

THE ECONOMIC STRUCTURE

Economic Leadership Principle or Corporate State?

FROM OUR DEFINITION OF FASCISM—AS THE COLLECTIVISM of a capitalist community—we were able to deduce its general principles as well as a more detailed outline of its political body, the Fascist One-Party State. For a survey of Fascist economics, however, the definition, as it stands, will not do. Collectivism is a psychological phenomenon, the attitude of a group toward itself, and there will hardly be any doubt about its interpretation as a term. Capitalism, on the other hand, is a conception so muddled by a hundred years of strife and propaganda that only a thorough airing will make it acceptable as an unequivocal foundation for any practicable system of political economy.

The term "Capitalism" originated long after the system—just as did the term "Socialism." The latter, as a theory, was championed by Plato and Thomas More, while credit for coining the word is still being disputed on behalf of various nineteenth century economists. Capitalism, in fact, has never, even by its critics, been exactly defined as a system—it always constituted

a given and inherited state of affairs, which had to be attacked or justified rather than explained. Really to define a doctrine of capitalism seems possible only in antithesis to socialism. In a socialist economy, all means of production and distribution of goods would be owned and operated by the community, which would remunerate the individuals who do the actual work. Therefore, in the ideal capitalist economy, ownership, production and distribution of all goods would be strictly private, the profit motive serving as incentive, and the individual work involved in any process would be paid for by the owner of the goods at that particular stage. In theory, each system is uncompromising and does not admit the introduction of any features of the other. In practice, however, there has never been a complete capitalism—nor a complete socialism. The most nearly complete capitalist economy in history—that of pre-Roosevelt America, abhorring state railroads, state power plants, state factories—knew publicly owned lands and forests and a public monopoly in carrying the mails, both definitely socialist traits. Neither do we know of an example of consistent socialism. The U.S.S.R., even if we suppose the extermination of the kulaks to be complete, still maintains competition between various collective enterprises—which directly contravenes the principle of universal communal ownership.

What we know today in economic practice are intermittent stages, with elements derived from capitalist as well as from socialist sources. It is really quite unjustifiable to call any one of our present economic systems

capitalist. They are only predominantly capitalist, since no really consistent capitalism could stand for any publicly owned means of production or distribution of goods.¹ However, the idea that we live under a capitalist system is so firmly established that we shall have to use the term itself in a less restricted sense: as a system standing *as a rule* for private ownership and operation, but which allows them to be supplanted by public ownership or operation in extraordinary cases, or when the strictly capitalist stratagem does not function satisfactorily. It is this sort of capitalism which we have always known under democracy and which constitutes one of the two primordial elements of Fascism.

It is easily apparent from this definition of a "practical capitalism," that in every democracy it will encounter one inherent logical difficulty which will not arise in a Fascist state. Whether a particular part of a national economy shall be owned and operated privately or publicly, depends, it has just been said, on whether or not private operation is satisfactory. This will inevitably raise the question: satisfactory to whom? Democracy—conceiving "the people," that is, the individuals, as finally destined to receive the benefits of government—is in a quandary when called upon to decide this. A

¹ The Communist method of denying the socialist character of those inroads of "state capitalism," because of the continuing existence of the "class structure" of society, does not remove the logical difficulty. Obviously, in a hypothetical complete "state capitalism," an existing "upper" class could no longer be termed "capitalist"—and Communist doctrine has never been able to decide at what point to draw the line.

business might give a great deal of satisfaction to its owner, and yet very little to its workers who are being sweated, or to its customers who have to pay excessive prices or do not get decent service, or even to investors who fail to get the expected dividends while the men controlling the stock are voting themselves huge bonuses. To draw a line here *in principle* is a problem which no democracy so far has been able to solve. Every one has had to rely for guidance on special aspects of the case under consideration—none of them was able to enunciate a fixed policy. For Fascism, the answer is easy. The abstraction of the state itself being the last and only object of community life, there can be no doubt that its interests must also control the decision whether private operation of any one business has worked satisfactorily. And as the will of the state is proclaimed authoritatively, there can be no dissension about it either. Therefore, while it might be very difficult to define exactly the capitalism of a democracy, the definition of the capitalist element in Fascism is clear and precise: a *general tendency* toward private ownership and operation of means of production, as well as toward use of the profit motive as economic stimulant—the *extent*, however, to which this tendency is to be followed in practice being entirely subject to the interest of the state as determined by its given authority.

On this unequivocal foundation Fascism had to build a practical economic system. It was obvious that this system would have to be developed in quite a different way from the other aspects of the Fascist community. For

while a main axiom of political Fascism is the essential unity of all members of the state, in economic life the capitalist premise will inevitably divide the people into two groups: employers and employees. In particular instances the development of modern capitalism may confuse the distinction—from the case of the bondholding director of a company to that of the factory worker who, by possession of a single share of stock, can legally become part owner of the biggest industrial enterprise in a country. But on principle it is evident that in any capitalist economy the population must fall into two classes—Class A, by and large, comprising the men who own goods or their equivalent, and live by selling them, and Class B, comprising the men who work at producing or distributing these goods and live by being paid for such work by the respective members of Class A. This division is essential to capitalism and, therefore, to Fascism. On the other hand, it tends to produce psychological effects very much opposed to the spirit of Fascism, because quite naturally the members of each class develop strong feelings of solidarity which, given favorable conditions, will eventually grow into what is known as the “class struggle.” Class struggle within a nation, however, is nothing but the breaking up of the (to Fascism) axiomatic collective body of the national community into two collective bodies violently opposing each other. It is the one development the Fascist state cannot stand for. So its task in the economic field is perfectly clear: it has to set up a capitalistic structure without capitalism’s normal class-severing consequences.

In a people of Fascist docility, under normal circumstances and with the unlimited powers of a Fascist government, this is really not altogether impossible (in spite of the storm of protest which any statement to that effect will call forth from Marxists and economic determinists in general). To begin with, the easiest and most reliable method of keeping people from an undesired alignment is to align them otherwise. The desirable line-up is not hard to find, either: if, among the individuals making up a modern economy, one does not like to distinguish between employers and employees, the most obvious other distinction available is between the persons engaged in one trade or industry and those engaged in another. The main idea, therefore, in the organization of each trade and industry, must be to destroy from the start any hope its employees and employers might have of improving their individual economic positions by joining efforts with the employees and employers, respectively, of any other trade or industry. This is a matter of organization, and therefore can be accomplished. Second consideration: in any economic system there must be a method of determining the most important point of capitalist practice—the conditions under which employees shall work for their employers. The general Fascist principles of authority and discipline are no good here. Business cannot be privately operated in an efficient way without at least having a voice in the determination of the largest item of its operating costs; a scheme of compulsory authoritative decision of all questions concerning labor relations would mark every

Fascist attempt at maintaining practical capitalism for failure from the start. The practice of old-line laissez faire capitalism, to have these questions decided (actually, if not in theory) by managerial fiat, will not do either. It would not only be incompatible with the Fascist axiom that the state alone has authority over its otherwise essentially equal citizens, but it would also be practically inconsistent with Fascist policy, since simply to subject employees to their employers' dictum would necessarily revive labor's just extinguished solidarity. Workers, therefore, must have a say in these matters; in fact, they must—at least theoretically—have exactly as much to say as their employers. This, in turn, leads to the last consideration: in practice such equality would almost inevitably deadlock negotiations and provoke industrial strife—of an especially objectionable variety because it would not, like the orthodox class struggle, disrupt only the population as a whole, but also the newly-established separate organization of trades and industries. Besides, it would be impossible in a collectivist community to relinquish the superiority of the whole over any of its parts in any instance. Thus, for practical and dogmatic reasons, it is necessary to reaffirm the *power* of the state to decide authoritatively on any question concerning its members. The state must be made a party to every one of the organizations comprising employers and employees of a trade or industry—with the right (although the *policy* will be not to exercise this right!) to dictate to both elementary parties, regardless of how they may make out among themselves.

Summed up, this blueprint of a Fascist economic structure might read as follows: organization of the national economy into independent bodies along trade or industrial lines; within these bodies equal rights to employers and employees in determining wages and working conditions, with any sort of struggle strictly forbidden and the state installed in every organization as superior authority. It will be noted that what we have here developed, by simple deductions from the fundamentals of Fascism, is nothing but the skeleton of Mussolini's "Corporate State."² The economic structure of the Fascist community is quite as logical as all its other aspects. Starting from the two given bases of collectivism and capitalism—and strictly excluding every other consideration, intellectual, traditional, or sentimental, of economics, politics, or philosophy—one can hardly fail to arrive at it as at the natural economic expression for a political system built upon those foundations. And so it was rather surprising that in the entire field of Fascist economics actual developments somehow seemed to lack that inexorability of purpose so evident in all other Fascist activities.³

Even Italy, which in the long run adhered rather conscientiously to the corporate blueprint, took an inordinately long time in doing so; and the economic structure of the New Germany seemed not only to differ in result, but at first sight appeared even to represent quite another theory of economic organization than the Italian

² See Appendix B, p. 302 ff.

³ See Appendix B, p. 305-6.

model. The Germans refuse to admit, on principle, that there is such a thing as an inherent conflict of interest between capital and labor. They consider every single business enterprise as an organic whole—a live particle of the economic body of the nation. Within these micro-organisms hierarchic functions are distributed: the employer is to lead, the workers are to follow. This new scheme of labor relations, however, is not meant to enlarge any rights of employers based upon ownership, of capital or means of production. National Socialism, in converting the employer from an “owner” into a “leader” of his business, changed his whole structural position. His business is no longer regarded as a piece of property, to be used, within the law, at its owner’s pleasure. It becomes a public trust; and in connection with it the employer has no longer any *rights*, as an independent economic individual and master of his property—he has only state-conferred *powers* which are necessary for the performance of his organic *function*. This function, chiefly, imposes upon him definite and original duties: the duties of the *primus inter pares*—to lead for the good of the whole, to place, in the exercise of the authority which his followers are to obey, the “common good” above his “individual good.” As in every other field, the “leadership principle” in economics represents not a superiority of the leader over his followers, but a division of functions between essentially equal parts, with mutual obligations to be discharged in the interest of the collective body.

To enforce these obligations, the Third Reich estab-

lished a huge cover-all economic structure (similar to Rossoni's Italian vision ⁴ of 1923 and 1924): the German Labor Front, "organization of all Germans working with fist and brow." While the concrete details of any employer-employee relationship were supposed to be worked out within each business unit, the Labor Front received complete power to supervise performance of the mutual functional duties, by plant "leaders" and "followers," in the entire field of production and distribution of goods (excepting agriculture and cultural activities, which the Nazis, for reasons of their own, organized separately). In other words, it was authorized to maintain Fascist economic discipline. The full scope of this authority became apparent only when in 1935 the Reich Chamber of Economics, comprising all German business, joined the Labor Front. Upon this move have been placed all sorts of political interpretations. Doubtless it represents a compromise in the struggle for power between various Nazi groups; doubtless its details are too much the outcome of political wrangling to be of great theoretical significance. Still, it proved one thing convincingly: that, irrespective of who happens to be at the controls, the *idea* of the new economic structure of the Reich is the totalitarian idea—with one communal organ comprehending all economic activities, and without, as a matter of theory, separating the effectuation of national economic policy from the handling of labor problems.

⁴ See Appendix B, p. 306.

As a whole, this system seems to bear little resemblance to the one worked out in Italy. Only if we compare the essential features of the two Fascist economies, shall we note a similarity. We have seen that "Corporate State," in nuce, means a state-controlled and exclusively state-subservient economy, organized along trade or industrial lines, based upon capitalist practice, striving to make employers and employees collaborate as partners with equal rights in the interest of production—but recognizing the existence of a contrast between their material interests. Now this is, word for word, the kind of economy constituted by the German system—except that the latter denies *any* inherent capital-labor conflict. The aims of either structure are identical; the Corporate State, too, has the principal objective of eliminating, in the interest of national solidarity, the class division which capitalism is apt to bring about. The entire difference is one of technique. The Italians—though they deplore the contrast between the material interests of employers and employees and seek to avert its natural consequences—utilize it as a means of economic organization. The Germans, on the other hand, organize economic production hierarchically and authoritatively like any other national interest—and consider capital-labor conflicts as irregularities *in fact*, which must be ironed out in practice but have no claim to dogmatic recognition. Each system seeks to overcome the normal capitalist trend toward a class struggle; the first attempting to straighten it out after first using it as a structural imple-

ment—the other preferring to remove it right at the source.

The difference in technique, moreover, had its sound historic reasons. In Italy, the corporate doctrine had been developed during a period of world-wide prosperity, and in a country where labor's economic solidarity had only to a very limited extent turned into real class consciousness. In Germany, on the other hand, the old trade union structure had been thoroughly imbued with the ideology of the class struggle, and four years of depression had made the class sentiment of the workers grow by leaps and bounds. To effectuate national solidarity, it was necessary to break labor solidarity completely. The corporate structure came much too close to unifying employees as such to be acceptable. Some other way had to be found to organize national production—in a totalitarian way, preserving the capitalist framework but without disfranchising labor. Hitler's answer to the problem was the "economic leadership principle"—the completely functional form of organization. Denying the employer-labor conflict of interests in toto, undertaking to protect the worker by means of the state's supervisory organs against "misuse of leadership," employing, for practical reasons, a completely different technique from the Corporate State, the National Socialist scheme is equally totalitarian, equally capitalistic in principle but not in essence, equally designed only to promote production.

Both the Italians' long delay in putting their corporate blueprint into effect, and the Germans' complete devia-

tion from that formula, have been hailed in democratic circles, as "failures of Fascism." Nothing, unfortunately, could be further from the truth. We have said before—and shall see yet more clearly later—that even the capitalism of a Fascist state is nothing but a principle of private ownership and management of the means of production, the application of which is entirely subject to the authoritatively determined needs and interests of the community. It follows that the corporate plan, theoretically deduced for a model Fascist economy, will hold good only under model conditions—in other words, in a wholly normal economic situation. Any economically abnormal circumstances will automatically render the formula inadequate. Furthermore, they will dispose of any and every other economic principle; leaving Fascist authorities guided solely by collectivist political axioms—totalitarianism, state supremacy, etc.—and by their own opinion of what, in practice, will be best for the state they are heading. In contrast to its firmness in other fields, this elasticity of Fascist doctrine in the field of practical economics is an essential trait of the whole Fascist system. Leadership, discipline, the incorporation of the state's Fascist spirit into a special movement—none of these features could be discarded by a Fascist leader even if he personally should deem it best for his nation, because they represent either the very essence of Fascism or inevitable results of its realization. Not so the Corporate State. It is definitely Fascist; but it is a laboratory product of political science and strictly a fair-weather proposition—a gratifying achievement if

circumstances allow it to be applied, but nothing which a Fascist state would have to feel morally bound to put into practice. The corporate formula, in fact, is not only no hard and fast rule but no rule at all; economically the Fascist state has but one immutable principle: to be unprincipled.

This applies even to the source from which the whole system sprang: modern capitalism. Every Fascist state starts out on a capitalist economy. It continues that way because—in the words of the Carta del Lavoro—it “considers private initiative in production the most valuable and most effective instrument to protect national interests.” And it cannot be emphasized too strongly that there is no point whatever in looking for other motives, because the question of *why* Fascist leadership *really* sticks to the capitalist system is wholly irrelevant. The important fact is that the Fascists themselves believe in the validity of the reasoning set forth in the Carta—and that it is impossible to dissuade them. But if, in the opinion of Fascist leadership, national interest should require it, no Fascist will mind the most drastic interference with capitalist practice, whether by regulation or regimentation or—again quoting the Carta—“immediate assumption of control.” In conflict with any national need, capitalist dogma is an interest of secondary importance, theoretically acknowledged as sound, but practically unessential. Likewise, a Communist government could never dispense with public ownership of farms and factories but need not, before it conveniently can, introduce the ideal Communist method of compen-

sating the individual according to his needs rather than according to his work. A capitalist democracy could not strike out its Bill of Rights but is not less democratic for reserving to itself the right to impose martial law nor less capitalistic for maintaining individual public monopolies. It would be impossible for a Fascist leader to let class or individual rights interfere with state supremacy. But in the field of economics he can do whatever he may deem expedient for the welfare of the national unit—and he need not even shrink from near-elimination of the capitalist plank of his system. The only condition is that he must give as the motive for his actions the interest of the state and must not touch the principle of the desirability of capitalism. Capitalism is a *basis* of Fascism and, as such, cannot be abandoned publicly and in so many words—but it is not an essential feature of the Fascist system, and therefore need not be maintained consistently, or at all, in actual practice. It will be maintained, if possible and expedient. But it will always be subject to the interest of the community; and—which is emphatically not the case with the Fascist *political* tenets—its partial or near-complete abolition does not impair the Fascist character of the state.⁵

⁵ When Hitler first formulated this economic opportunism into a Fascist credo for the relation between economics and the state—"formerly the nation was there for the government, and government for business; now business is there for government, and government for the nation"—the world was inclined to dismiss it as an empty pronouncement smacking of insincerity. When Dr. Schacht proceeded to demonstrate it in practice, foreign observers said that was due to Germany's desperate and unprecedented economic straits, and cited it as proof that National Socialism was in

The paradox part of the situation is that the policy which is thus declined in practice but held entirely acceptable in theory—the partial or complete socialization of the means of production—is nothing but the form of economic organization advocated by Communism. And, as everyone knows, it was Communism upon which Fascism, from the very start, trained its guns as upon its chief enemy.

To those who do not believe in the Communist theory of Fascism as a tool of finance capital, this has always been surprising. First, Fascism wrested power not from Communism but from democracy. Second, the Fascists readily recognize—both Hitler and Mussolini have proclaimed it, as well as dozens of German and Italian lesser lights—that Fascism, as a political conception, is really opposed not to Communism but to democracy, the reality only a crude dictatorship and no “correct” Fascist régime, of which the corporate thesis was held to be the first and foremost criterion. When Italy in 1934 established a government monopoly in foreign trade and practically nationalized the banking business, these actions were put down as emergency measures in preparation for the Ethiopian adventure and as exceptions that proved the rule. But now, in 1936, in the very proclamation of the actual completion of the corporate system, Mussolini announced the imminent passing of Italy’s “key industries” into the hands of government. And Hitler, at Nuremberg, explained to the German workers that of course he “could take over all business” but that the resulting elimination of competition would depress the quality of production needed for building German self-sufficiency—the very argument used against socialization in the *Carta del Lavoro*. And neither in Germany nor in Italy was there an outcry of “Bolshevism!”, nor even a sign of surprise at these casual references to the possibility of knocking the capitalist prop from under the Fascist system.

political structure championed by Liberalism. Democracy exalts the individual, while Communism and Fascism both exalt the community. Democracy guards the privacy of economic enterprise as an individual right, while Communism and Fascism both consider it a communal interest—with the Communist state taking its operation into its own hands, while the Fascist one “contracts” it out to individual businessmen. Even the internationalism, which inevitably brings Communism into conflict with Fascist fundamentals, is hardly more “un-Fascist” than the peace doctrines with which Liberalism shackles national interest itself to the anti-war instincts of the single citizen. And yet the political creed which Fascism raves against, the movement which it delights in picturing as “the world pest,” as evil incarnate—is not Liberalism but Communism.

If we are fortunate enough to encounter a Fascist capable of carrying a rational discussion of these topics beyond emotional outbursts, and ask him for an explanation of his choice in enemies, he will rarely try to justify it on grounds of the dogmatic antithesis between Fascism and Communism. Most probably he will answer that he does not fight Liberalism with the same fury as Communism, because Liberalism nowadays is doomed anyway. He will quote Mussolini to the effect that democracy has outlived its historical function, that it has lost its vitality, and that it can no more appeal to a healthy and virile people. The inference, that to a healthy and virile people Communism *might* appeal, is one not likely to be drawn by Fascists. Yet it is the key to their whole

attitude. For, consciously or subconsciously, they are well aware of the fact that Communism springs from the same collectivist stem as their own system, and that the two points which keep them apart—the Fascists' choice of a national instead of a class basis, and their refusal to have the state, on principle, take care of its productive needs itself—constitute a feeble barrier indeed. And they realize, accordingly, that while their collectivist conditioning of the masses will effectively preclude a conversion to Liberalism, the appeal of Communism might not only prove rationally attractive to the impecunious majority of their people but could also count on finding there an entirely favorable political state of mind.

That is the reason why every Fascist leader constantly fulminates against the Red Menace; why the antagonism of the people against anything ever so faintly suspected of Communism has to be kept at a fever pitch—in strange contrast to the amused contempt in which they are trained to hold democracy. Democracy is something that would not fit their mentality—and this fact in itself is sufficient defense against it. But Communism, as a theory of government, *would* fit them—and therefore has to be constantly guarded against with all the energy, resourcefulness and perseverance of a Fascist nation. This conceptual kinship is also the reason why the anti-Bolshevist tirades are always purposely emotional, and never mention any specific features of Communist doctrine. They are all in much too dangerous proximity to essential Fascist notions to be attacked resolutely—even

outright expropriation of property, even the class-angle. The Fascist persecution of Communism and Communists is a phenomenon of purely political significance—and *not*, as the Communists would have it, a class-determined persecution of labor. The Fascists would be glad to take from the ranks of the bourgeoisie alone the number of Communists they must liquidate to deter others from heresy. To do this would indicate precisely what they desire to prove: that their own working population is immune to the poison. Fascists persecute Communists not because they represent labor—which in the Fascist view they emphatically do not!—but because they aim to turn the political consciousness of the people away from Fascist authority, and because their use of a concept of group supremacy similar to the Fascists' own makes their attempt particularly dangerous. Communism must be destroyed—not because it is so incompatible with Fascist conceptions, but on the contrary because it is so close to them. Fascist Red-baiting is not motivated by social antagonism, but by the strictly political necessity of preventing the people from turning to something for which Fascism itself has set the emotional stage.⁶

⁶ This does not mean that either present Fascist state is in imminent danger of a Communist upheaval. In the opinion of the writer, the various Communist underground movements in the Fascist countries are simply wasting their breath in the face of the totalitarian machinery arrayed against them. It does mean that if a Fascist community should, by some concurrence of circumstances, cease to be militantly Fascist, there would be little or no chance of its turning toward democracy, but a reasonable chance of its turning to Communism. It means that for people with a

Only if we understand this, can we realize how a Fascist state can be wholly anti-Communist and at the same time pursue policies causing wrath and anguish in capitalist circles (where Fascist discipline has not turned that anguish into a willing acceptance of patriotic sacrifice). *From a Fascist point of view, the problems of Capitalism and Communism are in no way related.* Capitalism—in its Fascist sense—is a structural principle of a national economy. Its governmental regulation is a matter of economic policy in which, in the organic community, no ideological points can be involved. And even if such regulation should actually duplicate measures proposed by Marx or Lenin, that would constitute no reason to relax the opposition to Communism—which is a purely political enemy of the Fascist state, a menace not to its economic structure but to its political control. Today it is the Fascists' arch enemy, because it is the only contemporary collectivist movement with a will to power, with a planned attack, and with the ominous international background of the Soviet Union. If tomorrow the Catholic Church should devote its potential strength to attempts to seize the reins of government in various countries, it would soon reap as much or more Fascist abuse than Communism. On the other hand, if Moscow were to dissolve the Comintern—and if Social-

Fascist mentality democracy is dead and buried—that the choice for the powers of the future, in Fascist eyes, lies only between the two exponents of collectivism (which explains also, by the way, why our Communists so stubbornly refuse to believe that the alternative to their political views can, in practice, be anything but Fascism; they, too, are collectivists!).

ism should again become the purely economic doctrine which it was at the start, without the element of class-solidarity transcending national boundaries—then the Fascists, very likely, would cease to denounce Communism, no matter how they handled their internal economic issues. These are hypothetical cases with little chance of realization. But continually, in Fascist countries, developments of lesser significance are under way which bear the thesis out—developments quite inexplicable and contradictory in themselves until Fascist anti-Communism is realized as being not the loyalty of a capitalist body-guard, but a political system's fight against a purely political menace—a fight for the preservation of a totalitarian concept, without any other significance either social or economic.

The field where this has been most apparent, although least discussed, is agriculture. There, in Germany and Italy, Fascism pursued a policy as out of step with capitalist notions as the Russian system of collective farming.⁷ What the Reichsnährstand and the Bonifica Integrale did to land-owners, cannot be called capitalism even by the most doctrinaire Communist. Farming was brought under a system of regimentation—or, more precisely, conscription—to a degree known heretofore only in the Soviet Union. The reform affected large estates as well as small peasant holdings. It was not content with dictating crops (and that, by the way, not by promising benefits in exchange for compliance, but by administra-

⁷ See Appendix B, p. 309 ff.

tive ukase backed up by penal force). It broke up farms, qualified the ability of citizens to take up activities connected with agriculture, restricted the rights to own land, to dispose of it, or to borrow money on it—and over any farmer of insufficient zeal in carrying out its policies it held the threat of direct expropriation. In short, it made, as a matter of principle, the right to own farm land dependent on its use in the manner required by the communal interest—thus narrowing the context of private ownership, operation and initiative in the field of agricultural production in a way entirely incompatible with the fundamentals of capitalism.

The reasons why, in agriculture, the Fascists went so much further in restricting the free play of capitalism than they did in industry, are well known and easy to comprehend. The decisive ones are ideological. Land in any form is a more integral part of the national unit than industrial facilities. *The soil is prima facie national substance*. It constitutes the primordial national element of “country” (“Man in Fascism is individual, nation, and country all at once,” said Mussolini), which with the people upon it must be welded into an indivisible whole of Blut und Boden, as the Nazis put it. Industry is a national interest only insofar as it produces and employs—and, therefore, must be organized into a Fascist scheme only as much as is made necessary by output demands and by the need to suppress the class struggle. Land, on the other hand, is a national interest in itself. Since it is a means of economic production, its distribution, as far as possible, will continue on capital-

ist lines; but its private use must be infinitely more integrated into the communal organism than must industry. The emphasis placed on this is much more than a matter of economic planning. It is based upon recognition of the fact that land, for an organic state, has a significance far transcending its economic value—as stable substance supplementing the dynamic national spirit. This emphasis is the more striking, in that Fascism was created not from nineteenth century but from modern, twentieth century capitalism—a system that for some time showed a strong inclination to forget all about agriculture which provided so little opportunity for large-scale financial transactions. That Fascism, in spite of being a product of this same modern capitalism, remembered agriculture, is due to its collectivist outlook—to the realization that land, an element more stable, more enduring than either industry or business, is not to be valued in terms of production only, and must be brought out of the circle of economics into a more intimate relationship with the concentrated energies of the Fascist state.

Of course, there were also other, more practical reasons for agricultural regimentation: chiefly, as has been pointed out by all democratic observers, the rather obvious desire of permanently war-minded nations to be self-sufficient in their food supply. However, the various “battles of the wheat” and related undertakings—although in Italy they constituted the bulk of the agricultural program of the régime—were economic policies, things that were done *with* the reformed agricultural

set-up. They differed in no way from the industrial "battles of production" which Fascism carried on completely within the capitalist framework. Farm production, too, could well have been speeded up to any desired extent without the excessive state control employed by the Fascist nations. It was a dogmatic much more than a material necessity which dictated German and Italian farm policies—and which would also have to dictate the farm policies of any other Fascist state: the need to remove the soil, with its tillers, from the play of economic forces to its ancient place as the nation's backbone—because of all communal possessions it alone is imperishable.

Finance is another field in which the Fascist powers committed one act of heresy after another against axioms of capitalism.⁸ There, too, actual developments resulted from both practical and dogmatic causes. The hold of private finance over the economic life of a nation has always been a favorite point of Fascist attacks on Liberalism, particularly in Germany. After seizing power, the Nazis did not embark on their widely heralded crusade to "break the thralldom of interest," because any such move seemed sure to upset the precarious bal-

⁸ Adequately treated, the story of recent German and Italian financial policies would fill several volumes, although most of it is more or less familiar to the public from commercial experience. The salient point is a discovery of Dr. Schacht's: that not only money owned or claimed by a government, but that the very structure of money and finance is a potential weapon of national policy—a distinctly Fascist idea, substantially different from the pre-Nazi German system of currency protection by means of exchange control, from which Schacht arrived at it.

ance of German economy—and also because the banks, the chief “interest slavers,” had been among the first to climb on the bandwagon, and promised to be useful allies in the impending fight for economic preparedness. However, the question of taking them over was seriously pondered by a National Socialist investigating committee, and if this had reported favorably, German private banking would now doubtless be a thing of the past. Even so, in both totalitarian states, the steps that remain to be taken to effect a complete nationalization of the “money trust” would obviously be less revolutionary, economically speaking, than what has already been done. The first move was a co-ordination of banking activities amounting to state control of management. Then came inroads upon the capital structure by way of exchanged loans. Eventually this was followed by government acquisition of controlling interests in the banks’ stock itself.⁹ Today, the directors of virtually all the larger German and Italian banks are, even in capitalist terms, more state employees than agents of private interests. In a very quiet way—and, to the chagrin of the Communists, without so much as touching the class aspect of the situation—capitalism, as an economic reality, under Fascism seems to be on its way out of the financial business.

Thus, in such fields as finance and agriculture, special

⁹ In each case, of course, the opportunity was presented by a banking crisis—but America showed in 1933 that a government with an essentially capitalist point of view can handle such a situation without, by accident, emerging as majority shareholder in most of its country’s financial institutions.

circumstances have effected a complete revision of the "general tendency toward private ownership and management," our definition of the capitalist element in Fascism. In most other sectors of a Fascist economy the tendency stayed intact. Materially, moreover—at least in the early years of every Fascist rule—businessmen, especially in industry, seem destined to have things pretty much their own way. The Fascist state's main economic interest is increased production—which is also industry's main interest. Pointing to this parallelism of interests, industrial leaders will usually be able to convince a Fascist government that the national welfare depends on the granting of their requests, even at the expense of other economic groups. It is all done in perfect candor and without any sinister implications; it is obvious that nothing provides such an incentive for fast and efficient production as the prospect of ample profits—and so profits will be safeguarded while the bulk of economic burdens will fall on the workers, tending to hold down their wages, and on consumers, forcing them to pay higher prices.¹⁰ This will be the case particularly in industries directly engaged in filling state needs: armaments, mining, building, export industries that bring in foreign ex-

¹⁰ Outstanding among those burdens is the cost of absorbing unemployment. This is an essential undertaking of every Fascist régime—and, if jobless men are to be put to work in private industry *ahead* of existing demands, *somebody* must pay their wages. As Americans have had a chance to observe, democracy cannot evade this fact either; it can only attempt to distribute the burden as equitably as possible—and (as has also been shown here) the surest criterion of success in this attempt is general dissatisfaction.

change. In other branches of business, a much sharper discipline will be maintained over "profiteers" or "un-social employers"—and should a retail merchant think himself entitled to the same privileges as an arms manufacturer, he would speedily be disillusioned. Under Liberalism they may occupy the same position in the economic scheme; but in Fascism one renders to the state services of extreme importance, while the other is little more than a drone—and therefore will be compelled to toe the mark much more strictly, and even to assume financially a large share of costs which Messrs. Krupp, Thyssen, or Pirelli can easily cast upon their workers or upon the public. It is a frequent logical mistake to infer a Fascist pro-capital bias from the treatment of nationally important industries—although other employers, too, will often derive economic advantages in relation to workers and consumers from the abolition of democracy. And yet, from the point of view of the businessman of today, it is just the trader and industrialist who, under Fascism, would soon be longing for the good old days of economic liberalism with their "free play of economic forces."

For this is the inevitable outcome of every exhaustive investigation of Fascist economics: while, in a Fascist state, labor, agriculture, and the consuming public will have to pay most of the bill, the class that more than all others will lose *rights* that it considers fundamental, will be independent business. The worker—according to German and Italian experience—will get less in real wages, and will lose the right to strike. But in all probability

he will find some system of collective bargaining, with government guarantee of the resulting wages and working conditions, embodied in the national economic structure—so that he will have no reason to accuse the Fascist state of a *theoretically* divergent policy from the basic tendencies of organized labor. The farmer will be subjected to strictest governmental regulation as to the growth and sale of agricultural products. But rugged individualism was never one of those, and since an adequate food supply is the basis of the drive, essential to Fascism, toward a self-contained national economy, the material interests of farmers in general will always be safeguarded by a Fascist government. The consumer will almost inevitably have to pay more for his needs, but it is equally certain that there will be some governmental action to keep prices down—and what else did consumers' advocates ever demand anyway?

Only for business will the situation be entirely different. Business is the only economic group that always *had* a real stake in individualism. From corporation executive to street peddler, the independent businessman treasured one thing: the right to manage his own shop. Nowhere, of course, has this been as strongly apparent as in this country. Resentment against the influence of giant combines on the independent "little fellow" led to trust busting. Resentment against labor organizations "telling employers how to run their business" led to a campaign of active and passive resistance that so far, at the cost of an immense intensification of the class struggle, has in many industries all but succeeded in

keeping unimpaired the power of management to fix wages and working conditions. Opposition to governmental interference was more than anything else the common denominator for all political theories and beliefs of American business. One has often heard it maintained—and most sincerely—that actual profits were second in importance to the individual businessman's freedom to conduct his own affairs according to his own judgment. To business, in theory and practice, safeguarding the rights of the individual was a basic interest.

Under Fascism, this is out. The "right to run one's own business" is not, as before, only impaired by labor organizations or trusts and cartels—it is officially eliminated by the unanswerable dictum of the state. And the elimination concerns Big Business as well as small business. This has been the sad experience of German and Italian financial leaders who supported their respective Fascist movements during their struggle for power, under the delusion that afterwards they would be running the show. Individually, of course, quite a few members of Big Business did run a considerable part of the show. But the disappointment here referred to is neither that of the General Secretary of the Confederation of Italian Industries (who paid out Mussolini's subsidies before the March on Rome and later found himself cruelly ridiculed by official theoreticians when he ventured to expound old-line capitalism at the 1932 Economic Congress in Ferrara) nor that of the German newspaper tycoon who engineered the political side of Hitler's victory, only to be thrown on the junkheap after

a short and inglorious tenure of the Ministry of Economics. The disappointment we mean is that of those "captains" of industry or finance who sincerely believed—without personally expecting special advantages—that Fascism, by removing the threat of Communism and militant labor organization, would put business in a stronger position than before, and that after the Moor had done his duty they could dismiss him. For they found they couldn't. And they found that with the menace of labor domination had gone the independence of business.

True, they might succeed in slashing wages. But while previously, in collective bargaining systems established under democracy, a union might have had certain rights guaranteed by the state, the employer always dealt only with a protective association of employees, definitely private in character and, as a rule, less powerful economically than he himself. Also the choice that confronted him was always only one of making more profit or less out of his business; as soon as yielding to labor demands threatened to make operations actually unprofitable, the employer was always able to shut down with the comforting assurance that his stubborn workers were bound to be much worse off than he. The Fascist state, however, confronts him not only with the workers' syndicates of the corporate system—plain closed shop bodies with the identical purpose of any other union and strengthened, at least theoretically, by governmental maintenance of a balance of power—but also with a comprehensive labor organization that is an offspring

of the Party, and the groupings of which are headed by high-degree Fascists with the power of invoking the wrath of God upon any employer whose labor policies should displease them. (The only possible protection is to be sufficiently well connected with Fascists of even higher degree, which is always expensive and sometimes quite impossible.) And if the harassed businessmen should try to ease their labor budget by laying off a few men—to say nothing of closing plants altogether—it would be pointed out to them that their Fascist duty is to keep every man on the payroll as long as they have a cent in the cash register, that the common good goes before the individual good, and that the Fascist state is concerned with conquering unemployment and does not care if they can no longer make a profit.

True, they might succeed in raising prices. But while under democracy industrial co-operation was in general non-compulsory and the individual trade association member was seldom exposed to coercion in matters of plain business policy, the corresponding Fascist organization exercises absolute power over its members in fact as well as in name and, on the other hand, is prone to every hint from economic headquarters in government or Party. True, some industries will be well supplied with government contracts—armaments, re-employment, public works, etc. But should they expect to make as much profit as the gross volume would indicate; or to be in a position to reject an order that did not promise to net any profit at all; or to be able to keep their profit instead of turning most of it over to govern-

ment or Party agencies for operating expenses—without, *nota bene*, considering at all the possibility or probability of graft in either one of these double bureaucracies; or should they expect to have a voice in shaping general policies which would not immediately but indirectly affect them, such as agricultural tariffs, or currency management, or foreign policy in general—in any of these expectations they are apt to be grievously disappointed. True, Big Business will be high in the councils of every Fascist government. It can be far too useful to be left out. But as to running the show—they will not have half the influence they had under any good old post-war pseudo-“Socialist” government. From a position in which, although targets of frequent and popular attacks and generally professed distrust, they wielded tremendous actual power, they will step into the place of universally acclaimed front-rank fighters of a battling nation, coddled with flattery and bribed with government contracts—and with the privilege of mending their sinister ways, dropping their backstage influences, and doing what they are told. Moreover, this aspect of the change is never generally known—because some of the victims are too stupid to realize what is happening to them, and the others are too scared of being suspected of non-conformity if they speak out, even in private.

“*Gemeinnutz vor Eigennutz*”—“the common good before the individual good.” For labor, farmers, consumers, for all the groups that were individually helpless, Fascism will accomplish the collectivization they desired and increase their real influence, though they

may have to pay for it with loss of economic freedom and a turn for the worse in actual conditions. But independent business—the group that resented interference and domination and treasured “a man’s right to manage his own affairs”—will suffer, though it may be sweetened with honors and economic favors, the complete destruction of its very foundation. No matter whether a Fascist government materializes the “Corporate State” or proceeds according to the “economic leadership principle” enunciated in Germany, no matter what its policies may be as to wages, prices and profits: every economic group, workers, farmers and consumers, will find some scheme of collective representation and will, in one way or the other and subject always to the superior needs of the state, have its interests taken care of—and so will traders and industrialists. But “independent business,” the great monument of liberal capitalism, will become a contradiction in terms.