

The German Tragedy

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A chapter from Mr. Strachey's second volume on twentieth century capitalism, to be published by Gollancz later in 1958.

THE history of every great nation is tragic: but the history of Germany is more tragic than any other. She developed into the last stage of capitalism ahead of any other nation: and then she gave that type of economy an almost inconceivably horrible form. In the history of Germany during the first half of the 20th Century we are confronted with what occurs if the attempt to provide a democratic environment for the last stage of capitalism fails: if the democratic forces do not set up those central controls which have become indispensable: if the levers of power are grasped by the hands of criminals, who are half

the agents, and half the masters, of the owners of capital.

The possibility of the last stage of German capitalism developing in a democratic political environment, and so taking on a relatively beneficial form, appeared for a brief period, and then was blighted. It was incarnated in the life and death of one man, Walther Rathenau. His career, his doctrines, and above all his death, acted out, as it were, the alternative social forms which the last stage can take. He was the incarnation or avatar of the better possibility: in his actions and his writings he strove for it: but his fate pointed inexorably towards the dark alternative.

I. Rathenau, Weimar and German Democracy

Walther Rathenau was born into the topmost circles of German big business. His father, Emil Rathenau, had begun life as a typical small, competitive, independent owner-manager capitalist, with his own little North Berlin iron foundry: a figure from the economic text-books of the last century. And then, in middle life, Emil Rathenau was caught up by the surge of technical development of the eighteen-seventies and eighties. At the 1881 Paris exhibition he bought the European rights for Edison's patents in the incandescent electric lamp. In a few years he became the leading figure in the German electrical industry; he founded the A.E.G.—the German General Electric Company. By the first decade of the 20th Century he had become one of the new type of capitalists. For he was both the director of the vast A.E.G., and had also interlocked that firm with a dozen others, including the leading banks of Germany. And even this was only the beginning. German industry, this late comer to the gargantuan feast of world capitalism: this industry of what had still been, in the eighteen-sixties, a half feudal country—often employing Emil Rathenau's iron foundry, for instance, on making the scenery for Meyerbeer's operas—was now rushing forward into its last stage with a velocity far greater than British industry, and at least as great as American. And Emil Rathenau had a son.

This second Rathenau, Walther, was 33 years old at the turn of the century. Though born into the industrial purple, he had been compelled, in the fierce commercial tradition of his family, to spend his early manhood in making good on his own as a business-man. And it was not until he had, after severe struggles, made a success of a small enterprise that he was, in 1899, invited to join the Board of A.E.G. The new director must have seemed an apparition indeed to his colleagues. To say that he was an intellectual is an understatement which amounts almost to misrepresentation. He was an intellectual in a sense, and to an extent which perhaps only a German, and a German Jew at that, can possibly be. Rathenau himself described his joining the Board of A.E.G. as follows: "In 1899 after I had spent seven

years in the little manufacturing town of Bitterfeld, the undertaking began to prosper. I decided to retire from industry in order to devote myself to literature." (And he already was a considerable *literateur*, a metaphysician and an author!) "But," he continues, "the A.E.G. invited me to join the Board of Directors and take over the department for constructing power stations. . . . I built a number of stations—e.g., in Manchester, Amsterdam, Buenos Aires and Baku . . . in 1902 I joined the management of one of our big Banks. . . ." By 1909, instead of having devoted himself to literature, Walther Rathenau was associated with 84 large German concerns, either as a member of the Supervisory Board or as Managing Director, and with 21 foreign enterprises.

Nevertheless, all this was only one side of his activities. He had at the same time become a considerable figure in German Court society, and to some extent in German public life, and he had begun to write books and to express views on social and economic questions. In order to try to give a contemporary British reader an idea of his position, it would be necessary to imagine that Keynes, at the height of his career, had been, in addition to the author of his books, a figure in the most influential governing circles, had been Chairman of the I.C.I., and the Midland Bank, and had been on the Board of most of the other principal British enterprises.¹

In 1909 Rathenau wrote these fateful words: "Three hundred men, all acquainted with each other, control the economic destiny of the Continent." In one sentence he outlined the profile of capitalism in its last stage. It was a sentence that was not to be forgiven him in big business and official circles. For the folk-lore of the system still required the preservation of the myth of a self-regulating, fully competitive system on the old model. And here was one of the oligarchs himself announcing that in fact the system was now centralised in, and controlled by, the hands of a knot of super-directors! But worse was to follow. Rathenau not only dared to describe the system as it was. He began to suggest what ought to be done to change it. In a series of books and papers he began to advocate a programme to which the nearest analogy would perhaps be provided by a mixture of the British Labour Party's 1945 programme and

¹ The main sources used for this article are Count Harry Kessler's biography, *Walther Rathenau* (Gerald Howe, 1929) and Rathenau's own works.

So much the greater is the irony that it was this act that led him to his death. Contact with the Bolsheviks was in fact the one possible way of asserting some German independence before the all-powerful West. But because that contact was made by Rathenau it was represented as the final proof that he was the author of a "Jewish-Bolshevik-internationalist-capitalist" plot—indeed that he was the author of that "plot" which was to haunt the imaginations of those blond Aryans whom Rathenau so admired for the next 25 years; of that "plot" obsession with which in the end drove the German people to the most awful collective dementia suffered by any nation in human history.

Rathenau had been back from the Genoa Conference only a few weeks when a young ex-naval officer named Kern shot him to death as he was driving to the Foreign Office. Kern was that very type of young German for whom this Jewish intellectual had been unable all his life to repress his infatuation. Rathenau was betrayed by what was false within. In the end it was his inability to break with the old Germany, and identify himself with the new, which was struggling unavailingly to be born, which undid him.

II Rathenau had lived

Rathenau's career was one of the great might-have-beens of history. It is not that his ideas were particularly profound—politically they were often extremely naive. But he was perhaps the first man to sense one of the possible lines of development which a society in the last stage of capitalism can take. What in fact his ideas really amounted to was the attempt to give a democratic character to the *central economic authority* which, his enormous business experience convinced him, had now become indispensable. He understood—none better—he had been an arch-builder of cartels and mergers himself—that the old automatic self-regulating mechanism of capitalism in its competitive stage was fast disappearing. He realised that *some* form of control from the centre was indispensable. The real question at issue was to be—should or should not that new central control be responsible to the people? And he sincerely wished that it should be.

Whether, if he had lived, he could have significantly contributed to guiding German development along these lines is, of course, another matter. He might well have had the opportunity to do so. In the latter part of the nineteen-twenties the Weimar Republic made a real and, at first, not unsuccessful effort to cast German last stage capitalism into a democratic mould. The period of "rationalisation" combined with Stresemann's foreign policy of "fulfilment" was one in which Rathenau would have been eminently at home. And it may be that if Rathenau had been a Minister in these periods he would have found ways of building up a less fragile and precarious economy than was in fact erected.

But for him to have done so two conditions would have had to have been fulfilled. First he would have had to find his way to collaboration with the German Labour movement. And this would not have been easy for him. In this respect Rathenau resembled Keynes. He never even attempted to cross the river which runs between the world of big business and government, and the world of Labour. Moreover that river was far wider and deeper in Germany than in Britain: although even in Britain it was (and to some extent still is) deep enough, even if it was often invisible. It proved far easier for brilliant men of the world of capital to put forward even the most daring ideas within their own world than to take one step towards the world of Labour.

And the second thing which Rathenau would have had

to do would have been to evolve a technique by means of which a last stage capitalism in a democratic political setting could have been made reasonably stable. For nothing is now more obvious than that no democratic society can long withstand economic instability of the degree which struck Germany in 1929. Whether Rathenau could have evolved such a technique of economic stability on behalf of German Democracy is a question which can never be answered. His difficulties would have been immense. Germany's economic position was very weak, even in 1929. Keynes had not discovered his new body of theory. Both of the recent democratic attempts at economic stabilisation and control, namely the American New Deal and the British post-Second World War programme, were far in the future.

It is thus impossible to believe that Rathenau, or anyone else, at the end of the nineteen-twenties, could have succeeded in fully shielding democratic Germany from the effects of the great slump. But this is not to say that his influence, if he had been near the centre of power in those years, might not have been decisive. For, as we shall see immediately, the actual leaders of German democracy pursued a policy of insane economic pedantry, a policy exactly calculated to intensify to the uttermost degree the catastrophic consequences of the world slump. And even then the Nazis only conquered by a hair's breadth! Thus there exists a possibility that a man of Rathenau's incomparable industrial experience, resourcefulness and contrivance, would have succeeded at least in mitigating the effects of the slump sufficiently to have preserved the German democratic environment. Even the fact that he seems to have known little economic theory would probably have proved an advantage. For it was the rigid, doctrinaire, fanatical adherence of Dr. Bruening and his economic advisers to pre-Keynesian theory which was, above all, their undoing.

The breakdown of Weimar

Such speculations serve only this purpose. They illustrate the suggestion that Walther Rathenau in his life and death incarnated the initial attempt to establish a democratic environment for the last stage of German capitalism. If that attempt had succeeded, the history of the world would have been different indeed. The dynamic of German industry might have been harnessed, by the action of powerful counter-capitalist forces, to raising the standard of life of the German people. And then, as the contradiction between its nature and such a purpose became too great, German capitalism might have been steadily modified (although not, of course, without profound political struggles) until it ceased to be a predominantly capitalist system at all. After all, such a development seemed at one time by no means inconceivable, even to such an observer as Frederick Engels in his last years. For the German wage earners possessed by far the most solid and effective organisations, in both the industrial and the political fields, of any of the wage earners of the major capitalisms.

The history of German capitalism has, however, known no such happy endings. In the event Rathenau was murdered and the Weimar Republic broke down; and it broke down, above all, because it never learned how to manage its economic system. Then at length, and far more terrible and disastrous even than these failures, there appeared the appalling phenomenon of success under anti-democratic auspices. The Nazi servants of Hell found a way to make an economy in the last stage

of capitalism work only too effectively. And they used the vast powers so generated to shatter themselves and the world.

For a time after Rathenau's murder it looked as if the democratic institutions which had been established by the revolution had, after all, taken root in German soil. It is true that for two more years they were subjected to frightful strains and stresses. German democracy in 1922 and 1923 went through the staggering experience of seeing a currency inflation carried to its logical conclusion: German money, that is to say, actually did become, at one moment, virtually valueless and this highly developed, complex and still rich society was left without any effective medium of exchange. The fact that anything like this was allowed to happen was a sign of the immaturity and incompetence of the democratic authority. Serious inflation was no doubt inevitable in the circumstances and with the limited degree of existing experience in the overall control of a last stage capitalism. Nevertheless any really determined Government could and should have done in 1921 or 1922 what was in fact done in late 1923 and early 1924 to stabilise the currency. For what was above all necessary was to overcome the resistance of that section of big business which was making immense profits out of the situation. It was pitiful that the German Social Democrats and Democrats who controlled the Government did not produce a man who could do the job. For at the last moment, in 1923-24, the job was done *for them* by a man who was far from being one of their number. It was done by Dr. Hjalmar Schacht, who became Reich Currency Controller in the autumn of 1923 and subsequently President of Reichbank. This was the first appearance upon the page of history of a figure who, as we shall see, was destined to play what was in some respects the most baleful role of all. Nevertheless, for the time being, in the mid-twenties, it appeared that German Democracy had, in spite of everything, won through. True it had not itself mastered the inflation, but it had in the end hired Dr. Schacht to do so for it. Moreover the other fearful strain to which it was exposed, namely the violent ill-will of the powers which had defeated Germany in the first world war, culminating in the French occupation of the Ruhr, no doubt cut both ways. They created, of course, terrible difficulties: but, on the other hand, they provided a convincing alibi for the German democratic government's own failures, both over the inflation and over much else.

Rationalisation and oligopoly

At any rate, from 1924 to 1929 a period of marked recovery and economic reconstruction set in. This was the period of "rationalisation". Rationalisation was essentially a name for the process of carrying much further than it had yet gone anywhere else, the process of increasing the size and diminishing the number of the units of economic life. Attention was often at the time focused upon the technical aspect of rationalisation; and it is true that important new capital investments greatly improved the productivity of much of German industry. But side by side with this technical process, the network of interacting trusts, associations and cartels, to which Rathenau had pointed in 1917, was carried many stages further. This was "oligopoly", as we should now call it, with a vengeance. Indeed, in many spheres of the German economy it definitely went further than the pattern of

oligopoly as we know it in America and Britain today and became outright monopoly in one form or another. The essential result, as we shall see immediately, was that prices ceased to move of themselves and came under the control of the oligarchs. And that was the end of real competition over a wide field of German industry.

When in 1929 the slump struck Germany this new feature of the economy greatly contributed, in the absence of any overall, central control, to her undoing. For, of course, the industrial oligarchs who could (partly) control *their* prices did not drop them when all the other still freely competitive prices around them began to tumble. Between December 1930 and December 1932, for example, the free prices of raw materials and semi-manufactured goods dropped (1926=100) from 68.3 to 45.7, while the "cartel prices" dropped only from 97.1 to 83.7. One can imagine the social and economic consequences which such figures reflect. They mean, of course, that, while all the remaining small businesses were being ruined, the cartels were for a time surviving pretty well. Here was lop-sidedness with a vengeance. Here is the record of the process by which the whole surplus of the community is sucked up into fewer and fewer hands. But in this case the lopsidedness went so far that in the end the cartels themselves were ruined, for they had nobody solvent left to trade with. By ruining all their competitors they had in the end ruined themselves.

"Uneven development"

This process was only one aspect of that "uneven development" which was itself the general and underlying factor producing the German, and for that matter the world wide, collapse of 1929. There were special weaknesses in German capitalism which amply account for the especially catastrophic character which the slump there assumed. How catastrophic it was, is now perhaps in danger of being forgotten. Even two or three figures can illustrate the steepness of the descent. They are taken, as were the above figures on prices, from *The Economic Recovery of Germany, 1933-1938*, by C. W. Guillebaud (Macmillan). The German national income fell from 76.0 milliard Reichmarks in 1929 to 45.2 milliard Reichmarks in 1932. The receipts of German agriculture fell from 10.0 milliard Reichmarks in 1928 to 6.5 milliard Reichmarks in 1932. Finally unemployment had risen by 1932 to some 7 millions! (Out of a labour force of wage earners of under 20 millions). All in all it is often calculated that the real standard of life of the German people was cut in half during those three years!

It is, surely, a measure of the continuing unwillingness of many observers to acknowledge the economic motivation of great events, that they look further for an explanation of the collapse of German democracy. Naturally all sorts of historical and psychological factors played a part in, and gave a particular national and local colouration to, the catastrophe. "Hitler", we used to be told, "was born at Versailles". That may be. But the fact remains that he would have remained a mere monstrous curiosity, on the lunatic fringe of German politics, if German democracy had succeeded in fulfilling the first and most elementary duty of any government, namely to feed and employ its people. All sorts of other reasons can be advanced for the fall of the Weimar Republic: they are not so much false as otiose. How

could any system survive which was unable or unwilling to prevent such miseries as are reflected in the above quoted figures from descending upon its people?

For now, in the first years of the nineteen-thirties, German democracy allowed *deflation* to run its full course to its catastrophic logical conclusion, just as nearly ten years earlier these same democrats had allowed *inflation* to run its full course! The very conception of the overall control of the economy seems to have been absent from the minds of these impotent men! Was it, however, that German democracy was *unable*, or was it that it was *unwilling*, to prevent the social catastrophe of deflation from being played right out to its logical conclusion? No doubt it was both. On the one hand, the necessity of and the technique for, the central control of a now inherently unstable last stage capitalism had not been recognised or discovered. And, on the other hand, there was, on the part of orthodox economic opinion, which had the ear of the German Government, a fanatical determination not to interfere with the, supposedly, natural and beneficial working out of the (largely non-existent) competitive process. This suicidal economic pedantry was itself, in part, the expression of the fact that "leaving things to work themselves out", although it produced ruin and agony for the German people, was calculated in the long run to bring vast *relative* benefits to the great trusts, who it was felt would alone survive the deluge.

Be that as it may, on two separate occasions the Bruening Government deliberately and drastically accelerated the process of deflation. In 1930 all official salaries were reduced by 6%: the tax on wages and salaries was increased from 1% to 5%: the sugar tax was doubled: the rate of the turnover tax increased from .75% to 2.0%: and unemployment benefits were slashed.

2. Dr. Schacht and the Nazi economic system

The tortured German people were amazingly faithful to a democracy which was refusing to allow them to gain their livelihood. Even in 1932 the central mass of the wage earners, and a part of the peasants and middle classes, were still supporting the democratic parties. It was not enough. The Communists had gained sufficient strength fatally to divide the strength of the wage earners, and the Nazis had gained almost, though not quite, half of the electorate as a whole. There is no need to retell the sordid story of the final deals between Hitler and German big business, the General Staff, and the land-owners, which brought the Nazis to power. As all the world knows, by the summer of 1933 every element of German representative democracy had been destroyed.

It is agonising, even now, to recall the illusions which every section of democratic opinion, and still more Communist and Marxist opinion, entertained as to the economic possibilities open to the new Nazi Government.⁵ It was taught as an article of faith, above all by the Communists, that it was by definition impossible for any government, such as the Nazis, which would not appropriate the capitalists, to alleviate, far less to cure, mass

But even this was only the first dose! In December, 1931, all wages subject to collective agreements were cut by 10%. Cartel prices, rents railway fares and municipal services were also cut by 10%, and official salaries were cut by another 15%! The effects of all this can be imagined. Coming on top of a heavy drop in demand for German exports, which the world slump was in any case imposing, this drastic reduction in home purchasing power went fully half-way towards bringing the economy to a total standstill. Just as the German inflation of the early nineteen-twenties is likely to remain the great inflation of all time, so the German deflation of the late nineteen-twenties will remain, with one possible exception, the great deflation of all time. The disastrous Germans do nothing by halves!

It may be said that the Bruening Government, in all the circumstances of that time and place, had no alternative but to carry the deflationary process through, cost what it might. It is not true. We now know that it is not true, for the anti-democratic governments which overthrew Bruening found that there was an alternative course, and by adopting it rapidly carried the economy back to full activity. There was an alternative. But what is true is that, in order to avoid the murder of German democracy by deflation, the Bruening Government would have had to adopt drastic and far-reaching controls over the economy—controls, above all, over the foreign transactions of its citizens. As it was, the leaders of German democracy, besotted as only Germans can besot themselves with a theory drove on to doomsday. The economic doctrines to which they madly clung had been more or less applicable to capitalism in its earlier competitive form, but had become almost meaningless when applied to a capitalism far advanced in its last stage. And so the German democrats perished miserably.

unemployment. It was this article of faith which alone explains, although it does not justify, the manifest complacency with which the Communists regarded the Nazis' accession to power. This complacency led them, it will be recalled, to proclaim almost up to the last that the democratic parties were their main antagonists, and to allow them to take part in ad hoc joint activities side by side with the Nazis, as in the Berlin transport strike. For, of course, it is a fact that, if it had proved true that the Nazis possessed no effective remedies for the paralysis of the German economy, then they would not have proved formidable. If after the Nazis had come to power mass unemployment had persisted at anything even approaching the 7 million level, the revulsion of feeling against them would no doubt have been seismic. In that case the Communist calculation that "we shall come next" might have proved correct. Thus in the case of the Communists also it was a mad adherence to dogma which was their undoing. In common with all Marxists they had seen that the developments of the last stage were making capitalism far more unstable and lop-sided, nationally and internationally, than ever before. But they utterly failed to notice that a strong central authority could, *actually without undue difficulty*, control those tendencies, harness the system, and drive it in any desired direction!

⁵Illusions fully shared by myself at that time; but illusions which I had already shed by 1939, vide my last pre-war book. "A Programme for Progress" (Gollancz, 1940).

have the chance to apply its other measures for redressing the lop-sidedness of the economy or for re-animating it. Instead it will be sucked into the maelstrom of the totally unregulated world market and lose all control. For a time, of course, if the world market happens to be in its expanding phase, all may go well. But that will simply be luck; control of its own economy means, above all, control of the relations of that economy with the outside world.

But how, the reader may well be asking, did it come about that the Nazis showed such remarkable economic skill? Hitler and his associates always prided themselves on their total ignorance of economics. How was it that where all the learned men of Weimar so egregiously failed, they succeeded?

In part, no doubt, it was just *because* of their economic illiteracy that the Nazis could do what seemed the impossible to all their predecessors. For their ignorance freed them from the body of 19th century economic theory, grown ludicrously inapplicable to last stage capitalism, which hung like a millstone round the necks of the Weimar Republicans. But sheer ignorance alone would not have been enough. Ignorance could, and did, remove their inhibitions, but it could not have given them the remarkable expertise in the control and management of a last stage capitalism which the Nazi Government exhibited in its first six years.

The explanation is provided by a man. It was Dr. Hjalmar Schacht who did the job. Schacht possessed both a complete freedom from, and contempt of, the *laissez-faire* pedantries and inhibitions of the democrats, and a high degree of expertise in the conscious management of a contemporary capitalist economy. Schacht was the quintessential "practical man": the technocrat of finance and administration: the man who makes things go—without knowing or caring whether they are going to heaven or to hell. We may accuse Keynes of failing to see his own theories and acts in the context of history. Schacht, on the hand, never even troubled to develop a body of economic theory of any kind. He just knew from experience that capitalism was no longer self-equilibrating, and he was supremely confident that he was the man to control it. Nor did he care on whose behalf he did the controlling.

Dr. Schacht the second avatar

We noted above that it was Schacht who took over the control of the currency, and later the whole financial machine, on behalf of the German democrats in 1923. And he stopped the inflation for them. By 1930, however, Schacht could see that German democracy was riding for a fall. He opposed the rake's progress by which every emergency was met by still larger borrowing from abroad, for he realised that this process could not possibly go on in face of the world slump, which had already "begun. In 1930 he resigned from the Presidency of the Reichbank. Nor, perhaps, can he be blamed for having done so; for there was little sign that German democracy was willing even to contemplate the drastic

measures of control which would have been necessary to save it.

It was not Dr. Schacht's resignation from the service of German democracy for which he is to blame. The stain which will for ever discolour his name is that he put his vast abilities at the service of the Nazis. Hitler reappointed him President of the Reichbank and later Minister for Economic Affairs. From then on till his quarrel with the Nazi Government immediately before the war, he was at the controls. It was, above all, his ability and his work which made possible the immense economic successes of the Nazis which have been described. In the 320 pages of self-justification which Schacht published in 1948 (*Account Settled*, Weidenfell and Nicolson) he cannot help emphasising the immense success of his measures. He cannot help pointing out the immense reinforcement of the Nazi regime which his conquest of unemployment and general restoration of prosperity brought about. And yet all this is incongruously interlarded in his text with denunciations of Hitler, the Nazis and all their works.

"A practical man "

And yet it would be wrong to suggest that Schacht was himself a Nazi.⁴ He was something more subtly dangerous: he was the mechanistically, practical man. His own general outlook, as it emerges from his book, is that of any ordinary German big business executive of his day: nationalist; intensely property conscious; conventional; Philistine. It was only in his quite exceptional degree of insight into the sort of things which had to be done in order to run a last stage capitalism that he differed from many another banker or business man of his circle. In the event, and again like the rest of his friends—the bankers, the Ruhr barons, the Generals—he was quite willing to put himself at the disposal of the Nazis. But it was *his* services which proved decisive. Unless he had enabled them to conquer unemployment, and to do so without sacrificing the internal or the external stability of the economy, the Nazis could not have survived. It was, above all, Schacht who saved them. All his denunciations of Hitler, all his detailed account of the part which, he tells us, he took in the plot to arrest Hitler in September 1938, and in the subsequent plots to murder Hitler during the war, cannot make us for one moment forget that it was Schacht who made possible the success of Hitler's regime. He tells us that he did it, not for the Nazis, but for the sake of the German people. But, even accepting for a moment his declarations that he all along loathed and despised the Nazis, he evidently never considered what would be the effect of restoring prosperity to Germany under *such auspices and for such purposes*. Too "practical" a man to have any interest in the final goal or purpose of policy, he ignored the fact that success on behalf of the Nazis was a ten times greater crime even than failure on behalf of the democrats. The aphorism of the 20th century French mystic Sussane Weil, "It is better to fail than to succeed in doing harm", would have meant nothing to him. And so the supreme tragedy occurred. The fabulous Rathenau, the learned Hilferding, the pious Bruening, all failed to manage things on behalf of German democracy even sufficiently well to provide a livelihood for the German people. And then Schacht, this typically unthinking figure of big business, succeeded in the same task on behalf of Hitler. His success on behalf of such a master and in such a cause has half destroyed the world.

⁴ It is immensely characteristic of Dr. Schacht that he is still alive. As these lines are being written he is still in the banking business. When almost every other major actor in the ghastly scenes of the German tragedy has been assassinated, hanged, shot, or committed suicide, or simply died, Dr. Schacht lives on.

Even now we perhaps underrate the immense power which its *economic* success conferred on the Nazi regime. It made inevitable a collaboration with the Nazi regime on the part of the mass of the German people. They collaborated because the Nazis had made it possible for them to work and live, while the German democrats had left them to starve and rot. No crimes, no horrors, no abominations could turn a people, which had experienced what the German people had experienced between 1914 and 1933, from a regime which had restored to them jobs, wages and security. Nor must we suppose that the memory of this contrast has yet disappeared. I recently asked a young German girl of the working-class, now in England, who had been an adolescent when the Nazi regime fell, what she thought of Hitler. She thought a moment and then replied with the utmost simplicity, "Oh, he was a man who looked after the people". She was not a Nazi; she had had no part or lot in the crimes of the regime. Its anti-semitism, its race-hatreds, its war-lust and all the rest of it seem to have passed her by, without either attracting or repelling her. The *one* impression which the Nazis had made upon her was that they had provided a stable and secure economy in which the German people could work and live. But that impression was indelible. Such was the work of Schacht.

Was rearmament inevitable?

It remains to examine the character of the economy which Schacht and the Nazis succeeded in constructing. A series of interrelated issues confront us. First, was rearmament, as is so often asserted, an integral and indispensable part of the Nazi conquest of unemployment? Second, was war itself in turn the inevitable consequence of such rearmament? Third, was the type of economy which the Nazis built itself a variant of last stage capitalism, or was it, as is sometimes asserted, not a capitalist society at all? Let us deal with these points in turn.

The question of whether a last stage capitalism which has fallen into slump can in practice be re-animated by a rearmament programme alone is a complex issue, part economic, part political, part psychological. Schacht, in his self-justification, naturally argues that there was no need for the object of Nazi state expenditure to be guns; they could have just as well have built more auto-bahns, more houses, more equipment for German industry, etc., etc. This, he implies, is what they did do at first and while his influence prevailed; it was only when he lost favour that all-out re-armament set in; and then, far from it proving an asset, it began disastrously to over-burden the economy.

There is truth in this argument, if the problem is looked at from a strictly and narrowly economic standpoint. Armaments are economically merely one type of public works, and a million pounds, marks or dollars spent on guns might be expected to have neither more nor less effect on the economy than a million pounds, marks or dollars spent on draining land, making roads, building houses, or what you will. Moreover, as we have seen, public works as a whole are themselves only one method, and that by no means the most important or effective, of reanimating or redressing an economy. A budgetary deficit produced simply by remitting taxation on the mass of the population, social services financed by the taxation of the rich, the reinforcement of the bargaining power of the farmers by their state-effected cartelisation, and of the

wage earners by protecting the Trade Unions, are all more important measures. All these measures *could*, in principle, have been taken in Germany in the nineteen-thirties. True, some of them, such as protecting the Trade Unions, were not politically available to the Nazis. But others, such as bolstering the bargaining power of the farmers, were actually used by them.

This takes us to the limits of a narrowly economic consideration of the matter. Clearly, however, some methods of reanimation are *politically* impossible for a democratic government, and others are *politically* impossible for a dictatorship. The Nazis could not have strengthened the Trade Unions instead of destroying them. The fact that Trade Union strength had been destroyed reconciled the German capitalists to full employment. Otherwise they would probably have felt that full employment would have too seriously strengthened the wage earners' bargaining power. But without Trade Union strength there was little prospect of the distribution of income becoming such as would allow of the consumption of the final product of the German economy producing for peaceful purposes at full blast. Therefore some destination other than useful consumption for that final product had to be found. And armaments were the obvious answer.

On balance, therefore, it is probably true to say that, while there was no logical economic *necessity* for rearmament, yet *such* a government as the Nazis would in practice almost inevitably turn to it as their main method of restoring full employment. And, in fact, they did so.

We can now ask the further question: Could the Nazis have refrained from going to war, when by the late thirties they had created a prosperous and heavily-armed Germany? The answer must be again that *economically* they could have. It would have been quite possible, economically, to carry on the Nazi system indefinitely. The 1937 or 1938 levels of armament expenditure could, for instance, have been held constant, ever new types of weapons being substituted for old, while the increase in productivity was allowed to raise the standard of life. The thing could have been done. But can we really imagine the Nazi Government doing it? The answer must surely be that we cannot. The whole ideology of Nazism was designed to make, and did make, such a stabilisation impossible. It was an ideology of conquest. Nor were economic attractions, as distinct from necessities, lacking for such conquests. While the economy *could*, no doubt, have been carried on on the 1939 basis and within the 1939 frontiers, it could, the Nazis felt, be carried on far more *profitably* by enlarging those frontiers.

Was it capitalism?

In this matter, then, we should be particularly careful to avoid talking in terms of absolutes, inevitabilities, and "laws". On the one hand, it is not true that a controlled last stage capitalism *must* embark on a policy of conquest and war. But, on the other hand, it certainly *may* do so and there may be very great conveniences and attractions for it in so doing. Indeed, its natural "set" will be in that direction, and it will take powerful non-capitalist forces to divert its development into other channels.

And this in turn brings us to the third question, namely: was the fully developed Nazi economy a version of last stage capitalism, or was it some form of non-capitalistic system? The answer cannot be in doubt. The Nazi system

was the contemporary example of last stage capitalism in its dictatorial or totalitarian form. This, or some variant of this, is what happens if the counter-pressures of democracy are finally removed from a highly developed last stage capitalism.

In the Nazi example the resolution of social forces which the regime represented drove with unexampled singleness of purpose towards conquest and war. As we have seen, the Nazis, with Schacht's help, succeeded in running the German economy at full speed again: but they did so by heading it direct for war. The very internal changes, efficient and beneficent as they would have been in other hands, all tended, in theirs, in the direction of the abyss. In applying overall controls, in instituting a realistic financial policy, even in such things as organising the farmers, they drained the competitive element ever more completely out of the economy, and this "took the brakes off", as it were.

By smashing the bargaining power of the wage earners, they left nothing to balance the overwhelming pre-eminence of the great trusts and cartels. For a time, perhaps, their own state power, based upon their support amongst the masses of the German people, exerted some counter-pressure. But, especially towards the end, in the war years themselves, the great German trusts seem to have come very near to the horrifying logical conclusion of the process of capitalist monopoly. Existing in, not a counter-balancing democratic environment, but in the environment of a totalitarian regime and a war of conquest, the vast organisations of the German economy began to take on a truly nightmarish character. They began to carry on their relations with other firms, and more especially with other *foreign* firms, not at all by the methods of commercial competition, but instead by the methods of conquest and military annexation. And even within Germany the great trusts, in their Hitlerite incarnations, seem, towards the end, to have been more and more ceasing to operate by means of the purchase of "labour-power" from free wage earners, and to have been increasingly adopting a recruiting programme of direct enslavement.

What this meant in actual practice may be studied in the accounts of the last phase of Nazi economy. For example, a recent American book entitled *Generals in Grey Suits*, by Josiah E. Dubois (The Bodley Head) gives a memorable description of this last phase taken from evidence presented at the Nuremberg trials. The

lamentable degree to which this work has been sensationalised should not blind us to the evidence which it adduces to show that after each one of Hitler's European conquests the greatest of all the German combines, I.G. Farben, forcibly "bought", at knock-down prices, the chemical industry of the conquered state, and added it to its already prodigious industrial empire.

Far more sinister still is the account given of the organisation by I.G. Farben of vast new synthetic petrol and synthetic rubber plants, as convenient adjuncts to the most ghastly of all the Nazi murder camps—of Auswitz itself. It appears that the gentlemen of the I.G. "Vorstand", or Management Board, tiring of the process of attracting workers to their plants by offering them wages, saw in the Jews, the Poles, the Socialists, the Czechs, the Communists, the French, and the other victims of the Nazis, a limitless supply of slaves to be had at cost price. Not content with setting up their new plants conveniently adjacent to Auswitz and its ovens, they organised a camp of their own called Monowitz, as a sort of annexe to the other establishment. Moreover, they appear to have conducted this private concentration camp of their own with a savagery not only equal to, but exceeding that of the Nazi Government. In fact, they drew down on themselves the shocked protests of the S.S. themselves for working their labour to death with an uneconomical rapidity!

This, of course, simply means that the eternal characteristics of slavery, wherever it has existed, from Peru to Georgia, had reappeared in the Germany of the nineteen-forties. Moreover, it means that a last stage capitalism, working in a dictatorial political environment, tends to become a slave state. It becomes so as soon as competition disappears from the crucial labour market also. For then the employers—transformed into slave owners—attempt to wring by force the entire surplus out of finally powerless workers. In such a system "the labour problem" is reduced to one simple question: At what speed is it most economical to work your labourers to death? This important issue was earnestly debated between Roman Senators on their Latifundia two thousand years ago, by the squirearchy of the old South, in the last century, and between the gentlemen of the I.G. Farben's Vorstand and the S.S. in our own day. Such is the end towards which latter-day capitalism in a dictatorial environment bereft of all democratic counter-valing forces, inevitably drives.

3. A footnote: Adenauer and Lazarus capitalism

In the event the Nazi example of last stage capitalism in a dictatorial environment drove, not to world enslavement, its intended destination, but to its own destruction and Germany's. But Germany's destruction proved temporary. Horribly maimed, with her Eastern provinces amputated and repopled with Slavs, bisected by the world-frontier between communism and capitalism, Germany and German capitalism, it is staggering to relate, has now fully risen from the dead. The extraordinary vigour of her people, combined with the passionate desire of the American Government, in particular, to revive West German capitalism, plus the almost incredible degree to which Russian methods have made any form of Communism stink in the nostrils of the German people—these factors, taken together, have produced that extraordinary

phenomenon, that Lazarus capitalism, the Federal German Republic.

It is still too early, however, to do more than note the existence of this remarkable phenomenon. We do not yet know what its nature or development will be. But it is, inevitably, with mixed feelings that the other peoples of Western Europe greet this *revenant*. About its vigour, its rapidly growing wealth, and finally its intensely *capitalist* character, there can be no doubt. For the moment the German economy has in some respects returned to the earlier and more competitive phase of capitalism. The sheer extent of the physical destruction, as well as the de-cartelisation measures imposed by the occupying powers, have helped this return. Again the German Federal Republic is at present a democracy, under any realistic definitions of contemporary democracy. Its

government, that is to say, is responsible to a parliament freely elected by universal suffrage. The character or tendency of that government could undoubtedly be changed by the German voters giving their votes to parties other than those which they have so far, in a majority, supported. And, equally important, West Germany again possesses a stable, massive and genuinely independent Trade Union movement.

In a word, the scene is again set for the attempt to establish a democratically controlled central authority for the regulation of German last stage capitalism. For one thing is certain. Some strong, central regulating authority will again become necessary. German capitalism will not

run itself, it is certainly not self-equilibrating, even if it is now somewhat more competitive than it was. As soon as the first rush of reconstruction is over the familiar problems will reappear. Then will come the testing time. Can or will the reconstructed German democracy of the Federal Republic succeed where Weimar failed? There is no insuperable economic obstacle to its doing so. We now know that a last stage capitalism can be regulated and controlled. Sufficiently resolute democratic governments can do the job, although it can only be done, in the end, by so complete a remodelling of the economy that the word "capitalist" ceases to be genuinely applicable to it. But can or will West Germany produce such governments?