such an attitude. In fact there is no doubt among unbiased experts that a number of those materials will in the course of time gain a kindred recognition.

Germany, to be sure, will diminish her import needs for the foodstuffs and raw materials concerned parallel to the development of their production domestically. Such a diminution of German imports would not even contradict the assertion that Germany is far from aiming at autarchy, at isolation, that on the contrary she desires nothing more than a reduction of foreign trade barriers in order to make German exports easier. Sometimes, National Socialists also can be realists. And as realists they quite frankly combine the two issues of producing as much as they can at home and of importing the rest, realizing that there will always be unavoidably a large amount of goods to be imported into their country with its dense population, its scanty natural resources and

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8 The execution of the Plan concerning the synthetic production of gasoline and rubber alone will increase the annual production of coal in Germany by 20 to 30 millions tons, said Hitler in his speech of January 30, 1937.

*4 Germany is even aiming at exporting the new substitutes and at selling licenses to use the patents abroad.
its newly increased industrialization which by itself increases the import needs. Besides, they are not primarily engaged in economic policy but in armament policy. Armament, preparedness for the potential total war, is the goal of their two Four Year Plans. For preparedness' sake the German people must now, in the time of development and experimentation, produce at double and still higher costs the new products, even if they are of much poorer quality than what was formerly imported. For preparedness' sake they must bear all the burdens of those plans imposed upon them by the will of their rulers. To quote Mr. Goering\(^8\) once more: "Either the German nation is determined to maintain and to extend its independence and freedom, then it must be ready to make sacrifices—or it wishes to live along in temporary abundance and luxury, then, in the hour of decision, we will be weak and unarmed and therefore enslaved."

**MONUMENTS**

Those burdens of armament are heavy enough indeed. But the story of the two Four Year Plans has still a sequel: since 1937 there has been another Twenty Year Plan, proclaimed by Hitler in the Reichstag on January 30 and reaffirmed by Goering in Nuremberg on September 11, 1937—a plan to rebuild Germany's main cities like Berlin, Munich, Nuremberg and Hamburg, to rebuild Germany as a whole "in pride and dignity, beauty and utility." And that plan, too, belongs in the picture which really would be incomplete without it. From the beginning the Nazi regime excelled in pretentious monumental buildings. Nazi leaders erected their houses precisely in that "temporary abundance and luxury" that Goering in the quotation above wishes the German people to abandon. Ostentatious public buildings for the party congresses and

\(^8\) *Deutscher Volkswirt*, July 23, 1937, p. 2093.
for its various administrations and organizations were found an overpowering necessity, although competing very unfavorably with the sacrifices for rearmament. The automobile roads, "bigger and better" than anywhere else, partly belong to the same story. The proclamations of 1937 are the logical consequence of what had developed from 1933 on. These luxury monuments indicate what can be traced right through the entire activity of the National Socialist regime and its leaders. Their love of splendor and their vaulting ambitions are related to many other autocrats from antiquity down who were insatiable in erecting their own lasting memorials in the stone and metal of their edifices. But with that feature is combined the other characteristic element of National Socialism, its collectivist nationalism or nationalistic collectivism, to which the individuals and the satisfaction of their needs are entirely negligible, subordinate to the greater glory of the collective whole, the nation—according to the purposes designed for it by its omnipotent rulers. Thus the two Four Year Plans and their sequel, armament and monuments, are indeed intrinsically connected.

Financing the Armament Economy

THE ORIGIN OF THE WAR BILLIONS

Confronted with the spectacle of such gigantic expenditures, the first question usually raised is: where does the money come from for them? And when this question seems unanswerable, a great many people are only too readily inclined to believe that a miracle is taking place, and to deduce the most abstruse theories from it. That is exactly the same situation as during the World War, when in all the great European belligerent countries the supply of money appeared to be inexhaustible, when they seemed to be able to increase the war expenses from month to month and from year to
year to heretofore unthinkable heights, and when they could without difficulty raise their war loans at regular intervals to permanently more stupendous levels. It seemed in fact to be a miracle. For the homicidal war seemed to be the source not of devastation but of a never-dreamt-of prosperity. People, instead of seeing their impoverishment, believed themselves becoming richer every time they saw their bank deposits and their government bonds piling up. It was only late that they discovered the fallacy behind this money veil—when the same great European powers plunged into inflation and devalued their money (with the exception of England, which, instead, made up for it in 1931). Only then was it finally understood that it is not the money that counts but the tangible goods for which the money simply functions as a vehicle of trade, as a means of transportation. Indeed, the analogy between the German armament economy of today and the war economy of 1914-18 is so striking that the development of the latter affords also the best clue to the understanding of the present.

A war economy or an armament economy, confronted with an enormous consumption of commodities, must first of all make every effort to raise production. This was difficult in 1914 when the able men were in the Army and had to be replaced by the older men, the women and the youth, while it was all the easier in 1933 with the idle men and the idle plants of the depression needing only to be brought together in order to start work again. Increased production, as long as one is able to achieve it, may indeed solve one of the main parts of the miracle. There are limits to such a production growth: the number of people able to work and their limited capacity to work, the limited area and fertility of the soil, the limited size of the industrial plants, the limited number of machines and raw materials. But within these limits, production can be continued until all its instruments, men and
plants, have been brought to full employment and all the productive reserves have been absorbed and their exploitation has reached its peak. Afterwards only improved efficiency by higher technique and organization may further help to increase production, and that takes time to become apparent. If, then, direct and indirect governmental spending still exceed the increased output, the other source must be tapped also. Sections of the real capital of the national economy formerly built up will be gradually eaten into. And the war has shown to what an unforeseen extent a modern economy can really live on its capital, on its accumulated fat. It can eat up its stocks in hand, from the warehouses, the factories and the stores down to the clothes and furniture of the individual householder. It may slaughter the livestock, cut down the forests, impoverish the soil by not giving it the necessary fertilizer which instead goes into gunpowder. It may consume the industrial plants, railroads and buildings, by not replacing the depreciation. It may sell foreign investments and withdraw credits from abroad. There is practically no limit to such a general clearance-sale as long as there is still something to be sold, to be consumed. And there is no exemption from it—certainly not an exemption for the people themselves. For they, too, can be consumed by being given less food and harder work: "This limit is very elastic and can be advanced in a given case near to the point where there begins the physical decay," calmly writes a recent German author\(^6\) whose abstract thinking is not occupied with the actual experiences of the last war but with the theoretical possibilities of the future. At all events, this statement leads to the other side of the problem, the solution of which explains the miracle as a whole. For while it is obvious that the enormous demand of a war economy or an armament econ-

omy for tangible goods must be satisfied by the current or the previous production, a second requirement remains to be fulfilled: this production must not only be available but it must also be diverted from private consumption and investment into the channels aimed at by the government. And it is this point at which the financial mechanism has to do its work.

It may be done by taxes which turn private into public spending power. It may be done by issuing government loans, which have a corresponding result. It may also simply result from the scarcity as such: if it proves to be impossible to replace the liquidated capital because the goods for the replacement are not available at all. And that may be supported by a system of rationing the use of scarce materials and commodities, diminishing their private consumption and reserving them for the purposes of the government. A patriotic propaganda to the effect that luxury is detestable, that thrift is the duty of every good citizen and that “guns are more important than butter,” may easily combine all these lines. The result may then be that the government may take over together with the commodities themselves also the disposition of the money necessary for acquiring them. For all the savings of the population from current incomes and all the liquid funds resulting from the consumption of capital can find no outlet for investment other than the loans issued by the government. Not only the new savings but also a growing part of the former real wealth of the population are thus transformed into loans of the state—loans which represent nothing but the indebtedness of the state (or of all its citizens) to those citizens who own these loans, the interest and amortization of which will have to be borne by the taxpayers. There is only one necessary presupposition for the success of that transformation: that the people are ready to buy these loans—and to keep them. If they are not, or if they cease to be—
or if governmental spending still surpasses the sum total of the voluntary and involuntary savings of the people and of the liquidation of capital as well, the government must have recourse to the place of last resort, the banknote-press, the central bank. It must increase the amount of money and the velocity of its circulation, which, when all the agents of production are working at full capacity, can no longer be compensated for by a simultaneously rising flow of commodities. This increase may for some time result in restricting the undesired private consumption by the ensuing rise in prices. But it initiates the vicious circle of inflation, which is always in danger of swinging sooner or later out of control.

PRODUCING AT FULL CAPACITY

This sketch of the principal lines of a war economy may help to an easier understanding of the National Socialist armament economy. As a matter of fact, National Socialism is following precisely along these same lines. The experts of the regime have studied with the utmost care the economic and financial lessons of the World War. They are trying to apply them while avoiding its mistakes. They also know that at least since late 1936 the danger point has been reached and that from that time on the tension has been growing in all social, economic and financial relations. Actually, the resignation of Dr. Schacht as Minister of Economics in the fall of 1937 was only one symptom of this tension. On the other

\*Nowhere, by the way, have the teachings of John Maynard Keynes been not only studied but also applied so extensively as in National Socialist Germany. He, indeed, is there regarded as the prophet of her spending policy. It may be questioned whether at the end he himself will be very happy over this success.

hand, the regime found enormous opportunities in the situation existing at the time it seized power. It has used them with remarkable skill.

First of all, the tangible costs of the two Four Year Plans and their sequel and the increased private consumption ensuing from them according to the law of the "multiplier," have so far been actually provided for in the greatest part by increased real production. The world economic crisis had brought it down to a terribly low level. Taking 1928 as 100, the production of consumable goods had declined in 1932 to 74.0, productive goods to 45.7, investment goods to 35.4 and the total industrial production to 54.0—not much more than half of that for the last period of prosperity. The spending policy of the regime has completely reversed this situation. It has abolished the unemployment of the men and of the plants. In April 1938 industrial production as a whole had risen to 125.9, thus exceeding by one-fourth the peak of the last upswing. While the production of consumable goods rose, significantly, to only 103.9, the growth is much greater for productive goods (135.0) and especially for investment goods (138.2). The figures for agricultural produc-

10 Hitler in his speech of February 20, 1938, massed a large array of detailed figures from particular industries in order to advertise more impressively to his world-wide audience this increase of industrial activity, and he certainly achieved his aim, especially with the laymen who usually are only too glad to pass over statistical data as quickly as possible. As a matter of fact, the clever showman omitted mentioning two decisive points. First, he had all his tables beginning with the year 1932, with the result that his listeners might compare the figures of 1937 only with that disastrous depth of the world economic crisis and not with the much higher figures of production actually attained during the last upswing under the German Republic. Second, he spoke of Germany alone and not of the simultaneous rise of industrial production from 1932 to 1937 throughout the world, although his ghost-writers needed only to consult a semi-official German publication, the Report of the Reichskredit Gesellschaft, quoted above. There (p. 160) it is stated that in the third quarter of 1937—again taking 1928 as 100—the German industrial production was at 121.6, which was certainly a new high level,
tion are of course less conspicuous; in 1936-37, for instance, about 14 per cent above 1932-33.\textsuperscript{11} The problem is: how far can this increase in production be continued? As a matter of fact, since the end of 1936 it has reached the point where it must gradually draw to a close. It is obvious that agricultural production in a given territory cannot be expanded limitlessly; its intensification can only be the result of a necessarily slow development. And the same holds true for industrial production. It can easily be increased as long as there are idle men and idle plants available. When these natural limits have been reached, no further great and quick increase can be expected. There will be in every highly developed economy "hidden reserves of elasticity" of man-power, of implements and raw materials, and of untested industrial technique and organization too, which only in times of emergency will come into the open. But it was a semi-official German institution which at the end of 1937 (and indeed since the end of 1936 with continuously mounting gravity) warned against overestimating those reserves: "With the whole German economy put into action the limits have now to a large extent been reached with regard not only to the productive capacity but also to the available raw materials and to labor power."\textsuperscript{12} That is explicit enough. As a matter of fact, the overstrain brought on by the two Four Year Plans and their sequel much above the corresponding figures for some countries like France, Belgium, Italy and the United States (102.7), but at the same time much below the figures for some other countries like Japan and Sweden, also below Great Britain (129.5) and even below the figure for the whole world (126.0), the only difference being that the decline in 1932 had been deeper in Germany than in most other countries. Adding these two necessary comparisons does not belittle the doubtless great achievements of industrial production under National Socialism but only presents them in the right proportions—while the price which had to be paid for them, and which was not mentioned by the speaker either, is to be discussed in the following pages.

\textsuperscript{11} *Schriften des Instituts für Konjunkturforschung* 1937-38, Heft 2, p. 133.

\textsuperscript{12} *Reichskredit-Gesellschaft*, 1937-38, p. 5.
makes itself evident by the fact that such plants, laborers and merchants who are dealing only with consumable goods for the civilian population are compelled to work far below capacity. This creates new "reserves" indeed, and not even hidden ones, in so far as those plants or at least their implements and their men may be transplanted to other purposes more important for the aims of the regime—if one overlooks the costs involved, the economic losses and the human sacrifices which the National Socialist regime is quite ready to overlook. For the regime is not willing to acknowledge any intrinsic limits of nature or of economic law. It is not ready to restrict its armament or the new industrial plants for self-sufficiency or even its monumental buildings. It is likewise unwilling to distribute at least some of these expenditures over a longer period of time. All the greater, consequently, is the burden to be borne by the people and the tension that strains the whole economic apparatus.

TAXES, LOANS AND INFLATION

The financial counterpart of the picture in every phase runs parallel to the preceding analysis of the development in the field of production. National Socialism has never made public the total amount of its expenditures. While even during the war every new credit necessary for its continuation was openly granted by the Reichstag, the Reich budgets since 1934 have been concealed and the statistics of the circulation of bills of exchange—the instruments for the primary financing of these expenditures—have likewise been suppressed. What is publicly known are only some statistics about the money flowing into the treasuries of the Reich and its subdivisions. They permit only a very rough estimate of the actual expenditures. But more important than the figures themselves is the trend indicated by their development, which is highly enlightening indeed, as to how the National Socialist regime
has managed to steer those immense parts of the national production and the national capital into the channels of its armament plans.

Here again it should be stated that the largest single item of the armament finances has been paid for, so to speak, by itself. That is no miracle; although it must be added that the regime had hardly to lift a finger for it, but could in the main enjoy the accomplishments of its predecessors. The easy solution lies in the fact that the last Republican governments, especially that of Dr. Brüning, had raised the tax rates to an extraordinary height in order to meet the needs of the economic crisis. Now, with the increased production, those increased tax rates bore fruit. Only one major tax, the tax on corporations, was raised\textsuperscript{18} under the regime itself from 20 to 30 per cent, thus taking away a large part of the armament profits from the joint-stock companies and other corporations. Aside from that, the regime had only to prove its self-assurance by keeping the high tax rates in force despite the recovery. As a matter of fact, it has also sharpened the principles and the technique of collecting the different taxes. The result is astounding even for those who had expected this trend. The revenues of the Reich, the constituent states and the municipalities in the fiscal year 1937-38 were about 18 billion marks as compared with 10.2 billions in 1932-33 and with 13.2 billions in 1928-29. During the first five years of the Hitler regime these revenues surpassed the level of 1932-33 by not less than 18.2 billions. Besides in 1932-33 the public budgets had to pay 2.8 billion marks to the unemployed. In 1937-38 this sum was lowered to 300 millions. In the whole five-year period this made for a saving of 7.5 billions. Thus, a sum total of 25.7 billion marks\textsuperscript{14} above the level of the last year of the depression was available for the new armament ex-

\textsuperscript{18} By the law of August 27, 1936.

\textsuperscript{14} Reichskredit Gesellschaft, 1937-38, p. 78.
penditures in the public budgets themselves by increased tax revenues and savings on the dole—this gigantic amount being deducted from the increased national income, transformed from private into public income for the purposes of the regime.

During the same five-year period the Reich has, furthermore, issued medium- and long-term loans of 8.5 billion marks.\textsuperscript{16} And it has also contracted a short-term indebtedness which may be calculated at something above 13 billions. The result is that, including some minor items, during these five years a sum total of probably 50 billion marks\textsuperscript{16} or more

\textsuperscript{16} Another long-term loan of 1,600 million marks was issued in May 1938 for the conversion of previously contracted short-term debts.

\textsuperscript{16} It must be emphasized again that this is necessarily a very rough estimate. The correct figure of the short-term indebtedness is unknown. The only available figure is that of the amount of bills and treasury bills, held by German credit institutions, which at the end of October 1937 was 14.6 billion marks, as against 6.4 billions the same month in 1932. It is quite certain that during this period the largest part of the commercial bills has been replaced by governmental bills, although the amount of commercial bills still comprised in that amount of 14.6 billions is not capable of proof. On the other hand, it is also beyond doubt that "a not inconsiderable part of the newly created bills is held by other [than banking] institutions, above all by industrial enterprises" (\textit{Frankfurter Zeitung}, August 29, 1937); so certainly have insurance institutions, private and public, not been spared. Thus the figure of 13 billions inserted above may still be much too small. The New York \textit{Times} of January 20, 1938, reproduced a Berlin estimate of between 20 and 24 billions. Furthermore, the Reichsanstalt für Arbeitsvermittlung und Arbeitslosen-Versicherung with its high fees—which were raised during the depression and have been maintained at this level in spite of the abolition of unemployment—is used for supporting the public highways and other public works by credits and contributions, and also for the reorganization of other social security institutions, which again means indirect help for the finances of the government. The open indebtedness of the Reich, while being increased by the new issues, has at the same time been reduced by the regular amortizations, but this not very considerable amount has probably been amply compensated by the simultaneously increased indebtedness of municipalities and other public organizations not included in the calculations above. The extent to which foreign creditors and German emigrants have had to contribute to the financing of the armaments and the edifices of National Socialism is to be discussed in another connection (see below, p. 228).
has been taken out of the income, the savings and the capital of the German people for direct expenditures by the public authorities for the fulfillment of the National Socialist plans. This amount does not include the regular governmental expenditures, which, of course, had to be continued and to be paid for through taxes as before. Nor does it include the large amounts of the so-called voluntary and in fact highly compulsory donations to the Winter Help, the Labor Front and, above all, the party itself in all its manifold organizations and activities, which naturally had also to be paid for by all strata of the people. All this in addition to the heavy official taxation.

FINANCING AUTARCHY

Finally, the above figure of about 50 billion marks for the first five years of National Socialism does not include the investments for the Second Four Year Plan. What amounts these will require (they began only at the end of 1936) is incalculable. It must be remembered that not only have the new plants themselves to be erected for the production of the new materials: for building them and making them workable, a great many other large investments are likewise necessary; coal and iron plants have to increase their capacity, and similarly a greater production of raw and subsidiary materials is required; new power plants, new means of transportation, new houses for the workers in the new plants are needed as well as increased stocks on hand and increased working capital.

Practically, this second part of the armament program is not financed by government money. There has been so far only one major exception, the “Reichswerke Aktiengesellschaft für Erzbergbau und Eisenhütten Hermann Goering.” With this huge enterprise for the exploitation of poor and hitherto unexploited German ore resources, the risk seemed so great
that the bulk of the capital of 400 million marks could not be exacted from private investors; only the 130 million marks of preferred shares were pressed upon private enterprises, manufacturers and even handicraftsmen, at a rate of 50 marks of stock for each person they employed, while the state had to keep the common stock and the taxpayers will have to pay for it. The other new projects of the Second Four Year Plan are to be privately owned. They are erected either by the creation of new private enterprises or by the expansion of the old ones. They are thus financed by private capital, out of undistributed entrepreneurial profits or liquid funds or bank credits or newly issued stock and bonds. As far as their ownership is concerned, the National Socialist state does not increase its active participation in business. They do not constitute socialization. Rather, they represent again “the socialization of the losses.” For to a great many of them the state supports or even guarantees their profitability. The state may secure them by long-term contracts to purchase parts of their product or by raising the protective import duties, as was done for artificial wool, benzine, benzol and rubber. In the latter case, that means not only high prices at the expense of the consumer, but the state revenues from the import duty themselves are given as long-term credit to the new Buna-plants as an important part of their capitalization. Finally, a new method has been invented for this purpose, the so-called “Wirtschaftlichkeitsgarantie”: the state warrants to the new productions for a period of five or ten years a price sufficient to cover the costs of production, the interest and the amortization of the capital and an adequate profit. Indeed, an interesting new variety of capitalism.

PROSPECTS OF THE FUTURE

Why has National Socialism applied such a twofold method of financing its two plans in spite of their uniform purpose
of armament? Certainly not only nor even mainly because of a predilection for private as against public enterprises. National Socialism is highly undogmatic in this respect: if private capital surrenders to the will of the regime, it may do the job; if not, public activity must do so in its place. As a matter of fact, that differentiation has a very important financial role to play. It gives the private investors the possibility of diversified investments. And that is what they must be given if the danger of an open inflation is to be postponed. This danger may arise at any time from the rapidly increased state indebtedness if the people lose confidence in their paper investments and try to transform them into something tangible. Now and then, in fact, there have been symptoms of such a development. Incidentally, balance-sheets of some industrial enterprises showed astonishingly high storages. Scores of others greatly enlarged their investment in stocks of other enterprises up to real inflation-mergers like the ones well known in Germany from the early twenties. The greatly increased demand for durable consumers' goods such as furniture or the general rise of stock quotations are further indications of such a "desire for investing liquid funds." If it were to develop further, not even the so-called consolidation of short-term debts by long-term loans would afford assured protection. For the long-term loans themselves may be offered for sale or pledged for borrowing. Therefore, if National Socialism is unwilling to restrict its armament expenditures as such, it must at least try to finance them in the least dangerous way. And that it is doing by permitting the investments of its second plan to be privately financed. This method quiets the big men. They are given a partial outlet into tangible goods by investing in the undertakings of the Second Four Year Plan according to the will of the regime. Paper loans and bills, on the other hand, will be more and more for the little men who cannot foresee and who very often do
not even understand how all their banking, saving and insurance institutions actually use their money.

At all events, the two sides of the problem of financing the armament economy—the problem of the actual production of the necessary commodities and the problem of the money for putting this production at the disposal of the government—are in every phase closely interlocked. And the development of both these sides leads to the same conclusion. It has been said 17 that every depression may be understood as a little deflation and every upswing as a little inflation. The trouble is that the two of them do not always remain little. Once the stage of full employment of the different agents of production in a national economy has been reached, both parts of the process grow more difficult—the additional public consumption for armament and the additional use of governmental credit for the same purpose. That stage had been reached in Germany about the end of 1936. A diminution of public spending at that time would have been the normal economic conclusion. Instead, National Socialism, for super-economic political reasons, just at that time imposed upon the first armament program its second plan and the sequel. Hence arose the struggle in the governing body, personified by Goering as the Dictator of the Four Year Plan on the one hand and by Schacht as the President of the Reichsbank on the other. The militarization of the Economic Ministry, its transformation into a kind of economic general staff, was the result.

In March 1938 Dr. Schacht made known that despite his withdrawal from the Economic Ministry he still retained some power. He announced that the Reichsbank did not consider credit expansion an "endless road," that now the time for a new credit policy had come. From now on financing the plans of the regime were to take place only by taxes or

by loans or by treasury bonds. But these treasury bonds are not to be rediscounted by the Reichsbank as are the formerly issued governmental bills. They can only be used as collateral for credits. Besides, they shall circulate only for six months and are, when due, to be repaid or to be consolidated by long-term loans. Finally, issuing these treasury bonds is concentrated in the Ministry of Finance which thus may exercise a stronger control over the spending policy of the manifold governmental offices. The increase of the governmental bills, on the other hand, shall now be stopped. Even with this new rule of Dr. Schacht's, large possibilities of credit expansion still remain. Not only is there the open-market policy by which the Reichsbank may buy loans and treasury bonds at its own discretion or by yielding to pressure from the government. There are, above all, the billions of existing governmental bills in the hands of the banks, the industrial and other enterprises which sooner or later may flow into the Reichsbank without its being able to refuse them, since their placement had been made possible only by its former solemn promise to rediscount. The huge amount of these bills will not expire before 1944, and then only by transformation into loans; that is, unless the regime sharply restricts its expenditures which it is not very likely to do. The danger of the inflation coming into the open is thus by no means removed. But a brake has been applied in the eleventh hour, the effect of which is not yet apparent.

As it is, the tension remains. Consequently the regime has to fight against it, as it had done from the beginning, more and more with the power techniques of the dictatorial state. The consumption of capital formerly accumulated, the diminution of stocks on hand and the deterioration of plants, housing and household goods, played their part, but not enough.

Permanently increased rationing and regulation, with a revolutionary transformation of all economic and social relations, are the necessary result. As a matter of fact, the completeness of this regimentation by far exceeds anything of that kind experienced in any European country during the World War.

Requisitioning a Nation

The Means of Power

For its nationalistic program National Socialism requisitions the nation as a whole. It has seized the whole people's ability to produce, all its propensity to consume, to invest and to save, not to mention the people as such, body and soul. Every action of the individual, his labor and thoughts—what and how and where he works, the vocation he chooses and the way he may build up his life and his family—have to be consecrated to one and only one purpose: the state.

National Socialism means a commandeered economy, a commandeered people. To make this effective in the economic sphere, National Socialism has captured what Bolshevism used to call the economic heights of command: the complete domination of foreign economic relations, raw materials, capital and credits, prices and wages, and man-power, too. It applies in addition all the political means of power in the dictatorial state. The propaganda and the continuous admonition by its sermons are one of these means. Incessant instruction is another: instruction in how to save the scarce raw materials and how to use the substitutes, how to increase production and to diminish costs and how to change from one kind of production to another to accord with the aims of the regime. These directions have to be obeyed as though they were orders, and they are very often accompanied by the explicit authority of a governmental decree. The government's vast purchases as such greatly influence the line of
production. Ultimately, the totalitarian subjection of every single economic action of every person to the command of the regime is attained by one simple means—intimidation. The worker is always threatened with being dismissed from his job and with not being allowed another for a long time; the farmer with being deprived of the management of his farm; and the manufacturer with being ruined by the loss of his customers or of his credit or of his raw materials or of his workers or of all of these elements together.

But it is not only economic destruction which everyone must everlastingly fear unless he surrenders completely to the economic injunctions of the regime. Behind and above those material threats there is, as the ultimate regulator of this economy, the last omnipotent device of National Socialism: the secret police and its concentration camps. If a buyer in a shop complains of the poor quality of his purchase, he may look forward to being asked to sign a statement that he is "a foe of the Four Year Plan," and that certainly will be the end of the discussion.

FOREIGN TRADE MONOPOLY

A commandeered economy must, first of all, be a closed economy. It needs a territory severed from the outer world to commandeer. For this purpose, as for so many others, National Socialism found its way prepared by the preceding economic crisis. The withdrawal of vast amounts of foreign credits in the disastrous summer of 1931 had ended in a moratorium for German foreign debts, public and private, and in the control of the foreign exchanges. National Socialism greatly profited from both. Especially in the management of the foreign exchanges it has found—gradually, unconsciously, unwillingly but no less thoroughly—the basis for erecting in fact, although not by name, a foreign trade monopoly, func-
tioning in other than the forms prevailing in the Soviet Union but with at least the same efficiency.

The first result is that the flow of commodities to and from other countries can in every respect be steered according to the aims of the regime. Exports are private. But the export of a great many goods which are scarce in the domestic market is controlled and dependent upon governmental permit. Moreover, the exporter has to deliver the foreign currency resulting from the exports while he gets his payment in German marks. Imports, then, are private too. But they must in every single case be especially permitted by the government which has the monopolistic power of appropriating the foreign currency for the payment. Consequently, the government can decide on the amount of goods to be imported, the amount of foreign currency to be used for other purposes, e.g., for interest payments abroad or for traveling or propaganda outside Germany. The government decides on the kind of goods to be imported, preferring raw materials for armaments to food for the people, and food to luxuries: again, guns instead of butter. The government rules as to who may get the imports; who, for instance, may obtain the imported raw materials and for what use—whether for the production of consumable goods needed by the people or for the production of armament required by the government. Finally, the government can decide whence the permitted imports may come. It can give preference to those countries which are best ready to accept German exports in exchange and thus put pressure on eager vendors. But it can also manage now and then to import more from single countries than they are importing from Germany—and contract there a compulsory loan simply by not releasing the foreign exchanges for the payment of those surplus imports. In manifold ways, therefore, the commandeered exports and imports may serve the plans of the regime. But they may also serve National Socialism's purely
political aims for political expansion of power. If this practical foreign trade monopoly concentrates its buying and selling upon particular regions, the intensified economic relations with Germany may ultimately lead to strengthening also political dependence upon Germany. In several southeastern European countries National Socialism has applied this method rather successfully.

Such an economic nationalism, which aspires to nationalism while disregarding economics, is of course costly. It will often compel buying at higher and selling at lower prices than would otherwise be possible. But armaments are costly too. Shifting the costs to the people is the only thing that matters. And here again the foreign trade monopoly is helpful. For this is its second and not less important result: the closed economy allows the separation of the domestic price level, as well as the domestic currency, from their automatic interrelations with the world market. The German wholesale price index in October 1937, reckoned in gold with the year 1928 as 100, was 75.6 while the corresponding figures were, for example, for the United States 52.1, England 56.9, France 49.8, Italy 54.9, and Japan 39.0. To be able to export at all at such a towering price level, Germany uses two devices afforded by her closed economy. In the first place, in addition to the regular taxes she taxes her industry with an export subsidy, euphemistically called "Self-Help of German Industry," thus making up for the export subsidy applied by all other great economic powers by their currency devaluations. In the second place, she taxes her foreign creditors and, to an even larger extent, her emigrants by the skilful application of her system of managing the foreign exchanges. Creditors and emigrants are not allowed to withdraw their money from Germany. But they are allowed to use it for certain

closely restricted purposes, for so-called additional exports, for tourist traffic and the like. For these purposes they may sell the balances due to them, if they choose. Since the supply of such blocked German marks far surpasses the demand, such a sale is only possible at terribly low rates. But for the foreign buyer this means, of course, a correspondingly great reduction of the prices of those German goods or services for which he is allowed to use these marks. Germany for her part receives by this device less foreign exchange from her visible and invisible exports than is indicated by the statistics. But on the other hand she has been able in this way to repay the largest part of her blocked foreign debts at exceedingly depressed exchange prices, thus profiting billions—while at the same time she made other billions on her debts by the depreciation of the foreign currencies in which they had been contracted. And the same holds finally true for German long-term loans held abroad. The payment of interest and amortization on these loans has been subjected to severe restrictions in connection with the management of the foreign exchanges. Their evaluation in the foreign markets is accordingly low. In February 1938, when their quotations in New York were not higher than between one-third and one-fourth of their face value, the German Minister of Economics complained about this low standing of German credit as being “incompatible with Germany’s position in the world, unworthy and detrimental to Germany’s prestige.” But through all these years Germany has nevertheless profited from that situation by rebuying at those low quotations great blocks of foreign loans, previously contracted.

This indicates also the third main aim of the foreign trade monopoly, administered by the management of the foreign exchanges. Germany today has practically two entirely different currency systems with almost no connection between them. For her domestic market she has remained nominally
on gold, without devaluation. For her international relations she uses the multitude of her different blocked marks, with so much greater a depreciation. The actual plight of the German currency is thus concealed from the German people, the majority of whom learn nothing about all these shrewd devices. Once the actual debasement of the German mark threatened to become evident: when in 1936-37 the quotations of foreign securities on the German stock exchanges rose higher and higher, because investors tried to flee from the mark by buying up this last form of foreign exchanges accessible to them. The regime intervened with the handy method of dictatorship, namely, with a decree. Any trade in those securities was subjected to a governmental permit; their quotations were removed from the stock exchange list; the owners had to deposit them at a restricted number of banks and to register their possessions with the government. Thus, there is no longer any way open for the flight from the mark into foreign currencies. And no way for the flight of capital from Germany. The management of the foreign exchanges has shut the door.

Administered Scarcity

Organizing the deficiency in such a closed economy was thoroughly experienced during the war. There is no problem of principle in employing the same methods in peacetime in a nation totally requisitioned for armament preparedness.

Iron and steel, for instance, are scantily available because of the great needs of the army, in spite of the highly increased production. Therefore the regime had to establish priorities for satisfying the different demands. Military demands and all demands connected with the industrial plants and the highways and the monumental buildings of the regime—the latter sometimes taking precedence over the needs of the army itself—rank, of course, first. The wishes of the
civillian population rank, quite obviously, last. Thus, it is a very simple matter. It was necessary to impose restrictions upon the building of private dwellings. Construction of bridges had to be postponed. Machines for non-military use can often be bought only with long delay in delivery. And sometimes housewives and craftsmen find it even difficult to buy a few nails. Well, such little difficulties do not mean very much for the men in power. They will neither destroy the nation nor the regime.

This example clarifies the methods employed. The scarcity may be lightened by diminishing the storages and by a careful use of the scanty materials. Big campaigns are started for collecting every tangible thing that might still be used or re-used; rags and paper and tin cans and scrap from the attics and cellars, and bones and waste from the kitchens. For many materials certain uses are forbidden in order to reserve them for other purposes. Or they are submitted to an elaborate system of rationing by quotas varied with the different uses. Substitutes are offered and their use is often made compulsory; margarine instead of other fats and whale oil instead of margarine, corn and potato flour in addition to wheat flour for bread, the textile fibers and the other new materials. Finally, if a commodity is not available, the consumer simply cannot have it, and that, too, is a solution, practically the easiest one. Nourishment becomes poorer, clothing scantier, comfort less—even the newspapers are thinner for the lack of paper, but this is the least loss, they still suffice for the uniformed stuff which they have to print.

**COMMANDERED CAPITAL**

Government regulation of the use of scarce materials is in itself a powerful weapon also for commandeering capital investments. If someone wants to set up a new plant in any field, he of course must have a reasonable certainty in ad-
vance of being allowed subsequently to operate that plant; that is, he must be sure of an allotment of the raw materials or the half-finished goods necessary for his production. Hence, he has to submit his plans beforehand to the distributing office—and to drop them if they are rejected as not in line with the governmental wish.

Under these circumstances it appears rather superfluous that in a great number of industries the access of newcomers to the field is not only impeded by those indirect means but directly and expressly by governmental decrees or laws, which make them dependent upon permits or forbid them entirely, with the result that only special exemptions are allowed. For instance, that is the case with all industries combined with the National Food Estate, according to the guild concept prevailing there. It is also the case with the “cultural” enterprises like the theater, the press, cinema industries or publishing houses down to the rental libraries and small advertising agencies, where this method is employed as another means for the strict supervision of their operation. A similar regulation is applied to the supposedly overcrowded retail trade,\(^\text{21}\) even to the extent that the establishment of a new shop is to be permitted only after the need for it has been


\(^{21}\) The purging of the retail trade in radio instruments may serve as an example of the methods employed for doing away with this overcrowding. In 1933, according to the _Frankfurter Zeitung_ of March 21, 1938, the number of retail traders in this field was estimated at about 60,000 to 70,000. Of these, at the beginning, more than 32,000 were “recognized.” But this restriction was not deemed sufficient. Consequently, the notion of the “professional” radio merchant was introduced for those shops which exclusively or at least mainly deal with radios. Aside from them, only such merchants shall be admitted who combine this field with a strictly limited number of other commodities. As a result of this regulation, a further great number of retail traders have had to give up. A similar method was applied to the retail trade in cigarettes. One may imagine what would remain of the American drug store under such regulations!
examined in detail, and with still more far-reaching restrictions for department stores, five-and-ten-cent stores or mail order houses. Any new establishment in the banking field also depends upon a special governmental permit; the newly appointed Banking Board can even interdict the continuation of an existing banking business in order to eliminate uneconomic competition. In the textile industry, where the scarcity of raw materials is felt even more severely than in many other fields, the prohibition of new investments affects not only the erection of new plants and expansion, but also changes in the line of production. Even the re-employment of existing idle plants requires special and exceptional approval. The same method of forbidding, on principle, any new investment for expanding productive capacity has also been employed in a great many industries—twenty-nine of them, as early as at the end of 1935—whose voluntary or compulsory cartels were thus to be protected against new competition in their fields.

This enumeration, although by no means complete, shows the great diversification of purposes that may be aimed at by these restrictions. But one uniform result appears in all of them: Capital which otherwise would be invested according to the private wishes of its private owners is thus prevented from such a use and reserved for the capital needs of the regime. It is supported, furthermore, by the most rigid control of the capital market as such. Issuing stocks and bonds of private corporations is simply prohibited. And the same method is applied to mortgage bonds, the selling of which might induce greater activity in private-house building, and

28 Frankfurter Zeitung, January 24, 1936. See the law of July 15, 1933, on the erection of compulsory cartels, especially paragraph 5.
29 Another means for the same purpose is, for instance, to be found in the breweries' tax law. Newly erected breweries must pay taxes twice as high as those of the older enterprises—whence it follows, by necessity, that no new breweries are being built.
even to municipal bonds. All capital available for buying securities must first of all buy government loans. Only a few exceptions have thus far been granted for new issues in connection with the Second Four Year Plan. But even the largest part of the investments necessary for its fulfillment is to be provided for by the existing enterprises out of their own funds, by the self-financing of industry which is also supported by another law (the so-called Anleihestock-Gesetz) restricting the disbursement of dividends in cash to 6 per cent which may be raised to 8 per cent only for those corporations which had distributed more than 6 per cent before the issuance of that law.

Actually, there is only one small step from prohibiting the undesired investments to demanding those desired. This final step is made in a great variety of forms. Not only is the huge amount of governmental bills and loans continuously forced upon all institutions administering capital—and thus also upon all business—as a disguised compulsory investment. There are other methods too. As early as in the first year of the regime all enterprises producing lignite (250 to 300 in number) were combined in a compulsory association (Pflichtgemeinschaft Braunkohle) for erecting new benzine plants based on lignite; the necessary capital of about 250 million marks was to be provided by them through contributions varying with their respective lignite production. Similarly, the textile industry had to contribute to the financing of the new plants for the production of artificial wool and silk, and, as mentioned above, the iron manufacturing industry to the financing of the Hermann Goering iron works. Finally, the granting of credits by the banks is marshaled in the same way and for the same purpose. The banks have remained privately owned; the Reich has even resold those parcels of banking shares which it had to acquire during the crisis
of 1931. But it dominates the banks exactly as though they were nationalized.

**Commandeered Men**

National Socialists deride the word “labor market” as an antiquated liberalistic concept reminiscent of such obsolete connotations as supply and demand and the free play of economic forces which also include labor’s mobility and freedom of choice. Instead, they like to speak of the “battle of labor,” of the “army of labor,” of the “Arbeitseinsatz,” indicating that the military leader of the armament economy may dispose of the labor power of the people in the same way as does a general with his soldiers, regardless of their personal wishes and preferences and aims.

In the beginning, when the diminishing of unemployment was the most urgent task, National Socialism started with redistributing the scarce jobs. First of all, women were removed from employment. They were told that they belonged to the three K’s, kitchen, children and church (Küche, Kinder, Kirche), or at least to the first two of them, while the church had better be replaced by devotion to National Socialism. Every kind of propaganda and pressure was employed for replacing working women with men. At the same time, youths were sent to labor camps, foreign workers were sent home, short-time work was propagated. People from the rural districts were forbidden to enter the urban labor market. Former agricultural workers, now employed in manufacturing industries, were sent back to the farms. By the threat of the withdrawal of the dole, workers were shifted to road-building regardless of their skill, regardless also of the separation from their families. And by all these devices unemployment was made invisible to a large extent long before it was really abolished.

It is noteworthy, however, that already in that period of
large unemployment, which has now been over for a considerable time, the totalitarian requisitioning of labor was premeditatedly organized by the "work-books," special passports for workers and employees, which register the whole vocational career of the owner, his age, his skill, his training, his former occupations. The work-book is an ingenious method of preparing the militarization of labor in a future war. But it functions as ingeniously in peacetime by affording the official labor exchanges all possibilities of what is called by the law "putting the right man in the right place." The work-books of the employees may be retained by the employers. Thus, the employees are prevented from changing their jobs without the consent of the employer who for his part depends upon the state authorities. It is a punishable offense for an employee to accept a new job without presenting his work-book; and "the mere desire of a workman to improve his material condition, to get a higher wage, is not a good ground for claiming exemption from the restrictions upon the choice of employment."24 For, says a decree of February 1937, "the individual's ambitions or desires are subservient to the State's interests." Therefore, it is also a punishable offense for an employer to hire an employee who is not in possession of his book. That is the ingenious way of rationing labor for the employers just as raw materials and foreign exchanges and capital are rationed for them, distributed to them only in accordance with the general plans of the regime. A direct rationing of man-power was introduced as early as 1936 for iron, metal and building construction workers: all firms in these trades wishing to hire additional labor (including technicians) could do so only by special official permission. And since March 1938 this direct rationing has been made applicable to all of Germany's industry by a de-

cree that every employer may be put under the strict rule of being forbidden to hire any employee without the explicit consent of the labor exchange. The administrative device of the work-book, as an article in *Foreign Affairs* rightly says, "like so many others, has been copied from Russia. The work-book serves as a means to complete subjugation of every individual worker to the command of the government, which is directed by the National Socialist Party. Withdrawal of the work-book amounts to the death penalty. It is a threat that makes every worker subservient to the will of the authority. By this threat, armies of workmen have for many months been transported from one part of the country to another like prisoners of war."

From 1936 on, and to an ever growing extent with the speeding up of the two Four Year Plans and their sequel, the situation on the labor market has entirely changed. Unemployment has turned into scarcity of labor, first of skilled labor, then of farm labor, finally of labor of every kind. The stage of working at full capacity once reached, providing the necessary man-power has become as difficult a task as provisioning the necessary raw materials and the necessary capital. But this situation, which elsewhere would operate in favor of labor, for rising wages and improved conditions of work, leads in the dictatorial state only to more regimentation, to greater compulsion, ending with the totalitarian requisitioning of the entire working population.

Women are now recalled to work as a patriotic duty in a complete reversal of all formerly propagated ideologies. Foreign farmhands are readmitted although that means a sacrifice in foreign exchanges. The unemployed Austrians will quickly be absorbed. Labor-saving machinery and labor-saving improvements of the plants are loudly advocated for both farms and manufacturing industries. Employers are urged to employ a certain proportion of older employees in order to
set free the younger ones. Hours of work are lengthened. Short-time work is forcibly abolished. And from consumers' goods industries like textiles and leather whose full production, except for export, is not important for armament and is impossible anyhow because of the shortage of raw materials, more and more workers are dragged forth and sent to other work. The market would achieve this selection by its price system, inducing the laborers themselves to look for better jobs with higher earnings. But luring workers by higher wages is forbidden, is a betrayal of the Four Year Plan. Consequently, what is not performed by the market with its indirect command must be performed by direct command. "Territorial and vocational redistribution of labor" is the slogan; its aim is to "counteract the false mentality of citizens," who still remember that once there was a time when, in spite of all hardship, they were at least entitled to move about from one job to another, from one section of the country to the other, and to settle anywhere. Precisely such shifting of labor is to be prohibited. Instead, the regime trains the workers for the new necessary skills and sends them where they are wanted. They have to leave their familiar trades, their familiar environment, and are often compelled to go to sections of the country where they cannot take their families with them (which, by the way, means much higher cost of living, since it carries the expense of two separate households). The means of compulsion are easy to find: no job, no relief, no bread for the obstinate. He who does not obey shall not eat. Besides, the dictatorial regime has even stronger forces at its disposal. When, on March 23, 1937, Goering made his fervent appeal for the mobilization of agriculture in favor of the Four Year Plan, he uttered the following sentences with regard to labor: "The flight from the land, which is still in the minds of some people because of a momentary improvement by urban work, can and must stop
as a matter of course. In the future I shall hold the flight from the land to be an evasion of the responsibility towards the whole national economy and deal with it accordingly."

Finally, when all these regimentations and compulsions did not suffice, two ultimate reserves were tapped, the children and the lower middle classes.

The small shopkeepers and the artisans were combed out. Among them there were hundreds of thousands who in an earlier period of their lives had been trained in factory work or who could be trained for it now. That they preferred an independent existence of their own, that they considered such a modest self-responsibility as a desirable rise on the social ladder, that they liked their little shops where they were their own masters without having anyone above them—all this did not count. They are charged with "bourgeois prejudices," derided as "sham existences" by the National Socialists 28 with a ruthlessness that could not have been surpassed by the most orthodox Marxian or the most orthodox big capitalist. They were not asked whether they were able to make a living. They were simply told that their shops were not important for the interest of the people as a whole, an interest which is determined by the regime. Thus they were compelled to give up—combed out, sent to the factories: from August 1936 to August 1937, according to an official report, 26 about 170,000 formerly independent people, by abandoning their places "contributed to diminishing the scarcity of skilled laborers and employees," and another 200,000 were expected to do the same in the subsequent year. And what thus happened to shopkeepers and handicraftsmen was also the case with peddlers, and the same with tramps—no one is spared who can move a hand.

It is only logical for such a totalitarian requisition also to seize the children as soon as they leave school. A compulsory economic service is more and more being imposed upon them. It started with the compulsory six months of National Labor Service for boys introduced in 1935. At that time, only those girls were put under the same rule who wanted to enter universities, while labor service for other girls remained voluntary. But this was decisively changed in February 1938. Then, a one-year service for girls who wanted to obtain jobs in certain trades (but not, by the way, for girls of the leisure class) was introduced. Before being admitted to such jobs these girls now have to serve a year on farms or in urban households. For them, all voluntariness in this respect has gone, and with it all the grandiloquent ideologies. They simply have to serve their turn, because their hands are needed. Shortly afterwards it was also decreed that youths, when leaving school, must be reported to the labor exchange office which may cite them for “information and admonition.” At the same time the appointment of apprentices and volunteers was made dependent upon the consent of the labor exchanges, with the result that these exchanges may influence their choice, deter them from trades not favored by the regime and marshal them according to its wishes. “Doubtless,” says a comment, “the exchanges will take into account the inclinations and abilities of the youths insofar as they can be combined with the aims of the state’s guidance of the economy.” He who thinks that this “insofar” is not sufficient, has no understanding of this age of ours.

For the dominant principle of this new age is command, totalitarian command. A totally commandeered people, requisitioned for the production of armaments as by a universal military conscription, is the result.

27 See p. 165.
28 Frankfurter Zeitung, March 4, 1938.
COMMANDEERED WAGES, PRICES AND PROFITS

As it is, direct commandeering of raw materials, imports, exports, consumption, production, capital, credit and practically every single individual is supplemented by still another indirect means for requisitioning the whole of Germany for the armament program of the regime. This is National Socialism's last and shrewdest device: its domination over the price structure and all its components.

To maintain the existing price level, not to allow wages and prices to rise, with the exception of particular cases happening to suit the aims of the regime, and to regulate for this purpose the earnings of all individuals up to arbitrary interferences with the entire wage and price structure and with the cost calculations and profits of an ever increasing number of business branches—this is the constantly repeated and feverishly applied principle. It seems strange at first glance. For from the outset it would appear much easier instead to employ rising prices and rising wages as the potent means of restricting the demand in accordance with the insufficient supply and for directing all the scanty agents of production as well as the scanty consumer goods to the most appropriate uses. Only, it would have been necessary to supplement such a compliance with a free price system by an open devaluation of the mark—and this is just what National Socialism so far has not dared to do, actually the only thing it does not dare. The totalitarian regimentation of every individual activity is the necessary consequence. On the other hand, by subjecting wages, prices and profits to its totalitarian domination the regime has acquired very important opportunities for a much more diversified interference. And it has been clever enough to make use of this diversification for a great variety of aims.

First of all, rising prices in this particular German situa-
tion would not restrict but increase the demand for tangible goods because they would swiftly intensify the fear of inflation. Fixed prices, on the contrary, prevent (or postpone) that fear. At the same time, rising prices would immediately be reflected in greatly increased governmental expenditures for all its buying for armament, in greatly increased costs for all the direct and indirect armament investments. Rising prices would also aggravate the difficulties of German exports. Rising prices for industrial goods especially would paralyze the genuine attempt to help the farmers through rising agricultural prices. Fixed wages, on the other hand, are the presupposition for prohibiting prices from going up. They, furthermore, are a means for increasing the supply of labor, contradictory though it seems: the low-paid worker will work longer hours if overtime work is his only way of raising his income, and family members will look for jobs too, if this is the only way of making the two ends of the family’s budget meet. Finally, fixed low wages are the easiest and most efficient direct means for restricting consumption, simply by restricting the money incomes of the wage- and salary-earners. And such restriction is necessary for the regime not only because of the actual lack of consumer-goods. It is also important for the same shift in the use of capital investment which by the diminished demand for consumers’ goods is deterred from the consumers’ goods industries and thus leads to the investments needed for the plans of the regime. Restriction of profits functions in a corresponding way. As a whole, this system of regimented wages, prices and profits is intended to serve the purposes of the regime by employing a powerful economic weapon in addition to the manifold direct compulsions, commands and prohibitions. But while destined for this end, this system itself can only be maintained by such permanently increased prohibitions, commands and compuls-
sions. And even so the success has by no means been complete.

Commandeering wages as such is certainly very simple for a dictatorial regime. It needs but a decree or, still simpler, an order to the labor trustees who do the commandeering. The result is that no changes of wage rates are permitted. The laborer is forbidden to ask for higher wages and the employer is forbidden to offer them. During the depression German wage rates had been generally lowered 10 per cent through governmental interference, in spite of existing trade agreements, and still more by individual employers reducing piecework and overtime rates. National Socialism has retained the wage rates at this lowest crisis level, even when unemployment was replaced by a shortage of man-power. The total wage sum rose remarkably, because of the millions of the formerly unemployed now being enrolled again in the workers’ army. And the weekly earnings of the individual worker rose too, although far less conspicuously, because of more work days a week and more work hours a day, often also by shifting the worker into higher wage brackets. But the hourly wages as such remained at their low level, nominally. And that means that their real purchasing power has actually declined since the accession of National Socialism. During the depression lower prices not only balanced but actually overcompensated for the reduction of nominal wage rates, with the result that the index number of real hourly wages in 1931 was 109 as against 100 in 1929. In 1936, on the contrary, it was down again to 98: even the official cost of living index could not conceal the rise in prices. Actually, this rise is even considerably greater

30 Taking 1928 as 100, the cost of living index was 77 in January 1933 and 82 in October 1937, the clothing index alone at the same dates 63 and 75. (*Reichskredit Gesellschaft Report* 1937-38, p. 52.)
than is shown by the official index. The official index omits taking into account not only the absence of many goods that must be made up for by the purchase of more expensive ones, but also the most decisive fact that many commodities were greatly deteriorated in quality, which means also higher expenses and a lowered standard of living.

To the entrepreneur, contrariwise, fixed wages in a time of swiftly rising production apparently open a fascinating prospect of rapidly growing profits. Increased utilization of the plants does away with the smothering burden of the fixed overhead costs that have to be borne during the depression; the lowered interest rates combined with the diminished business indebtedness further contribute to this brightened outlook. The question is how long will this last and whether, if wage rates are prohibited from participating in the increased return, the entrepreneur is allowed to keep it for himself or whether he has to share it with someone else, with the consumer or the state. Here, National Socialism's price policy, in addition to the increased taxes and all the other contributions, comes into the picture.

A decree of November 26, 1936, ordained a general price-halt for goods and services of every kind at the price level of October 18, 1936, and appointed a national price commissioner for carrying this order through. But even before that decree not only did a manifold price control exist, but also the restriction of prices and profit margins in the field of the National Food Estate, discussed above, and as another example, a decree of January 20, 1936, forbidding price rises in connection with the then introduced 5 per cent increase in freight rates. The November decree made this principle generally valid. Not only were wages to be stabilized, even in the case of rising costs, but prices too. The manufacturer and the merchant were to make up for rising costs by diminishing their profits or by a new rationalization or by
any other means they might find. This is the principle. Practically it means that exceptions to the rule have to be asked for in every single case from the office of the price commissioner. In minor cases of rising costs such exceptions are refused, greatly to the detriment of the weaker producers. But even when prices of imported raw materials rise heavily, as they did in the first half of 1937, the processor or the merchant cannot raise his prices by himself. He has to present his price calculations. And then he is ordered to sacrifice a part of his margin. Or he has at least to change his calculations by adding only his actually increased expenses but not charging the load at the usual percentage of his total costs. In addition, the price commissioner may take advantage of decreasing costs of production by directly prescribing lower prices for particular commodities (compensatory price diminutions, as they are called) for maintaining the price level at large in spite of other unavoidable increases. Actually, he acts on this line entirely arbitrarily, at the expense of special groups of manufacturers or merchants, in favor of special aims of the regime. If the regime feels it necessary to unburden the consumers, the price commissioner commandeers price reductions (or the reduction of the trader’s margin or both) for automobile and radio accessories, bulbs, razor blades and a great many branded articles or for glass, aluminum, rayon, artificial wool. He commandeers price and margin reductions for potash and other fertilizers (by 25 to 30 per cent, amounting to an annual sum of 120 to 150 million marks) and for agricultural machines, if the regime wants to prove its benevolence to the farmers, regardless of the result that, for instance, the subvention thus granted to the consumers of fertilizer leads to the reduction of the dividends of several fertilizer-producing corporations.

The regime is omnipotent in this field of price commandeering as in every other field. It subsidizes or it taxes, with-
out due process of law, exactly as it pleases. It combines all members of a trade in a compulsory cartel. It prescribes maximum and minimum prices. It intervenes constantly and ubiquitously. Nothing appears too petty for this ardent zeal to intervene. One issue of a textile trade journal,\textsuperscript{81} picked up at random, contains the following ordinances: Ladies' summer hats may not be offered below the minimum prices proclaimed for ten different classes; felt hats of any kind are not allowed to be shown in shop windows before the fifth of June, but in exceptional cases two or three of them may be shown in combination with a greater number of straw hats; the maximum price for colored rags is changed; prices for La-Plana neckties are lowered; stockings preservers (whatever this product from Saxonia may be) are to be sold to women peddlers at 48 and to consumers at 75 Pfennig a piece . . . Scores of such journals for the various trades are published in Germany every week. All of them are likely to contain a similar number of equally intricate pronunciamentos. But behind them there is fixed determination. The price-stop decree too, which is the legal basis of such ordinances, may be enforced by shutting down plants and shops and by imprisoning manufacturers and merchants. And such was the usage also before that decree.

THE TACIT EXPROPRIATION OF THE JEWS

The Jews are experiencing the philosophy and the social-economic methods of National Socialism in singular completeness. They are expelled from Germany after being expropriated. If they stay in spite of all, they are thrust into a ghetto which is being closed ever more strictly. They are degraded from "citizens" to "residents." Marriages between Jews and Aryans are by the Nuremberg Laws of September

\textsuperscript{81} \textit{Textil-Woche}, March 5, 1938.
15, 1935, forbidden and annulled; extramarital sexual intercourse between Jews and Aryans is also forbidden and threatened by cruel punishment against the Jewish man. All this occurs to people who very often do not understand what they are suffering for, who often have long been Christian, intermarried with Aryans, felt themselves to be only German. The Nazi-invented "Jewish Grandmother" is world-known today. What is less known is the German mother who is married to a husband of Jewish descent and who now publicly confirms by her oath that her children are by another, Aryan, man: by this sacrifice—equally terrible if the oath is true or perjured—she takes from her children the stain of being "Non-Aryan." Who can count the human tragedies, the suicides? Those who can find a haven, flee. One must, however, understand the methods employed by National Socialism. For the Jews are not expelled by force. If they emigrate, they do so by what appears to be their own voluntary decision. In fact, emigration means that they have to leave the largest part of their properties behind them. But everything is done in entirely legal forms. Hitler is rightly said to have the legality complex. When in the bloody purge of June 30, 1934, he and his companions shot Captain Röhm, an active Reich Minister and Chief of Staff of the S.A., and scores of others, he immediately issued a law (which he can simply do by himself, without all the trouble and the awkward investigations of a parliamentary state), saying that "the measures taken in connection with the events of June 30 are legal on account of the state's emergency situation." In the case of the Jews the legality of the procedure is even more punctilious. The regime tries hard to issue the law first and to act later. It does not always succeed in this attempt towards legality. After the annexation of Austria, Jews in great numbers, according to reports of the New
York Times, were expelled from their homes, forcibly transported to the borders and there, men, women and children, without money, food or more clothes than they had on their bodies, disembarked on an island in the Danube or on a mountain above the snow line, only to be rebuffed by the foreign states which were not prepared to receive them. There also Jewish shops were plundered, Jewish property was seized or destroyed. But such inopportune individual actions were then severely scolded (not punished) by the authorities. “I must point out,” declared Joseph Buerckel, Reich Commissioner for Austria, “that certain fellow citizens think there is a need to combine ‘Aryanization’ with speculation on their own behalf in which they imitate Jewish methods. The process of ‘Aryanization’ in Vienna will be conducted by me personally. I will take the necessary measures and they will have an absolutely legal basis. I condemn the interference of any other person in this matter.” And the Vienna edition of the Voelkischer Beobachter, Adolf Hitler’s own paper, commented even more cynically: “Everyone should realize that Germany is a land of justice. Nothing occurs in the Reich without a legal basis. No one is entitled to act on his own initiative. There will be no pogroms.” But there were.

But these are exceptions. Generally, the German Jews are not expelled by force. They go away voluntarily—if one wishes to call voluntary an action taken when they can no longer stand the moral humiliation to which they are subjected day after day, and the economic suppression which makes it increasingly impossible for them to earn a living in any form whatsoever. For this indeed is the method employed by National Socialism. All actions are “legal” but none the less immensely efficient. The Voelkischer Beobachter

22 Cf. e.g., the New York Times of April 24, 27 and 29, 1938.
in the above-quoted article aptly calls it "systematic economic eradication."

This systematic economic eradication started with the liberal professions. Jews were expelled from teaching positions in universities and all other schools, and from newspapers and theaters as well. Jewish writings, in literature as well as in science, can no longer be published and Jewish works of art can no longer be exhibited. Jewish civil servants were dismissed and Jews prevented from taking part in any public activity. The number of Jewish university students was reduced to practically zero; even those who have finished their studies have not, since April 1937, been permitted to obtain their doctor's degree. Finally, the work of Jewish physicians and Jewish lawyers has been restricted more and more. They were not only dismissed from all public positions; their functioning for private "Aryan" clients is to an ever growing extent eliminated by the intimidation of these clients. And this is the point where the eradication of the professional Jews merges with the general economic destruction of the German Jews as such. The method employed is actually identical in all the different fields. It is the boycott which does the work—the boycott in a steadily increasing variety of applications, practiced with all the fanatic shrewdness of National Socialism and supported by its totalitarian command over all social and economic relations.

The anti-Jewish boycott in Germany started with a great propaganda pageant on April 1, 1933. Throughout the whole country, in every city, town and village, Jewish-owned shops and offices were placarded and picketed and customers harangued to shun them and to patronize "Aryans" instead. The same, in even more ferocious forms, took place in Austria after National Socialism's victory. In Germany proper, the spectacular performance has been replaced with quieter methods, although in one place or another a similar pageant
is produced from time to time. But the tacit boycott produces the results with even greater efficiency. Everyone who is in any position of dependence—and there are practically none who are not—is threatened with economic extinction if he does not comply with the official will. An employee who still would consult a Jewish physician may be discharged from his job. A civil servant whose wife would still buy in a Jewish shop envisages his dismissal. A merchant, an artisan, an industrialist who wants to do business with any public institution, acts wisely in dismissing his Jewish employees. Jewish house-owners, too, are facing at least partial boycotts.

Moreover, the boycott of the Jews is by no means confined to their customers. Public or publicly controlled institutions amply contribute their support. A cattle-trader, who might still be able to do some business, may be excluded from the public cattle insurance. This is one instance. Restriction of bank credits to Jewish enterprises may be another. The management of the foreign exchanges and the official distribution of raw materials also do their part. Jewish enterprises (unless they are particularly essential for exports) are not dealt with on an equal footing with their “Aryan” competitors; their raw material quotas are generally lower than those of others; besides every decision is arbitrary in this field, and Jews have to face this arbitrariness without appeal. The rest is done by the organizations of the different trades. Such a trade organization may introduce the “Aryan paragraph”: it means the death sentence for the Jewish enterprises in that trade. Another trade organization decides not to receive Jewish salesmen, or to sell to Jewish manufacturers or merchants, or to buy from them. Again it is the economic death sentence for all those who are no longer able to buy their materials and to sell their products. Thus Jewish employees are expelled from one establishment after the other, from one entire trade after the other. And Jewish entrepreneurs have
to yield to the same fate. "We shall not rest until the last Jew has disappeared from Germany," said Dr. Ley in a speech of March 11, 1938. "The de-Semitization of Vienna should be achieved by 1944," decreed Goering in his first triumphant speech there. And the *Voelkischer Beobachter* qualified this statement: "By that time no business, no factory should be allowed to remain in Jewish hands. No Jews should have an opportunity to earn a living... Not one will remain."

On April 28, 1938, Goering issued a decree that all Jews shall report their "entire domestic property and estate" if it exceeds 2,000 marks. By the same decree, Mr. Goering empowered the Commissar for the Four Year Plan—none other than Mr. Goering himself—"to take such measures as may be necessary to guarantee the use of the reported property in accord with the necessities of Germany economy." About the character of such measures nothing has thus far been revealed. But the purpose is evident: intensified compulsion upon the Jews to give up their tangible property, to abandon their enterprises and their positions in the German economy—to sell and to get out. "For guiding the whole economy under the point of view of Aryanization, a new and versatile instrument has thus been invented. At the same time a legal basis for solving the question of Jewish influence in the economy has been established," opines a friendly comment in the *Frankfurter Zeitung*.

So far there has been no open confiscation. So far, the tacit expropriation of the German Jews has been sufficient and has indeed worked out to complete official satisfaction. Everything is going on in legal form. The emigrating Jews are subject to the general heavy tax for emigrants. Their tangible possessions are subject to the general export embargoes which may be suitably adjusted to

*35 April 28, 1938.*
prevent the Jews from taking too much with them. And their money is transformed into emigrants’ blocked marks,\footnote{Cf. p. 229.} which they can sell, if at all, only much below their face value; in the autumn of 1938 they received no more than 8 per cent. But not too much money will remain in their hands even in the form of emigrant marks. The Aryanization as the result of the boycott takes care of that. It sufficiently debases the value of their property. Besides, if their “Aryan” successors were really willing to pay too much, special commissars for Aryanization will keep a watchful eye upon them.

An additional decree to that of April 28, 1938, not only states that a Jew needs a special permit if he wants to start a new business or a new branch of an existing one, but that such a special permit is necessary for selling or for leasing any industrial or agricultural establishment if one of the contracting parties is a Jew. And even before that decree regulations had been established forbidding any payment for the goodwill of the enterprise and permitting only special low prices for the inventories and the stocks in hand.

Such is the result of expropriation and expulsion by National Socialism’s combined forces of domination: by its propaganda, by its state’s power over the economic heights of command and by its vocational organizations endowed with monopolistic force but again guided by the omnipotent party.

For the time being this whole apparatus is employed against the racially unwanted Jews for the sake of anti-Semitism. But it is an alluring experiment and a virulent technique. Some time, perhaps, it may also be considered useful for other purposes of expropriation and expulsion, against such groups, for instance, which might be considered as socially unwanted. Already similar methods, although not with the same totalitarian completeness, are
actually applied for the expropriation and expulsion and for the social death sentence of liberals and Socialists and of all other elements regarded as hostile to the new Germany. As a matter of fact, there is one counterpart—one at least—for this liquidation of the German Jews: the use of parallel methods by Bolshevism liquidating the kulaks.

In the meantime, the expropriation of the Jews by National Socialism is not Socialism. Rather it is predatory capitalism. It benefits those co-ordinated “Aryans,” big capitalists and little men alike, whom it enables to buy up Jewish property cheaply, to take over Jewish business from large enterprises down to the small shops of Jewish storekeepers, traders and artisans, to get rid of Jewish competitors in every field of business and the professions, to obtain jobs from which Jewish occupants were dismissed. And the equanimity of men in practically every social stratum who readily took advantage of this opportunity for increasing their incomes and their wealth and accelerating their careers by the expulsion of former friends and colleagues and fellow-citizens—professors and civil servants and lawyers and physicians and great industrialists and businessmen and investors and what else—is certainly a remarkable symptom of the moral standards in the Third Reich.

The Social Results

The distribution of the national income

The development of Germany’s national income and its distribution is shown by the following figures, computed from the official statistics.85


National Income, nominal and real, 1913-1934: Wirtschaft und Statistik,
The abolition of unemployment, the re-employment of idle men and idle plants up to the stage where the whole economy is working at full capacity, has lifted the national income to a height which, while nominally still below the pre-depression figures, actually—taking into account the lowered price level—has from 1936 on surpassed all former peaks in purchasing power. Remarkably enough, the distribution of this national income among the different strata of society has, according to the figures, changed only to a very small degree.


Pensions, which before the World War required only 3 per cent of the national income, play a part of their own in these tables. In 1932, at the deepest point of the depression, one-fifth of the total national income was to be spent for this burden; later they were lowered in absolute figures, and even more so in their relative weight, when the general income rose; since 1936 they have been back again at their postwar normal. But however impressive these figures are, they are only a special accident. For our problem—the social results of National Socialism—the other figures concerning the participants in the productive work of the country are decisive. And these figures present a rather conservative picture.

Agriculture has increased its share of the national income to some extent, although not being able to maintain its highest level, because bad harvests were not allowed to be compensated by still higher prices. Labor, on the other hand, has maintained its share, with a slight diminution, to be sure, at the price of every hand available working longer hours with increased intensity. The least is to be learned from the statistics about entrepreneurial profits. There is no doubt that they have been increased very considerably as against the depth of the depression when National Socialism seized power. Increased production, which for labor raises the total amount of wages but not necessarily the wage earnings of the individual worker employed, means for capital quickly
improved profitability, at least up to the point where decreasing costs are again changing to increasing costs per unit. This point has been reached in more and more cases, in the coal industry as early as the beginning of 1936, in other industries later but with increasing generality, because the optimal employment has been surpassed. Less efficient plants had again to be put into operation, and less efficient and less skilled workers had to be used, while at the same time the amount of unproductive clerical work rose heavily with the increased bureaucratization of industry. This change from decreasing to increasing costs may play its part in the future. In the past, only the favorable results of increased production were reaped by capital. In 1931-32 and 1932-33 the balance-sheets of German joint-stock corporations** showed profits of 563.3 and 558.0 million marks, but at the same time losses of 2,625.0 and 1,094.4 millions, the losses thus far exceeding the profits. In the following year profits and losses were nearly equal. And since then, the losses have almost disappeared and the profits have continued to rise (although still far below the amounts of 1927 to 1929) as did the dividends distributed to the shareholders which, however, for many enterprises started as late as 1936. As a matter of fact, all this tells only a part of the story. The figures (in Germany as everywhere) show only those profits which the corporations' managements want to show, while other large and increasing parts of them are hidden by excessive depreciation accounts, by the undervaluation of assets and the formation of other secret reserves which are withheld from distribution to the shareholders but which nevertheless accrue to the value of their holdings.

In spite of all, one fact indeed is most impressively documented by the above tables: the increased share of the na-

** Statistisches Jahrbuch für das Deutsche Reich, 1937, p. 419.
tional income seized by the National Socialist government without any public control whatever. Taxes not only rose in absolute figures together with the national income. They rose much more quickly than the latter. While requiring 17.4 per cent of the total national income in 1928, they took away 24.6 per cent of it in 1937. And again, these figures must be amplified by all the other fees, supposedly voluntary or avowedly compulsory: the contributions to all the manifold functional and party organizations, the collections for the different propagandist charity activities of the regime, the export levies on industry, down to Beauty of Work and air raids precautions. Moreover, the figures show only the incomes of the different social strata, not how they are, to an ever increasing extent, spent according to the commands of the regime. And neither, of course, do they show their use for non-consumption, for the compulsory investment by the commands of the regime.

But the increased share of taxes in the national income gives a clue as to the real social outcome of National Socialism. What has been the result of the expectations of those social groups which had supported National Socialism’s coming to power? There is only one conclusion to be deduced from the preceding analysis: namely, that none of the groups has really obtained what was hoped for. Neither anti-capitalism, pre-capitalism nor capitalism has remained victor. In fact, all their aims and aspirations have been subdued by the omnipotent party. The party has conquered all social strata alike and transformed them for modeling its society according to its overwhelming gospel of the nationalistic state.

**THE FATE OF LABOR**

Not much needs to be added about the role of labor in the National Socialist state and in its social stratification. It is evident that the National Socialist Labor party is not a
workers' party and its state is not a workers' state. Labor under National Socialism has been deprived of all its former organized power, of all independence and even of the means of defending its interests in the political as well as in the social sphere. The trade unions are destroyed, strikes are forbidden, collective bargaining is abolished—the workers toil long hours at low fixed wages and at a low standard of living, actually under a general labor conscription which does away even with the individual worker's right of freely choosing and changing his place of employment. The employees are stamped as "followers" of the entrepreneurs who have been raised to be "leaders of the enterprise." The Labor Front as the last remnant of an organization open to employees actually functions only as an instrument of the party, destined, according to authoritative interpretation\(^7\) not for dealing with economic questions but for the "guidance of men." Certainly, no one will dare to maintain that such a status of labor is anything but labor's total subjugation.

THE FATE OF THE MIDDLE CLASSES

But essentially the situation is by no means different with regard to the middle classes—those groups of German society, rural and urban, whose pre-capitalistic longings and anti-capitalistic fervor had contributed so much mass support to National Socialism's ascent to power. Here again, the actual outcome of more than five years of National Socialist domination tells a story greatly diverging from the ideologies launched at the start. The middle classes, like the laborers, have to serve. They have to do their duty. And their duty, like that of the laborers, is production. The kind, the amount, the reward of their production is commandeered by the state. Their own glorified guildlike organizations are tools in the

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\(^7\) Staatsrat Schmeer in his speech of May 5, 1938, mentioned above.
hands of the state, destined, also, for the "guidance of men." If these middle-class men cannot live up to their duty according to the will of the regime, they are eliminated—combed out, ruthlessly, pitilessly.

There are strange—and enlightening—contradictions, nevertheless, in this attitude of National Socialism. On the one hand, it supports the already established interests, upon condition that they comply with its commands, which is why National Socialism, socially, so often appears at the first view as a highly conservative force. The hereditary farmers, expected to preserve the farms undivided within the same families from one generation to the other, are one instance. The protection of established artisans, traders and manufacturers, by restricting the expansion of existing and the erection of new establishments, is another. And the heavy diminution of the number of university students—from 122,800 in 1932 to 89,100 in 1934, 81,400 in 1935 and 71,900 in 1936—is also worth mentioning in this connection, because to a large part, although not completely, it too is the result of direct government intervention. The basic idea is always the same. It is the idea of closed social castes. He who has already reached a certain position shall have the privileged claim of remaining there. He is to be protected there. But he is also to be tied there. For everyone shall be content to stay in that social stratum in which he was born or at which he has arrived. Rising on the social ladder, changing one's place in society, making progress and aiming at personal expansion—all desires of that kind are regarded as nothing but inheritances from the liberalistic age. They definitely have to be done away with. For in the social as well as in the political sphere it is not freedom which makes men happy but only quietude, acquiescence in complete subjugation: to serve and to obey.
One trouble, among others, with this seemingly conservative philosophy is that it is not supporting and preserving these middle-class strata of society as such, defending them against other adverse groups like labor or capital with their stronger dynamics, but that it functions in reality only as a protection of one section as against other parts of the same middle-class groups. It is carried through at the expense of the latter. The farmer's younger sons who are excluded from the farm; the journeymen who are not admitted to independence; the employees or other small savers who cannot obtain a permit if they want to establish a little shop of their own; the boys and girls who are not allowed a higher education even if they and their parents are ready to make any sacrifice for this purpose; practically all these really middle-class people who want to move somehow and who at their every step find the deterring posters: "Newcomers prohibited"—they are the ones who pay the price.

Besides, combined with that allegedly conservative social philosophy of National Socialism is the really revolutionary social practice of its economic policy. This is evident not only by the hundreds of thousands of small traders and producers, of merchants and processors who were forced to give up their independence: the same development results also in manifold indirect ways from the National Socialist system. Government regulation strengthens the competitive force of the large enterprises at the expense of the smaller ones which are far less able to reap its advantages and to bear its burdens. Be it the distribution of raw materials or of labor or, from the other angle, of government purchases, the large enterprise will always more easily find access to the influential men who will understand the particular importance of its being treated with particular consideration. There need not even be corruption, though there is a lot of it. Personal relations play the same role. At all events the bureaucratic state
machinery works so much better with a few large enterprises than with a great number of smaller ones; again and again the little man will be too late in the field. The large enterprise, furthermore, is much better prepared to find adjustment for the burdens of the price-stop, and to cope with the vast amount of red tape, and of additional paper work, necessarily connected with the authoritative regulations, and of all the open or hidden levies, taxes, charitable collections and contributions for the highly expensive vocational organizations. The large enterprise, under such circumstances, can still survive when the smaller one must give up the game. The German Dye Trust, for instance, produced in 1933 one-third of the entire German chemical production, while in 1937 its share was estimated at about one-half of the greatly increased total. The strong can expand more easily than the weak. Combines and mergers are growing in size and in number, and not only by Aryanization: independent middle-class people in every field, Gentiles as well as Jews, have to surrender to the greater strength of large capital. This, then, is the realistic counterpart to the vastly advertised middle-class ideology.

A parallel is also to be found in the agricultural field. Not only is it National Socialism's price policy which particularly favors the pecuniary interests of the big landowners while the smaller farmers suffer more by the restrictions. A purely political problem is involved there too—the problem of the 18,000 Junker families. They own approximately 20 per cent of all the German farm lands. And they have utilized this land monopoly for establishing and perpetuating the political influence of their caste throughout the centuries and throughout all changes in Germany history. Breaking this land monopoly, dissolving the big estates and settling free

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farmers on their soil was the great goal of all German liberal reformers from the end of the eighteenth century onward. The German Republic fought hard for this goal. Its fight against the feudal caste was one of the causes of its defeat. National Socialism knew that. It has made its peace with the Junkers. While it never tires of eulogizing the farmers and their importance for the nation and all its other middle-class ideologies, settling new farmers on the land of the great estates is no longer one of National Socialism’s aims. The German Republic, during the last four years of its existence, created 31,114 new farms on German soil. National Socialism, during the first four years of its domination, reached only the number of 17,058, and there would have been even fewer had it not been for land acquired in previous times.

WHAT REMAINS OF PRIVATE CAPITAL?

These statements about the fate of labor and of the middle classes might lead to the conclusion that in the end it is still private capital and capitalism as such which National Socialism is working for and which enjoy its results. This indeed is the feeling of more than a few foreign businessmen who return to their countries from short trips to Germany with some envy over the high rate of production, the discipline of the laborers, and the absence of strikes, of troublesome trade unions and of everything which at home they are used to denounce as “Bolshevist tendencies.” In fact, they are only proof of how difficult it is to look beneath the surface of a strange social system in a dictatorial state. For these assumptions are flatly denied by the words and by the deeds of the regime.

The endless stream of regulations, commands, restrictions and requisitions, which National Socialism has imposed upon

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89 Figures from *Statistisches Jahrbuch für das Deutsche Reich*, 1937, p. 84.
private capital, was analyzed in previous chapters. The sum total of all these restrictions is that they have done away with every freedom of disposition of private capital and have transformed the private entrepreneur into merely an executive instrument of the state. "Private property," thus runs a well-informed article in *Foreign Affairs,* 40 "has long since ceased to be more than a mere legal form which has almost completely lost its content. The German industrialist has no more control over the means and ends of production than the German worker has over the conditions of his job, the German peasant over the products of the soil, the German tradesman and dealer over the goods he handles or their price to purchase and to sell, or the German banker over the creation and distribution of credit." Private property indeed loses its real meaning if the owner is commandeered in every decision as to its use. Then, in the words of a German article, 41 "private entrepreneurs have been transformed into national economic feudatories and the state today is, so to speak, a partner in every German enterprise." But does the state really restrict itself to partnership? Another German writer 42 quite logically develops the conception of the private entrepreneur as an actual state employee. "By steering the economy the state comes to be the Entrepreneur-General of the productive community 'German Economy'; the competences of the entrepreneurs in the older sense are today restricted by the Entrepreneur-General, that is by the central steering organism; but why should the entrepreneur, in face

40 "The Destruction of Capitalism in Germany," by V. *Foreign Affairs*, July 1937.
of the Entrepreneur-General, not play the role of the able employee or of the even more able member of the managing committee?” Indeed, why shouldn’t he, since he must?

The new German corporation law of January 30, 1937, shows the meaning of that transformation. Everywhere, students of the joint-stock corporations are puzzled by the problems involved in the division of ownership and control. Who is the real entrepreneur in this division, since the legal owners, the stockholders, do not act as entrepreneurs and the management which really performs the entrepreneurial activities consists legally only of hired, salaried employees? And what about the divergence of interest between the stockholders as the legal owners and the enterprise as such, with its claim to perpetuity and to long-planned growth regardless of the permanently changing stockholders speculating in its shares? The new German law cuts the Gordian knot. It simply deprives the shareholders of every influence in the management and of every important decision in the enterprise. Instead, the will of the enterprise is to be formed by the management independent of the wishes of the shareholders who own the capital. Ownership does not mean anything. The leadership principle alone prevails. But it follows from the same principle that the leader of the enterprise, for his part, has to submit to the superior leadership, to the state that commands.

There still are in Germany representatives of the “anti-quated liberalistic attitude,” who maintain that all the commandeering is only due to the emergency of the transition period of reconstruction—that this spook will soon disappear. But in all likelihood this is wishful thinking and nothing else. It is contradicted by the persistent and growing strength of the opposite concept under which everything done thus far is only a beginning. To the adherents of this latter creed not only is any independent capital activity an abomination
but also its control by the profit and loss account. "Private economic considerations are not at liberty to jeopardize the national economic success," said Goering when demanding production increases from agriculture. And Hitler shows no greater respect for business calculations either. Besides there are many National Socialists who think it senseless to allow private capital large profits for reinvestment in the new plants of the Second Four Year Plan instead of taxing away these profits and having them directly invested by the state. One author has already found a shrewd way out of this dilemma. He suggests that privately accumulated wealth be skimmed off by a capital levy of many billions, and that this procedure be regularly repeated from time to time as a means for periodic readjustment of the people's indebtedness and the distribution of wealth and for continuously giving the state the financial basis of new creative achievements. If this be a catastrophe then at least it is a timed and canalized catastrophe!

This may be a personal fantasy. While radicalism has doubtless been growing continuously, especially since 1936, there still may occur vacillations and even retreats. But as to National Socialism's economic creed an authoritative interpretation was certainly made when Goering, totally inverting the economic interpretation of history, told the German economic leaders in his speech of December 17, 1936: "A liberalistic age must have capitalistic methods. A National Socialist age needs its own economic methods and its own economic laws, just as a Bolshevist age needs them too. For it is self-evident: if the economy depends upon politics, the economic methods too must depend upon the political methods. Under National Socialism there can be no liberalistic concept

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43 Vierjahresplan, April 1937, p. 194.
of the economy, and it is likewise unthinkable that for any length of time there can be under National Socialism a capitalistic economic policy."

THE PROMISE OF SECURITY

Thus National Socialism presents itself, time and again, as a political system using the economy only as a means for its non-economic political ends. But in doing so National Socialism actually transforms also the economic system as such. And far-reaching final results may be involved in this transformation. The regime having been in power for so short a time, less than six years, such results cannot yet be judged with certainty. But they must be discussed as a potentiality. For if it is correct that today National Socialism's "main support comes from the masses and that its severest critics are found not only among the intellectuals and churchmen but also among businessmen," the explanation is to a large extent to be found in this very problem. National Socialism abolished unemployment. Moreover, it was not afflicted, as were so many other countries, with the economic recession of 1937. This may easily be interpreted as the consequence of the government's continuous spending policy, its rearmament, its two Four Year Plans and their sequel. But might it not be more? Can this situation be a lasting feature of National Socialism? Can German Fascism rightly assert its ability permanently to maintain capacity production and full employment, thus overcoming the business cycle with its regular alternation of upswing and depression?

The answer must be that there are indeed certain points in the present German system which lead to such an assumption, at least as a theoretically possible result. National Socialism, in this respect, is in a situation very similar to that

of Russian Bolshevism. And even the means employed are essentially identical with those of the Soviet Union, although this striking similarity is of course zealously concealed by the German propaganda.

National Socialism, that is to say, dominates investments. It really dominates, by command and interdict, the total amount of the investment in the country, public and private. And it dominates consumption too. It can expand and restrict in any of these fields, wherever it pleases. Consequently it can bring about the equilibrium between production and the use of the commodities produced. It can at the same time keep production at the highest possible level. Finally, by having all these immense powers at its disposal and by permanently declaring its determination for employing them, the regime can also remove the psychological element which plays so important a part in the causation of the business cycle. There is no room for the "hopes, fears and mistakes of the business world." Great as they may be below the surface—and the fears and mistakes are certainly even greater than the hopes—they are silenced by the dictatorial regime. They cannot counteract its will. On the contrary, not only persuasion and coercion but calculations of private profit alike impel the businessmen under present conditions to maintain capacity production and employment.

Such are the theoretical potentialities of the system. Whether they will be materialized in the course of time or whether finally there will be a chaos more horrible than even the worst cyclical crises of the capitalist world, will depend largely on the government's policy.

The question is often raised what the German situation

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might be when rearmament is completed and the great plants
of the Second Four Year Plan are built and start production.
Will that not be the end of public spending, the end of this
whole commandeering, with the result that business condi-
tions will again depend on voluntary private investments and
with the final consequence of the business cycle returning?
This is a very strange question indeed. If the regime is deter-
mmed to remain totalitarian, to maintain its centralized
domination, to put the whole people to work and not to tol-
erate the recurrence of unemployment—it will certainly not
be by a lack of opportunities for public capital investments
that it would be frustrated. The grandiose rebuilding of Ger-
man cities, begun in a period of highest economic tension
although even imperiling the plans of armament and autarchy,
is proof of that. National Socialism will always find such
and kindred opportunities for spending the people's money.
This indeed will be its least concern. Its real danger lies
in the opposite direction, again in the political, the non-
economic character of the system. Because its predominant
aim is nationalistic power, glory and expansion—while the
abolition of unemployment is only a by-product of that pri-
mary goal—this nationalism is always in danger of being
seized with the _hybris_ which will be punished by the gods.
The politically-caused famine of the winter of 1932-33 in the
Soviet Union—a calamity of a degree unknown and unthink-
able in modern countries during peacetime—affords a war-
ning example. To overheat the boiler, to overstrain its strength,
to overstep the bounds of productive and financial realities,
that is the temptation to which National Socialism must al-
ways be inclined to succumb. And such pride and presump-
tion may bring about—instead of the promised security—do-
mestic destruction, external war—or both.

But in the meantime, while the dice are not yet thrown,
large masses of the people surrender to the shining hope of
security. National Socialism has cured them of unemploy-
ment. For them this is its decisive social result transcending
all else. And the regime never weary of advertising this
achievement. Large posters on every building, every road or
bridge under construction, loudly proclaim: "Our being at
work here we owe the Führer."

Who—Whom?—National Socialism and Bolshevism:
A Socio-economic Comparison

National Socialism declares itself to be the savior of West-
ern civilization, the savior who has undertaken the historic
task of rescuing mankind from the abominable menace of
Bolshevism. No words are strong enough for National So-
cialist orators to emphasize the abysmal hostility between
the two systems which are exhibited as being discrepant as
day and night, irreconcilable as fire and water. This is the
doctrine. Reality tells an entirely different story. Its simple
truth is that the two systems are more and more drawing to-
gether. Implacable as the cleavage between the two ideologies
—nationalism here and Communism there—seems to be, it is
gradually being bridged over from both banks. Already Bol-
shevism and National Socialism look like twins bearing on
their faces the same characteristic traits of the same parents—
state-omnipotence and dictatorial totalitarian rule—and not
only in regard to the political structure and methods of their
states. Even in the socio-economic sphere the approxima-
tion is growing step by step to such an extent that, after
twenty-one years of Bolshevism and nearly six years of Na-
tional Socialist transforming development, National Socialism
must be understood as truly being the present-day German
version of present-day Russian Bolshevism.

There is first of all, as shown in the previous chapters,

48 Cf. "The Totalitarian State," by Arthur Feiler, in Planned Society, Yes-
the identity of the methods employed. In both systems the subjugation of the entire economic life of the country to the uniform will which emanates from the state's centralizing brain, takes place by the same economic means: by excluding the country from the world's economy; by distributing raw materials, labor and capital to the purposes of the regime; by regulating prices and wages; by imposing taxes, extorting loans, steering credits and finally, if need be, by having recourse to an unrevealed inflation. Both systems, furthermore, are enforcing these methods of subjugation by a vast economic bureaucracy in addition to the political. And in both systems the identical means of political domination are used as supplementing the economic means, namely, propaganda and terror. In every case the identity extends to the least of details. National Socialism, for instance, imitates Bolshevism's Socialist competition by organizing contests among enterprises, employers and employees and granting decorations, prizes and titles of honor which seem to be literally translated from the Russian. Indeed, with regard to methods, National Socialism is nothing but an eager plagiarist of Bolshevism. Even Hitler's Four Year "Plans" are copied from the Russian Five Year Plans, the "Pjatiletka."

But the identical methods alone would not be decisive. Far more important for the increasing similarity between the two systems is the second fact that, to a continuously increasing extent, their use leads also to identical results. Of course, there remains the difference that private ownership of capital is maintained by National Socialism while it has been abolished by Bolshevism. But National Socialism did not need nationalization to profoundly alter the meaning of private property. It certainly has attained far-reaching results by putting the use of private property in any thinkable respect under the strict rules from above. The farmers under both systems have likewise experienced the slight importance
of purely legal forms. Agriculture in the Soviet Union is organized by co-operatives, in Germany by corporations. But co-operatives and corporations, which came into existence as genuinely representing the principles of freedom, self-help and self-administration, have both been transformed in the hands of the dictatorial states into means of dictatorial state-domination. Today, the actual situation of the German farmers in this respect is no longer very different from the Russian farmers’ compulsory collectivization. Their life and their work has, in other forms, also been collectivized. Incomes of the individuals under the two systems afford another example of their mutual approximation. Bolshevism started with a very high degree of equalization of incomes, but greatly increasing differentiation has taken place there in recent years.\textsuperscript{49} In Germany, on the contrary, a strong leveling-down of income is developing, at least for the great masses of the people, with the exception of party notables and some small privileged business groups; Germany as a whole is actually going through a state-regulated impoverishment of the civilian population. By driving on that road, National Socialism reveals once more its deep affinity with Bolshevism. The community shall be wealthy and the individual shall be poor —this is the principle realized by both of them. And it is only one more identity that in both systems the existing differentiations of income and the low standards of living as such are modified by a common rule for the conduct of life, which is supposed to make them easier to bear: even if one enjoys a higher income than his fellow-citizens he shall not enjoy it by spending it too ostentatiously in too luxurious a life. In both systems, that would not be decent, it would be asocial. For

\textsuperscript{49} Cf. Ce qu’est devenue la Revolution Russe, by M. Yvon, Paris (no date) and The Revolution Betrayed, by Leon Trotsky, New York, 1937, which contains a great amount of important material in spite of the deep personal resentment of the author.
the two systems, both of them, are in a state of war, and for these wars of theirs they have mobilized their peoples and command them to make sacrifices. The goals of their striving are different. But the means are identical. And so are even the slogans. German nationalism's motto that "guns are more important than butter" repeats only the banderol of early Communism that "Socialism without milk is better than milk without Socialism"—with the result that under both systems butter as well as milk and practically indeed all consumptive goods are rare. But this present scarcity does not matter. For under both systems the present generations are urged to serve and to suffer for the future and to build the pyramids designed by their leaders. Only the future will prove whether these buildings will, at least in later times, produce the greatly improved living conditions for the people, as was predicted, and time and again postponed, by Bolshevism; or whether they will produce armaments for gaining more power for the state, as is preached and planned by National Socialism; or which part of them will remain, under both systems, really empty pyramids (possibly even in the form of useless, unproductive industrial plants), monuments of the grandeur of the new autocrats in these new states of the bees.

And this leads to the last point which proves that National Socialism is rightly called the present-day German version of present-day Russian Bolshevism. Both of them raise the state to the rank of deity by humiliating men to the level of animals who are not supposed to think but only to work for being fed. They lure them into obedience by the same inducements: by the promise of security, by collectively satisfying collective consumptive wants, by bread and circuses. Thus they set them to work. But at the same time they make them forget that they are not allowed to voice their opinion as to what they shall work for and what shall be the purpose of their lives and that all these ultimate decisions of men
are made for them by their rulers alone. These rulers tell them that the only purpose of the life of men is not the individual but is the collectivity, the state, and that as to the purpose and the destiny of the state not the free community of the people but only the rulers themselves must decide. To them they have to yield up their freedom. But for this deified state, in which they only play the part of the bees, they shall live and work and die. National Socialism and Bolshevism today are living up to the horrible wisdom of Feodor Dostoevsky's Great Inquisitor: "I tell Thee that man is tormented by no greater anxiety than to find someone quickly to whom he can hand over that gift of freedom with which the ill-fated creature is born. . . . No science will give them bread so long as they remain free. And in the end they will lay their freedom at our feet, and say to us, 'make us your slaves but feed us.' . . . Too, too well will they know the value of complete submission. And until men know that, they will be unhappy. . . . And men rejoiced that they were again led like sheep, and that the terrible gift that had brought them such suffering, was, at last, lifted from their hearts. . . . Yes, we shall set them to work, but in their leisure hours we shall make their life like a child's game, with children's song and innocent dance."

Bolshevism at least did not have this concept from the beginning. On the contrary, it started from the great prophecy that it would put an end to the domination of men by men, bring about the final liberation of humanity and materialize freedom and justice, equality and plenty for every individual. It was only later that in the Soviet Union the state, which had been supposed to wither away, grew to the sky, and that dictatorship, which was planned as only a transitory stage to the ultimate realization of freedom, became more and more permanent and a definite end in itself. Even so, Bolshevism retains the remembrance of its origin at least in
its doctrine. National Socialism has never had such a doctrine. It has never spent any thought on the individual, not on his freedom, not even on his happiness. For National Socialism the Nation was God from the beginning. Nationalism has remained its only creed. And Hitler is its prophet. Often, as Protestant ministers have complained, 59 "Honors are done to Hitler in a way that is due to God only." It is for nationalism that he has requisitioned the nation as a whole. What contempt for men, in his heart of hearts, must he feel!

9 THE STATE OF NATIONAL SOCIALISM

Revolution by Law

ON JANUARY 30, 1933, Hitler was appointed Chancellor. On February 1, the Reichstag was dissolved and new elections were called for March 5. The new Reichstag met on March 21 and adjourned after a short session. From outward appearances nothing abnormal had happened. So ordinary indeed appeared the whole procedure that no foreign state even conceived the idea of raising the question of the new German government's recognition—truly not one of them, including the Soviet Union, although she herself had experienced a long quarantined, by Great Britain, Italy and France until 1924, and by the U. S. A. until 1933! There had been so many cabinet changes in Germany during the last troubled years. What was exciting in another? One significant incident had occurred during those fateful days of March: Goering had triumphantly proclaimed the victory of the National Revolution which very soon was to be called the National Socialist Revolution. But even in Germany most people did not then understand the strange word. A revolution? How and where and when? There had been no March on Berlin. There had only been elections. And in these elections the National Socialist party, although making remarkable
progress, had not won the majority, only 288 seats out of 647. In order not to be defeated immediately, the National Socialists needed the support of the 52 deputies of the German National party, Hindenburg's conservative friends who actually occupied some of the most important positions in the cabinet, and who looked nothing like revolutionaries. Besides, a strong opposition had remained unshaken: 81 mandates for the Communists, 120 for the Social Democrats, 92 for the two Catholic parties, which also meant that the new government, even if it wished to, would not find a two-thirds majority necessary for changing the constitution. Again, where was the revolution?

There had been a revolution. It consisted, at the start, of not more than six short paragraphs in the Legal Gazette. But it succeeded in demolishing every right of freedom belonging to German citizens and in handing them over altogether to the National Socialist leaders. Goering certainly was justified—he probably more than anyone else—in jubilation.

On February 27 the Reichstag building was in flames. And while all of Germany resounded with the National Socialist election propaganda, senselessly claiming that the arson had been planned as the signal for a Communistic rebellion, the Reich President, on February 28, issued his decree "for the protection of the people and the state." This decree (preceded by one of February 4 which had already restricted the electoral campaign of the opposition parties) suspended the constitutional guarantees of the inviolability of the individual, free speech, free press, free right of assembly, inviolability of letters, telegrams and telephone, sanctity of the home and of property. All these civil rights were done away with, and capital punishment was proclaimed for a number of political crimes. It was the proclamation of a state of martial law. But it was not the military authorities who were commissioned with its administration but the government itself which as a
matter of fact was the National Socialist Chancellor. And while the German Constitution (in Article 48, paragraph 2) allows such a suspension of civil rights only as a temporary measure and only under the control of the Reichstag, the National Socialist government has maintained it ever since. This transformation of a temporary (alleged) emergency situation into a permanent condition was National Socialism’s real seizure of omnipotence. By it, the state of martial law, administered by the National Socialist party, has been the German constitution from 1933 on. All National Socialist violations of the rights of men were basically “legalized” by that Hindenburg decree which was issued “for counteracting Communist acts of violence dangerous to the state.”

Moreover, the Hitler government made immediate use of that useful decree. Most of the Communist and a number of the Socialist deputies were immediately thrown into prison. Others fled the country. When the Reichstag met, the opposition was either absent or intimidated and no one dared to demand the liberation of the elected representatives of the people. Thus the National Socialist revolution attained—“legally” again—its second triumph. The terrorized Reichstag by an overwhelming majority passed the law of March 24 “for removing the distress of the people and the Reich.” By this act the government obtained power to decree general laws and laws concerning the budget and the use of credit—and even laws deviating from the Constitution (if only they did not deal with the institutions of the Reichstag and the Reichsrat, the representation of the states, as such and did not touch the rights of the Reich President). This law was the decapitation of the democratic Republic and the enthronement—de facto and de jure—of the National Socialist dictatorship. Its victory was now complete. Having at its disposal the decree of February 28 and the law of March 24 (renewed in 1937 until 1941) it could treat the people and the law
arbitrarily according to its will. But even so, all these possibilities would not have meant what they really did, had these men not had in themselves such an immense amount of untiring energy and the activity of a ruthless will to power and of unswerving determination to maintain it.

For, while the victory had been gained, it was still to be secured and consolidated. And National Socialism’s methods for accomplishing this also belong to the picture of its unique “legal” revolution.

Politically, Hitler got rid of Hugenberg and his German National party as early as June 1933. They had been useful at the beginning for concealing the real character of his revolution. Aside from that, they never carried any weight in his cabinet. They were dismissed without much public attention and without difficulty. In November of the same year, Hitler called for the election of a new Reichstag. But this time he alone decided who was to be elected. The German Nationals were doomed like all other parties and all other political or semi-political organizations. For a law of July 14, 1933, issued by the government, stated with lapidary brevity: “The only political party existing in Germany is the National Socialist German Labor Party”; “everyone who attempts to maintain the organizational existence of another or to form a new political party” is threatened with severe imprisonment. An additional law of December 1, 1933, for “securing the unity of the Party and the State” proclaimed that “after the victory of the National Socialist revolution the National Socialist German Labor Party is the bearer of the German idea of the state and is indissolubly connected with the state.” Within a period of ten months the German One-Party State had been achieved and legally established. And in about the same time the constituent states of the Reich also were subjugated by the same centralizing, co-ordinating will. A law of April 7, 1933, imposed upon them Reich Governors ap-
pointed by the President on designation by the Chancellor. A subsequent law of January 30, 1934, abolished their parliamentary bodies and their sovereign rights, subordinated their governments to the Reich government and empowered the latter to "establish new constitutional law" which includes changing their territorial boundaries up to their complete elimination. This was followed by the abolition of the Reichsrat. A revolution indeed.

These political changes, however, deep as they were, by no means satisfied the National Socialist revolutionary aims. As a matter of fact, they proceeded with the same rapidity to the totalitarian transformation of all basic foundations in every other sphere of German life. They did not permit a breathing spell to themselves or to the German people or to the world. The first momentous year of their being in power did not pass without the most decisive steps made in every direction with the same irresistible energy, thus pointing toward the later developments.

The vast number of their social and economic innovations, broadly discussed in previous chapters, need only be mentioned. But it must be added that they proved no less revolutionary in the cultural sphere. Dr. Goebbels' Ministry for People's Enlightenment and Propaganda was created on March 13, 1933. A few months later, by a decree of June 30, he was made the master of all fields of "spiritual influence upon the nation," concerning "state, culture and economy." And on September 22 he obtained the legal organizational basis for his totalitarian rule. Seven chambers—for literature, press, radio, theater, music, arts and film—were created. These seven chambers were combined by a common roof-organization, the Reich Chamber of Culture. And the latter was put under the control of Dr. Goebbels. It is a simple technique, but highly efficient. Every individual who desires to work in any of those fields of the so-called free professions must
be a member of his particular chamber. For membership he needs to be formally admitted. And if he is denied admission or later deprived of membership, he is excluded from any work whatever in this field—which is the purpose of the law and the raison d'être of Dr. Goebbels. Editors particularly were put under a further restriction (October 4, 1933) which declares their work to be “a public task regulated as to their duties and rights by the state according to this law.” The additional purpose is to exclude from the beginning people not sufficiently qualified (according to National Socialist judgment) and people of non-Aryan origin or married to a person of non-Aryan origin. Similar rules had been introduced as early as April 7 for the civil service. And this law also gave the basis for the expulsion of all undesirables, Gentiles and Jews, from the German universities, for instance, if “their former political activity did not guarantee that they are supporting the national state at all times and without reservations.” National Socialism’s activity in the religious sphere also is to be traced back to its legislation of 1933, to the law on the constitution of the Evangelical Church of July 14 and to the concordat with the Catholic Church of July 20. Finally, what was to be expected in foreign policy was early announced by Germany’s departure from the League of Nations and from the Disarmament Conference on October 14, 1933. Everything that followed—the general conscription on March 16, 1935, the remilitarization of the Rhineland on March 7, 1936, the withdrawal of Germany’s signature from the Treaty of Versailles on January 30, 1937, the annexation of Austria in March 1938 and the assault upon Czechoslovakia some months later—was initiated by that first decision.

But before these later happenings another event occurred which really was the crowning of National Socialism’s revolution by law. Hindenburg died on August 2, 1934. And National Socialism, not even waiting for the old President’s
last breath, grasped its opportunity. By a law of August 1, it combined the Presidency with the Chancellory. All powers of the President were transferred to the Leader and Reich Chancellor, Adolf Hitler. The Army took the oath of allegiance to him. The party leader had risen to be the Head of the State of the German Nation. "Who will deny," Hitler boasted at the Party Congress of September 1934, "that the National Socialist movement has become the unlimited and unrestricted sovereign of the German Reich?" It had indeed conquered Germany.

_The New Gods: The Nation and the Race_

National Socialism conquered Germany by the legal lawlessness of its revolution. But it proclaimed a greater ambition: to conquer the German people by the doctrine of its fanatic creed. It preaches a new Trinity, the trinity of people, race and nation. And from that all its other triangles are deduced: the trinity of people, state and party, of state, party and leader; of collectivism, socialism and nationalism. As Hermann Heller pertinently said: "Nazism is Catholicism without Christianity."

"In the place of the liberalistic concept of the individual and of the Marxian concept of mankind we put the people conditioned by blood and tied to the soil," said Hitler in his speech of January 30, 1937. And he added: "I prophetically announce: As the discovery of the earth's rotation around the sun transformed the general idea of the world, thus National Socialism's doctrine of blood and race will transform the knowledge of human past and future." Again and again, National Socialists and all the servile pens at their disposal claim that they, for the first time, have done away with the discord of German groups, classes and parties and given the German people the happy feeling of unity. They easily proceed to assert that this is at the same time the first realiza-
tion of Socialism, by "the Führer's ingenious idea of giving the social longing of the masses the national fulfillment." \(^1\) The party's Youth Organization, exclaimed its leader Baldur von Schirach,\(^2\) has created "a comradeship without ifs and buts. I should say a new social order, which does not know of poor and rich, which transforms all of us into a faithful community of comrades." Similarly, but more clearly and more realistically, Alfred Rosenberg ascertains that the whole people is "falling into the style of a marching column, regardless of where and for what purpose this marching column may be used." There it is. The entire nation as a marching column; the Prussian Army as the best representation of a nation's unifying (and that means also collectivizing, socializing) force; Hitler's assertion that the Party and the Army cannot be other than Socialistic institutions; Oswald Spengler's Prussianism and Socialism; Ernst Röhm's "spirit of eternal soldiery, which is forming anew the face of the world";\(^3\) the "ideas of 1914" as against the "ideas of 1789" (and of 1776!)—it is always the same inheritance from the unended war.

Other great nations like England, France or the United States need not place so feverish an emphasis on the idea of national community because they possess that community as a matter of course, as the natural and self-evident gift of a great historical or spiritual and political tradition. Consequently, though nationalistic tendencies may be growing in those countries too, the individual there need not be sub-

\(^1\) Reich Press Chief, Dr. Otto Dietrich, in *Vierjahresplan*, April 1937, p. 213.

\(^2\) Speech of September 14, 1935.

\(^3\) Quoted from his essay, "Die nationalsozialistische Revolution und die S.A.", in *Hochschule und Ausland, Monatschrift für Kultur, Politik und zwischenstaatliche geistige Zusammenarbeit*, June 1934—published in the same month that he was killed in the purge of June 30.
merged beneath the idea of the nation. The spheres of the individual and the community, the state—though always changing and continuously under discussion—can exist and maintain their particular rights side by side. In Germany, traditional individualism is stronger. That is why nationalism in Germany, as compensatory to its genuine weakness, easily becomes so brutal, especially if it is preached by foreign-born Germans, like Hitler, the Austrian, or Rosenberg, the Baltic, or Darré, the South American, or Hess who among his party comrades is called “the Egyptian,” and many other prominent National Socialists. Foreign observers very often overlook this fundamental fact. They are stupefied by the darkness of the great mystical words which are so hard for them to understand. And so they often face the danger of not seeing the harsh realities behind the words, the very unmy-
tical but all the more fanatical will to exclusive power and domination.

First of all, the new God of National Socialism’s new church is a jealous god who does not tolerate other gods beside him. National Socialism is not satisfied with simply preaching its doctrine of race and blood and soil in competition with other creeds. Such other creeds are to be weeded out. National Socialism alone—without consent of the governed, without permitting discussion—decides what is to be believed and what not. He who does not fit in with its scheme is to be eliminated. Any opponent must be subdued, because, not conforming with the National Socialist dogma, he is an enemy of the state. Tolerance, humanity, freedom, individual rights—these are foreign words in Hitler’s Church. “The reproach,” he said amid roaring applause at the Party Congress on September 16, 1935, “that such an attitude is strange to the Germans, is absurd. There is no dispute here

4 As is, for instance, E. B. Ashton in his sincere book, quoted above.
as to what is strange or not strange to the Germans but what is advantageous to our people."

This National Socialist fanatic intolerance is most ostentatiously materialized by the expulsion of the German Jews. But it must be emphasized again that the German Jews are not the only victims of National Socialist intolerant orthodoxy. By varied methods but always with the same cruelty it persecutes all other dissenters. Its fanaticism fights with all the instruments of power against the very idea of non-conformism. To destroy the latter, to exterminate all concepts of tolerance, humanity, freedom and individual rights is the aim of the National Socialist inquisitors.

It is their aim because "by uniting the whole German people in this way of thinking" they want to "destroy all those institutions of former times which can only be regarded as bearers or symbols of German discord and German powerlessness." For this is the second and even more realistic purpose of the new gods they adore. The whole people shall be made drunk with the mystical belief in nation and race and blood and soil, to make them a willing tool for the increased power of the state, for nationalistic expansion. The whole German people! That includes not only the Germans within the present boundaries of the German state, but all the Germans abroad as well; not only the 66 millions in the old Germany, the 7 millions in the former Austria, the 3½ millions in Czechoslovakia, but all Germans everywhere, irrespective of their citizenship—12 million German-Americans, for instance—more than 100 million altogether. They owe allegiance to the German people because they belong to it by blood and race, and so must they be taught. This was the way to undermine Austria's independence until she finally fell ripe for German annexation. The same method may prove help-

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*Hitler in his speech of February 20, 1938.*
ful in other territories. At all events, a re-enforced attachment of Germans abroad to the old Fatherland will strengthen Germany's position in the world. Nothing can be more useful in this respect than a common tribal god of their own.

But behind this tribal god rises another giant, apparently serving but actually using him: National Socialism's Leviathan State. The deified state elevates to godlike heights the power of the men who have conquered the monopoly of power in this state—the Party and its Leader. And this is the immediate purpose of this new State Church. This could not be revealed more bluntly than by Hitler's own boasting in a speech of June 7, 1937: "National Socialism wanted to create one people and within it one higher social community. Today we have one Reich, one symbol, one leading movement and within this movement one will."

The New State: The Party

The party in the One-Party State—Fascist and Bolshevist alike—is not comparable to a political party in a democracy which always presupposes the coexistence of several parties as the organization of divergent political wills. The One-Party is like a clerical sect or order educating its future leaders in the order's castles by severe exercises following the pattern of the Jesuits. And it claims to be the people's elite. For, annihilating or suppressing the dissenters, the party recognizes only two kinds of men as subdivisions of the whole people, the party members and the sympathizers. The party, said Hitler, must see to it "that all Germans are ideally educated to be National Socialists; that the best National Socialists become Party members; and that the best Party members take the lead of the state." Thus for the people there must be exclusiveness and hierarchy. But the party itself is to be

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6 Speech in Nuremberg, September 16, 1935.
ruled by authority and discipline. "If the Party requires that its conception be accepted exclusively in all political ideological decisions, it must first of all follow this principle in its own ranks with all the greater conscientiousness. As the Party demands subordination of the people to the Party's will, so subordination to the leadership must be the unalterable law within the Party. There is no exception to the obedience to this principle." Consequently, National Socialism derides discussions and decisions by majority votes not only for the people but also for the party itself. Its party congresses are not conventions; they are demonstrations. And Hitler is very proud of having established as early as 1927 the principle that these great demonstrations "may not be degraded to parliamentary debating clubs. No anonymous responsibility and no anonymous vote. . . . Always and everywhere the one man is responsible for everything. The material work is done . . . in separate deliberations with the subsequent free decision of one responsible man, but at the congress by the sovereign promulgation of our aims." This supreme authority of the Führer is emphasized again and again. After the purge of June 30, 1934, which made much less impression in Germany than abroad, Goering exploded in the Reichstag: "If foreigners today think that chaos is befalling us, the German people answer with one unanimous outcry: all of us always approve what our leader does." And that is more than an outcry. It has remarkable consequences, as is shown by the following instruction for the application of the law, given to the German jurists by their highest authority, Reichsminister Dr. Frank: "When in former times one used to say, this is right and that is wrong, we must ask today: what would the

7 Proclamation in Nuremberg, September 7, 1937.
8 July 14, 1934.
9 October 27, 1935.
Führer say about it? This attitude towards the Führer is the categorical imperative which German life must from now on follow." On the other hand, Hitler in 1935 added to his previous declarations: "The Leader is the Party and the Party is the Leader. As I feel only a part of the Party, the Party feels only a part of me." And he was doubtless serious in saying so. For he absolutely needs the party as the basic foundation of his power. Without it, he would at best be a figurehead, and probably before long a dead man.

The party is, on the one hand, a large mass organization, the only mass organization still permitted to exist: it is, on the other hand, a huge bureaucracy, the third bureaucracy in this terribly bureaucratized state, in addition to the administrative and the economic bureaucracy. From both sides embarrassing difficulties for the leader may arise. The party masses may make their claims heavily felt, as was the case when the party's Brown Army, the S.A., in the spring of 1934 wanted to be incorporated as a unit in the official army. The latter's answer was a pointblank refusal. And the result was not only that Hitler felt induced to kill scores of his oldest and most devoted partisans (together with scores of other enemies), but that he was also compelled to proclaim most solemnly that "there is only one bearer of arms in Germany, the army," and that the revolution was definitely ended, that "no further revolution will take place in Germany within the next thousand years." This proclamation meant at the same time that the S.A., Hitler's most essential weapon during his struggle for power, was from now on deprived of any real importance and reduced to the rather insignificant role of being one of the several party training organizations. From the party bureaucracy less visible, but not less irksome,

10 In the Reichstag session of July 14, 1934, and repeatedly afterwards.
11 Party Congress, September 5, 1934.
troubles may occur, for instance from the jealousy among its different organizations (with the one acting continuously against the others). It would be naïve to assume that the principle of leadership by itself achieves unity; at least it operates to keep the leader busy, and sometimes the leader himself is not in the mood to lead.

All these difficulties, however, do not diminish the party's immense importance and terrific influence. Indeed, it presses down upon Germany with a weight which stifles free play in every field of German life. For this purpose, the party's mass organization and the party's bureaucracy are closely intertwined, to such an extent that one may rather say that the party is a mass organization of party bureaucrats—of great and small bureaucrats, of high and low commanders, of big and petty tyrants. The idea is that every party member occupies a post in at least one of its manifold formations, which stimulates his activity, his zeal and alertness, by giving him (and all members of his family) self-reliance, prestige, power and, possibly, material advantages too. The little boys and girls, who are the superiors of some other little boys and girls in the youth organization; the party representatives in apartment house blocks who control the daily life of the dwellers; the Labor Front representatives in the plants; and so upward to the highest ranks of the party organizations which more and more permeate the state administrations themselves—all of these together are really the state in the Germany of today.

For this is the party's task in the National Socialist One-Party State: to be the bearer—the only bearer—of the political will of the state; to represent its political ideas and, at the same time, its political conscience; always and everywhere to inculcate its concepts in the people, the community and the state; to "intervene by warnings or, if need be, by corrections," whenever "the line of the state's leadership apparently runs counter to National Socialist principles"; to "shape ideo-
logically and to steer politically the German fate."\textsuperscript{12} The party's symbol, the eagle with the swastika, has been adopted as the state's symbol too. But one little difference has, curiously enough, been retained:\textsuperscript{13} the eagle of the state's symbol looks to the right, the eagle of the party's symbol looks to the left. The left-wing party members probably think this little difference is symbolic.

What a definite National Socialist constitution of the One-Party German Reich would look like may accurately be deduced from the new Municipal Corporations Law of January 30, 1935. For it is declared to be "a fundamental law of the National Socialist state. On the basis thus prepared the reconstruction of the Reich will be completed." The law says that the municipalities are to govern themselves under their own responsibility; it even cites "the true spirit of the creator of municipal self-government, the Baron von Stein." But at the same time it prescribes that this self-government must be in accordance not only with the laws but also with "the aims of the state leadership"; consequently, also, measures which run counter to those aims may be done away with by the controlling authority, culminating in the Reich Minister of the Interior. The city administration is carried on in the familiar way by the mayor and his deputies with the support of a city council. But the innovation is that the latter is only an advisory body; it is not allowed to vote or to make decisions; the mayor (principle of leadership) "leads the administration in full and exclusive responsibility." On the other hand, there is a new figure in the picture: the commissar of the party, appointed by the Deputy of the Leader. His task is "to secure the conformity of the city administration with the Party." For this purpose he "co-operates" with the mayor in

\textsuperscript{12} Hitler's speech of September 16, 1935.

\textsuperscript{13} Official announcement, \textit{Frankfurter Zeitung}, May 9, 1937.
the latter’s main political decisions; his consent is needed for
the city’s statute; the commissar of the party in fact appoints
the mayor and his deputies by examining the applicants and
proposing them to the controlling state authority with the
result that these officials are selected “by the confidence of the
Party and the State”; moreover, the commissar of the party,
after consultation with the mayor, also appoints the city coun-
cilors and proposes their retirement, taking into account their
reputation and qualifications but first of all their “national
reliability.” This short survey of the voluminous law eluci-
dates the political aim of this so-called self-administration.
The mayor and the other city officials, the city councilors
and the party’s commissar may inform the citizens if and
how they please, and they may keep themselves informed
about the feelings of the citizens by having their ear to the
ground (which is exactly the Bolshevist method too). But the
citizens are not allowed to elect their city government or any
part of it, nor do they have a voice in its decisions.

On the larger scale of the Reich, the same method of hav-
ing the “administrators” and the “councilors” selected by the
One-Party alone takes place for the time being within the
very framework of the Weimar Constitution. It was not neces-
sary to abolish the general and equal franchise; “simplifying”
it was entirely sufficient. After the suppression of all other
parties the National Socialist party alone nominates the can-
didates for the Reichstag; its list in every electoral district is
headed by the one name, Adolf Hitler. And all pressure of
propaganda and terror is employed for making these party
candidates elected practically unanimously, which is easily at-
tained since not only voting against the list but also abstention
from voting are treated as acts inimical to the state.\footnote{14 “The National Socialist Governor of Wurtemberg, Wilhelm Murr,
publicly demanded the resignation of Bishop Johann Baptist Sroll of Rot-
tenburg, head of the Catholic Church in Wurtemberg, because he failed}
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Dr. Goebbels' propaganda machinery thus finds from time to time another opportunity for a gigantic campaign, deluding at least part of the people into the illusion that they are still allowed to have their say although they can say only the one word "yes." Moreover, a great number of important or deserving party members—741 by the election of March 1938—can be rewarded by the prominence, the allowances and the free railway transportation of Members of Parliament. And, finally, Hitler is even enabled, if he thinks it useful, to call his own nominees "the elected representatives of the German Reich," and to cite "the decision of the people." The procedure is not new. In the novel form of the One-Party State, it is the old method of dictatorships to combine plebiscites and tyranny.

Co-ordination: Brains and Souls

"Politics," said Goebbels, "is the noblest and finest art of all, the art of molding and guiding men." If unscrupulously practiced, it becomes a black art, but all the more efficient. National Socialism has known that from the beginning. Of its two means of power, persuasion and coercion, it employs persuasion first and coercion in addition.

to vote in the Anschluss plebiscite and Reichstag elections of March 1938. Governor Murr held that under the concordat it is the contractual duty of every Catholic priest to support the government in all vote-taking. He wrote: 'That the Bishop voted "no" in previous elections I consider impossible, for he would thereby have been guilty of a breach of the loyalty he owes the State under the concordat. Bishop Sproll does not recognize, it would seem, that Divine Providence has appointed Adolf Hitler and the National Socialist ideology to save our nation from the grim chaos of Bolshevism. Instead of bowing humbly to God's will, he was continually talking about persecution and martyrdom. Bishop Sproll ought to know that the Reichstag members are chosen for political and not religious reasons. It was not his affair to express an opinion about the Fuehrer's choice of Reichstag deputies.' " (New York Times, May 4, 1938.)

18 Speech of May 9, 1937.
FASCISM FOR WHOM?

For its autocracy, in contrast to those up to the eighteenth century, is based on masses. The secret of how to mold and guide these masses, so that they may willingly carry out the commands of the modern autocrat, the One-Party and its Leader, is the great discovery of the twentieth century which has altered the face of Europe and may reshape the world. When Goebbels orders that the spontaneous demonstration of the people's enthusiasm shall take place tomorrow at three o'clock, hundreds of thousands will march past Hitler with their bands and flags in military array. The party is the organizer of the masses. It is also their educator. And there is no technical means which it cannot employ. With National Socialism eloquence, for instance, has become a new full-time profession; "Reich-orators of the N.S.D.A.P." are drilled by hundreds for impressing the one uniform doctrine on the people. Writing is likewise subservient. That the newspaper correspondents in Hitler's retinue were put into uniforms on his visit to Rome was symbolic. For the co-ordinated press wears uniforms day and night. It publishes only the suitable news and opinions. For weeks it could not print the news that Dr. Schacht had offered his resignation as Minister of Economics; it was not even allowed to inform its readers of the 1937 crisis in the House of Windsor. The radio and the movies serve similarly. What is going to happen when television has become a practical reality?

National Socialist education, however, aspires to more than propaganda alone. "A new school to educate the people," proclaimed Hitler: "The young man will proceed from one schooling to the other, which begins with the child and will end only with the old warrior of the movement. No one shall say that there is any time for him alone when he is left exclusively to himself." The purpose is: Collectivism inspired

\footnote{Speech of September 14, 1935.}
by nationalism, seizing the brain and the soul of every individual, permitting him an existence only as a collectivized member of a mass, but making him believe at the same time that precisely this means life, liberty and the pursuit of happiness.

The conquest of youth for the conquest of the people is indeed the ingenious device of dictatorships everywhere, and National Socialism matches them all. The German boy must enter its youth organization at the age of ten, when he becomes a member of the Young Folk; at fourteen years he is transferred to the Hitler Youth and that is followed by labor service, military service, vocational organization, S.A. or S.S. The little girl begins with the Bund Deutscher Mädels; she is supposed to go through schools for mothers where she is taught, among other things, that she has to do her part in the battle for the people's nourishment: "Although our weapon is only the kitchen-ladle, its percussion force will not be inferior to other weapons." If this is the way German women are addressed by their Reich leader, Frau Scholtz-Klink,\(^\text{17}\) one is not astonished to see the Youth Leader of the German Reich, Baldur von Schirach,\(^\text{18}\) praising "the political soldier" as the ideal type of young German to be realized, if not in the entire youth, at least in its best elements. All this had been prepared by the German Youth Movement which started in the last decade before the war as a revolt against the compulsion of home, school and all the old conventional bourgeois life. That beginning was an attempt towards greater freedom. Now, after the destruction of all other youth organizations, the National Socialist youth organization was given monopolistic and compulsory power by the law of December 1, 1936. At the beginning of 1938 it was reported to have 7 million members with a leadership, male and fe-

\(^{17}\) Speech of September 10, 1937.

\(^{18}\) In the newspaper Nachausgabe, March 27, 1937.
male, of more than 1,400 in the top rank, about 9,000 middle rank and above 500,000 low rank; it has representatives in the schools and in the municipal administrations. Its main task is the organization of leisure for the young people which for the grown-ups is continued by Strength through Joy and other vocational groups: manual skill and open-air activities, hiking, gymnastics, sports of any kind. Everything is done in military fashion and with military discipline. Everything is permeated with the party's doctrine. But among its members there is no differentiation by origin or wealth or class. A common life in the community of the young generation; Spartan hardening and frugality; rejection of bourgeois prejudices; the health and strength of the body regarded as much more important than knowledge, and emotions as of far higher value than thinking—these are the principles. In 1937 the Hitler Youth started a campaign for the erection of youth homes, with club rooms, sport fields and swimming pools, intended as youth centers in urban and rural districts throughout Germany. One must think of the plight of children growing up in the slums of many big cities or in the lonely backward villages, in order to understand the attractiveness and the immense influence of such an organization despite all the monotony of its fanatic indoctrination.

The decisive point is that the same monotonous fanatic indoctrination runs relentlessly through the entire National Socialist educational system. This is Hitler's new schooling of the German people. Its totalitarian co-ordination starts with the grammar schools and ends with the universities. Nothing has been spared. Every vestige of self-government has been destroyed in favor of authoritarian leadership—parents' councils and the periodical meetings of the teachers' bodies in the lower schools, as well as the famous self-government and independence of German universities. And with administrative freedom, spiritual freedom too has gone. "It is absurd to have
at the same time the State based on leadership and the schools on democracy. General learning must be replaced by national political German education,” proclaimed Minister of Education Bernhard Rust. At a meeting of the National Socialist teachers’ union, July 1934. And his replacing activity was greeted with fervent applause by his adherents and advisers. “Instead of the humanistic university we must have the national political university. Our task is now a science which is formative and constructive, soldierly and militant,” stated Professor Ernst Kriegk in some months earlier. “Deeply convinced of the necessity of having science and the university inwardly renewed by the idea of National Socialism, as it is lived and materialized by the Leader of the German People,” the rectors of the Prussian institutions of higher learning confessed their “radical demand for a new sense of science and the university, such as has never been thus far conceived and realized in the entire German history,” and their thankfulness and loyalty for the “totalitarian National Socialist reconstruction of science and the Prussian universities.” Their manifesto, like others of the same period, sounds halting as though they were unable to find words strong enough to express their revolutionary longing for submission. The result is that, in the words of Reichminister Dr. Frick: “National Socialism recognizes no freedom of science and its teaching and no autonomy of the universities which could be directed against the people”—the only interpreter of what is “against the people” is of course National Socialism. Consequently, the science of race and nationality, the doctrine of blood and soil, is not only taught as such but is to be regarded as the underlying principle and the frame of reference for every field of teaching and education. And the teachers themselves are educated

19 At a meeting of the National Socialist teachers’ union, July 1934.
20 Then Rector of Frankfurt University, May 1933.
21 Meeting in Berlin, February 15, 1934.
22 Speech of January 20, 1934.
to this line. The young lecturer, before starting his university teaching, must pass through a special academy—as must also the young editor before starting his newspaper work—for training in National Socialist concepts. But if he makes sure that he will always be unqualifiedly an adherent and an active supporter of National Socialism, he may even obtain a provisional salary. The noble dedication "To the Living Spirit" was destroyed at Heidelberg University, but the enlarged University of Berlin is going to be called "Adolf Hitler University." And rightly so.

Only one last moral-spiritual force has remained in Germany whose co-ordination has not yet been completely achieved: the Christian Churches. The conflict was bound to come, because for National Socialism "there can be no church above the state and no church beside the state." 

23 National Socialism's pagan church with the new tribal gods of its own cannot tolerate other churches, nor their supranational and supraracial revelation, nor their claim to an independent influence in education. National Socialism must try to destroy Christianity as such within its domain; that is what its radical believers are fighting for when they call Christianity "a foreign ideology." 

24 Or it must aim at the establishment of a State Church: one church or, if this proves impossible, one Protestant and one Catholic Church; but at all events only as churches within the state, with the state as the predominant, regulating, restricting, co-ordinating force, which also

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23 Reichminister Krell in a speech of January 15, 1938.
24 Order of Viktor Lutze, Chief of Staff of the S.A., to higher Storm Troop officers; New York Times, November 11, 1937. The petition of the chaplains of the armed forces, desperately fighting against that attitude, states the same fact: "The State and the Party combat today not only the churches, let alone merely political activities of the churches. They combat Christianity. This fact is repeatedly denied. It is true nevertheless." Quoted from the New York Times, November 28, 1937.
may gradually succeed in supplanting its Christian rivals by its own doctrine.

Still the struggle goes on. The Catholic Church, so far as one can see from outside, is trying to temporize, parrying attacks or compromising from case to case and waiting for opportunities. The Protestants are split. Their majority have yielded to National Socialism's totalitarian claim, willingly and even fervently. And while so pious a Protestant as the Baron von Pechmann, for many years President of the German Evangelical Church Congress, left the Church because by this attitude "it ceased to be a church," the Lutheran Bishop of Mecklenburg protested against the message of the Oxford Conference of July 1937, which had criticized National Socialism: "As evangelical Christians and on our evangelical conscience we can solemnly assure you that no one in Germany has been persecuted on account of his faith since Adolf Hitler has become Leader and Chancellor of the German nation." 28 Against this solemn episcopal assurance stand the facts, not only the terrible hardships inflicted upon the sect of the "Ernst Bibelforscher," but also the persecution of the Protestant minority, the Confessional Church. When the leader of this minority, the Rev. Martin Niemöller, submarine commander during the war and Hitler's supporter in the first years after the war, was thrown into a concentration camp after having been virtually acquitted by the court, the Brotherhood Council of the Confessional Church 29 issued a protest in which it said: "We must not weary of praying for Herr Niemöller and for all the members of the Church who have been persecuted or imprisoned or have suffered other evils. We must not be still like dumb dogs but speak openly what God has commanded us and fight for the freedom of the Church and for the honor of the Gospel in Germany. As

28 Frankfurter Zeitung, April 14, 1934, and August 4, 1937.
long as Herr Niemöller is in prison, a symbol seen afar stands before us which proves that the Church in Germany is in servitude."

This proclamation of the Confessional Church shows where it stands. Its struggle is purely ecclesiastical, non-political; its concern is not the state and its constitution, but only the church and its promulgation. Besides, it is an utterly orthodox, utterly conservative movement, in no sense modernistic, by no means liberal. But in spite of all, or rather because of these very facts, this Confessional Church has a moral importance which far surpasses the number and the intellectual weight of its members. Its services are the only place in present-day Germany where the publicly spoken word has still retained the dignity of honesty and sincerity and where the audience may expect to hear the conscientious convictions of the minister, not the rubber-stamped phrases of the official propaganda. The co-ordinated press publishes hardly a word about the struggle of the Confessional Church. Its journals are suppressed. Its ministers are imprisoned time and again. Even its money funds are endangered, its collections prohibited. But its services are attended by crowded audiences to whom its orthodox sermons are the last documentation of independent truth, of moral courage and of spiritual freedom, because their veracity is continuously proved by martyrdom.

There had been other pulpits in Germany from which a similar light should have been seen, other institutions—not to speak of individuals—that by their very existence should have felt obliged to stand up for the moral values entrusted to them. They have forsworn their pledge, disgraced the high office to which they were called. Now they are derided by the same Nazis to whom they have surrendered. Celebrating the hundred and fiftieth anniversary of Schopenhauer’s birth on February 23, 1938, Dr. Alfred Rosenberg, chief dictator of German spiritual life, praised this philosopher as “a symbol
of a high unconcernedness and of a fanaticism for truth recoiling from nothing." He did not say how he and his party would deal with such an attitude today, had they been confronted with it by the German University as an institution conscious of its moral obligation. Instead, they have seen German students making bonfires with books which for the largest part they probably had never read, and German professors, the German universities as such, remaining silent before this scandal. Even more outspokenly Minister Dr. Frank—the same Dr. Frank who proclaimed the principle that right is what benefits the German people and wrong what injures it—laughed at the adaptability of German courts. He spoke of those German judges who, surprised by the National Socialist Revolution, now resolved for themselves that they must become "100 per cent National Socialists" in order to make up for their previous omissions. Such a judge, said Dr. Frank, now hands down sentences to prove how fervent a National Socialist he is. "He senselessly inflicts many months of imprisonment upon a man who once had said an incautious word. This is a great danger." It is more than a danger. It is a profound disgrace. There are sentences of German courts, scores and scores of them, which make the blood of the reader freeze by their servile acrobatics to adapt the law to the wishes of the rulers, calling that—justice. Certainly this does not apply to all judges, to all professors. A number of them doubtless have kept their individual honor clean. But the honor of the robe they wear has been destroyed. What reverence can it command, when for many of its bearers themselves it does not mean more than a piece of woolen stuff? Some years before the advent of National Socialism the Frenchman, Julien Benda, wrote his book, La Trahison des Clercs. Present-day Germany is writing his second volume.

The totalitarian co-ordination of brain and soul has, never-

theless, not succeeded in bringing about totalitarian conformity. German life today is a strange mixture of complete depolitization and complete politicization at the same time. The vast majority of the German people are not allowed to take part in political thinking, much less in political activity. Besides, they cannot take part. For instead of information they obtain indoctrination; they know only a small part of what is really going on. On the other hand, every activity of every individual is presented to the people as politics, as service to the state, as is every compliance, every privation, every suffering. In this feverish atmosphere a part of the people doubtless share in faithful belief. They believe in Germany’s new greatness and re-established equality, the abolition of unemployment, the restoration of the Army, the bloodless annexation of Austria. They are filled with pride and happiness and an ardent devotion, without questions, doubts or criticism, to the National Socialist doctrine; it makes them proud and happy that they can devote their lives to an idea which they feel to be greater than themselves. There are others who are not thus able to shut their eyes to the immense cost of those results. They see—at least, they divine—the moral degradation, the material detriment, the seed of hatred and the undefinable dangers of the future. A great many of them simply retire into apathy. They seclude themselves in their private affairs, some with the blunt cynicism that one must make one’s way anyhow and arrange one’s affairs as best one can, others with the weak consolation that by remaining at their posts they may possibly do at least some good and prevent the worst. Those, however, who cannot remain indifferent in the midst of the pathetic tragedy whose stage is their fatherland and whose end, whatever it may be, they can foresee only with horror, are truly in a pitiable situation. They live as emigrants at home, excluded from the people’s community, exiled in their own
country whose fate they must share, detestable though this fate is to them. Finally there are a few, individuals and groups, who are not ready to surrender, who want to be active for the future somehow or other, even if it must be underground like the early Christians in the catacombs. They suffer terribly by the terror of the regime. But they stand upright. No, all efforts of co-ordination have not resulted in conformity. And that is why the regime, aside from its propaganda, employs its second device: domination by coercion.

*Domination: The Reign of Fear*

The abolition of all civil rights made, as previously stated, the National Socialist Revolution. It is by maintaining this abolition that the regime dominates the country. It has outlawed the people as a whole. No law now protects the citizen. The law exists only for subjugating him, by threatening every word and every movement of his with cruel punishment for high treason. Besides, he is at the mercy of the Gestapo. His telephone can be tapped, his letters opened, his property confiscated, his home invaded—and he himself can be seized, placed under “protective” custody, imprisoned in a concentration camp, for an indefinite time, without a court’s sentence, without appeal. He may be tortured there: his torturers are responsible to none. He may die of the tortures: his family will be told that he committed suicide or was shot while fleeing.

Does one call that barbarism? Then, one must remember that the political theory of the system calls it the rule of the best, of the elite. As a matter of fact, all those terroristic methods have been employed on a large scale, continuously, since 1933. And they will be employed, continuously, as long as National Socialism dominates Germany. For they are an intrinsic part of its philosophy, which considers them the
normal course of treatment of any divergent opinion. And the regime must employ them. They are the indispensable foundation of its power.

Thus Heinrich Himmler, head of the Gestapo, really heads the executive branch of the government. He is its executioner. He has at his disposal the entire German police. He is the Reichleader of the S.S. But, in fact, the number of his henchmen is immensely greater. There are few people in Germany independent enough to be sure that they will not be employed some time in his potential army. The whole system is constructed for the purpose that eventually every German may be used, willingly or by compulsion, as a potential propagandist, a potential denouncer, a potential assistant of the Secret Police.

There are the official spies in the plants, the offices, the apartment houses, the villages: the party representatives. Then, there are the party members as such. But that is not all. The shopkeepers, for instance, are told that they must induce their customers to buy and to be content with just whatever commodity is available and to denounce people who express their discontent. The banks have to inform the authorities if a depositor withdraws more of his money than usual. Entrepreneurs have to dismiss employees who are "politically unreliable." Neighbors must denounce a man who tunes in to a forbidden broadcast. Waiters in restaurants are expected to overhear table talk, and the maids in the households to eavesdrop. Not even the children are spared by this system of totalitarian espionage. National Socialism regards it as natural and praises it as a patriotic deed if they denounce their teachers, if they denounce their parents, furnishing information about the books and newspapers they read, the opinions they adhere to, the words they speak. For the children, when entering the youth organization, swear allegiance to Hitler. That is a bond
much closer than with father and mother. Human tragedies. To speak of them again is monotonous. But so is the system. This monotony is one of its features.

Virtually, everyone is expected to spy on everyone else. Be it for political fanaticism which poisons all human relations; or economic pressure; or fear that he who fails to denounce will be punished for his failure; or for egotistic desire to make oneself liked by the men in power and accelerate one's career; or simply out of personal spite. For never has there been such an opportunity to wreak vengeance upon an adversary or a superior or a competitor. All mean, sadistic instincts are incited. That is the reality of the government of the elite.

In truth, it is the reign of fear. And the wire-scourge is its symbol. It is not necessary to have a microphone placed in every telephone, or for every word to be overheard, or for all letters to be opened; they are not. But the terror is so great that the people are permanently fearful that all those things are being done, always and everywhere. And on that fear the power of the regime is based. "In a revolution, one must be so small a grain of sand that one can pass through even the finest sieve." The man who said these words had a manuscript on theoretical mathematics finished on his desk; he was not going to publish it, for it could attract attention or, worst of all, envy, and that could be dangerous. That is just an example. Fear has spread a gloomy silence all over Germany. One must keep one's mouth shut, if one wants to obtain one's pension, if one wants to keep one's job, if one wants to avoid imprisonment. Rather, one must, in the presence of others, confess the National Socialist doctrine, use the National Socialist vocabulary and obey any National Socialist wink. That is falsehood, certainly, but it cannot be helped. The concentration camps exist not only in those places where they are officially established. Psychologically, the whole of Germany today is like a concentration camp.
Who—Whom?—Today and Tomorrow

There, for the time being, the story ends. The National Socialist party has conquered Germany. It has seized the state. It owns the state as a party's domain. And in the enjoyment of this domain the whole party partakes: its enthusiastic believers who would gladly give their lives for their honest faith; its cynics with their insatiable lust for power; its gangsters. All of them, from the vast number of the little rulers up to the few omnipotents, everyone in his particular domain, feel themselves "the state." Gradually, but increasingly—and more quickly than the same process is to be observed in the Soviet Union—a change is going on within the party; more and more its machine has become its master. More and more the power of this machine has become an end in itself. And while this machine is being severed more and more from any genuine idea, its central instrument of power, the Gestapo, is coming to be not only the real center of the state but also the real dominator of the party. It exercises its rule of fear in the state and in the party alike, and the complaint of "the revolution betrayed" has become widespread. This is the outcome of the "government of the elite." Many people in Germany, even within the party, are feeling with shame and despair rather that it is an anti-elitist with its lack of culture, of education as well as of moral standards, with the barbarism by which it brutalizes not only the German people but also, among other things, the German language. Nevertheless, the party and its machine—a clique, a caste, not a class—masters all means of power. It owns Germany.

The party owns the state but it is not the state. For the state, the totalitarian state more than any other, is also the Army, the bureaucracy and all the diversified social groups of a highly diversified economic order. All these forces have
not been eliminated. They still exist. But they are without vigor. The party has subjugated them into silence. It does not overlook their group interests or their social coherenee. Always having an ear to the ground, it satisfies them when it can without hurting its purpose. Generally, it uses the one against the other and masters them all. Aside from that, the party employs their special services for the expert support of its regime. Here again National Socialism follows precisely the Bolshevisit method. And in fact all serve as experts—the army officers and the civil servants, the industrial entrepreneurs and the technicians, the farmers and the laborers of brain and brawn. They are not allowed to do more. For the time being, none of these groups has a political will outside the party. This must be emphasized especially with regard to the Army and the bureaucracy. The old bureaucracy, accustomed to conceive itself as the incarnation of the state as such regardless of its political content, co-operates with the new bureaucracy of the party and keeps the machine of the state going. For it, "the state" remains always the same, under National Socialism as under the Empire and the Republic. And so, to a large extent, is the attitude of the Army. It is a mistake to think of it as a political force of its own in present-day Germany's political life. The Army is content with its re-established grandeur, prestige and importance. The party flatters it by continuous praise. And its officers have made rapid careers by its aggrandizement. The Army has only one aim: not to be involved in a war for which it would not feel strong enough and which, therefore, might lead anew to defeat and destruction. But this again is more a question of expert judgment than of political principle, and not opposed in principle to the party's political aspirations. For National Socialism itself aspires, of course, not toward defeat but toward victory, not toward destruction which would also mean the end of its rule, but toward expanded
power and glory. Only the judgments in regard to a particular situation may diverge.

And this leads to the decisive point. It is by the hybris of National Socialism itself that its regime, and Germany with it, might be piloted towards chaos—might not such an imminent danger at last unite whatever still survives of potential social forces, and might not the Army then, in spite of all, also play its part? Such an assumption is only too realistic with regard to the hybris; it is far less realistic in judging the opposing forces which thus far have only proven their submissiveness, and their possible unity, which is very likely to be prevented by incompetence, lack of common aim and mutual hatred. Besides, what is chaos? If it only means economic deterioration and lowering of the standard of living, it can easily be managed with complete absence of disorder, especially if it develops gradually and is equally distributed. "Chaos" is a very ambiguous word. And so are some other words, so often used in political speculations: "Catastrophe" or "the inevitable breakdown." Very pernicious words indeed, which had better be eliminated entirely from the political vocabulary. For nothing is inevitable so long as a regime possesses all the concentrated means of domination, propaganda and coercion, fear and the whole array of modern technical instruments for suppression. Above all, there is no breakdown of a regime unless there is another force which breaks it. There is no catastrophe, unless someone else is willing to employ it for a positive goal, with all the courage, energy and faith needed for such an achievement. National Socialism knows this law of power. That is why it has conquered Germany.

Thus, for the time being, National Socialism owns Germany. But it is not Germany, not yet, however hard it tries. Nobody can foretell what a future generation of Germans will look like if their brains and souls are shaped, for more
years to come, by National Socialism's untiring monotonous indoctrination. Up to now, its new gods have not been able completely to suppress the grand tradition of German civilization and the eternal moral law. And if the men to whom the word of truth has been entrusted are silent in present-day Germany, the great minds of the past are still alive and their immortal word is not subject to co-ordination. It must be heard. And it is heard and re-echoed in the hearts of that part of the German people which is invisible and voiceless today but still survives. In German theaters today continued applause pays tribute to Schiller whenever his Marquis Posa makes his ardent plea for the freedom of thought. And the same applause proves how many people in those audiences also feel the inexorable actuality when in Shakespeare's King Richard III words are spoken which, in A. W. von Schlegel's classic German translation, are even stronger and more pointed:

"Here's a good world the while! Why who's so gross, That seeth not this palpable device? Yet who's so blind, but says he sees it not? Bad is the world; and all will come to nought, When such bad dealing must be seen in thought." 28

28 "Das ist 'ne schöne Welt! . . . Wer ist so blinde, Und sieht nicht diesen greiflichen Betrug? Und wer so kühn, und sagt dass er ihn sieht? Schlimm ist die Welt, sie wird zugrunde gehn, Wenn man muss schweigend solche Ränke sehn."
Part Four

THE TWO FASCISMS AND
OUR CIVILIZATION
10. THE TWO FASCISMS AND
OUR CIVILIZATION

To Whom It May Concern
TWO GREAT European nations have in recent years cut themselves off from the political and moral traditions of Western society, have announced to the world that they are at the same time the forerunners and the founders of a new civilization, and have established at home strikingly similar rules. The liberally-minded people of the other countries, following the march of Fascism, are torn between contradictory reactions. Sometimes they are gripped by the foreboding that the enemy is already at the door and that what happened in Italy and in Germany will happen in their own country, too. At other times they are heartened by a sense of safety: Fascism, they think, is too typically Italian, and National Socialism is too typically German to mark the way that other countries may follow. Their regimes, they think, are a calamity for the two peoples concerned, but not a challenge to democracy and not a menace to it. Actually, many an observer maintains that they are not even the same calamity for the two countries involved, but are different from one another, both in form and in substance.

It is hard to prove that the epidemic of Fascism is going to affect every country, or that certain peoples are immune

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to it. Such statements are prompted by emotions or wishful thinking with hardly any basis in fact. One has to measure the force of a fire before risking the announcement that it is going to spread all over the town, and certainly if it has started in wooden houses, no one can conclude that buildings built of stone will not burn. It would be equally fruitless to try to determine how much democracy Italy enjoyed during sixty years and Germany during fourteen, or how suitable the democratic form of government is to each—unless one wants to establish the racial theory of a manifest destiny for the Anglo-Saxon or Scandinavian countries. Again, this means judging from dogma and not by reason. An analysis of the two Fascisms such as has been attempted in the preceding pages, may allow some conclusions about the inner strength of Fascism and its capacity of propagation. It has to be found out whether, aside from a common name and common features and from the political alliances which at present link the two regimes, there is a basic family tie between the two of them, a common characteristic, which has the features not specifically of Italy or of Germany but of Fascism per se.

Two Varieties of an Identical Goal

A common family tie between Italian Fascism and German National Socialism does not imply their literal identity. Identical they are not. The tempo of development has been different. National Socialism made practically all its fundamental decisions as soon as it came into power. In ten months it changed all the basic laws of the land. Aside from the Gentile reform of education, Italian Fascism can claim no such record: and that reform was Fascist only in the procedure by which it was brought about. National Socialism outlawed political opposition of all colors as soon as it grasped the helm of government: it did not even tolerate allies of the Hugenberg type. In Italy for three years after the March on Rome the
anti-Fascist political parties could survive. For about eight years anti-Fascist university professors could, with a tolerable amount of inconveniences, go on teaching. Nazi students had made life impossible to many professors in German universities even before Hitler came into power. In Germany the programs were deduced from a book; in Italy they were composed day by day as newspaper headlines. The outcome of the German book was ruthless action; the outcome of the Italian headlines was another headline the next day and, under the spur of danger, some action. These stretches of action in Italy, spread over a period of fifteen years, have brought about the same unlimited concentration of power in the hands of the state as in Germany. Yet even in the mode in which the power is exerted there are remarkable differences.

National Socialism has in an outright way smashed the trade unions and boldly denied the class struggle by linking together employers and employees in the Labor Front. Italian Fascism wants to conciliate the class struggle by controlling the separate organizations of employers and employees and by making them monopolistic and universal. What Dr. Ley achieved in Germany in 1933 is what Rossoni wanted in Italy in 1925: those mixed syndicates, which he then called Corporations, were very similar to the German Labor Front. In order to avoid the dangers of the mixed syndicates the Italian industrialists entered into the Palazzo Vidoni agreement, which was the foundation of the new system. In order to avoid being submerged in the Labor Front the German capitalists entered into the Leipzig Agreement, by which Labor and Capital had their respective spheres of influence defined. In both cases the agreement was between Fascist capital and Fascist labor, two branches of the same administration. But the Italian industrialists did not know that when the Palazzo Vidoni agreement was signed; they thought that only labor was going to be shackled. In a long, roundabout way, play-
ing capital and labor one against the other, Fascism achieved the same result that National Socialism attained by nearly one stroke; but while the Palazzo Vidoni agreement marked the starting point of the way, the Leipzig pact meant its conclusion.

Italian Fascism conquered all the functions and organs of the nation one by one: labor, capital, press, parties, universities, local government, youth organizations, etc. It had to tie all these nerves one by one, with a rudimentary process of local anesthesia, or by trying to divert the attention of the nation while it was operating upon her. German National Socialism conquered a highly disciplined, utterly worn-out country; and the very fact of its conquest of the government, after a siege that with growing intensity had been going on for thirteen years, brought the German people under its unrestrained sway.

Moreover, as it has already been pointed out, Germany had a quasi-corporative system actually working long before 1933, while in Italy from 1926 to 1934 the corporations had their existence on paper. With all its cleverness the Italian corporative system is a naïve, arrogant pretense at being modern and super-modern, in a country which lags hopelessly behind the major economic powers because of the scarcity of natural resources. It deliberately plays on the old Italian sore spot: the wish to be acknowledged as an important nation. So while Nazi Germany with the creation of the Estates put her clock back, giving as a goal to her modern efficiency the reintroduction of a medieval order, Fascist Italy enthusiastically displayed a super-twentieth-century style, leaped into futuristic legislation, and took it upon herself to show the way to the most advanced countries. Actually, she succeeded again in making headlines, in achieving the greatest news and nuisance value, by heralding with versatile facility that New Order which Germany and herself belatedly were to follow. Germany did
not have to play at being a modern nation. She had already been for decades the most economically advanced nation on the Continent, holding the key position at the center of Europe. But she had been defeated during the war. Nazism assumed the task of convincing the Germans and the world that Germany had not been defeated, just as Fascism assumed the task of convincing the Italians and the world that Italy was ultra-modern, feared and powerful.

Nazism needed an enemy at home on whom the responsibility of the defeat could be laid, and from whose suffering Germany could gain the harsh pleasure of her own regeneration. The Jews were the unfortunate culprits. Fascist Italy had no such need. She had to fight against a state of mind, which was so widespread at home and abroad that it could not be identified in any single group of men. Possibly, the Ethiopians who had defeated Italy at Adowa, fulfilled towards Fascism some of the same functions that the Jews fulfilled towards Nazism; but now that they have been vanquished, certainly Fascism does not need their survival as enemies, while National Socialism needs the suffering of the Jews within the German borders as a sacrifice to her new strength and a diversion in moments of difficulties. The interest of Fascism was to avoid definite antagonisms with powerful organized groups or institutions. It came to terms with the Monarchy, with the Church, with Germany, with England. It challenged Geneva, and at the same time it remained there, taking no chances. At the moment when the civilized nations realize how desperate the Jewish problem is, Fascism starts anti-Jewish persecutions. What it always wants is to have its power recognized and to soothe the Italian people by giving them the feeling that they are feared. Such a double goal can be reached through Machiavellian agreements, not with the bluntness of unilateral declarations in the Nazi style. National Socialism does not need to worry about being acknowledged
and feared. It achieves such results as a matter of course, whatever it does. It can dare to be a religion, to invent new rituals, to deny the Jewish and the Christian heritage which is the basis of our civilization. Not only has it the overwhelming strength of the German nation back of it, the lessons of Italian Fascism and of Russian Bolshevism to learn and use, but it has, above all, the boast of being rooted in the German nation and character, as the outcome at the same time of German tribalism and of German methodical thoroughness. It is constantly looking into German history, blood and soil for an inner recognition. It wants the German people to become self-hypnotized. The foreign-born Germans who play such a role in the regime incessantly urge the nation to abide by their own interpretation of Germanism.

This gives to the German phenomenon certain features which are definitely lacking in the Italian one. There are, in Italy too, writers who, on the Rosenberg style, proclaim the advent of the Fascist religion—but they are the laughing-stock of the nation and of the party. In the most responsible Fascist pronouncements, there is always a blend of straightforwardness in the appearance and quibbling in the substance, a great skill in playing with noisy martial accompaniment on the "to a certain extent" and "so-so" key. The Fascist leaders love danger, but they have also to keep watch on the dividing line between the zone of danger and the zone of folly. This dividing line is rather close at hand because of the economic and strategical situation of Italy. Moreover, the Italian people is a very peculiar one: its realism is not easily befogged. There is no trace in Fascist rhetoric of appeals to the worker's honor. An Italian peasant farmer would feel very uneasy at being told that he is a nobleman: he would fear immediately that by that is meant that he has to pay a new tax.

German National Socialism has all its political essence pervaded by mystical exaltation. Italian Fascism is all realism;
it is all projected on the outside, self-controlled in its actions, always mindful that it is playing for an audience and that as a juggler it has to mislead it. It has followed to the farthest extreme the theory that means are much more important than goals. Actually, it has done away with goals altogether, except with the one of wishing to play on the instruments at its disposal with greater and greater skill, combining the efficiency of the modern engineer and the moral dullness of the lazzarone. If there is a mysticism in Italian Fascism, it can be summarized in these terms: "In the tools is their goal—in every kind of tool, political, economic, intellectual. Man, too, is a tool: do not look for moral principles and do not stop at scruples, but play constantly and efficiently. Permanence in power is the result of constant motion." It is the mysticism of the purely political mind.

German National Socialism is equally ruthless and unscrupulous, but, devoid of the keen sense of timeliness, it conceives all its policies in terms of an indefinite future or of eternity. So it talks of a thousand years to come, it wants to rebuild the nation as if it had to be created anew. It does not leave any room for any alien force or institution. The regulation of marriages has to be the Nazi one: while the Fascist government has made a gift of it to the Church. The thoroughness with which National Socialism regulates the economic and social life could certainly be matched by Italian Fascism; yet the gapless coherence of the Nazi rule, the demonic mysticism in which it is brought about, give to it a character which defies all imitations. Even more than in the unparalleled technical strength, the unique feature of German National Socialism is in this demonic mysticism. Like every real mysticism, it moves in an atmosphere which is more than one of eternity, one of timelessness. Again and again it appears as a revival of medievalism, or as undiluted madness, or as the
ominous sign of a future for all men in which human life will not be worth living.

Political, diplomatic, sinister, Italian Fascism avoids all possible exaggerations and scandals. It has reached the same goal of completely curbing parliament, trade unions and universities, but seldom has it roused any international emotion. Eclectically, it creates patterns and slogans which rapidly become classical and are eagerly copied or looked into by other nations. These patterns may be not immediately or literally enforced at home, like the ones of the corporative state; but for more than ten years projects of corporative institutions have been popping up in one country after the other: Portugal, Spain of De Rivera or of Franco, Bulgaria, Brazil, Paraguay. The idea of the corporations is catching and handy: if parliament and parties give trouble, hand-picked representations of various interests can be presented as being more amenable to reason and at the same time closer to the reality of life. With great difficulties could any nation imitate the German system of Estates: no other people had such a gigantic and rapid economic development grafted on a still recent feudal background. Everything that National Socialism does has this appalling irreproducible character. Italian Fascism appears mellower and kindlier. It has created the whole style and ceremonial that every other Fascism, including National Socialism, has adopted. Its name has become so classic and generalized as to include actually National Socialism, too. The two have their roles divided: one is the agent provocateur in world affairs; the other is the executioner. One gently stirs up trouble; the other, when the moment comes, acts with the merciless thoroughness of a steam-roller. Thanks to their diversity they make a good team.

For combined with all those divergencies there is one decisive identity between the two Fascisms: their supreme goal, surpassing every other one, is to maintain and to fortify their
political power in their countries. Italian Fascism wants to
rule over Italy. National Socialism wants to rule over Ger-
many. Moreover, however variant are their means and how-
ever manifold is their application, the end is exactly the same
with both of them, in spite of all the divergencies of their
national temperaments. This common aim is: to conquer and
to keep the monopoly of political power by the destruction of
every freedom, by the dictatorial suppression of every dissent-
ing political opinion and by the totalitarian seizure of every
individual in every sphere of his life. In Italy as well as in
Germany, no particular class or group of society has attained
the hoped-for aims. None of them has been benefited. All
of them have been subjected. Only the political rulers, the
men of the Fascist party in Italy, and the National Socialist
party in Germany, have triumphed. Fascism, its Italian as
well as its German variety, is essentially a political system, a
system of political domination.

The Seed of Fascism

The result is that the two Fascisms have succeeded in
establishing their political domination. They have achieved
their revolutions. They have been able to do this, although, if
there is a law in history, it is certainly this: that history does
not know of unavoidable revolutions, but it does know of
missed reforms. This is the reason why the victory of the two
Fascisms must be listened to as the warning bell we spoke
of at the beginning. Peoples are fascinated by Fascism’s dy-
namic activity and immense energy, if they have been driven
to despair by former governmental inactivity. They are easily
induced to give up their productive work to armament, if they
have not been shown beforehand how to employ the idle men
and the idle capital for their own welfare, and again they may
be fascinated by the immense possibilities for action and effi-
ciency to be found in a centralized autocratic domination.
They may be ready for collectivization, if formerly they have suffered without help by isolated aloofness; ready for compulsory leisure-time organization, if formerly they have not had much use for leisure at all. They may eagerly adore the newly deified state, if beforehand they have lost every other object of devotion. They may even find satisfaction in complete submission, if in fact they have long ago broken away from the ideas of freedom, justice and the rights of man. History indeed tells a continuous story of missed reforms. But it also tells of the decay and destruction of entire civilizations.

Fascism in both its adaptations arises out of civil war, from the alignment of a part of the nation against the other. But it comes from a very peculiar kind of civil war: one of the fighting parties, the Fascist one, challenges all the others and at the same time it prevents them from using any weapon, be it gun or ballot. So there is no Gettysburg, and above all, there is no one who says at any moment: “Let us have peace.” There has to be no peace; as a substitute for it the merciless prohibition of open political contests is called peace.

A short period of scattered political guerilla warfare follows where some brave men defend their freedom to the last. Thereafter, the repressed civil war takes an unfathomable course. It is waged in the innermost conscience of man; it splits the citizens no longer one against the other, but each one against himself. Some men see the goal of a powerfully organized communal life achieved; but as a price they have to kill in themselves every spontaneity and every urge of self-realization. Some other men keep their inquiring minds; but as a price they lose their country that has no need of them. Every citizen is torn by intolerable contradictions: to be at home in his occupation and in his community, but to have no home of his own; to be a leader, therefore to be a receiving-set for the reception of orders.

Under the impact of eternal war or of depression the indi-
individual citizen becomes so weary as to lose even the understanding of what his individual rights may mean. Soldiers in an army, or men on relief, live near that temperature at which personality and character melt. Under the impact of the same circumstances the individual citizens are taken by a desperate need to find some shelter in a protective social structure. In Italy and in Germany some men, with full awareness of what they were doing, undertook the malicious cultivation of the need for security and of the forces which make for insecurity. Their solution to the ravages of war was to have more war: civil war first, inner war later fought in the inner conscience of man. The more men feel insecure, the more they need a shelter and are ready to pay any price for it. The modern state was born in England and France when some leaders wanted to put an end to the slaughters of the religious war and proposed a new order where different versions of Christianity could live together in peace. The seed of Fascism is in the deliberate effort by some men to prevent peace and to spread the spirit of war into the innermost nature of man.

Such an evil will is made possible by objective conditions that these men have not created but that they want to perpetuate. They do not need to be geniuses to do such work. There are always so many potentialities of evil available in the world. After a brief glory these men may turn out to be blind instruments of destruction and self-destruction. Their skill is in debasing much more than in creating. They utilize passions which are noble, like the love of one's country, or the desire in each man to be at home, with a definite position, in the community where he belongs. They utilize, at the same time, trends which are unquestionable, like the ones which lead the state to exert a responsible and controlling influence on the economic life of the nation. They pretend to monopo-
lize such sentiments and trends, to label the opposition to their regimes as hostility to the fatherland, the reluctance to accept their kind of state interventionism as a betrayal of the people's interests. Such an evil will is possible only in modern times, because capitalism and democracy directly affect all human beings, and impose on them the fulfillment of actions which require a definite amount of intelligence and skill: like deciding about the policies that the nation has to follow, or finding one's way in an extremely complex world. By sterilizing the creativeness of democracy, by playing on all instincts which prevent democracy from working, Fascism gains and keeps its power. The Fascist leaders do not even need actually to lead. They have only to check and prevent the longing toward decency, intelligence and charity. This has never been a very hard task.

Both in Italy and in Germany the deliberate spreading of the spirit of war follows exactly the same lines. It got hold of inclinations long existing in both peoples and it stirred them up until they became crippling vices: like the Italian indifference to politics, or the German love for order. It did not even give new aims to the two nations. It played on Italy's desire to be considered as a great power, or on the bitterness of German humiliation. Fascism is not a natural outcome of Italian and German patriotism or even nationalism: it is a malicious corruption of both. It took away from patriotism the free devotion of men who give themselves to their community, and it definitely linked it to the biological fact of being born of a certain race. So patriotism ceases to be a virtue and becomes a routine. The work that every man has to do in order to earn a living and to justify his existence becomes an assignment which men have to take regardless of their personal inclinations and over which they have no control. The family and the school become extensions of the barracks for the breeding of soldiers. Culture becomes the skill of
manipulating slogans for propaganda. All the way through, the line of development is exactly the same: a complete cleavage between institutions and the freedom of men. So institutions become like unpredictable monsters, and freedom is destroyed, while the life of those who still love it is reduced to a bitter helplessness.

The experience not only of Italy and of Germany but of every country where Fascism is at work presents a homogeneous unity. Republican Spain, still, at the moment of writing, is heroically fighting in order not to have the Fascist peace. Spain had the privilege of fighting her civil war on the battlefields and of forcing Fascism to give an illustration of what its conquest of power is. The workers of Vienna fought for a few days in 1934. The Italian anti-Fascists, entirely taken by surprise, defended themselves as well as they could up to 1925. The French had a hint of what real Fascism is with the crimes of the Cagoulards. What one Fascism hides with clever shrewdness is unmasked by another. The march to power of Italian Fascism finds its analytical reproduction in the thirteen years of political fights in Germany and in the Spanish Civil War. The thorough compactness of the German Nazi legislation has its commentary in the groping and hesitancies that the Italian leaders went through when they stumbled into Fascism. By looking with magnifying glasses at the contemporary economic structure of Italy, one can practically see that of Germany. The differences among the various Fascisms can be as great as the one between the Catholic bigotry of Franco and the neo-paganism of Rosenberg. Basically, there are always the same family ties: the deliberate spreading of war and cultivation of hardships and insecurity by the will of some men who make themselves into the instruments of evil; the ruthless persecution, on all fronts, of the human conscience. It is the greatest anti-Christian revolt since
the day when Christ was crucified. Significantly enough, it is contemporary with the crucifixion of the people among whom Christ was born.

As to the Other Nations

The first of the causes which make for Fascism is in certain events like wars or depressions which cripple human personality and the institutions created for the defense of it. The second is in the will of some men to stir the destructive influence of such events and to make them permanent. Since the Spanish Civil War a third cause for Fascism has been added, which is Fascism itself represented by the intervention of Italy and Germany. In Spain, fighting on the Insurgent side, there are not only miserable natives and Moors and some scores of perjured generals, but also the planes and soldiers and technicians of the two Fascist powers. This means that the story of the Fascist rise to power, which has been repeated several times in different countries, shows, in its contemporary version, powerful external influences in alliance with the local Fascist interests. This new element can multiply the chances of the local Fascists or can paralyze them. The reaction of the French people, when it became known which hands were behind the Cagoulards, typifies the second possibility. But certainly among the forces which may prevent Fascism in democratic countries one has to reckon, since the beginning of the Spanish war, with an extremely vigilant patriotic solidarity and with military preparedness. French democracy today has to rely on French nationalism and on a large availability of African troops.

This new situation reduces to that level of meaninglessness where it always belonged, the debate about the democratic or the Fascist destiny of the Anglo-Saxon or German or Latin people. The marches on Madrid or on Barcelona are quite
different from the March on Rome. The march on Vienna
was quite different from the legalistic coup d'état that spared
the Nazis the trouble of marching on Berlin. It is senseless
to argue about the capacity or incapacity of certain nations
to stand against the Fascist danger: the defense against it is
on the national front and not only on the internal one. The
defense against it lies in the power of democratic convictions
and of arms. There are two governments today in Europe
which kindle everywhere the fires of civil war. After the civil
war has been spread in a nation they want to see established
in it that peace that they have imposed at home. So the fire
of civil war will be kindled in some other nations. Among all
the political and economic forces which today make for social
and international insecurity, the most powerful is the one
represented by the very existence of the two Fascist govern-
ments.

In their appearance, to many of the foreigners who go and
visit those two nations, they seem to be models of order and
of efficiency. They seem to have solved the most crucial prob-
lems of modern times. They have radically reduced or abol-
ished unemployment, shortened the social differences, con-
trived many new devices which give assistance or amusement
to the people. A foreigner may even discover joy in these
two countries; and there is something which may appear as
joy in the solidarity of people all herded together and herding
each other, in the constant physical companionship where
there is no room for aloofness. But if a citizen of these two
countries questions the regime only in his mind, even if he
remains entirely unnoticed, he is doomed. The compact
efficiency of the nation, the animal solidarity of the crowd,
all the institutes of the regime, all his fellow-citizens become
incubi, haunting his peace and destroying it. If he could be
without doubt, many exhilarations would be available to him
to make him happy. In a totalitarian regime the happiness or
the unhappiness of the individual entirely depends upon a choice that he can make: the last and most cruel compliment paid by tyranny to freedom. If they refuse to go along, they are lost, and they know it at every moment. If they do go along, they are lost in a different way but they may be spared the awareness of it. It is through the exercise of reasonable choices, each one of which can engage the individual responsibility and open the way to new choices, that the personality of man is shaped and civilization is enriched.

Fascism is based on a barter between the system and the individuals who can have some share of happiness if they give away their minds and souls. This seems to be a moralistic oversimplification. It is not without some hesitancy that one writes today of soul and evil and good. Yet the whole problem of Fascism and of the defense against it in the still democratic countries is in these terms. It is not a problem of races more or less blessed by a democratic destiny. Fascism has spread the spirit of war to the innermost conscience of man and it is hunting the individuals whose conscience is more articulate, aiming at them no matter what their race or their nation may be.

The first and most radical immunization against Fascism can be made by each individual in himself. Men of our generation may have many doubts as men of all times in recognizing what is good, but have no doubts about the existence of evil and the aspect that it has taken in our days. Fascism receives a great strength from the widespread unwillingness to state its problem in the simple human terms in which it lies. It is especially strengthened when the spiritual insecurity of the modern generations becomes uncertainty about the basic values of life. Its leaders could not have even dreamed of playing their roles if their moral dullness had not been in tune with a widespread moral indifference or relativism. They grew in a society where the principle that the end justi-
fies the means is not only practiced, but is admitted by everybody. Having the simplest possible end in mind, which is power, they did not find any reason to stop at any means. If instruments and tools are not used under a moral check, the work that they do is one of sheer destruction.

If the seed of Fascism is in the evil will of some men, and if such evil will is directly influenced by intellectual and moral trends of our days, the most important work in the resistance to Fascism is one of intellectual and moral reconstruction. The inner weakness that the democracies of England and France have so abundantly shown, during the Spanish Civil War and in Central Europe, definitely proves how necessary is the inner reconstruction of democracy. The main strength of the two Fascisms lies now in the fear that the great democracies have of them. Instead, Fascism must be resisted by the deliberate attitude of men who know that they are defending not a regime against another regime or a form of production against another, but truth against error, freedom against servitude, peace against the infinite ravages of war. This is not an appeal to a holy war: it is an appeal to faith based on faith. Fascism lives as the parasite of its enemies and thanks to their collaboration. If its enemies refuse to proceed in such a collaboration it is bound to collapse. This requires a supremely moral effort. If this effort appears hopeless or quixotic because it is moral, then Fascism must have its way. But that would mean no less than the end of Europe.

For although there would still be, of course, some hundred million people on the European Continent, they would be no longer Europeans in the true sense of the word. Through centuries, this European man has been the representation of individual liberty, self-responsibility and self-determination: his importance and his achievement for humanity consist of these values which he has developed and transferred to other parts of the world. Now, Fascism, in both its varieties, is not only
an anti-Christian revolt. It is, more specifically, the negation of this particular European scheme of values. It cripples the European man by taking him into its grip. It is the force of evil which shatters our civilization to its roots. The crisis of Europe, brought into the open by the outbreak of the World War in 1914, is put to its crucial test by Fascism. A definite victory of Fascism would be the destruction of what truly had been Europe.

As to These United States

This applies to every civilized country, whether European or non-European. But, it is said, America is different. It is not one of the democracies of the world: it is democracy. All the other democratic regimes are younger and, in a way, artificial, as compared with the one of the United States. They have been grafted on feudal traditions and they had to be adjusted to centuries-old institutions. Or they have been established through revolutions and civil wars out of the determination of some fortunate minorities. Here, on the contrary, the frame in which democracy could develop—the Constitution and the Bill of Rights—was already strong before the great mass of the people came from Europe. Many of the European democracies are houses which have been built starting from the roof. The institutions of liberty were developed after the absolute state emerging from feudalism had made itself strong. The feudal fights in their turn were fought when people, gradually emerging from cares, reached national coherence. Here the procedure was exactly the opposite. The ideas and the basic regulations of freedom were deeply rooted as the result of the English revolution before the political organization was framed; the political institutions had already the majesty of traditions when the newest and at the same time the most cosmopolitan of all peoples spread to do its work from the Dakotas to Florida, from the Atlantic to the
Pacific seaboards. Here there is no danger of foreign invasion, no grudge of defeat, no tradition of militarism. The magnitude of the country, the variety of its interests, the political instinct of the people, the jealous sense of personal freedom: all this is America. Even with all its extension of federal activity, the national government in our days may be considered as going through the period of Richelieu—when Europe has Hitler.

All this is true, and more can be said on the same line. People here have a very peculiar kind of wisdom: they always find their equilibrium, their point of common sense, after having gone through the most opposite extremes. They experiment in law and in government, but they are never unreservedly involved in their experiments. So they can have war regimentation during the world's conflict and prohibition and N.R.A. Each one of these events seems to be a turning point of history at the moment of its happening; people hardly remember them a short time after they have suddenly come to an end. Demagogues can sweep the country—for a while. Every efficient rabble-rouser is always sure to assemble a great crowd on his way; but he can never distinguish the loyal followers from the curious onlookers.

A homespun wisdom seems to make the American people immune to many European diseases. New laws or habits that could poison the national life rapidly develop their counter-poison: so prohibition prompts bootlegging, and bootlegging prompts repeal. The people know how to take opposite roles on the important issues so as to diminish the risk of novelties; and on the whole they respect the gain. This wisdom is the surest result of the education to freedom. It is also the result of experiences which have similarities with the Fascist ones. After the Civil War for several years there was something like Fascism in the South. There have been, since the Union was founded, occasional outbursts of racial or religious or po-
litical intolerance. The people is sovereign; so it has to be its own law-maker and law-breaker. The Americans are changeable in their moods, but consistent in their habits.

The people has inherited from the Anglo-Saxons a traditional dislike of obstructions and a quick sense of orientation when it comes to personal concrete instances. An average American, when told that in Italy and in Germany there is no freedom, may answer by inquiring about the trend of real wages and of national income in these two countries, but he will shudder when told that the privation of freedom means to be shadowed in the streets, to have one's mail tampered with, to be watched and listened to even in one's home. Personal freedom may be offended in many instances within the borders of the United States, as the miners of Harlan County and the workers in many factories know. Yet, no matter how serious these phenomena are, they can always be denounced and ultimately eliminated. There is certainly less room for individual hopes and opportunities in America now than half a century ago, but there is still no reason for that irremediable hopelessness that the destitute or oppressed people of Europe know.

From all these reasons many an American draws a sweeping conclusion. Fascism, they say, is not the concern of the American people. The infection can be contracted only if the Americans are once more taken by their missionary vocation and entangle themselves in European affairs. The European democracies have scarcely more than the name in common with the American. Let us perfect that democracy, which is American, they say. If the United States should enter into any group of powers opposed to Fascism, no matter whether using arms or persuasion, then that share of democracy which has been achieved would be jeopardized, while all those spheres of public life where democracy is still unfulfilled or betrayed would make America receptive to the contagion of Fascism.
Thus their conclusion is isolationism, the new philosophy of “America first”: America settled permanently in a quarantine.

What these people seem to forget is that Americans, too, are men. Not only are they men of European origins, and therefore susceptible in their minds and behavior to European passions, but they are men of the twentieth century whose lives are constantly shaken by the cycles of business—which means world-wide cycles—and whose loyalty to democratic institutions may totter under the influence of world-wide trends. They are also, as men, subjected to temptations; even particularly subjected, because the American conception of life as opportunity where everybody has his moment of luck is a system of constantly organized temptation. They seem to forget that Fascism is a disease of the modern man and that they, too, are modern men.

In fact, the American isolationists are forgetting even more. They overlook the ultimately decisive point that there simply is no possibility of isolation. This interconnection between America and Europe was proven by the World War: America has had to share in all its immense political, economic, social and spiritual repercussions, with or without her active participation in the war. The same holds with even greater validity for the present crisis of Europe. For this crisis is not confined to any geographical area. It comprises the European states and these United States as well, because it is a crisis not of some European powers quarreling about some pieces of European land, but of the occidental world as such. It is a crisis afflicting the whole concept of the Occident: a crisis of its values, its men, its achievements in the past and its prospects for the future. It is the crisis of the Western form of civilization. And America is a part of this civilization, bound to it by the same beliefs and the same doubts, by the same values and the same problems. Thus, in the deepest sense, discussing the fate of Europe means discussing the fate of America. If
Western civilization breaks down in Europe, no isolation will protect America against the danger of the destruction and perversion of her conceptions: to defend them here will be immensely more difficult then than it is today. On the other hand, the fact that America by her history and by her conditions is in so much better a situation for such a defense than are most of the European countries, must be regarded not only as being a piece of good luck but as involving a vast responsibility. How can European-American democracy and freedom hope to survive against the tremendous menace of Fascism, if the greatest, strongest and wealthiest democratic power withdraws into self-chosen separation? For “the land of the free and the home of the brave” there can be only one legitimate interpretation of the “America first” doctrine. That is to conceive it as a task and a duty. Those people are right who say that one of the best ways to defend democracy is to make the democratic institutions do better work in America. Which means to make them more and more sensitive to the need of the people and strong enough to educate the people to the belief that none of their needs is greater than the one of preserving and extending freedom.

Democracy is based on reason, and reason is based on subjecting ideas and experiences to the test of a constant and universal check. A democracy cannot be self-contained and secluded in any sense, either economic or political or moral. Just because others have shut themselves off from the international community in order to perpetuate war, the democratic nations can defend peace and themselves by preserving and reorganizing the community of all peoples: a community to which, when reason and truth will again impasion their hearts, the peoples of Italy and of Germany are bound to return.
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achievement of equalizing justice; they omit mentioning that the employers, in contrast to the employees, have been permitted to retain their other powerful associations. Besides, there had been a regional and a functional organization. The regional organization was the one that was officially recognized: Chambers of Industry and Commerce, Chambers of Handicraft, topped by their central Federations. Their tasks (like those of the corresponding Chambers of Agriculture) were in part educational: the support of vocational schools, the supervision of vocational training, and so on. Mainly, they had to represent their members in relations with the government (local and state) by giving their opinion on pending legislation, by reporting publicly on business conditions in their districts, and on demands and grievances—and they had to help their members by giving them advice and information about general business matters, taxation, opportunities for export and a thousand things of that kind. The functional organizations, on the other hand, were voluntary and private—and all the more powerful, depending upon the real weight of their particular branches and also upon the cleverness and energy of their respective leading men or syndics. Among them were the associations of the heavy industries, of the chemical industry, of the machine manufacturers and the like, sometimes with highly divergent interests but eventually centralized by the National Federation of German Industry; there were furthermore the associations of wholesale merchants and of retail traders, of banks and of insurance companies, of the different crafts and many others. They were pressure groups, engaged in all questions of economic policy and trying to exercise their influence in the final decisions concerning them.

National Socialism has retained this double organization along regional and functional lines. But membership in both groupings has been made compulsory. And while formerly