
BEHEMOTH

THE STRUCTURE AND PRACTICE
OF NATIONAL SOCIALISM

FRANZ NEUMANN

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AN ECONOMY WITHOUT ECONOMICS?

I. STATE CAPITALISM?

In summarizing the course of our investigation, the following points should be noted. The political structure of National Socialism exhibits a number of divergent elements. The concept of the strong, all-embracing totalitarian state, though now rejected in ideology, is by far the most characteristic. The rule of the bureaucracy and of the armed forces, represented by the ministerial council for the defense of the realm, is complete. The state is restricted only in the police and youth administrations, in which the party is sovereign. The underlying ideology is racism, the sovereignty of the racial people incarnated in the Leader. The whole structure is at the service of two ideas, the New Order and proletarian racism: the supremacy of the 'have-not' nation surrounded by plutocratic and hostile democracies.

Yet, the paramount question that urgently needs an answer is: what are the forces that keep National Socialist society together? We can by no means hope to give an exhaustive answer. We cannot provide a complete analysis of National Socialist society, and we must specifically omit culture and education. The third part of this book will deal with three outstanding problems: (1) The new economy—we shall attempt to lay bare the operation of the material forces that maintain National Socialist society. (2) The new society—an analysis of the social forces determining the structure of society; above all, class stratification and the formation of an élite. (3) Propaganda and terror as two aspects of a single development: the transformation of man into the passive victim of an all-inclusive force which flatters and terrorizes him, which elevates him and sends him into concentration camps. In the concluding chapter of this book, we shall try to depict the complete pattern of National Socialist society—the intertwining of state, law, economics, politics, and culture.

The achievements of the German economy are astounding. The abolition of unemployment, the increase in production, the development of synthetic industries, the complete subordination of economic activities to the needs of war, the rationing system before and during this war, the success of price control—these are achievements difficult to surpass. In that judgment all observers agree, but here the agreement ends. There is no agreement about how this miracle has been achieved, because there is no agreement about the nature of the economic system.

There is an increasing tendency to deny the capitalistic character of National Socialism.¹ It is called a system of brown bolshevism, of state capitalism, of bureaucratic collectivism, of the rule of a managerial bureaucracy. This school of thought believes that there are no longer entrepreneurs in Germany, but only managers; that there is no freedom of trade and contract; no freedom of investment; that the market has been abolished, and with it, the laws of the market. Prices are therefore administrative prices, wages only administrative wages. Consequently, the law of value is no longer operative. Values are use values throughout and no longer exchange values. Classes, if their existence is admitted, are no longer the outcome of production. The power to which the worker is subjected is not an economic power. His exploitation is political and is no longer a result of his position within the productive process. The appropriation of his labor is a political act, not economic. The new economy is, therefore, one without economics. Economics has become an administrative technique. The economic man is dead. The profit motive is supplanted by the power motive. Force, not economic law, is the prime mover of this society, ruled by an élite composed of industrial managers, party bureaucrats, high-ranking civil servants, and army officers.

Nearly all these theories are based on the view that the age of industrial revolution is over. That technological changes occur, is, of course, admitted. But it is denied that they result in fundamental changes in the structure of society. This view was first propounded before Hitler came to power, by the so-called *Tatkreis*, a group of romantic reactionaries who later turned into the most vicious National Socialists, connected with the monthly magazine, *Die Tat* (Action).² Their leader, Ferdinand Fried,² announced the end of the era of inventions, and thereby the end of capitalism. Lawrence

Dennis believes that 'as a capitalist dynamism, the industrial revolution is over' and that further technological changes are 'neither dynamic nor constructive.'³ For Dennis, therefore, a totalitarian political revolution has to take the place of the industrial revolution.

The best formulation of this type of theory was given by the German theorist of the Social Democratic party, Rudolf Hilferding,⁴ not with regard to Germany, but with regard to Russia.

What a government economy does is precisely to abolish the autonomy of economic laws; it is not a market economy, but an economy for use. What is produced, and how it is produced, is no longer determined by the price but by the state planning commission, which fixes the character and extent of production. To outward appearances, prices and wages still exist, but their function has completely changed. They no longer determine the course of production. That is directed by the central government . . . Prices and wages are now only instruments of distribution determining the share that each individual shall receive out of the sum total which the central government allots to the whole population. Prices have now become the technical means of distribution, a means simpler than would be a direct order stipulating the amount of the various products (which have ceased to be 'commodities') to be received by each individual. Prices have become symbols of distribution, but they are no longer the regulators of the nation's economy. While the form has been maintained, the function has been completely changed.

Those who believe that this theory holds good for Germany also accept the fascist interpretation of liberalism and democracy. They maintain that capitalism was characterized by private enterprise, by the capitalist-worker relation, by numerous politically sovereign states, parliamentary institutions, a ruling class composed of capitalists, and civil or natural rights for the individual. None of this exists any longer.

There are, of course, differences in the approach to the German situation. The German state does not own all the capital in the country. But that does not make any difference to the school of thought we have just discussed. In any case, so the school argues, the German state at least controls all the capital. For other writers, however, the Hilferding formulation presents an ideal type or model, and they believe that it is rapidly being realized.

This, then, is in brief outline the view held by many commentators on Germany. It is an enticing view, for it makes the differences between National Socialism and democracy appear not only political and ideological, but also economic: that is, it sees them as two economic systems, private capitalism and state capitalism, or capitalism and managerial dictatorship.

There are two different ways of refuting such a theory. The first would be theoretically to deduce the impossibility of such a structure. The second would be to show in detail the structure and operation of the German economy. It is the second course which we primarily propose to follow. A few preliminary remarks must be made.

The very term 'state capitalism' is a *contradictio in adiecto*. 'The concept of "state capitalism" cannot bear analysis from the economic point of view. Once the state has become the sole owner of the means of production, it makes it impossible for a capitalist economy to function, it destroys that mechanism which keeps the very processes of economic circulation in active existence.'⁵ Such a state is therefore no longer capitalistic. It may be called a slave state or a managerial dictatorship or a system of bureaucratic collectivism—that is, it must be described in political and not in economic categories.

Theorists often speak of an ideal type or model, not yet fully realized, but in the process of becoming so. Germany admittedly has remnants of markets and therefore of prices. But the state-capitalist school maintains that these remnants have no basic importance, and that reality is rapidly approaching the model. Such a procedure is hardly legitimate and cannot be justified by reference to similar models, such as those constructed by Adam Smith and Karl Marx. Smith and Marx confined their analyses to prevailing trends within a given system and did not go beyond them. Marx even deliberately refused to depict the system of a classless society and kept strictly within the boundaries of one order: capitalism. The new theory violates the principle that the model or the ideal type must be derived from reality and must not transcend it. For its proponents describe a system that is utterly alien to capitalism, that is, in fact, its direct opposite, that necessitates a jump from one reality to another. This methodological objection does not, of course, make their theory untrue, but it compels them to show in detail that

German capitalism has ceased to exist. They cannot merely point to trends within capitalism in order to show that these trends must necessarily beget a system of power politics without economics, they have to prove their case for each of the systems concerned. Such proof has not yet been furnished. And in the present study we shall prove the contrary view.

One last question. What would this 'bureaucratic collectivism' mean for humanity? Would it bring peace and happiness or war and oppression?

In our view, these theorists must admit that their system may very well be the millennium. The maintenance of society is now based solely on politics. The obstacles that such a society meets are exclusively natural, no longer economic. Man-power and natural resources are the only factors that could possibly hinder the expansion of such a society. There is no longer any antagonism between the productive forces and the social conditions of production. The profit motive no longer fetters the productivity of labor. No plant can possibly refuse to expand, since there is no profit motive to keep it back. Technological progress, which in the capitalistic system springs from the profit incentive, now springs from the decision of a central governmental organ. Whether such a decision is made, whether production or consumption goods are produced, is no longer determined by the law of accumulation but by political expediency. Such a system may very well give everybody a house, an automobile, six suits and ten pairs of shoes a year. It could continuously raise the standard of living. It could shorten the hours of labor by installing labor-saving devices. It could, therefore, realize the dream of humanity. That would hold true even if National Socialism could not conquer the whole world. For, in the view of this school, every country is going the way of Germany. The New Deal is regarded as the forerunner of bureaucratic collectivism and of a managerial bureaucracy. The world will soon be divided into state-capitalistic empires, all of which are emancipated from economic necessities. But if that is true, then there is not even a world market, and if the world market is abolished, there may not even be a fight among the contending empires for a greater share in that market. What we have is the sole and exclusive rule of politics; and political expediency may very well exclude war for decades to come. Consequently, the state capitalistic view does not agree with

the bolshevist view that Bukharin propounded in 1917,⁶ that the capitalistic states would transform themselves into gigantic state trusts, and would compete in the world market so that the internal antagonisms would be reproduced at a higher level in the international sphere. That is not the view of the state capitalists, for if the whole world moves toward state capitalism or bureaucratic collectivism, the world market will be abolished and the relations between the states will become exclusively political, to be handled by exclusively political means.

If we share this view, we must also conclude that nothing but a series of accidents can destroy such systems. If the systems are held together only by political ties and not by any inescapable economic necessity, only political mistakes can destroy them. But why should political errors occur? Politics divorced from economics is a mere technique, an art. In the era of state capitalism it is a technique of mass domination, a technique that has indeed been highly developed. If the requirements of mass domination make it necessary, the standard of living can be raised. Consumption goods could be produced in abundance. If opposition arises within lower groups against that system, the lower groups may be taken into the élite. So skilful a system of mass domination may secure the stability of the system for a thousand years. That is, indeed, the promise that Hitler holds out to his people. Skilful political operations could exclude even war, since there are no economic necessities driving toward it.

But the state capitalists are not National Socialists. On the contrary, however much they may be fascinated by the efficiency of the German system and believe it to be the necessary outcome of the tendencies inherent in monopoly capitalism, they dislike it intensely, and are therefore prone to discover reasons for its decay. But are they able to detect such reasons? They say that the system cannot afford permanently to raise the standard of living, since, so they believe, this would inevitably produce dissatisfaction among the masses. The masses, they argue, would then begin to think and to question the compatibility of the high technical efficiency with the terroristic and repressive machinery. Whether it is true that fat bellies make for freedom of thought I do not know. The opposite thesis might just as well be true, that material satiety makes for political laxness and dullness. But even if the first hypothesis were

true, nothing could prevent the system from silencing this sort of opposition by incorporating the opponents into the ruling élite. And if the masses themselves revolt, why should a classless society not be established, why should not the terrorists of today become the leaders of the classless society of tomorrow? No economic necessities make this transition impossible.

The state capitalists may argue that there are biological, morphological, or sociological laws that make for the disintegration of any social system after it has run its course. Many such laws have been 'discovered.' Cyclical theories of history are abundant, but their validity has never been proved; they are metaphysical categories.

Such then, might be the fate of mankind under a rule of bureaucratic collectivism. The world might not be exactly a pleasant place to live in for an intellectual, but for the large masses of society, it might turn out to be heaven.

But it might just as easily be hell. Mass domination might require oppression, the expansion of terroristic machinery, the lowering of the standard of living, and war against the other state capitalistic powers, in order to keep the masses in check. Both possibilities exist. We repeat that, if we accept the assumptions of the state capitalistic theory, the choice is determined solely by political expediency. The rulers are completely free to determine the character of their rule: their system of mass domination is so flexible that it seems potentially invulnerable from within.

The present writer does not accept this profoundly pessimistic view. He believes that the antagonisms of capitalism are operating in Germany on a higher and, therefore, a more dangerous level, even if these antagonisms are covered up by a bureaucratic apparatus and by the ideology of the people's community.

In analyzing the structure and operation of National Socialist economy, we must never rest content with the legal and administrative forms. They tell us very little. 'Anyone who wants to know the organization [of the economic system] cannot do so by merely studying the statutes, decrees, and rulings . . . Some provisions are practically obsolete, others have never become a reality.'⁷ That is the judgment of the official commentator on the statutes on business organization. We go even beyond this statement. A careful study of the German newspapers and periodicals is far more im-

portant than that of the legal and administrative pronouncements. Our analysis is based entirely on German sources. Foreign studies are used only for occasional reference.

2. A NATIONAL SOCIALIST ECONOMIC THEORY: * THE MYTH OF THE CORPORATE STATE

Does the economic theory of National Socialism coincide with the foregoing 'state-capitalistic' doctrines? The answer is no. There is no National Socialist economic theory except the slogan that general welfare is more important than self-interest, a slogan repeated on almost every possible occasion and used to cloak almost every economic decision. Aside from such meaningless phrases, we can find as many economic theories as there are groups within the National Socialist society. We must recognize once and for all that the structure of the National Socialist economic system does not follow any blueprint, is not based on any consistent doctrine, be it neo-mercantilism, any guild or 'Estate' theory, or liberal or socialist dogma. The organization of the economic system is pragmatic. It is directed entirely by the need of the highest possible efficiency and productivity required for the conducting of war. Of course, a definite pattern can be seen. But that pattern is not designed by a doctrine, but rather by the material structure of the economy.

The party program of 25 February 1920 contained a number of programmatic declarations concerning the economic reorganization of Germany. Points 11, 19, and 25 contain demands such as the breaking of the fetters of interest; the abolition of income without work and endeavor; the complete confiscation of war profits; 'the nationalization of [already] socialized [trusts] plants'; profit sharing in large enterprises; generous extension of old-age security; creation of a sound middle class, by communalization of department stores and by leasing them at cheap rents to small businessmen; more consideration for small businessmen in public contracts; agrarian reform; 'enactment of a statute for expropriation without indemnification for purposes of common welfare'; abolition of land rent; and a ruthless war on usurers. The program also contained one specific proposal for the organization of the economic system: it demanded

* See also pp. 320-27.

the creation of estate and occupational chambers for the execution of statutes enacted by the legislative authorities in order to implement the principle that public welfare comes before self-interest.

On 22 May 1926, the program was declared unalterable, and Gottfried Feder, the author of the economic theories during that stage of National Socialism, adds that Hitler demanded that the two major postulates of the program be printed in spaced type: the precedence of general welfare and the breaking of the fetters of interest.⁸ These theories are elaborated in Feder's book,⁹ which Adolf Hitler called 'the catechism of our movement.' Finally, in 1926 Hitler appointed Feder supreme arbiter of all disputes arising out of the interpretation of the party program. For a short time after Hitler's advent to power, Feder still had a role of some importance. He was appointed secretary of state in the federal ministry of economics. But his influence has long since waned and the once supreme ideological arbiter is now a nonentity.*

Feder's decline in importance indicates the complete abandonment of the economic sections of the party program, for there is not a single point in that unalterable program that has been carried out and every phenomenon denounced by the program has grown by leaps and bounds under the National Socialist regime. The unalterability of the program was suspended as early as 13 April 1928, when Hitler, anxious to win the support of the landed aristocracy, abandoned by way of 'an authentic interpretation' point 17 of the party program, which demanded the expropriation of land without indemnification. Instead, expropriation was restricted to 'Jewish real estate speculating corporations.'¹⁰

The economic theories developed during that stage of National Socialism were primarily directed against the supremacy of money capital, for the protection of the middle classes, and against Jewish enterprises. The entrepreneur was never attacked. On the contrary, men like 'Alfred Krupp, Mannesmann, Werner Siemens, Thyssen [father], Borsig, Krauss, Maffei,' received laudatory comments.¹¹

Inspired by point 25 of the party program, some National Socialists elaborated comprehensive programs for a reorganization of the German economic system on a corporative basis.¹² Even after Hitler's accession to power,¹³ a National Socialist institute for corpora-

* Feder died recently.