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Fascist Economics

By WILHELM RÖPKE

I

IN view of the enormous progress in the last years of illiberal radicalism in politics and economics it has become a matter of extreme urgency and importance to study the new trends in economic philosophy and economic policy which accompany and, to a large extent, characterise this great socio-political movement of our times. If, for purposes of convenience, we label this movement as Fascism in a broader and internationally applicable sense, we may also speak, in the same short-hand way, of Fascist Economics. The question we raise, then, is this: Accepting the view that Italian Fascism, German National-Socialism and the corresponding minor movements in Europe and perhaps also in America have a common political denominator, what meaning in the field of economics are we to attribute to these mass movements? That is the question, to the answer of which this article is designed to be a modest contribution.

The subject of Fascist Economics has a twofold aspect. On the one hand, it is a subject of the greatest political interest for everybody who wishes to understand the phenomenon of Fascism in all its ramifications and, incidentally, in all its inconsistencies and, from a sociological point of view, to come to a satisfactory interpretation of it. On the other hand, one may approach the subject primarily from the economic side, where the fact that Fascist Economics purports to offer a promising alternative to Capitalist Economics would attract our curiosity even if the representatives of these Newer and Better Economics would not deafen our ears by their blaring propaganda. While it is impossible altogether to separate these two aspects, the main emphasis will here be laid on the economic aspect. In doing so, it is my sincere conviction that the economists would grossly neglect the duty laid upon them by their special training if they should persist, like Archimedes, in drawing their curves while the enemy threatens to invade the city at every moment. We must make up our minds either to join the enemy and to make his cause our own or to resist him by instigating all the moral and intellectual forces that are still left. We must recognise that the case of Liberalism and Capitalism is lost strategically even where it is still undefeated tactically. We must cease, in our supercilious aloofness, to ignore the fact that the economic ideas which are most likely to shape the future of our economic system are to-day more extra-academic than perhaps at any

previous time and that these ideas are more or less decidedly anti-capitalistic, i.e. opposed to perhaps nine-tenths of traditional economic thinking. Prominent in this respect is undoubtedly the anti-capitalism that has the Fascist flavour, in other words, that anti-capitalism that corresponds to Illiberalism in the political field.

Unfortunate as it is, we cannot avoid beginning our investigation with a number of prolegomena. The first remark to be made is that it is a task of tremendous difficulty to define clearly the essentials of Fascist Economics. Reading the literature and the verbose documents of Fascism and National-Socialism (more verbose than all the much-despised parliaments together), one might be tempted to give up the task as hopeless and to dismiss it as economic Dadaism. The anti-capitalistic programme of Communism is at least clear and unequivocal and provides a relatively well-defined basis of discussion; we know where we are and we can take our stand. Not so with Fascism. In vain we search for an economic programme embodying Fascist Economics as clearly as collectivist and planned production embodies Communist Economics. Instead of it, we find that loquacious vagueness which irritates the admirer of lucidity in style and thought as much as it seems to attract the masses. We are bewildered by an atmosphere of lyrical unreality and of terminological futility. Even the much-advertised Corporative State in Italy seems to be an afterthought, more or less incidental and little more than a clever publicity slogan, rather than the realisation of a preconceived idea. We must not forget, however, that it is just this lack of rational cohesion which, perhaps more than anything else, is characteristic of Fascism.¹ More than any other form of political radicalism, Fascism sails along with a minimum of intellectual freight—and is proud of it. Any interpretation of Fascism which fails to give due weight to this irrationalism misses one of the most important points. It is by its contempt for reason and by its preference for sentiment, incoherent ideas, prejudices and violent actions that Fascism reveals itself as a movement of the masses, thereby confirming the brilliant interpretation given by José Ortega y Gasset.² Once it has gained undisputed power, one of the principal means of upholding its authority is to suffocate any reawakening of critical and “dissecting” reasoning by monopolising the atmosphere with the same repetitionary propaganda of sentimentalised ideas that marks the ascent of Fascism and forms one of the most powerful weapons in Fascist (and also Communist) strategy. These remarks may seem rather a tactless digression into the field of politics, but it is not easy to see how to avoid them if a scientific understanding of the whole phenomenon is desired. It is obvious that by stressing this side of Fascism in general a good deal has also been said about Fascist Economics.

This point is in close relation to another of equal importance. The

¹ Besides the well-known books by Georges Sorel, *Le Bon*, and others, cf. R. Behrendt, “Psychologie et Sociologie du radicalisme politique,” *Revue des Sciences Politiques*, October-December, 1933.

² José Ortega y Gasset, *Der Aufstand der Massen*, Stuttgart-Berlin.

literature on the subject is abundant, but, on the whole, of little or no use for throwing light on the dark issue. One may go even farther, and say that there is to-day perhaps no other sort of literature containing so high a percentage of worthless trash. One of the main reasons for this deplorable state of affairs is the fact that Fascist Economics is a subject relating to countries where the liberty of scientific inquiry and discussion is severely restricted. Thus an essential cog-wheel in the elaborate machinery for arriving at the objective truth has been broken, and upon the "personal equation" of every author, which is in itself bad enough but is subject to correction by free discussion, is now superimposed a massive "national equation" which is much worse and, in the absence of free discussion, not subject to correction. A haze of officialism hovers over the country in question, making it extremely difficult to conduct scientific investigations into social and economic problems. For the same reason, a discussion on vital issues of politics or economics between economists of a Fascist country and those of liberal countries labours under the handicap of officialism and the irreducible "national equation" on the side of the Fascist economists and very often also of innocence on the side of the other economists, who seem to be unaware both of the officialism and the "national equation." The result is that, more often than not, an assembly of this kind degenerates into pure propaganda. For the purpose of illustration, one may well ask why, at the International Studies Conference in London (1933), where among other subjects the economic policy of Italy was discussed with Italian representatives, nobody questioned the face-value of affirmations about the Corporative State, asking bluntly whether such a thing as the much praised *Corporazione* existed at all.¹ In reading the proceedings, one cannot help thinking how refreshing it would have been if somebody had had the tactlessness to reveal the simple truth that, after four years of talking about the *Stato Corporativo*, the only *Corporazione* then in existence was—ironically enough—the *Corporazione degli Spettacoli*. It seems obvious that such a discrepancy between ideology and reality could not exist unless the apparatus for distilling the truth had been destroyed by the suppression of free discussion; even the admirer of Fascism has to concede as much. To look at the matter from another point of view, one has to consider that, in all international comparisons, Fascist Economics gets from the start an unfair advantage over Non-Fascist Economics by being unanimously praised by all economists of the Fascist country, while the economist of the Liberal country may still say about the economic system of his own country what he likes and, very frequently, derives great pleasure from abusing the rotten state at home in contrast with the earthly paradise depicted by his Fascist colleagues. It is only too natural that an atmosphere is thereby created which is very apt to lead careless observers astray. This is the reason why even the literature outside of the Fascist countries very seldom brings us real

¹ The proceedings (which, in other respects, are interesting enough) have been published under the title "The State and Economic Life" (Paris, 1934).

enlightenment. To take only one example, I mention the book by Dr. Einzig on *The Economic Foundations of Fascism*,¹ which, in its remarkable lack of critical sense and analytical insight, is quite representative of a whole class of literature and of the attitude taken by leading English newspapers. The deficiencies of Dr. Einzig's book are the more conspicuous since L. Rosenstock-Franck in his brilliant book, *L'économie corporative fasciste en doctrine et en fait*,² has recently shown what can be done, in spite of handicaps, if one takes the trouble to study the available documents with sufficient care. Even the existence of a large anti-fascist literature abroad is not of as much help as might be supposed. A conscientious investigator has to consult it, but there is no denying the fact that, on the whole, this literature is just as much a continuous monologue as the Fascist literature inside the country; both suffer from the lack of that real discussion which occurs only when thesis and anti-thesis meet each other on equal ground. It has to be observed, moreover, that, in the case of Italy at least, criticism of Fascism in general and of Fascist Economics in particular comes almost entirely from socialist quarters (largely of the Marxist brand), which seem to be set upon the task of denouncing Fascism as unmitigated Capitalism, and which therefore give expression to all kinds of distortions and misrepresentations.³ The same might be said of books like that by R. Palme Dutt on *Fascism and Social Revolution*,⁴ which, incidentally, is a good example of the attitude of "revolutionary" Socialism in England towards the phenomenon of Fascism.

II

The question now arises whether it is possible to deduce some definite principles of Fascist Economics from the inner nature of Fascism. There is a group which thinks it quite easy to do this by demonstrating that Fascism is nothing else than the plain fact that one social class is establishing by every means of violence and coercion its undisputed dominance over all other classes. In ascertaining this class one would find, as it were, the *locus* determining the political and economic trend of Fascism. The only question is how to ascertain this class, a question which gives rise to an entertaining but rather unavailing discussion. Is it the class of the capitalists? Or the middle class? Or perhaps a combination of the lower middle class and the upper layer of the proletariat?

Like the philosophy of Economic Materialism, to which it owes its

¹ Paul Einzig, *The Economic Foundations of Fascism*, 2nd ed., London, 1934.

² L. Rosenstock-Franck, *L'économie corporative fasciste en doctrine et en fait*, 2nd ed., Paris, 1934.

³ One of the leading groups of Italian anti-fascists is the movement, "Giustizia e Libertà," in Paris, which tries to combine a sort of economic socialism with political and cultural liberalism, demanding socialism in the name of liberty, evidently without having solved the difficulties arising from such a combination. In the same vein also is written the instructive book by Ignazio Silone, *Der Faschismus*, Zürich, 1934.

⁴ R. Palme Dutt, *Fascism and Social Revolution*, London, 1934.

origin, this reasoning about Fascism being at the bottom a class phenomenon sounds very attractive, since it gives the satisfaction of seeing through the ideological surface. That may be one of the reasons for the curious fact that this and similar survivals of the Marxian philosophy have deeply insinuated themselves into contemporary political philosophy.¹ As Benedetto Croce has recently shown with all the emphasis at his command, this conception of the dominant class is really not a very useful clue for political philosophy.² As there is a real heterogeneity between attending to particular economic interests and commanding the State, the idea of a politically dominant class is extremely misleading. "La vera classe dominante politica è la classe dirigente, coi suoi concetti religiosi, filosofici, morali, quali che siano" (Croce). This holds also true in the case of Fascism. The really ruling classes are the Fascists or, in the case of Germany, the National-Socialists, and nobody else.³ This statement is absolutely compatible with the obvious fact that the economic interests and sentiments of certain classes have previously been mobilised in order to help Fascism into power. It is obviously not true that the economic policy of the Fascist countries has been devised in the interests of a definite class, a fact which puzzles the advocates of the class theory and also those classes that helped Fascism into power, but is absolutely in harmony with the point of view here put forward. That is why so many discussions about Fascism seem so futile.

We arrive, then, at the conclusion that the structure of Fascism is much too complicated to fit into the patterns of Marxian or Semi-Marxian philosophy. Therefore, the question to be asked is not: What is the dominant class? but rather: What are the dominant ideas of the Fascists and the material obstacles they find in realising their ideas? That is the only possible way of getting anywhere, but when we come to set out the programme, the enormous difficulties of it are easily grasped. I believe, however, that even this is something. Going a step farther, we might say that while the dominant ideas of Fascism are a muddled set of rationalised sentiments and of sentimentalised conceptions, some order might be attained by distinguishing between the essential and the accessory ideas, the former being internationally uniform, the latter different from one Fascist country to another. These ideas are more or less interwoven, and if we also add that the obstacles to the realisation of the ideas are nationally different, it is really not to be wondered at that

¹ Among the more recent literature, the book by R. Niebuhr, *Reflections on the End of an Era* (New York, 1934), is a striking example. In this well-written and stimulating book, the author, being a theologian and a man of conservative religious convictions, presents Fascism as the desperate struggle for life of Capitalism and of the class that represents it. Starting from popular economic misconceptions (e.g. the "general glut" fallacy), he is totally condemning Capitalism and, by his own conclusions, also Fascism. In fighting at the same time against Liberalism (in its broadest sense), he is falling into the other Marxian error of conceiving liberty as a "bourgeois prejudice."

² Benedetto Croce, *Orientamenti*, 2nd ed., Milan, 1934, pp. 34-49.

³ This has been clearly demonstrated also by L. M. Lachmann, "Probleme des korporativen Staates," *Zeitschrift für die gesamte Staatswissenschaft*, April 1933.

Fascist Economics do not represent a fixed and clear-cut programme. What else can we expect from a combination with so many and largely elusive variables, where the leading ideas are of a nebulous character, easily changeable and interwoven, and where the obstacles they meet vary from place to place and from time to time? It has to be observed, however, that there is always a very natural tendency on the part of the Fascist government to do everything possible to create the impression, despite the wavering and hand-to-mouth character of its actual economic policy, that it is following the bold and well-defined course which it claims as the original invention of Fascism and as its contribution to world history. In order to achieve this, it likes to coin more or less pompous terms for rather trivial things and to relabel economic institutions without much changing their real character. There is no denying the fact, for instance, that the famous "Carta del Lavoro" of 1927 falls, in reality, rather short of the importance claimed for it. In its alleged revolutionary character it has been compared with the "droits de l'homme et du citoyen" of 1789, but in reality it contains, besides some vague statements about work being a social duty and so on, regulations concerning trade unions, labour courts and similar matters which, in other countries, one finds in unobtrusive corners of the statute books. As we shall see later, the same might be said of the Stato Corporativo, which has replaced the "Carta del Lavoro" as the *pièce de résistance* of Fascist publicity. Again, what is called in Germany "Ständischer Aufbau" is largely terminological in character, since it consists mainly in rebaptising the existing economic associations and replacing some of their directors by party men, though it must be conceded that the National-Socialist government has had the laudable frankness to stop this at an early date. Surveying this tendency, one might be tempted to call it, somewhat caustically, *terminological economic policy*. This revelation of its real character does not necessarily imply that it may not serve some useful purpose.¹ Very possibly it does, but that is obviously not the point here.

It must now be our task to name some of the general principles of Fascism which are likely to influence the trend of Fascist Economics. The first thing we can say in this respect is that Fascism is distinctly illiberal, in the sense of being decidedly totalitarian, or in other words, that it wants to subject every activity of the individual to the omnipotent State, as it were, with the ideal of the Termite State before its eyes.² So far there is no difference between Fascism and Communism. But Fascism differs from Communism in that, in accordance with the fundamental sentiments of those classes which helped it into power, it

¹ It must be noted, in justice towards Fascism, that the tendency indicated above is a time-honoured part of the art of governing. As a more recent example the purely terminological "socialisation" in Germany in 1919 has to be recalled here.

² Curiously enough, the rector of a large university in Germany has recently praised the Termite State as a model for the National-Socialist State, whether in earnest or not is not reported.

wants no revolutionary changes of the economic and social structure of society. This has a twofold consequence. While Communism has uncompromisingly extended its totalitarianism to the economic sphere, making every economic activity an activity directed and controlled by the State, Fascism wants to combine its general totalitarianism with the individualistic character of society. The result is interventionism plus collectivist phraseology. To describe more fully the type of an economic system characterising Fascism, one might say that the middle course which Fascism is steering between a competitive and a collectivist economy leads, in practice, to a heavily monopolistic-interventionist society adorned by terminological and phraseological ornaments, with an extensive governmental control of prices and capital investments and large "socialisation of losses," whereby the capitalistic institution of bankruptcy is, to some extent, replaced by concentration camps and Lipari Islands. Whether this is called the *Stato Corporativo* or "*völkische Wirtschaft*" is irrelevant, since the result is more or less the same. Evidently this is not a system to make everybody happy; the workers complain about its ruthlessly capitalistic character, while the industrialists and the farmers groan under regimentation and all-embracing bureaucracy, though the latter are prepared to put up with it, in the well- or ill-founded belief that the only practical alternative would be Communism. Thus a nice balance of power is reached which gives the necessary, though somewhat uncertain, equilibrium to the whole system. On the other hand—and this is the second consequence of the compromise, which, in contrast to Communism, is inherent in Fascism—powerful classes are left intact, and these remain as potential obstacles against any attempt at revolutionary economic changes. The industrialists, merchants, bankers and farmers must not be irritated so far as to make them feel that there is no longer any real difference between Fascism and Communism, while there is always a large proletarian and intellectual group which wants this difference diminished. How powerful some of these obstacles can be is proved by the notorious fact that neither in Italy nor in Germany has Fascism been able to tackle the problem of the feudal sector represented by the great rural estates. Finally, it must be observed that the monopolistic-interventionist economic system which is the result of all these conflicting forces has the double merit of being a job-providing system for the Fascist partisans, which is very important for Fascism as a mass movement, and of allowing the government to claim the economic successes for itself and its marvellous foresight and to heap all the blame for the economic shortcomings on the private entrepreneurs and the "liberalistic" principles they represent, while, in reality, just the opposite is more likely to be true.

As far as the economic relations with foreign countries are concerned, this monopolistic-interventionist system is nationalistic, as every economic system departing from Liberalism must be, since it emphasises the economic importance of the national boundary. This natural tendency is strengthened by the innate nationalistic sentiments which are another

essential part of Fascist ideology.¹ It is a notorious fact that Fascist nationalism is so intense as to lead to frank Bellicism; i.e. to a spirit placing preparedness for war and military considerations above everything. This is a point so important in every respect that something more must be said about it. Little of social and economic history can, indeed, be understood without due consideration of changes in the military system, from the times of feudalism down to the present day, so much so that a case could be made for a military philosophy of history. The latest phase of this is the democratisation of the military system everywhere which, in the last resort, means that war demands the "total mobilisation" of everything which constitutes, directly or indirectly, the military force of a nation. Whether we like it or not, actual developments are drifting mercilessly in this direction. War has ceased to be an affair of the armies alone, uniformed and more or less feudally constituted, and has become—as everything else—a matter of the masses of men and goods. Therewith, also, the sociological structure of the army has changed, even in Germany, where it was stripped of most of its feudal character in about 1917, when Ludendorff reorganised it radically. The military machine has become an up-to-date, capitalistically rationalised enterprise, with the officers as engineers. All this, which can here be touched upon only superficially, has far-reaching economic consequences which are nowhere fully recognised. As Fascism is most prone to subject everything to military considerations, so also are those economic consequences most conspicuous in the Fascist countries. The economic consequence most likely under these circumstances is the relentless militarisation of the whole national economy even in time of peace, that is to say, the tendency to shape the entire economic life of the nation in accordance with the requirements of "total mobilisation," and to establish a planned economy under military aspects.² Only in this way, it is

¹ It must be understood that the collectivist spirit is, in the long run, only a negative spirit, as it demands adversaries against whom public sentiment must be aroused. To mobilise the masses and to imbue them with an intensive "we"-consciousness, their hatred and fear must be directed against common foes inside and outside of the country. Inside the country Liberals, Marxists, Freemasons and, in Germany, the Jews, serve this purpose, and outside the country, the foreign world in general and some favourite enemy in particular. From this it is already clear that the structure of Fascist nationalism is a rather complicated one, since "horizontal" nationalism is interwoven with "vertical" nationalism, which means the end of the old liberal-democratic nationalism. In other words: if, by Fascist propaganda, things have progressed so far that people of the same political convictions, but of different countries, understand each other better than people of different political convictions but of the same country, the old conception of the nation is a thing of the past, and with it goes the old conception of patriotism which, after all, is the inheritance of the liberal-democratic era. In this connection, it is most interesting to note that, in the Fascist countries, sentiments against the "inner enemies" ("vertical nationalism") are commonly much stronger than those against the external enemies ("horizontal nationalism"). These are some aphoristic remarks which go far, perhaps, to explain why the economic nationalism of the Fascist countries is sometimes not as strong as might be expected.

² Recent German literature is particularly full of the type of reasoning outlined above. Already it has become almost impossible to give a complete bibliography of

thought, can the maximum of the "potential de guerre" be reached, and as this is declared a matter of life and death for the nation, recourse to planned economy seems unescapable. Economic Liberalism, consequently, would come into bitter conflict with the demands of national defence and be compelled to submit—honourably, but irrevocably, thereby testifying that Liberalism, in the end, is swallowed by its own children. This would be true at least as long as no effective way has been found to domesticate Mars. But must this whole reasoning be accepted, even supposing that war and "total mobilisation" have to be admitted? That soldiers are always inclined to apply the principles of military organisation to the organisation of the national economy seems only natural, although the structure of the two are entirely different, but it is quite another question whether this point of view is acceptable to an economist. The advocate of planned economy has no right to protest against the military type of planned economy, for he demands the replacement of the present economic system, governed, roughly speaking, by the democracy of the consumers, by an autocratically planned economy with an arbitrarily adopted plan imposed from above. He must therefore leave the choice of plan to politics where, economically speaking, one plan is just as good as another. But if we examine the reasons in favour of a military planned economy on their merits, we must come to the conclusion that there is really much less in them than appears at first sight. Of course, some kind of intervention is inevitable in order to bring the economic structure of a country into full harmony with its military needs, the scope of this intervention depending on the economic structure of the country in question. On the whole, however, the military argument contains nothing to disprove the fact, equally established by experience and reasoning, that the competitive "market economy" renders the maximum of satisfaction of all wants which present themselves on the market, including the wants of a military character represented on the market by the State as consumer. Even the governmental intervention which may seem inevitable here or there cannot be pursued too far without defeating its own purposes. It is impossible for a country to have, at the same time, the largest possible population and the qualitatively best, the largest possible industry and the greatest possible independence in food and raw materials, if this must be brought about by all kinds of governmental intervention. Too much

this literature. The main idea is expressed well, but with an almost charming naïveté, in the monthly magazine, *Widerstand* (October 1934), from which I take the following passages (quoted from the *Journal des Nations*, October 31st, 1934): "If it is clearly realised how decisive an advantage of a few days is in modern war, one understands the necessity to place, even in time of peace, every economic activity of a national territory under the direction of the State, unified, methodical and controlled by the military point of view. . . . The national economy must be organised on the same principles as the army proper. . . . The same reasons which, at the end of the Thirty Years War, induced the State to withdraw the business of war from the hands of the condottieri by establishing the army of the State, now force the State to take the same measures with regard to economic activity."

G

doctoring of the economic structure of a country is the surest way to make it less fit even for military purposes. All this is particularly pertinent in the case of Germany, the country where, at present, military anti-capitalism is being urged with the greatest vigour. To sum up, even if unrestricted armaments have to be accepted as something inevitable, economic Liberalism has no need to surrender. It is not to be marvelled at, however, that, in Fascist countries, there are writers who, going even further than the military planners, demand the militarisation of the whole society, though it will surprise those who have not followed his recent literary activity, to find a man like Werner Sombart in this group. In his latest book, *Deutscher Sozialismus*, he uses his unwearied and versatile pen to give voice to Bellicism of the wildest kind, cheerfully adopting a "war for the sake of war" attitude and demanding the valuation of everything on earth according to its military usefulness. It follows straight from Sombart's propositions that, in his ideal Sparta, a higher value must be attributed to a new poison-gas than to Goethe's *Faust* or to Mommsen's *Römische Geschichte*, or, for the matter of that, to Sombart's *Moderner Kapitalismus*. If Sombart, at the end of his academic career, has come to the final conclusion that his country must be turned into one large barrack-yard, it will be futile to argue with him and to tell him that he is demanding something inhuman. The point here is that this inhuman militarisation of the whole of society and the perversion of the natural order which it involves is certainly wrong even from the purely military point of view—for reasons which can be read in the immortal funeral speech of Pericles as it is handed down by Thucydides (*Historiæ*, Lib. II, pp. 37-45).

The Fascist tendency towards the militarisation of the national economy corresponds to a more general attitude of Fascist ideology. It is the attitude of philosophising about the alleged superiority of so-called political considerations over economic ones—"der Primat der Politik über die Wirtschaft" in the terminology of German literature—which is especially prolific in developing this idea and in vaguely philosophising about it. This lofty treatment of economic considerations sounds profoundly philosophical, and gives those who indulge in this haughty attitude (and who themselves, generally speaking, are not too badly off) the air of heroic despisers of bread-and-butter questions. But here again it is the unpleasant duty of the scientific critic tactlessly to interrupt the rhetorical fireworks with some prosaic remarks. First of all, the whole problem of which comes first, politics or economics, is itself a political one and can never be decided scientifically, since the science of Economics is not concerned with ends in themselves. The problem, therefore, implies a *petitio principii*. What the science of Economics can and must do, however, is to raise its voice whenever the system of ends imposed by the Fascist government is so irrational as to bring the different ends into conflict with each other, thus engendering results which are not desired by the government itself. This applies to all countries; the only significant difference between Fascist and

non-Fascist countries is the fact that, in the case of the former, the preference for certain ends is imposed by a government which does not ask for the consent of the people but endeavours to make propaganda for its own preference while, at the same time, it mercilessly silences not only any criticism of the ends chosen but also any criticism of the possible disharmony between the different ends, however much this may be a legitimate object of scientific analysis. Consequently, the "Primat der Politik über die Wirtschaft" more often than not is just another word to denote the privilege of dilettanti to ruin the national economy and to provide them with an alibi whenever their efforts to augment the much despised bread and butter have failed. In other words: Fascist Economics is running on two tracks: as far as possible, the attempt is made to claim for Fascist Economics that it results in a superior economic system, but, whenever it becomes too obvious that it is a road to privation rather than to plenty, the higher Fascist Ethics in putting political goals above economic ones are praised. To complete the number of inconsistencies, Fascism combines this idea of the primacy of politics over economics with the idea of the Corporative State, i.e. of a State the structural principle of which is economic and not political. For whatever the Corporative State is, its meaning cannot be demarcation, but permeation, of politics and economics, while it is the very essence of the liberal-democratic system (with its parties, its parliament and the corresponding ideologies) to organise the State, as far as possible, after other principles than naked economic interests. I shall deal with this question at greater length in the next section, where the special forms of Fascist Economics in Italy and in Germany will be discussed, with particular regard to the recent literature on this subject.

III

As is well known and as has been mentioned on several occasions in this article, the Italian government has made the Stato Corporativo the centre of the discussion about the economic system in Italy. The propaganda made around this magic word has been so intensive that almost the whole world takes it for granted that it is not only a word, but a real thing of the utmost importance, which might be imitated by any other country seeking a way out of the present economic crisis. The uncritical sense with which this view has been accepted is not altogether to the credit of the intellectual level of our times, the less so since until very recently the subject of the discussion, i.e. the Corporazioni, did not exist at all. Many critics of the Stato Corporativo have contented themselves, indeed, with ridiculing this palpable gap between theory and reality,¹ but this attitude is obviously very unsatisfactory, if only for the

¹ I. Silone (*Der Faschismus*, Zürich, 1934), e.g. declares flatly: "Rundum wird vorgeschlagen, dieses korporative italienische System zu adoptieren. Und dabei existieren in Italien die Korporationen überhaupt nicht. Ich kann sie nicht beurteilen, ich kann den Leser nicht über sie informieren—sie sind einfach nicht" (p. 227).

fact that several months ago twenty-two Corporazioni were at last created. There *are* now institutions which the Italian Government calls Corporazioni, and it must be our task to find out what they mean and how far they constitute the Stato Corporativo. In this respect, no real progress can be made until a grave confusion of ideas pervading the whole discussion about the Corporative State has been cleared up.¹ If we compare the real character both of Fascism and Corporativism (in its broad and traditional sense of a system of economic self-government of the large groups of professions and industries after the medieval corporations) we cannot get away from the conclusion that these two systems can hardly go together. They are, indeed, so incompatible with each other that Corporativism under Fascism must mean something quite different from the traditional and legitimate sense of this word and from what a great part of those who are speaking of "Corporative State" and "Ständestaat" seem to have in view, i.e. a State the *structural principle* of which is the Corporation. It would be preposterous to assume that the Fascist State would be willing to yield a single atom of its Absolutism to really autonomous Corporations. The Italian Government certainly did nothing of the kind in creating the Corporazioni. As a careful study of the legal foundations of the Corporazioni shows, every care has been taken to get all possible activities of the Corporations under the strictest control of the State.² It is obvious, then, that in the case of a Fascist country it is quite inappropriate to speak of a Corporative State, since it is not the State that is "Corporativo" but the Corporation that is "Statale." It would be wrong, however, to dismiss the whole Stato Corporativo as mere window-dressing. It is certainly more than that, and perhaps we are coming nearest to the truth if we interpret the Stato Corporativo as a huge Fascist institution serving three purposes. First of all, it serves the *political* purpose of organising the national economy in such a way as to facilitate its control and permeation by the Fascist Government. So far, the Stato Corporativo is nothing else than a useful device of the technique of political domination, and I am not sure whether this is not its main purpose. It cannot be denied, however, that though the autonomous character of the medieval corporations is totally absent, the Corporativism of Fascism contains another element of the medieval corporativism which points to the *economic* import of the Stato Corporativo. What I have in mind is the tendency, inherent in every corporativism, to lay all sorts of restrictions on the competitive character of the economic society by a sort of universal cartellisation, enforced and

¹ For this purpose the following books are rather helpful: E. Böhler, *Korporative Wirtschaft*, Zürich, 1934; L. Rosenstock-Franck, *L'économie corporative fasciste en doctrine et en fait*, 2nd ed., Paris, 1934; L. St. Kosier, *Staat und Wirtschaft, Das Problem der berufsständischen Repräsentation*, 3rd ed., Vienna, 1935. These books are the only islands I have sighted amidst the majestic ocean of confusion.

² The comparison with the position of the guilds and corporations during the period of Mercantilism suggests itself. The Absolutism of that period could not endure the existence of autonomous corporations and turned them, therefore, into simple organs of its totalitarian system.

directed by the State, the most powerful means to this end being perhaps the strict control of new investments in the several fields of industrial activity (a sort of *numerus clausus* principle). The economic ossification brought about by this policy is exactly what producers all over the world seem to be clamouring for at the moment and what those who are incessantly decrying the competitive character of our economic system seem to regard as a consummation devoutly to be wished. It is perhaps just this that is at the bottom of the world-wide popularity of the idea of Corporativism. It has already been pointed out that the name of this system is, except for publicity purposes, absolutely irrelevant; the economic policy of the Third Reich amounts, for all practical purposes, to the same thing, and even the motley fabric of the New Deal shows a strong thread of this striking colour. In contemporary Italian literature, it has been the great merit of Professor Einaudi to direct attention to this danger of what he calls with an untranslatable term "trincerismo economico."¹

Leaving the question of the economic significance of the Stato Corporativo, we now come to its *third* function, which we may call its *social function*, since it concerns relations between employers and employees and all the questions connected therewith. All the well-known facts about the prohibition of strikes and lock-outs, Fascist Syndicates, labour courts and other items have to be mentioned in this connection. In this respect, the Stato Corporativo is just another name for all these facts and for the regimentative character of the Fascist social policy. To discuss the economic consequences of this policy, however, would lead beyond the limited bounds of this article.

It seems that these are the real reasons why the Italian Government has adopted the Corporativismo as the special form for the monopolistic-interventionist policy which is more and more carrying the day in all countries. Several Italian writers claim that this form is superior to the form adopted in non-Fascist countries, but it is extremely doubtful whether this claim is justified. In this connection, the merits of Fascism as an authoritarian political system and those of Corporativism must be clearly distinguished. There cannot be any doubt, of course, that a strong, independent and authoritarian government, with a clear insight into the real mechanism of our economic system, could do much to put an end to the present pitiful state where the economic policy of a country is little short of a resultant of the private economic interests as determinants, and to restore the position of the State as Umpire instead of the State as Spoil. It is difficult, however, to detect any symptoms of

¹ I. Einaudi, "Trincee economiche e corporativismo," *La Riforma Sociale* (Turin), November-December 1933, and also in another article "La corporazione aperta," in the same periodical, March-April 1934. That even Italy—and perhaps that country with its glorious tradition in the science of Economics more than many other countries—has still advocates of sober economic reasoning is also shown by the example of Attilio Cabiati (cf. his recent book, *Crisi del Liberismo o errori di uomini?* Turin, 1934). Many enthusiasts of Antiliberal Economics would do well to consult these authors.

the alleged superiority of the Italian economic policy and to escape the impression that it is on the average no worse and no better than the economic policy of most other countries in these days, all the propaganda to the contrary notwithstanding.¹ The influence of vested interests in Italy seems to be even stronger than in many "demo-liberal" countries, which proves, after all, the eternal truth of the famous saying of Cavour: "Je préfère la pire des Chambres à la meilleure des antichambres." But even if this were not so, it would not be the merit of Corporativism but of Fascism. On the contrary, the more Corporativism is genuine, the more it is characterised by a real autonomy of the corporations, the greater will be the danger that the economic policy will be influenced by private interests. That is what so many well-meaning advocates of the Corporative State (in the proper sense, indicated above) do not seem to realise.²

Most of what has so far been said about Fascist Economics in general and much of what has been said about Italian Fascist Economics in particular applies also to the case of *National-Socialist Germany*. It is, therefore, necessary to add little in order to complete our survey in this direction, particularly since some peculiarities of the German case have already been discussed. To begin with, the romantic streak is here much stronger than in Italy, where romanticism is more confined to the political sphere. One of the dominant elements of the economic ideology in Germany to-day is a strong feeling of reaction against urbanism and technicism, a sort of nostalgia for greater simplicity and spontaneity in economic life, rather on the lines on which G. K. Chesterton has preached in England. The slogan "blood and soil" which is so popular nowadays in Germany reflects this attitude. One has only to point to the agrarian policy of the Third Reich, especially to the Reichserbhofgesetz,³ in order to illustrate the practical outcome of this "blood and soil" attitude. The autarchistic development in Germany which, in spite of all assertions to the contrary, is the result of deliberate policy rather than the inevitable effect of uncontrollable forces, belongs to this same class.⁴ So does the whole literature about the "Ständestaat." This is not the

¹ The material is well assembled in the book by L. Rosenstock-Franck, *op. cit.* Cf. also his article "Le corporatisme fasciste" in the periodical *Esprit* (Paris), Nos. 23-4, 1934. In Rosenstock's book one finds also an instructive discussion of the attempts of several Italian writers to develop a Corporativist economic doctrine.

² In this connection, it has to be recalled that, in modern times, Walther Rathenau (*Die neue Wirtschaft*, Berlin, 1918) has been the first to put forward the idea of Corporativism, and that the seed sown by him (and by Wissel and Moellendorf) came up, in 1919, in the several autonomous economic bodies in Germany. The experiences made with these bodies have been so deterrent that they should kill all naïvetés of the contemporary enthusiasts for the "Ständestaat."

³ It is the main object of this law to subject practically every German farm, for succession and for alienation, to the principle of the English entail. The abrupt and red-tape manner in which traditions and sentiments of more than a thousand years have been overthrown by this law (to the greatest discontent of the farmers) is a good example of the contradiction between economic romanticism and the rationalistic and authoritative way of imposing it.

⁴ Cf. W. Röpke, *German Commercial Policy*, London, 1934.

appropriate place to discuss the merits or demerits of economic romanticism. We may feel great sympathy for it or ridicule it. The point, however, which is important in this connection is the plain fact that it is in the centre of innumerable confusions and contradictions. The first contradiction is the apparent conflict between a romantic economic policy and an economic policy which aims at maximising production or even at keeping up a humanly bearable standard of living. Another grave contradiction becomes obvious when one considers that political absolutism and totalitarianism—the epithets of Fascism and National-Socialism—are absolutely incompatible with that spontaneity which economic romanticism is driving at. The climax of confusion is reached when the very men who are indefatigable in attacking—rightly or wrongly—the rationalistic and mechanistic character of industrialism and urbanism of our times are wallowing in schemes for economic planning, organisation and regimentation. This is one of the numerous reasons which make, e.g., Werner Sombart's *Deutscher Sozialismus* so unreadable. Almost all German books on the "Ständestaat" also suffer from the same confusion, even those by Othmar Spann in Vienna and his followers (Andreae, Heinrich and others), though one would expect that their catholic tendencies would make them more immune from sinning against the inner nature of their real programme, which demands spontaneity and multifariousness instead of rationalistic centralisation and pagan totalitarianism.¹

Another thing is much more striking in Germany than in Italy. There is a pathetic contrast between the vigour with which the Old ("Liberal") Economics are decried by the new set of economists and the exceedingly poor crop of new or even newly polished ideas which are to constitute the New Economics. In the last two years, no book and no article of any importance or originality has been written by any of the New Economists, to say nothing of authors outside the Universities. It serves really no purpose to name even a few titles and authors and to subject them to a critical analysis, and there is not much hope that the world will ever get much enlightenment on the pressing problems of our science from this quarter. Almost everything that is presented as something new and revolutionary reveals itself, on closer inspection, as old wine in new bottles with eye-catching labels. If one reads, for instance, that, in the new conception of Economics, the capitalists are to be

¹ As a recent example I would refer to the book by Walter Heinrich, *Die soziale Frage, ihre Entstehung in der individualistischen und ihre Lösung in der ständischen Ordnung*, Jena, 1934, which gives a good idea of the view of this school. In the book of another member of this school (Wilhelm Andreae, *Kapitalismus, Bolschewismus, Faschismus*, Jena, 1933), one finds a passage referring to the contradiction indicated above (p. 186), but the author dismisses it lightly. In order to realise the contrast between Fascism and the Economics of modern Catholicism one has to consult the very important Encyclical of Pope Pius XI, "Quadragesimo anno" (1929), which is the spiritual basis of the present economic and political reform in Austria. Cf. also the interesting collection of papers by leading Austrian authorities "Der katholische Staatsgedanke," Vienna, 1934.

considered only as trustees of society and that the principle of service (“Leistungsprinzip”) is henceforward to dominate economic life, one really wonders whether the authors have ever read Adam Smith. It seems safe to finish this article with the conclusion that Fascist Economics has nothing new to offer, either in practice or in theory. The present position of our economic system is certainly untenable, but the alleged alternative which Fascist Economics seems to present is no real alternative at all. May it not be high time to reflect whether the restoration of liberty, resilience and spontaneity of economic life would not be, after all, the most reasonable way out of the present impasse, provided it is not the restoration of an historical period, with all its errors, inconsistencies and even follies, but the restoration of principles based on eternal ideals ?