

Is National Socialism a New Order?¹

By Frederick Pollock

When I speak of a new order I do not refer to the new system of frontiers, coalitions, puppet states and such that the Axis is establishing all over Europe or that might be worked out at the forthcoming peace conference. My aim is to clarify the new order as a new social and economic system in contrast to monopoly capitalism. To cite the most obvious example, nineteenth century capitalism must certainly be called a new social and economic system when compared with the feudal order that preceded it. But must we, for instance, also declare monopoly capitalism to be a new order as contrasted with competitive capitalism?

Obviously, we can proceed only after we have chosen a yardstick permitting us to distinguish a new order from an old one. The basic concepts and institutions of our economic and social system must serve as such a yardstick. Only if we agree upon the essential characteristic of our own social system, will the answer to our problem make sense. For those who refuse agreement, the answer will be meaningless.

I should like to put the essential characteristics of modern society under the following headings:

- (1) the ruling class,
- (2) the integration of society,
- (3) the operation of economic life,
- (4) the relation between government and governed,
- (5) the role of the individual.

¹The following is the last in a series of five public lectures delivered at Columbia University by the Institute of Social Research during November and December 1941. The other four lectures were:

Herbert Marcuse, *State and Individual under National Socialism*;

A. R. L. Gurland, *Private Property under National Socialism*;

Franz Neumann, *The New Rulers in Germany*;

Otto Kirchheimer, *The Legal Order under National Socialism* (published in this issue.)

The author's task was a two-fold one: to summarize the four preceding lectures and to answer the question whether National Socialism is a new social order. The combination of these two tasks led to the stressing of those points which were discussed before and in which the author partly disagrees with his colleagues.

Since it was impossible to publish the whole series, the text of the concluding lecture is given here in its original form, incorporating the main points of the previous lectures as well as the controversial issues. This lecture represents the application of a general theory of State Capitalism (as outlined on pp. 200ff. of IX, No. 2 of this periodical) to Nazi Germany.

Before we enter into the discussion of these headings we have to make two methodological remarks. (1) No social system is static. A continuous change daily alters the structure of society. Such changes may not be at once apparent. They may be hidden particularly because the institutions remain unchanged while their functions change. The legal institution of property, for instance, has remained unchanged for centuries—and yet the social function of property today radically differs from previous periods. (2) When do changes that gradually creep into an existing order become so vital that we must speak of a structural change entailing a new order? When does quantitative change turn into qualitative change? A convincing answer can only be given after this change has been in progress for a considerable time.²

(1) *The Ruling Class.*

Under National Socialism four groups are in control which are distinctly marked off from each other, have conflicting interests, but are nevertheless bound together by common aims and the fear of common dangers. These four groups are big business, the army, the party, and the bureaucracy. They share among them the coercive power which was previously the monopoly of the state that stood above them all. Whereas until recently in the capitalistic era social power mainly derived from one's property, under National Socialism one's status is determined by his social function. Wealth, acquired or inherited, may and does facilitate access to positions of power, but instead of market laws and property rights, the status of the individual within the group decides the use he can make of his property. This development will be better understood when seen in connection with the universal trend toward a divorce between ownership and control.³ Side by side with the owner-manager who owns the majority of capital, stands the pure manager, who, having only

²For the latest comprehensive material about the National Socialist economy and society see: Franz Neumann, *Behemoth. The Structure and Practice of National Socialism*, New York 1942; Lewis L. Lorwin, *Economic Consequences of the Second World War*, New York 1941 (parts one and three); Maxine Y. Sweezy, *The Structure of the Nazi Economy*, Cambridge, Mass., 1941. The important problem of the connection between the recent technical revolution and the new order has been discussed in A. R. L. Gurland's article on Technological Trends and Economic Structure under National Socialism (IX, No. 2, pp. 226ff. of this periodical).

³The American standard work on this trend is still A. A. Berle and G. C. Means, *The Modern Corporation and Private Property*, New York 1933. James Burnham, in his *Managerial Revolution* (New York 1941), has tried to discover where this trend is leading to. In a recent article, "Coming Rulers of the U. S." (*Fortune*, November 1941) he has presented his thesis in terms of developments in the United States. It should, however, be noted that Burnham speaks of a *fait accompli* where, so far, a trend only is visible. For the scope of ownership control still existing in the United States, see *The Distribution of Ownership in the 200 Largest Nonfinancial Corporations*, Temporary National Economic Committee, Monograph No. 29, Washington, D. C., 1940.

a minority interest, yet as fully controls the enterprise as the owner-manager. As against these two, who exercise economic power, stands the man who owns capital without exercising power. If his capital is small, he will become a victim of the process of concentration which has been speeded up by the supra-entrepreneurial organization. It may eliminate him by refusing him the right to produce, to buy raw materials, or to hire labor. If, on the other hand, his capital is large and the enterprise sound, the inefficient capitalist will be reduced to a mere rentier.

The situation of private property in Nazi Germany has been summarized as follows:⁴ "The legal institution of private property has been preserved under National Socialism. The claim of invested capital for a just return has never been questioned. But the owner's right to control the use of his property is subject to manifold restrictions, the handling of which lies with the supra-entrepreneurial organizations. They are being run by representatives of the most powerful industrial and financial combines. The checks imposed upon the rights of the individual property owners result in an increased power of a few groups every one of which rules over real industrial empires."

I quite agree that the legal institution of private property has been retained and that many of the characteristics shown to be inherent in National Socialism are already apparent, perhaps only in an embryonic stage, in non-totalitarian countries. But does it mean that the function of private property is unchanged? Is the "increased power of a few groups" really the main result of the change that has taken place? I think that it goes far deeper and should be described as the destruction of all but one of the essential characteristics of private property. Even the mightiest combines have been deprived of the right to establish a new business where the highest profits can be expected; or to discontinue production where it becomes unprofitable. These rights have been transferred to the ruling groups as a whole. It is the compromise between the controlling groups which decides on the scope and direction of the productive process; against such decision the property title is powerless even if it is derived from ownership of an overwhelming majority of a stock, not to speak of a minority stock owner.

This view of mine might be challenged by reference to the growth of "internal financing." But "internal financing" is deliberately furthered by the ruling groups to facilitate expansion. Like any

⁴By A. R. L. Gurland, in his lecture mentioned above.

other investment it depends upon the consent of the authorities and not upon the mere fact that internal funds are available. If the expansion of an enterprise does not fit into the general program of the government, the utilization of the accumulated reserves for plant expansion will be prohibited and the accumulated funds must then be used otherwise, perhaps compulsorily invested in government bonds.

It is hardly necessary to mention that all those who do not belong to the controlling group—the urban and rural middle classes, workers and salaried employees—have no institutionalized means to enforce their wishes upon the rulers. Their organizations have been destroyed or transformed into agencies to dominate them. Only the fear that they could rebel when the pressure from above becomes too strong, makes the pressure from below somewhat effective and enforces concessions.

In this short summary I can neither discuss the transfer of power from finance capital to industry nor the different trends in the position of producers and consumers goods industries. In a complete survey of the changes which have occurred within the ruling class these and other processes would have to be thoroughly analyzed.⁵ It is their totality, combined with the change in the functions of property, that, in my opinion, justifies speaking of a qualitative change in the ruling class under National Socialism. Although the power of the industrial monopolists may still be enormous, it is today contingent upon the goodwill and cooperation of the “practitioners of violence” (as Harold Lasswell has aptly termed them).⁶

(2) *The Integration of Society.*

Under National Socialism the individuals as well as the social groups meet in a way which, in its social meaning and legal status, is totally different from that of the traditional society. In the latter the individuals and strata communicate with each other through the medium of exchange as legally equal partners. Free workers and free entrepreneurs meet each other on the market. Income figures determine the social value and power of the individual.

National Socialism has abolished the last vestiges of such free economic subjects; property and income are no longer the foremost determinants of the individual's social position. Capitalists and

⁵Cf. Franz Neumann, *op. cit.*, and Otto Kirchheimer, “Changes in the Structure of Political Compromise” in IX, No. 2, pp. 264ff. of this periodical.

⁶Harold D. Lasswell, “The Garrison State” in *The American Journal of Sociology*, No. 4 (1941) pp. 455ff.

labor alike are organized in one all-embracing organization, the Labor Front, and fused ideologically in the people's community. Their relationship is defined as that of leaders and followers, and it is based upon command and obedience. Though wages are paid, they have lost one of their main functions, namely, to distribute the labor power within the economic process. Social power, prestige, and honor now depend decisively upon one's place in the government and party hierarchies. The relation between property, income and social power has thus been radically altered. Money alone gives only limited power or (as in the case of the Jews) no power at all. Political power, in turn, which is equivalent to the control of the means of production, may become the source of practically unlimited income.

It has been suggested that the National Socialist relation of "leader and followers" is equivalent to the feudal relation between lord and vassal. I do not believe this to be true. We must not be deceived by terminological similarities and especially not by skilful National Socialist propoganda which would like us to believe in a paternalistic relation between employer and worker. Feudal society is characterized by the directness of human relations which are based on a contract of trust and faith, incompatible with authoritarian discipline. The leader of a German enterprise is merely a cog in the wheel of a huge bureaucratic machine which has destroyed the last remnants of personal relations still existing in capitalist society.

(3) *The Operation of Economic Life.*

National Socialism has not created a planned economy so that the whole economic life might be directed and performed according to a well conceived and detailed plan. Its so-called Four Years Plan has never been published, because it does not exist and must be considered a mere ruse to enforce concentration of control and speed-up of armament production. As late as 1941 the *Frankfurter Zeitung*⁷ declared that "the problem of a totally planned economy has never been seriously discussed." Planning in Nazi Germany is a mere patchwork of stop gap measures designed to cope with the tasks created by armament and warfare. It has been stressed that the "legislative measures carried through during the first years of National Socialist administration were based on the assumption that the inherited economic system would last forever."⁸ In view of the fact that there is no general plan, and no intention of establishing a

⁷In its issue of June 1, 1941.

⁸A. R. L. Gurland, in his lecture mentioned above.

planned economy, in view of the emergency character of preparedness and war economy, many observers believe that no new economic order has arisen. In this view, a highly monopolized war economy has resulted in some strengthening of the monopolistic positions but has left the economic structure untouched. I believe this view to take surface phenomena at face value. Even if the German leadership should be committed to the maintenance of private capitalistic economy, the objective force of its manifold interferences in the economy is more powerful than its pious wishes. Even against its desires and preferences the objective facts are on the way to destroying the old order. One interference of necessity produces another. The leaders are driven to take increasingly drastic steps by the unpleasant alternative of proceeding and having a chance of survival or of stopping and meeting complete collapse. To summarize: all basic concepts and institutions of capitalism have changed their function; interference of the state with the structure of the old economic order has by its sheer totality and intensity "turned quantity into quality," transformed monopoly capitalism into state capitalism.

Let me examine a few details: the market, prices, and profits. It seems certain that no master plan exists for the Nazi economy and it is unlikely that detailed figures have been worked out for the various branches of industry. But there is definitely a detailed plan for agriculture which has led to wholesale regimentation of agricultural production and marketing. For industrial production, however, a clearly defined general program exists embodying the basic aim of National Socialist economy; full employment, utmost non-dependence on imports, withdrawal from consumption of whatever can be spared of the national income, and producing the physical maximum of producers goods in general and armament in particular.

To carry out this program, a variety of methods are at the disposal of the regime; they have been described.¹⁰ The supra-entrepreneurial organizations, federated in the National Economic Chamber, cooperating with the numerous Four Years Plan bureaucracy, obviously bears the brunt of this task. Such central steering of the whole economy leads to the actual disappearance of the market as the steering wheel of production. It is not only that many prices have been frozen. Even where fluctuations of prices are still permitted, prices can no longer serve as signals for increasing or curtailing production. Allocation of raw material, of machinery,

¹⁰See this periodical, IX (1941) No. 2, pp. 204ff.

of fuel and of labor were gradually replacing the system of bidding for the factors of production. I don't believe central steering to be merely the result of scarcity that develops in every war economy and disappears with the emergency. On the contrary; the avowed goal of Nazi economic policy is permanent full employment without recurring phases of boom and depression; or, to put it in the words of a Nazi writer, "an epoch without trade cycles which is the fulfillment of National Socialist aims and which spares the employer hard times of losses and the risk of collapse."¹¹ This goal can only be achieved if the market mechanism is definitely scrapped as the controlling machinery and if centralized control, more centralized than before, is put in its place.¹²

What will be the fate of the so-called economic incentives? Are there no longer profits and is the profit system abolished? I should like to give a paradoxical answer: there are and will be profits in Nazi Germany, even enormous profits for big business, but the profit system, as we have known it, is nevertheless dead. Profits have lost their main economic function, namely, to direct the flow of capital. To put it paradoxically again, under National Socialism production is for use and not for profit. It should be understood that production for use is not intended to mean "for the needs of free men in a harmonious society" but simply the contrary of production for the market. In the capitalist economy production and investment have always swiftly moved into the sphere of the highest profits. Under National Socialism, even the most powerful profit interests become subordinated to the general program. If they act in accordance with this program (and under prevailing circumstances they often do), profits may be made. But the most outrageous profit expectations will lead nowhere if they run contrary to this program. In every case where the interest of single groups or individuals conflicts with the general plan or whatever serves as its substitute, the individual interest must give way. It is the interest of the ruling group as a whole that is decisive, and not the individual interests of those who belong to it. Even very strong particular interests cannot prevent the execution of urgent tasks necessary for the common weal.¹³

¹¹*Frankfurter Zeitung, loc. cit.*

¹²The main arguments for the feasibility of substituting for the market mechanism a control machinery making use of a pseudo-market are given on pp. 204ff. of IX, No. 2, of this periodical.

¹³For the situation in the United States prior to its entry into the war, see the findings of the Special Committee Investigating the National Defense Program (Truman Committee). The following blunt statement illustrates our point: "The committee, in the investigations which it has already conducted, has found numerous instances of gross
(footnote continued on next page)

Two functions are left to profits in National Socialism: as income for the property owners and as a premium for entrepreneurial efficiency. In the first aspect they are strictly controlled and limited, in the second they are the reward for efforts and accomplishments which are above average. Since business cycles are eliminated it is quite "natural" that "the ever recurring profit for the average entrepreneurial performance, a profit which is not mortgaged by losses and risks, will be smaller than in former times of booms and depressions."¹⁴

I believe these remarks to be sufficient to clarify my thesis that National Socialism is building a new economic order where the market is replaced by the command.

(4) *The Relation between Government and Governed.*¹⁵

The ruling groups exercise their domination over the masses through bureaucracies which in their upper layers are themselves partners to the "compromise"¹⁶ and which in the lower ranks of police, judiciary and party bureaucracy are the executive organs entrusted with the domestication of the masses.

In this new partnership the spheres of influence are not fixed once and for all. They fluctuate constantly according to the failure or success, relative strength or weakness of a given policy with which one given group may be more intimately associated than another. But these fluctuations do not change two essential facts. First, the position of the individual has largely become dependent upon his status within his group. This status, in turn, is sanctioned and confirmed by administrative orders which have come to supersede the rules of civil law. A new state of affairs has arisen which has aptly been called "a synthesis between government and private enterprise." Second, the consequence of this new synthesis is the disappearance of the rule of law as equally binding on ruler and ruled. The two-sided rationality subjecting rulers and ruled to the same formulas has been replaced by a one-sided technical rationality. The uppermost concern of the government is the precision and speed with which its rapidly changing orders are executed.

inefficiency and still more instances where the private interests of those concerned have hindered and delayed the defense program. A considerable quantity of supplies and material which we should have today have not been produced and the war effort has been seriously handicapped as a result." (77th Congress, 2nd Session, Senate, Report No. 480, Part 5, Washington, D. C., 1942, p. 2.)

¹⁴*Frankfurter Zeitung, loc. cit.*

¹⁵For the following see Otto Kirchheimer's articles on pp. 456ff. of this issue, and pp. 264ff. of IX, No. 2, of this periodical.

¹⁶See Otto Kirchheimer, *loc. cit.*, p. 264.

Under such a system the executive organs tend to be more and more machinelike, and this machine quality gives the state apparatus its high degree of precision and technical calculability.

Law in Nazi Germany presents a striking example of functional changes. Many of the old legal institutions are still working and still applying time-honored formulas. The staff of the Ministry of Justice is unchanged. The whole difference between democratic and totalitarian laws seems to boil down to a wholesale use of terror by National Socialism. Yet, factually, nothing has been left of the old order of things besides the façade.

(5) *The Role of the Individual.*¹⁷

The National Socialist regime has, more than any other form of government, unleashed the most brutal instincts of the individual. It regards man only as the ultimate source of that energy on which the gigantic apparatus of domination and expansion feeds. The human individual is cared for and even cherished only insofar as he is the source of labor power, furnishing the instruments of war and expansion. All the official efforts to beautify work and leisure, all the Strength Through Joy activities, serve, in the last analysis, to increase the output of the individual, to strengthen his performance, to enhance his efficiency. The mobilization of the individual is without limits: National Socialism tears down the protective walls which the liberalistic era had erected between private and social life. This mobilization cannot be carried through, however, without compensating the individual for the total loss of his independence. Since every compensation that amounts to a real increase of individual liberty and happiness must, of necessity, endanger the system of domination, a form of satisfaction had to be found which was to intensify rather than weaken the system. Such a form of satisfaction was made possible by the abolition of certain social taboos which, while restricting the drives and desires of the individual, at the same time had guarded his privacy against the interference of state and society. National Socialism has done away with discrimination against illegitimate mothers and children, it has encouraged extra-marital relations between the sexes, and it has transformed this entire sphere of protected privacy into a realm of public service. It must be noted, however, that the increase in liberty and pleasure involved in this abolition of taboos is effectively counteracted by several factors:

¹⁷For the problems connected with the role of the individual in modern society, cf. Max Horkheimer's article in this issue.

(1) The very fact that the individual's private satisfaction has become a public affair and an officially rewarded and controlled performance removes the danger implied in such liberation.

(2) The sexual relations have been made instruments for executing the imperialist population policy of the Third Reich. They are thus means to a definite end, which is posited and supervised by the National Socialist regime.

(3) And perhaps most important, the liberation of this sphere is skilfully coordinated with the release of instincts and impulses operating against the enemies and scapegoats of the regime, such as cruelty against the weak and helpless (Jews, feeble-minded and "unfit" persons), hatred of racial aliens, or instincts and impulses operating directly in the interest of the present rulers: masochistic submission to all kinds of commands, to suffering, sacrifice or death. The released individual is thus caught in a physiological and psychological structure which serves to guarantee and perpetuate his oppression.

It would be worthwhile to discuss the fundamental changes in the role of the individual from the point of view of the changed status of the family. The family in Nazi Germany is in full disintegration, deprived of all its former functions. It can no longer protect the individual economically. Words carelessly used in front of one's own children may lead to disaster. Education has passed completely into the hands of the party, and even the family's monopoly on legitimate procreation has been broken.¹⁸ The destruction of the cornerstone of modern society, the family, may prove more convincingly than any other single argument that a New Social Order is being built in Nazi Germany.

I have come to the end of my cursory analysis of the changes in the functions of basic institutions and concepts. I should have added many others, e.g., the nature of the new imperialism. Its decisive difference lies in the fact that old-fashioned imperialism could be saturated, while the new imperialism must incessantly expand until it has attained world domination.

The deeper one goes into the comparison of the old and the new in Nazi Germany, the more one comes to the conclusion that a New Order is in the making, a New Political, Legal, Economic and Social Order. What is this new order and can it last?

¹⁸All these and related problems are reported in: Gregor Ziemer, *Education for Death*, New York 1941.

The New Order—what is it?

Is it useful to label the new order "State Capitalism"?¹⁹ Serious objections may be raised against this term. There are already grave doubts as to whether it makes sense to call the National Socialist system a state. The word state capitalism, besides, is possibly misleading because it may be understood to denote a society wherein the state is the sole owner of all capital. This is definitely not the case for National Socialism. Nevertheless, the term "State Capitalism" describes better than any other term four properties of the new system: (1) That the new order is the successor of private capitalism, (2) that the state assumes important functions of the private capitalist, (3) that capitalistic institutions like the sale of labor, or profits, still play a significant role, and (4) that it is not Socialism.

Many other labels have been offered in recent discussions, such as controlled economy, state organized monopoly capitalism, totalitarian state economy, neo-mercantilism, bureaucratic collectivism. I believe the term "Command Economy" best expresses the meaning of the new system. This word was first used by a Nazi writer²⁰ in an article in which he asserts that "competition, monopoly and command, these basic elements of every economic theory, equal each other today in scope as well as in power. But gradually the weight turns in favor of command."²¹ What strikes me in the concept "Command Economy" is that it essentially counterposes itself to the concept "Exchange Economy." It suggests an economy which is based upon command in a similar sense as the liberal economy is based upon exchange. It leads logically to describing the new society as a "Command Society" in contrast with the "Exchange Society" of bygone days.

In using these labels, I do not wish to imply that National Socialist Germany is a fully developed state capitalism or a total command economy. I want to stress that the new German system comes closer to these economic concepts than to those of *laissez faire* or of monopoly capitalism.

The differences between the new order and private capitalism need no further discussion. But wherein lies the difference between

¹⁹See the discussion of this concept on pp. 200ff. in: IX, No. 2, of this periodical.

²⁰Willi Neuling, "Wettbewerb, Monopol und Befehl in der heutigen Wirtschaft." Eine Vorstudie zur Neubegründung der deutschen Wirtschaftstheorie, in *Zeitschrift für die gesamte Staatswissenschaft*, 1939, pp. 279ff.

²¹*Loc. cit.*, p. 317.

National Socialism and an economy in which "the concentration of economic power in, and financial control over, production and distribution of goods and services"²² has become typical of most spheres of the economic life? Certainly, under monopoly capitalism many of the conditions of production and distribution are controlled in a way similar to that of National Socialism. In pre-Nazi Germany the quantity and quality of many commodities were fixed by supra-entrepreneurial organizations or straightforward monopolies independent of the laws of the market. Wage and salary scales did not necessarily change with the variations of supply and demand. But the manipulation of the market lay in the hands of antagonistic groups; it was not determined by any other goal than that of bettering their bargaining positions. The interference with the market system made the market more and more unworkable but no provisions were foreseen to eliminate the ever more serious disturbances.

Under National Socialism, we again observe a typical change from quantity into quality. The monopolistic organizations no longer operate as disturbing intruders but take over the market functions as government agents. What formerly were more or less voluntary supra-entrepreneurial organizations have become compulsory and comprehensive. Instead of each specific industrial group fighting for maximum profits at the expense of more and more frequent interruptions of production, they collectively assume the responsibility of coordinating the whole economic process and thereby of maintaining the existing social structure.

This development has been accentuated in the hothouse of the war economy but is far from completed. Bitter struggles between competing groups have made their appearance in the past and will probably come into the foreground again, provided that the whole system will survive the war. Meanwhile the smaller fry is being annihilated at top speed under the impact of priorities, allocations, labor and exchange control.²³

In following this line of reasoning, the monopolistic phase of German economic development appears as a transitory one. During

²²This is the Temporary National Economic Committee's official description of its object of investigation.

²³A similar process is going on in the United States. The *New York Times* (February 6, 1942) quotes a report of the Senate's Special Small Business Committee (Murray Committee): "Small business enterprise . . . is facing bankruptcy and chaos along a wide front. Unless effective measures are taken . . . the postwar period will see it wholly out of the picture. Then, big business, with its branch and chain establishments, backed by great financial and political power, will move in to occupy the entire field. . . . The position of small business has long been precarious. The effect of the defense program has been to grease the skids for it."

a few decades the organs of the new order had been developed, so to speak, in the womb of the *laissez faire* economy. When it became evident that the old system was no longer workable, the new one sprang into being with that incredible ease which can be understood only when we recognize the preceding decades as preparatory to it.

The New Order—can it last?

During the last years, we have been driven to ponder again and again the question: can this totalitarian system last, and what are its possibilities and limitations? I do not claim to possess an answer to the manifold problems involved here. What I shall try to discuss, and only briefly, are the economic aspects of the question.

So far, the National Socialist economy has shown an enormous strength under all sorts of pressure and has probably overcome all the handicaps which ought to have led to its doom—in the opinion of many economic experts. These prophets of downfall have overlooked that National Socialism applies a new set of rules to its economic policy, rules which made its economic policy more efficient than anything known heretofore. They have also misjudged the limits of those economic laws which the recognized science of economics has in vain tried to bring under control for the last 150 years.

By a new set of rules I understand those principles which are applied with the purpose of replacing the principles of *laissez faire*. Most of the new rules have been mentioned before, especially the iron necessity of full employment. The totalitarian state is in a position to guarantee one single right to all its "racial comrades," a right which no democratic state so far has been able to grant to its citizens: economic security. This security, it is true, is bought at the expense of a total brutalization of society. Still, the integrative function of full employment in this era of ever more threatening general economic insecurity can hardly be overestimated.²⁴ It prob-

²⁴It is a rapidly spreading opinion that the creation of uninterrupted full employment has become a main economic task in all industrialized countries. The following quotations are representative of numerous others: "The problem of full employment is crucial; it must be solved even at the cost of radically modifying our system. If it is not solved, it will itself modify the system—radically." (Elliot V. Bell in the *New York Times Book Review*, July 27, 1941.)—"The dangerous temptation to barter political freedom for economic security will exist until it is proved by experience that a free government can not only provide a higher but a safer standard of living for the masses than despotism. Yet safety of livelihood can only exist if a sufficient number of jobs is available, and it would be a fatal error to believe that this can be achieved at the end of the war by 'letting nature take its course.'" (Carl Landauer in a letter to the *New York Times*, February 15, 1942.)—" . . . The Free Enterprise System will have to provide full protection, full employment, full distribution of goods and services, or

(footnote continued on next page)

ably counts for more in the minds of most people than their standard of living (provided that this standard is not desperately low and has a tendency to improve), it probably counts for more to the small business man than the loss of independence, or to the worker than the loss of his own organization. In following up the purely economic aspects, we find those devices that were designed to replace the functions of the market. There is, firstly, the goal set for all economic activities, a goal which is not based upon the anonymous and unreliable poll of the market, verified *post festum*, but based upon a conscious decision on the ends and means of production before it starts. There is, secondly, the administration of prices which are no longer allowed to behave as masters of the economic process but have been reduced to a closely controlled tool. There is, thirdly, the one which I have already discussed, namely, the subordination of the profit interest to the general economic program. There is, fourthly, the replacement of guess work by the principles of scientific management in all spheres of public activity (and under National Socialism that means in all spheres of social life). Guess work and improvisation must give way to an all-comprehensive technical rationality. This principle of "rationalization" is being applied to spheres which were previously the sanctuary of guess work, of routine and of muddling through, e.g., military preparedness, the conduct of war, manipulation of public opinion, the granting of rewards, the use of the legal machinery, and the "strategy of terror." In the economic realm the same principle has produced many of the successes in rearmament, and counteracted some of the destructive effects of red tape necessarily connected with a scarcity economy.

The recognition of an economic sphere into which the state shall not and cannot intrude, so essential for the era of private capitalism, is being radically repudiated. In consequence, execution of the program is enforced by state power and nothing essential is left to the functioning of laws of the market or other economic "laws." The primacy of politics over economics, so much disputed under democracy, is clearly established.

But have we not been taught that politics cannot successfully interfere with the economic laws and that all attempts to cope with them by political pressure have ended in dismal failure? My answer to this is that as long as economic laws are attacked from the outside

step aside for government agencies . . . There is no 'return to normalcy' ahead for the old world, whoever wins . . . Our people demand economic freedom and security. If we don't give them their birthright, some other system will attempt the job . . ." (Charles E. Wilson, President of the General Electric Company, in *Readers Digest*, January 1942.)

only (for instance in tampering with money and prices to overcome the fluctuations of the business cycles), all these efforts are in vain. But it is a different story when the economic laws are put out of operation by depriving the market of its main functions. Exactly this is happening in National Socialist Germany. I do not pretend that the ruling groups in Germany have unlimited power in the economic realm—there is no such thing as unlimited power on earth—but I stress that in a command economy the “theoretical laws of classical economic theory as well as of the theory of monopolistic competition are eliminated to a wide degree. Notwithstanding certain unavoidable deviations (which result from the co-existence of residues from the old order) the fundamental fact remains that every command in the economic sphere has acquired a range of discretion. [*Beliebigkeitsspielraum*] which surpasses everything possible under individualistic or monopolistic conditions.”²⁵

All this may make most unpleasant hearing for those of us who had hoped that a totalitarian order was bound to collapse as a result of the clash between political aims and economic necessities. As far as the purely economic aspect is concerned, I cannot see serious dangers for the continuance of the new order, if Germany should succeed in acquiring control over an adequate supply of raw material and foodstuffs. We all expect that Germany will suffer military defeat and that the National Socialist system will disappear from the earth. But that is not the point in our present discussion; we are concerned here with the—let us hope purely academic—question whether there are economic limitations of the new order. I do not speak here of the limitations that apply to every social system, e.g., those which result from the necessity to reproduce the given resources, to achieve optimum efficiency, to have a sufficient supply of labor, raw materials and machinery. I am searching for those factors which under conditions of private capitalism tend to create unemployment, overproduction and overinvestment, tend to make accounting impossible and tend to produce a standstill or even retrogression in technical development. In analyzing the structure of state capitalism I am unable to discover such inherent economic forces as would prevent the functioning of the new order. The command economy possesses the means for eliminating the economic causes of depression, cumulative destructive processes and unemployment of capital and labor. Economic problems in the old sense no longer exist when the coordination of all economic activities is effected consciously instead of by the “natural laws” of the market.

²⁵Willi Neuling, *op. cit.*, p. 286.

There are indeed limitations to the possibilities of the new order but they derive from the very structure of the society which state capitalism seeks to perpetuate and from the opposition of the non-totalitarian outside world. If the democracies can show that economic security must not be tied up with the loss of liberty but can be achieved under democratic conditions, then I dare forecast that the new order of National Socialism will be followed in Germany and elsewhere by an infinitely superior democratic new order.²⁷

²⁷An attempt to outline an economic program for such a democratic "new order" was recently made by Alvin H. Hansen in a pamphlet issued by the National Resources Planning Board, *After the War—Full Employment*, Washington, D. C., 1942. Hansen formulates the problem as follows: "If the victorious democracies muddle through another decade of economic frustration and mass unemployment, we may expect social disintegration and, sooner or later, another international conflagration. A positive program of post-war economic expansion and full employment, boldly conceived and vigorously pursued, is imperative. Democracies, if they are going to lead the world out of chaos and insecurity, must first and foremost offer their people opportunity, employment, and a rising standard of living."