

# THE DUAL STATE

*A CONTRIBUTION TO THE THEORY  
OF DICTATORSHIP*

ERNST FRAENKEL

TRANSLATED FROM THE GERMAN BY E. A. SHILS,  
IN COLLABORATION WITH EDITH LOWENSTEIN  
AND KLAUS KNORR

With an Introduction by  
JENS MEIERHENRICH

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## II

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### THE ECONOMIC BACKGROUND OF THE DUAL STATE

THOUGH the author is not an economist it is essential to discuss certain economic aspects of the present German system in order to understand some fundamental problems. Only against an economic background can we understand why it is that the state in Germany is neither completely 'prerogative' nor completely 'normative' but rather 'dual.' We must know the kind and the degree of historical 'necessity' involved in the emergence of the Dual State in Germany. For it is in the Dual State that we shall find the starting point towards a solution of the much-debated problem: Is the German economic system capitalistic or non-capitalistic?

Although the German economic system has undergone many modifications it remains predominantly capitalistic. Until now at least the modifications which have been mainly towards *étatisme* and bureaucracy have been of less significance than the persistent capitalistic traits; but they have been sufficiently numerous to justify our considering the present German system as a new type or phase of capitalism. And this new type is so closely interwoven with the Dual State that neither would be possible in its present form without the other.

When the National-Socialists came into power the German economy, as far as its institutional structure was concerned, could be characterized as organized private capitalism with many monopolistic features and much state intervention. Liberal, competitive capitalism was no longer the order of the day; what pre-

vailed was rather 'organized' quasi-monopolistic capitalism with huge concerns and many cartels which were, on the whole, subject to only slight governmental supervision. This system was supported by protective tariffs and government subsidies. Public ownership and partial control was of some significance in certain branches of industry but, in general, this control was restricted to 'overhead industries' (such as transportation and power) and to industries where state participation in ownership or control supported rather than modified the capitalistic system. During the great depression, the power of the government in the economic sphere sharply increased. In the field of banking and in the steel industry, bankruptcies were avoided by governmental intervention. The Reich extended its regulatory power to almost all aspects of economic activity, including wage-levels. As a leading trade-unionist put it, the democratic state and the groups which supported it intended to act as 'doctors at the sick-bed of capitalism.'<sup>473</sup>

In many aspects, the economic policy of the Dual State seems a mere continuation, a somewhat more developed phase, of the 'organized capitalism' of the Weimar period. This similarity becomes particularly clear if both phases are contrasted with 'liberal' capitalism on the one side and any consistent type of socialism on the other. However, the maintenance of these particular institutional features was accompanied by a modification of others. These modifications usually occurred along lines which had been visible for a long time. But they were sufficiently sharp to justify the characterization of National-Socialist economy as a distinct phase. The following pages will attempt to apply this twofold perspective to the institutional aspects of property control and the organization of group interests.

As far as the institution of private property in general and of private ownership in the means of production is concerned, we should note first that it was upheld by National-Socialists both in principle and in fact. Only Jewish property was attacked. One may note that the German Reich increased the sphere of private ownership as compared with 1932 by returning its controlling shares in the steel industry and in some of the biggest banks to

private corporations and owners. The principle of private ownership was upheld even for businesses towards which the National-Socialist program had shown some degree of antipathy, e.g., department stores and banks. This preservation of the traditional realm of private property is, however, accompanied by important changes in specific property rights. The right to dispose of private property and the income derived from private property is being modified in many directions, e.g., by investment control, by control of foreign trade and especially capital export, by stock exchange control, by limitations on the distribution of dividends, by decemmercialization of a considerable area of landed property, by control of prices and consumption, and last but not least, by taxation. As far as the private property in the means of production is concerned, there is general agreement that the small- and middle-capitalist entrepreneurs have suffered more than the bigger ones. With the intensification of the re-armament campaign even the larger entrepreneurs and capitalists increased their complaints concerning the restrictions imposed upon private property. All known facts indicate, however, that even now they enjoy at least a comparative advantage.

Even though private property rights have been somewhat qualified, they still exist and, with them, the differentiation of German society into propertied and propertyless groups. It is also a significant fact that income from private property is now, on the whole, much safer than it was before. These individual risks are, so to speak, pooled into the general political risk necessarily involved in re-armament and war.

As to the importance of public control, it is obvious from the foregoing summary of rather well-known facts that government control, already considerable in the Weimar period, has been increased and is still increasing. However, the intensity and thoroughness of the present system of control suggest the presence of additional causes, such as the requirements of a deliberate control of business cycles. The present regime is determined to use all its power to prevent the recurrence of a new depression. For this determination, it has many reasons, partly economic and partly political and military. Successful control or, rather, prevention of

depressions requires an especially high degree of government intervention. The justification of an increase in political control is also interwoven with military preparedness. In addition to these factors, we may mention another: in any developed bureaucracy, an inherent tendency exists to widen the sphere of governmental control. Historically this propensity has been checked by the constitution, legislation, parliamentary control and social and political influence of the objects of bureaucratic control. Of course, some specific controls will be required only for a temporary reason and will later be abolished. Furthermore, any intelligent bureaucracy will try to decrease possible resistance by emphasizing the merely temporary character of any imposed hardship even though it has no idea when the emergency will end and even if it knows that the new control, by its very existence and through the vested interests it creates, will tend to become permanent. There are also certain sectors in the bureaucracy which work in closer co-operation with important private interests. These will attempt to encourage and console private interests by pointing to future opportunities for private initiative. But, very probably, all this does not affect the general trend which, throughout the fluctuations in the degree of government control, points toward a permanent increase in the importance of public control in economic matters as well as in others.

As to the methods of central control, only some general remarks are necessary. They vary from direct command to more indirect forms of control. It is important to consider these variations in the degree of control because every step away from direct command implies the preservation of some sphere of private initiative. The most typical case seems to be a combination of a general regulation by means of law and more concrete decisions by an authority endowed with discretionary, but not arbitrary, power. Where necessary, state subsidies are given.

The general rule that the individual enterprises (if not all the individual investors) should earn a fair profit, suggests that some sphere of bargaining power and corresponding initiative has been left to the entrepreneur. There are two major developments in the sphere of private initiative and control. The first is the further

growth of monopolistic associations under National-Socialism. Many cartels have been created which strengthen the bigger and more influential members of the cartel. The second development is the further growth of individual 'concerns and trusts' despite the ideological hostility of National-Socialism towards trusts. This development is partly the effect of anti-Semitism, partly the consequence of the increase in profits which were often used to buy up shares of other corporations, and partly due to the fact that the growth of the concern became imperative because of the difficulties of obtaining raw materials.

Finally one should inquire into the role of interest groups. The fundamental fact is, of course, that all labor organizations have been destroyed. Unlike Italy, Germany does not have even state syndicates for workers' organizations, towards which the introduction of compulsory arbitration and the corresponding tendency of the trade unions to become state organs during the Weimar period seemed to form a preliminary step. On the other hand, the interest organizations of other groups have not been destroyed. In industry and commerce not only the various 'estates' but also the many advisory committees and cartel organizations are used to promote the interests of particular groups.

After this description of the 'structural' aspects of the National-Socialist economic system, let us turn to a brief summary of the economic policies which the National-Socialist state pursues.

The chief objectives of National-Socialist economic policy may be summarized under three headings:

1. The establishing of the politico-economic *power* of the National-Socialist state.
2. The extension of employment and production.
3. The salvation and promotion of two main sectors of German economy: the 'heavy' industries and the grain-growers of the large East-German agricultural estates. Both of those were threatened with ruin by the great depression and – in spite of all their political influence – they were thought to be in political danger during the last phase of the Weimar Republic.

For an understanding of National-Socialist economic policy, it seems indispensable first to deal with each problem separately,

although it will be found later that all three converge on and support each other.

1. Power as the aim of economic policy means the subjugation of all 'economic' policies to considerations of political necessity or expediency. In the present world situation, striving for an increase in power is identical with striving for economic nationalism and imperialism. This force always works both externally and internally. Characteristically, force applied internally was considered and justified as a means of increasing the strength of the group in its external relations. The main task became that of organizing the economic system as an instrument for the increase and preservation of the power of the state and of the groups which aspired to greater power in which this power has been invested and centralized. Correspondingly the direction of economic affairs had to aim chiefly at increasing the power of the state for protective and expansionist purposes even when such a policy involved considerable hardship for many producers and consumer groups.

The pursuit of the second and third policies listed above, also served the first and most important objective. The solution of the problem of unemployment and of the special slump in the heavy industry and in eastern agriculture helped greatly to strengthen the power of the regime in Germany. The expansion of production — particularly of foodstuffs and steel — strengthened the power of the regime externally. This aspect of the German economic system appeared increasingly in the foreground and, in its later phases, overshadowed all other considerations. Even in periods of 'peace,' the German economy was a war economy.

This supreme aim of making the German state as powerful as possible in a short time imposed several conditions upon the concrete policies to be pursued and upon the methods to be applied. In the light of the guiding objective, every waste of possibly employable resources is a failure from the point of view of providing the necessary war equipment. Resources must be exploited to an abnormally high degree — even if political pressure is necessary.

For an effective re-armament program not only a rapid increase in production, but also a permanently high level of production, was necessary. If for no other reasons than simply for military 'preparedness' any cyclical reaction or depression had to be prevented. The danger of a reaction is increased, however, by the very intensity of the 'recovery' brought about by public spending. Therefore a high degree of direct and indirect control is required. Such a degree of control has been more easily accepted in the German economic system than in most other countries since German capitalism was, from its inception, more closely connected with the state than most other capitalisms.

In addition to the two points discussed thus far — i.e., full and stable use of all resources — there is a third implication of extreme importance: economic preparation for expansionist power politics requires a definite direction of the economic process in reference to what should be produced and consumed. Two consequences may be distinguished, namely: (a) foreign trade, and (b) internal aspects.

a. Since Bismarck's famous change of policy in 1878, German capitalism has been more tied up with protectionism than the capitalism of any other country. Even in the Weimar period (since 1925) protectionist interests were supreme. Even in the time of Locarno and Geneva the most important argument behind the revival of German economic nationalism was the 'war' argument coupled with the fear that any serious attack upon the national branches of German economy (western heavy industries and eastern big estates) would completely disturb the social, political and economic structure of Germany. In the great depression, increased protectionism and other methods of strangling world trade were practiced in Germany in the same fashion as in every other country. With the arrival of Hitler, nationalistic protectionism or 'autarchy' was bound to increase sharply. The new regime favored those economic groups which were most important from a 'national' point of view: the steel and iron industry and the grain producing sector of German agriculture.

In the field of foreign economic policy the re-armament program demanded a sharp increase in the traditional protectionist

policies and a combination of two somewhat antagonistic tendencies: as much autarchy as possible and, at the same time, the importation of raw materials vital for re-armament. This situation (rendered even more difficult by the lack of gold and foreign exchange) compelled the National-Socialist government to use and expand to an unheard degree all means of controlling imports which had been introduced by the Brüning government in 1931. This type of control proved to be perhaps the most outstanding encroachment upon the freedom of the enterprises. This control of imports was accompanied by many economic and political attempts to expand and redirect exports in order that new markets might be opened in countries which were considered especially important from the point of view of military and economic expansion.

b. In the field of internal economic policy, two main facts stand out:

1. The increase of investment was much greater than the total increase in production of consumers' goods.
2. In the sphere of consumption, the share of the state rose strongly as compared with the share allotted to private consumers for private purposes.

Taking 1928 = 100, the index of total industrial production rose from 54 in 1932 to 132,7 in the first quarter of 1939. The index for the production of all consumers' goods rose from 74 in 1932 to 118,1 in 1938; the index for the production of investment goods from 35,4 in 1932 to 140,5 in the first quarter of 1939. The production of consumers' goods rose by about 60 per cent, the production of investment goods by about 260 per cent.<sup>474</sup> The fact that in a recovery period investments should expand at a higher rate than consumption is in itself nothing unusual. However, there are four closely interrelated features of the German expansion which distinguish it from other expansions.

First, total production expanded more than one could have expected under normal conditions. This high degree of total expansion is all the more remarkable in view of the overcapacities in many industries which had developed during the rationalization period before 1929. The cause of this high degree of expansion

after 1932 lies, of course, in the high rate of public investment financed by credit expansion.

A second particular feature of the Hitler prosperity was the degree to which investment, as compared with consumption, was expanded. This was certainly made possible by the fact that at the beginning of the process there existed huge unused productive capacities in these investment industries. But those capacities could be used only if some *new* fields of investment were opened up or created. This was done precisely by the re-armament program with its cumulatively increasing pace. However, ordinarily the expansion of the investment good's industries is checked by the expansion of the wage-earning with its consequent expenditure on consumers' goods and increase in interest rates. This reaction is highly undesirable from the point of view of any policy which is interested in the prevention of slump or even of a slowing down in the rate of expansion. The Hitler regime had to expect the emergence of such a situation when it embarked upon a policy of rapid expansion for the purpose of re-armament. Therefore especially strong checks upon the expansion of consumption had to be introduced. This became the major problem of German economic policy and almost all repressive and directive control measures in Germany served primarily this one purpose: to restrict consumption as far as possible and to put as many productive resources as possible in the service of war preparations. This was one of the major functions of the control of imports, of investments, of prices, of capital markets and interest rates, and finally of the most important means of all: the keeping down of the wage rates. On the whole, the policy of keeping down consumption was highly successful, although the intentions of the government could not be realized completely. There were important increases in prices, if only because of deteriorations in quality. It was imperative for the whole policy of investment expansion to prevent any considerable increase of nominal wage rates beyond their depression level. This wage policy implied a tremendous pressure upon the working class. Hitler would not have been able to carry through his policy with a working class whose economic organizations were still functioning. The fact that Hitler did not

copy Mussolini at this particular point cannot be explained by the higher stage of development of the German labor organization in general; it must be explained by an examination of the implications of the whole re-armament and investment policy with respect to wage conditions.

A third special feature of the 'Hitler recovery' is the persistence of, and increase in, the proportion of public investment to total investment. In early Hitler Germany, the main function of public investment was thought to consist in 'pump-priming,' that is: in the stimulation of private investment (through an increase in total national income) until private investment could once more stand on its own feet. In present-day Germany, however, the role of public investment has proved to be quite different. When German economy approached the point of full employment, public and private investment clearly became rivals. But the Hitler government has maintained public investment at its very high level through its re-armament policy. As a consequence, restriction of private investment was added to the restriction of private consumption. Practically, only such private investments were permitted which directly or indirectly served the re-armament program.

There is one further feature of the German rearmament 'boom' closely related to the price and wage policies discussed above: though a large part of the public investments were financed out of additional credit there have been no significant indications of real inflation in Germany even during the stage of full employment. This can be explained chiefly by the deliberate policy of keeping prices down and the policy of maintaining nominal wage rates. In addition, the taxing of a part of the profits has time and again prevented the appearance of additional purchasing power on less controlled markets which would normally tend to push prices upward. The short time in which the Hitler regime has attempted to fulfil the tasks of re-armament was obviously qualified by one important limitation: it had to be performed without inflation. The German people, however, were forced to pay rather heavily for this protection against inflation: they had to submit to a whole set of controls which advanced far into the

realm of production, consumption and other traditional forms of freedom like the freedom of movement and the freedom of occupational choice.

As compared to the situation at the beginning of the Hitler regime, most of those who had been employed at that time were faced with complete economic loss. Those who had been out of work gained in the absolute sense, but lost relatively in comparison with what would have been their lot under other regimes. This relative loss was subjectively balanced or overcompensated by the feeling of greater 'security.' Objectively speaking, the relative loss was aggravated by the increasing probability that this kind of re-armament policy would lead to war.

Most of these considerations hold true also for the propertied classes. The qualifications on property rights and on the freedom of enterprise were matched by a considerable increase in property incomes and in profits. The simple fact that their property rights and their social position had been saved at all was regarded as a positive value which was not to be outweighed by the sacrifices which they had to make, particularly in the field of politics.

This consideration leads to a last implication of the Hitler policy of rearmament. If the supreme task consists in using all available resources for the sake of war preparation in a minimum time, then major experiments in social reforms are out of the question. Such reforms, in the direction of socialism for example, require time and energy and would, for a rather long period, slow down total output. The decision to protect the institution of private property as the basis of the existing social order was not only politically necessary in view of the preferences of the supporters of the party, but was also an unavoidable consequence of the rearmament policy.

2. We must now consider the other possible major objective of National-Socialist economic policy: re-employment of the unemployed at all costs and the salvation of those politically and economically powerful but (before 1932) seriously threatened sectors of the German economy mentioned above, i.e. western heavy industry and eastern grain-producing estates.

First, to take the objective of re-employment, one may argue



that in 1933 at least this was the most important, the almost only visible and the only professed aim of National-Socialist policy. This objective was emphasized in the beginning, because the other two objectives were either not useful for propaganda or not as yet ripe for realization. In order to stimulate re-employment, the Hitler government used many devices already utilized by former governments and put the pressure of the party machine behind this campaign. The first period was one of mere makeshift. For a time this system was reasonably successful, but when it reached its limit, the Hitler regime was ready to give the general program of re-employment a specific object: re-armament. From that time on, the aim of re-employment becomes practically identical with the objective of war preparation. Under the conditions prevailing in Germany, the great difficulties of the program of re-employment pure and simple would have led the existing system in the direction of economic and political nationalism. After a period of makeshifts it would have become imperative either to wait until world economy recovered — a solution which from a political and psychological viewpoint was unbearable — or to organize all efforts of re-employment in some 'plan.' As soon as the regime decided to make a more systematic and co-ordinated attack upon the problem of unemployment, it became indispensable to give a clear direction to the 'plan': re-employment for what? Because of the hardship implicit in such a policy, the main objective had to be popular. The easiest way out was a nationalist policy. This choice was supported by the very implications of an independent policy of recovery itself.

In order to make the program for re-employment popular it was necessary only to point to the unused material resources which had to be re-employed as well as the unemployed workers. Unemployment of both men and equipment was especially serious in the heavy industries. Did not these industries and their allies, the large scale farms, utilize the resources of the 'national soil'? Thus the program of re-employment became dovetailed not only with re-armament but also with the salvation of those sectors of German economy which had been dominant for so many decades.

3. Within the scope of this chapter it is neither possible nor necessary to inquire whether the National-Socialist leaders deliberately shaped their economic policies to save eastern grain-producing agriculture and the coal, iron and steel industries in the west. There are many people who believe that National-Socialism is, so to speak, nothing but the house-servant of German monopoly capitalism. They point to the important role which representatives of both groups played in the decisive days which brought Hitler to power and to the benefits which these sectors of the nation received from the National-Socialist government. These oversimplified theories tend quite unnecessarily to discredit the economic interpretation of fascism. Such an interpretation should be formulated in terms of far more minute and deeper reaching categories.

A quotation from Schumpeter's paper '*Zur Soziologie der Imperialismen*,' seems especially pertinent to a description of the relationship between National-Socialism and private capitalism or between the politics and economics of the present German order.

Nationalism and militarism are not created by capitalism. They become, however, capitalized and, finally they take their best strength out of capitalism. Capitalism is gradually drawing nationalism and militarism into its own circles, thereby maintaining and nourishing them. They again influence and modify capitalism.<sup>475</sup>

The industrialists in the west and the landlords in the east supported Hitler in the hope that they would be able to remain masters, to use Hitler for their purposes: if necessary, to get rid of him and of his movement. It is true that those same groups received certain special favors from the government, that, thanks to the policy of the government, they actually were enabled to reap considerable profits and gains in capital values and to strengthen their position in the leading concerns. People who emphasize these benefits should not entirely overlook the price which had to be paid for them. At best, the former masters must now share power with the *élite* of the party and with the bureaucracy of the state and party. Their prosperity and control rights have also been considerably qualified. Actually they are not free

to change the National-Socialist leadership and they depend mainly on the chance that this leadership will not be interested in removing them from their economic and social positions.

It has been shown by many theoretical and empirical investigations that 'monopoly capitalism' on the one side and the growth of economic nationalism and imperialism on the other are closely interrelated. Each of these phenomena reinforces the other.

The present National-Socialist government added many monopolistic organizations to those which had previously been created and, so to speak, inherited from them the same type of foreign policy they had always promoted, sharp nationalism and imperialism. With all this, however, the question is still open whether the National-Socialist regime pursued its policies along the patterns worked out by monopolistic interests or by continuous effects of 'monopoly situations,' i.e., whether the favors given to the more monopolistic sectors of the German economy are a by-product of National-Socialist policy more than of its deliberate main objectives. Although the present author is inclined to attach considerable importance to the salvation of the mentioned capitalistic interests in the whole complex of National-Socialist objectives, it seems best to say that the National-Socialists have consistently acted *as if* the protection of monopolistic interests and the salvation of the most endangered sectors of the German economy were the most important objectives of their economic policy. It can then be left for further investigation, to determine how much historical truth is contained in the words 'as if.'

We may now sum up the result of our analysis of the present German economic order:

1. Although the rights of the owners of private property have been limited, the kinds and the extent of private property modified, and state control increased, the fundamental institutions of capitalism have not been abolished.
2. All private activities, through the medium of state controls, have been put to the service of political, chiefly military, expansion.
3. The total public investment is closely correlated with the wage policy of the regime, which is based on the destruction of all labor organizations.

4. There still exist: capitalistic enterprises, markets in which these enterprises sell and buy, markets for property titles, private credit transactions and all kinds of accompanying disputes over claims and obligations.
5. The system of private economic activities is surrounded, supported and limited by a vastly increased public bureaucracy which acts partly on the basis of generally clear, circumscribed laws and partly on the basis of more or less wide discretionary powers with the reservation that each matter may be regulated arbitrarily.

We must prove not only that a close relationship exists between political and economic events, but also that it exists between the economic and political structure. The problem to be dealt with is this: what is the precise function of the Normative State and what are the functions of the Prerogative State in the economic sphere? Which aspects of the political and economic order correspond with each other?

The Normative State functions clearly as the legal frame-work for private property, market activities of the individual business units, all other kinds of contractual relations, and for the regulations of the control relations between government and business. Even if the rules of the game are changed by the lawmaker, some are indispensable in order to secure a minimum of predictability of the probable consequences of given economic decisions. In order to avoid misunderstandings, it is important to note that the activities of the bureaucracy which interfere with the 'free enterprise system' are also regulated by the Normative State, even though its interference greatly reduces former spheres of freedom. To that extent, legal ways of defining and protecting individual rights against other members of the economy and against the encroachment of state authorities are still open and used.

Although the Normative State retains some powers in spheres that are not strictly economic, the field of economics remains the most important domain of the qualified 'Rule of Law' in present-day Germany. Not only private business, but also public enterprises are regulated and protected by the Normative State. The underlying fact is the necessity for decentralization of certain functions in any large-scale society with advanced technology.

This decentralization requires a stable and yet flexible framework of rules. In present-day Germany, this decentralization of socially vital functions is effected through a complex of institutions called private property, contract and private enterprise. Private business is protected by the Normative State even under National-Socialism because it happens to be accepted as the main form of decentralization of social economic functions.

When we suggest that the Normative State in the Third Reich is closely related to the existing (although modified) private property and enterprise system, we do so chiefly to indicate the striking difference between the treatment of property and labor interests. It is in the field of labor that the Prerogative State has advanced into the sphere of economic affairs, through the destruction of all genuine labor organizations and through the constant persecution of all former and all potential new labor leaders as 'enemies of the state.'

If our analysis of the relations between the world of business and the Normative State is correct, then it follows, that the Prerogative State cannot be a direct and positively controlling power, but rather a limiting and indirectly supporting power.

1. After the fundamental decision in favor of radical nationalism was made in 1933, this daring program required safeguards against political disturbances and premature interruptions. Such a guarantee was indispensable in view of the many sacrifices and pressures which this policy was to impose on almost all classes and especially on the working and lower middle classes. The activities of the agencies of the Prerogative State were therefore prerequisite to the continuous execution of the economic program of the government.

2. Because of the magnitude and intensity of the effort required of German society and because open class struggles arising from the continuance of relatively free class organizations would impair the efficiency of the regime, through waste of energy and deadlocks, the National-Socialists demanded the suppression at least of open class struggles.

3. The Prerogative State is also important to the success of the economic policies of the government because it can use direct

threats to enforce the more severe regulations of the Normative State. Because these threats cannot be calculated or predicted the Prerogative State is far more powerful than the Normative State: in fact the mere potentiality of such threats is, in doubtful cases, sufficient to keep men on the safe side, even though their too frequent use may upset the whole economic process. In this way the Prerogative State is able to influence the behavior of capitalists and enterprisers although they are nominally not only controlled but also protected by the Normative State.

The best analysis of the National-Socialist revolution which could be offered on the basis of the economic interpretation of history has been made before the *Reichstag* on May 21, 1935 by Adolf Hitler himself:

In order to assure the functioning of the national economy it became necessary to arrest the movement of wages and prices. It was also necessary to stop all interferences which are not in accord with the higher interests of our national economy, i.e., it was imperative to eliminate all class organizations which pursued their own policies with regard to wages and prices. The destruction of the class-struggle organizations of employers as well as of employees required the analogous elimination of those political parties which were financed and supported by those interest groups. This process, in its turn, caused the introduction of a new constructive and effective 'living constitution' and the refoundation of Reich and State.<sup>476</sup>