

taining equilibrium, supporting the weak points of industry, securing a constant flow of capital through foreign loans or pump-priming, supervising the capital market and foreign trade, and preventing the emigration of capital. Totalitarian authors ascribed the prosperity of this period to the so-called "moral renovation", to the absence of class struggle, the control of foreign trade and the encouragement given to capital. Anti-totalitarian authors also emphasized the efficient control of consumption through the regulation of markets and prices. We shall see that the economic policy of this period resembled the mercantile system or "geschlossener Handelstaat".

This period ended with the periodic economic crisis. Enter the third stage. From now on the totalitarian party-state felt obliged to save the economy from disaster by the following methods: taking over the losses and preventing new ones, keeping employment up, splitting the general crisis into a series of partial ones, and overcoming economic congestions by shifting consumption to newly created outlets. The growing pressure that arose from the collapsing equilibrium led to ever-more-complicating and haphazard constructions, which, in turn, instantly called for new measures of planning and control.

This third stage was generally described as "autarchy" or "Wehrwirtschaft". It implied a considerable amount of "planning", state intervention and nationalization of business corporations. Mechanisms of control, originally conceived as temporary, were systematized and made difficult to repeal. Production was shifted from marketable commodities to substitutes and armaments. Amortization was shifted from individual business to the whole of industry.

The "radical" totalitarians emerged once more. Theorists of etatism and all-around corporatism occupied important posts. Totalitarian apologists announced that the "second revolution" had come and that the Chief had resolved to set up a new economic system and abolish capitalism for good. Socialist critics denounced the new system as "state capitalism", the worst of all class societies, and liberal critics regarded the new system as "inverted bolshevism".

The new equilibrium, however, proved to be less steady the more the new corporations merged into the capitalist nexus. The crisis, prevented from breaking out and destroying unsound parts of the economic structure, became latent. All parts of the economy became more or less afflicted with excessive investments, artificial planning and pooling and participation in national losses. All outlets on the home market became glutted in accordance with the laws which govern capitalist economy.

The totalitarian state had to decide, then, whether it wanted to transform the "economy of national defense" into a complete war economy (which in the end was impossible without actually going to war) or whether to abolish all the laws of capitalist economy. There was no other way for a dictatorship since a return to economic liberalism would precipitate a

crisis. The totalitarian countries found imperialism the easier outlet and they declared war on foreign rather than on home capitalism, i. e., they shifted the internal crisis to international affairs.

This period lasted two years in Italy, from the Matteotti crisis of 1924 — which established the totalitarian regime — to the Farinacci crisis. In Germany it covered only fifteen months — from the Reichstag fire in 1933 to the Roehm purge.

The second period covered the years of prosperity: in Italy 1925-31; in Germany 1934-36. Economically, this was a period of inflation in Germany. In Italy a policy of harsh deflation — particularly of wages — was combined with encouragement to foreign investments in Italian industry.

As a result of the world crisis, foreign capital investment was discontinued in Italy. The crisis that followed and the threat of crisis in Germany after the technical means of pump-priming had been exhausted, led to a complete reversal in the traditional attitude of the totalitarian politicians towards economy. The ensuing "period of economic revolution" lasted in Italy through the Ethiopian war and sanctions, and until 1938 in Germany.

The economic system that has obtained since then in the totalitarian states has been described as "war economy". We shall see whether this meant a capitalist system distorted by the necessities of war or a system whose functioning was entirely determined by the war.

II.

The "syndicalist" or "corporate" stage of totalitarian economy was characterized by the establishment of class organizations which waged continuous class war against each other and which tried, with more or less success, to wrest the state power from others, to lay hold on as much political power as possible and to realize economic aims through political means. In this class struggle the state used its mediatory power in an arbitrary and despotic manner.

In Italy the Marxist trade unions were dissolved, but the first fascist "syndicates", which included employers and employees in one organization, proved unmanageable. Independent workers' unions under fascist leaders were established and their chief, Rossoni, attacked the government's financial policy. In Germany the semi-official Nazi shop stewards continually pressed their demands on the official "German Labor Front". The struggle for the often postponed elections of the shop stewards was a main issue in German politics. The "old militants" of the Nazi organizations got busy in the economic sphere as soon as they tired of book-burning, Jew-baiting and Marxist-killing. Storm Troopers often turned to "direct-action" against refractory employers or landlords.

At the same time the Peasants' Estate, the League for the Defense of the Middle Classes, the Estate of Industry, etc., were no sooner called

into being that they began to "snatch all the covers" of state protection. Each wanted to create a monopoly for its own products and to exclude the others from participating in the national cartels. The peasants and the middle classes obtained favorable regulations of investments, prices and markets. Their goal of social security was temporarily satisfied; and the unemployed were given something to do, though not remunerative jobs.

The economic and financial policy remained, however, in the hands of liberal businessmen or officials — Stefani in Italy, Schmitz and Hugenberg in Germany: men hostile to any interference on the part of the state in business operations. To them the state's job was to root out "Marxism", keep the demands of the middle class within the bounds of National Renovation, protect industry with tariffs and real estate with subsidies. A careful perusal of the laws and decrees in the economic field during this period shows that their common aim was to drain the greatest amount of ready money into the pockets of big industry — with the sole exception of the measures aimed at securing jobs for Nazi partisans.

The failure of the totalitarian governments to secure social security for the middle classes led to extremist revolts — the preparations for the second "March on Rome" and the Roehm conspiracy. Both were crushed. At the same time the totalitarian parties took the opportunity to smash the old conservative parties and to free themselves from any outside interference with the political machines they had set up. The totalitarian states came out of these crises with considerable increases in homogeneity, efficiency, independence and power, but they deliberately renounced direct intercession in economy and steered clear of using it as a means of class struggle.

III.

In the prosperity period, the radical totalitarian partisans were replaced as shapers of economic policy by the pre-totalitarian leaders. Rossoni was not heard from for a long time, fascist shop stewards were abolished, shop stewards were not re-elected in Germany and the Nazi shop cells disappeared from the scene of social politics. At the same time that the theory of corporations was exalted to the sky, Bottai, the main theorist of corporatism, was relegated to a mock Ministry of Corporations which was not allowed to create corporations. Up to 1932 there was only one corporation — that of the Theater. In the meantime the famous *Carte del Lavoro* was elaborated by moderate-conservative jurists like Rocco, and the Ministry of Finance was given to the business man Jung.

In Germany Schacht was made Minister of Trade. Goerdeler was recalled to the post which he had occupied at the time of Brüning's chancellorship. As Commissar for the Control of Prices he had more power than Dr. Darré the leader of the Peasants' Estate and Minister of Agriculture. Dr. Trendelenburg, Minister of Commerce in the Weimar Republic was nominated president of the Estate of Industry in place of the Nazi ideologues who had applied for or held this position.

In Germany as in Italy financial policy became liberal or conservative according to circumstances, but never totalitarian. Northern Italy was industrialized and electrified with the help of English and American capitalists. Germany amazed the world by the sweeping success of its unhampered capitalistic policy of re-employment through re-armament, state loan expenditure, and inflation combined with rigorous control of foreign exchange and foreign trade, protective tariffs, prohibitive control of imports, dumping, subsidies, export-stimulating clearing agreements, liberal taxation combined with tax bonuses for investment, and last but not least, freedom to form cartels, trusts, pools, and coercive cartels (which established the domination of the business branches of the big business corporations). All these measures increased profits, encouraged investment, and kept consumption down. All these measures may be found in any handbook of German mercantalism from List to Schacht or in any list of requirements drawn up by industrialists during the days of the Weimar Republic. The much decried "Banking Enquete" ended in Germany with a rather helpless and regretful "report" which did not lead to anything approaching the state control that the Nazi radicals wanted. Business maintained its legal representations through chambers of commerce to the exclusion of corporations, Nazi organizations and state-created institutions.

IV.

By 1932 the crisis really broke out in Italy as soon as the influx of foreign capital was discontinued, and exports of the over-capitalized and hypertrophic industry of durable goods slackened. In Germany there was the same phenomenon of over-capitalization and over-investment in durable goods though here it was only felt as an increasing strain on economic policy. Neither country had created home markets for the consumer goods industry during the time of prosperity. Retail trade lagged far behind the sweeping growth of capital goods, and had actually not reached the level of former prosperity phases. In Italy the state had to take over 80% of the total industrial shares in order to prevent a wholesale bankruptcy of Italian industry. The state became practically the master of industry as the taking over was done through the state banks. In Germany, on the contrary, the state financed the industrial "miracle" by means of special bills which had been "pressed into the hands of business", as the official "Institut fuer Konjunkturforschung" admitted in one of its "Reports". Twice before Germany had experienced an increase in unemployment as soon as the printing of currency had been discontinued. Schacht and Wageman rather frankly expressed the fear that further inflation would lead to general disaster. A well-documented paper which circulated in industrial quarters at the end of 1936 stated that "investments made since 1933 must be written off entirely as they are irrational and cannot yield profit under normal conditions". The result was that business treasuries were uneasy in the midst of plenty and felt themselves at the mercy of the state.

There were social differences corresponding to these economic differences. In Italy fascist and business "society" had already merged into one by 1932. In Germany, however, the National Socialist Party faced a strong bourgeois and Reichwehr opposition through 1936 and kept their "Fuehrerkaders" separate from a "society" which did not respect them.

Opposite causes had similar results in the climate of totalitarian economic policy. The state had to find profitable employment for the hypertrophic capital structure for which it was responsible in one way or another, and of which it was in charge, however involuntarily. Contrary to the legend of liberal critics the totalitarian state, far from carrying through a policy of nationalization, decided to create economic conditions in which unprofitable investments became profitable.

This was the self-styled "anti-capitalist" move or "second revolution" of the totalitarian parties. The "old militants" re-appeared: Rossoni replaced Rocco, and Bottai was given the important post of Governor of Rome. Goering, Wagner, Kepler replaced Goerdeler and Trendelenburg. New posts were created for Nazi partisans. Autarchy was declared to be the "task" of industry, and the Four-Year Plan was announced at the Party Congress to the amazement of Dr. Schacht who had advised against it. Interference with business was systematized and legally established during this time. Goering was given discretionary powers to issue compulsory regulations. At the same time important shifts were effected in property and management; party officials stepped in and acquired seats in the boards of joint stock companies, created new holding companies and trusts (Herman Goering Werke, the Italian State Banks). A considerable legislative output swelled the volumes of the Official Gazette and the Commercial Codes.

To create the new conditions of autarchy took considerable time. In Italy the struggle between the old and new principles continued through the Ethiopian War. Sanctions, though they did not create autarchy, helped Mussolini to persuade the nation of its necessity. Not until the end of the war, however, was the complete system of the new corporations (which, as we shall see, have nothing in common with the original idea of corporative "Estates") legally set up. In Germany a year and half passed before Dr. Funk replaced Schacht as Minister of Finance and another year before he also became President of the Reichsbank.

V.

Technically, financially, and economically, the new stage was not characterized either by the increased number of bureaucratic regulations — which were only its consequence — or by the increased participation of government employees in business, a situation whose social significance will be discussed at once but which was incidental, economically speaking. Rather the new stage was characterized by

1.) The replacement of public works by the production of "substitutes".

2) The replacement of pump-priming, inflationary methods by methods that forced, and enabled, industry to make self-liquidating investments.
3) The replacement of state interference with particular marketing conditions through the creation of new general conditions of capital expansion on the home market.

Whereas over-produced capital had actually to be destroyed in the second period and wasted in the form of armaments, roads, unprofitable equipment, etc., the third period saw the creation of innumerable new industries whose work was artificially rendered profitable. There was no increased satisfaction of the nation's needs, however, and the profits so made were turned to a further production of armaments.

The boundaries of capitalist expansion were thus widened, not by opening new markets and increasing the efficiency of satisfying existing demands, but by the creation of new detours of production and the limitation of the sources of satisfaction. Full employment was maintained by adding to the industrial pyramid rather than by enlarging the basis of production. It is obvious that this involved widespread reorganization of the capital structure and business machine, as well as the formation of new trusts, the abolition of old ones, and continuous modification and adaptation of the technical and managerial machine.

This rebuilding of the business organization involved changes in the social composition of the managing and supervising personnel. On the one hand party officials availed themselves of the chance to acquire both property and key positions in industry. They willingly amalgamated with the former ruling class. On the other hand, representatives of the old business class were called upon to sit on the boards of planning and supervision. Goering became the largest industrialist in Germany, and Agnelli, the owner of the largest mining and industrial plants in Italy, became the dictator of Italian economic policy. Party officials, military leaders, and big business managers virtually merged into one class.

VI.

In the second stage of totalitarian economy the state had tried to steer clear of economy and to interfere only in case of necessity. But it nevertheless had become involved in an ever-growing and increasingly complicated network of bureaucratic regulations. In the third stage it abandoned its aloofness — a feature which has caused superficial critics to define the system as one of "State Capitalism".

This much-misused phrase, State Capitalism, may mean one of three things to those who use it: 1.) That a certain amount of private business is done by the state or taken over by it within the framework of capitalism. Thus defined, state capitalism does not appear as a new system. 2.) That the state controls so great a percentage of industry that there is practically a general state monopoly which does business without any regard for profit.

This is certainly not true of Germany or Italy. It has been the principle of both fascists and national socialists to turn back into private hands as many business corporations as possible after the crisis was over, and to make it possible for all entrepreneurs — whether private, or corporate, or public institutions — to earn profits. 3) That the state controls the flow of capital, of demand and supply, and leaves to entrepreneurial activity only the execution of its demands. This is more than a definition in that such a proposition would not only describe the actual control that is being exercised but would also imply or suggest the idea that the aims of the state could be artificially imposed upon production and thus actually be carried out through a decree of the government. The feasibility of this is to be questioned, however. Neither is the state free to decide the tasks to be performed by production nor are its decisions carried out in actual fact. A system in which the decisions of the state were not determined by any but technical reasons and production were carried through regardless of profits might be called State Socialism, although such a definition would not take into account the generally accepted definition of socialism as an economy controlled by consumer needs. A system in which consumption itself has to be "controlled" cannot, however, be called State Socialism.

The economic policy of the totalitarian state might be described as widening or narrowing the "environmental conditions" of national production so as to maintain "full employment" in a profit-earning industry. As equilibrium in such an economy would be unstable, the regulations would have to be changed continually. Regulations that concern general conditions would call forth new regulations that concerned the technical and economic "tasks" of industry, and vice-versa, ad infinitum.

Thus in the totalitarian state the laws which governed capitalist production continue to be in force, but the symptoms by which they were felt will now be reversed. What might have appeared as price fluctuations in a free capitalist system will appear in the totalitarian state as fluctuations in industrial organization. What used to appear as disproportionalities of capital now appear as lack of proportion in technical equipment, raw material and supply of labor. Instead of adjusting supply to demand, demand is now adjusted to supply.

It is obvious that unless the natural sources of national wealth were to be wasted in wholesale fashion (at the expense of the national defense program and other implements of totalitarian regimes), the expansion thus created could not exceed certain limits. Contradictions between the various systems of regulations were bound to arise. The only outlet that remained was imperialist expansion. What appeared as Wehrwirtschaft was, therefore, from the outset an investment in the business of national imperialist expansion. The distortions brought about by the creation of such an ever-grown field of investment must invariably increase the strain of the existing disproportions, yet they are offset by the successes of the expansion program. As the disproportions grew larger and larger, however, the field

of expansion, too, had to grow larger at an ever-increasing rate. The necessary consequence was war.

War economy was not, therefore, the necessary consequence of a controlled economy in the way that sanctions were the accepted consequence of the decision to embark on a program of autarchy. War economy was a new feature that grew out of the decision to switch policies when the "natural" and intrinsic sources of inward and outward expansion were exhausted. It implied a return to the pump-priming methods of the second period and called for a new set of bureaucratic controls which were mainly concerned with limitations of consumption.

VII.

Schematically we find, therefore, four periods and two transitions: 1.) the introductory stage of experiments and class struggles where the state was used for different economic ends first by one class and then by another; 2.) the stage of "Keynesian economy" where mercantalism was combined with public works and pump-priming; the state deliberately refrained from direct economic activity; 3.) a period of "revolution"; a.) the state took over a certain amount of business which subsequently returned to private entrepreneurs; b.) the state enlarged and systematized the field of planning and control; c.) the state and entrepreneurial class merged. 4.) the stage of "conditioning measures" when autarchy led to the creation of "inner expansion" and reconstruction; 5) the transitional stage of imperialist expansion; 6.) a final return to "war economy".

The system which has finally emerged from these developments reveals characteristics of all the various stages. This system is a "corporate community" in that state and party officials share in property and managerial functions. It is a "Keynesian economy" in that the state is the greatest consumer, and pyramid-building represents a considerable percentage of national output. It is "war economy" in that the problems of autarchy and of establishing new large-scale industries are resolved with the help of the state. It is a capitalism based on "conditioning measures" in so far as its development and expansion, as well as the forms and symptoms under which the abstract laws of capitalist economy are allowed to become manifest, are determined by state intervention and the monopolistic agreements of corporations.

From another point of view the totalitarian system as we know it today may also be called "managerial capitalism", since the decisions dictated by technical and economic considerations are no longer hampered by the rights of ownership and title holders. Yet it should be emphasized — speaking of "managers" — that the true technical directors have nowhere acquired the disposing power of technocrats; the real power rests mainly with economic and business managers.

The new system might also be called "managed capitalism" or a "political capitalism" for the reason that behind the efficiency of the system lies the merger of political with economic power on a national scale. One may also speak of "abstract" or "totalitarian" capitalism because of the fact that the economic laws of capitalism control the economic developments of the system without any interference from such "faux frais" as capitalists and holders of rent-income.

Finally, it may be called "pure capitalism" because profit is entirely transformed into rent and no longer determines the rate of investment and accumulation. The true law of capitalist accumulation is rising to the surface of economic development: the proportions of the "schemata" (as developed in the second volume of Marx's *Capital*, in Rosa Luxemburg's *Accumulation of Capital*, and Hilferding's *Financecapital*), that is, the pure necessity of expansion, the law of declining profit rates, the law of concentration, the increasingly higher organic composition of capital — these govern the policies of the big corporations and the state's "planning" departments.

But why quarrel about names? Political reasons might even militate in favor of calling the system a "state economy" in order to emphasize its political rather than its economic characteristics. And now after roughly tracing the origin of the system a scientific analysis should describe its functioning, its working and its tendencies. This will be done in a second article.

H. Bruggers

TWO MEN IN A BOAT — NOT TO SPEAK OF THE EIGHT POINTS

If God is a great mathematician as some scientists believe, our lesser gods seem to be engaged in a sort of numbers game. Wilson had his 14 Points, a relatively high number compared with the 8 Points (plus two on the sly) of Churchill and Roosevelt. The oft-bewailed deterioration of the intellect seems now to be a fact; today it takes two men to count up to eight. But the superiority of the free spirit of democracy over the dark forces of fascism is still assured, for in their counter-declaration Hitler and Mussolini were able to count up to only four. This modesty, however, might be explained by the fascist leaders' inability to overcome their "proletarian" past.

Like all meetings of statesmen the Churchill-Roosevelt Conference served two purposes: to decide first what to do and second what to say. The first decision of course has nothing to do with the second. As far as the public is concerned the meeting was a mere propaganda stunt. Real pacts are not publicized. What is published is what the authors of pacts want other people

to understand. The Eight Points of Roosevelt and Churchill are utterly meaningless save as a renewed declaration of war on the Nazis. They are also meant to suggest to those nations not as yet actively engaged in fighting, or still pondering the question of whether or not to line up with Germany, to think twice in the face of Anglo-American determination to see the war through to a victorious end.

In order better to understand the full implication of the Roosevelt-Churchill meeting, it might be well to review the events of the recent past. The Anglo-American bloc has lost two great battles, one in France, the other in the Balkans. Notwithstanding the relatively easy victory in France, Hitler was not able to follow through with an invasion of England. Whether or not this was an "error of necessity" we do not know. At any rate the war continued. With the end of the Balkan campaign almost the whole of Europe was in the hands of the Germans. The *Blitzkrieg* proved itself even in the difficult terrain of Yugoslavia and Greece. In fact, the rapidity of the German advance surprised Hitler himself. The day his battalions began to march he pointed out that the going would be difficult and that such surprises as occurred on the Western front should not be expected. Yet all was over in about three weeks.

After the Debacle

The more optimistic Allied spokesmen had hoped that the Balkan campaign would become the turning point of the whole war. Forced to fight on "two fronts," Germany would be in a position similar to that in the first world war. Though it was difficult to recognize a "second front" in the sea and air activity against England and in the engagement of small forces in Lybia, careless commentators nevertheless predicted a German defeat. The Balkan front was considered a bridge-head from which the invasion of Germany could finally be launched. Only after the debacle was it said that the whole affair was after all of small importance, merely a question of the salvation of the Yugoslav soul, the Greek tradition and the honor of England. The battle of the Atlantic again became the "really decisive one" and it was pointed out that Hitler's "seven league boots are not watertight."

More cautious politicians among the Allies expected the campaign in the Balkans to last several months at least. Undoubtedly they had been encouraged by the Italian difficulties in the Greek campaign. But it was the precariousness of the Allied situation rather than over-confidence that made them accept the fight. They must have hoped that a prolonged struggle in the Balkans would draw Russia and Turkey into the melee. But these two nations were too deeply convinced of England's essential weakness and of America's inability to determine events. They preferred to wait rather than to gamble with the imperialist book-makers. The previous successes of the German army weighed heavily. And the Germans nourished the illusion that a benevolent neutrality would be highly rewarded later on. They did not demand military participation on their side. So the waiting-policy

seemed the better one; and there would still be time to jump on the victor's band-wagon, if a victor should emerge.

Modern warfare can successfully be waged only by industrially highly developed nations. Necessarily the war centers around America, England and Germany. All other nations can only be minor partners to one or the other major war camp. The action of lesser nations are determined by the interests of their ruling classes, their geographic position, their value to the great contestants and by the abilities of the latter to supply and support them. Greece, for instance, waged war against Italy and Germany because England controlled the Mediterranean. The British need for allies in that territory put Greece in a favorable position. English dominance and its acceptance was profitable for both the English and the Greek ruling classes. Besides, British troops could reach Greece with or without her consent. A German and Italian occupation involved, however, not only territorial losses but also the end of all privileges connected with the English alliance. However willing to fight the ruling classes in Greece might have been, yet it was England and Germany that forced the issue.

The defense of ruling class interests in Yugoslavia coincided with the war designs of the Allies. Yugoslavia was, however, divided by national rivalries inherited from the last war. With the help of demands by Hungary and pressure by the Croats, Germany tried to enforce her will on the Serbs. To give in to German demands would have meant the slow destruction of all Serbian influence in Danubian Europe. On the other hand, a successful Serbian defiance of Hitler would have stimulated all the suppressed anti-Germanism in the Danubian countries. To induce Serbia to resist Germany was of the utmost importance to England and America. But it was also the logical course for the Serbian ruling classes unless they wished to abdicate freely and forget their aspirations. The date of the struggle, however, was fixed by England and Germany.

The Balkan war was England's war underwritten by the United States. The German victory strengthened her position greatly. It was to be expected that the Germans would turn their victory into an initial step towards the Suez Canal and the oilfields of Mossul. A defeat for the Allies in the Near East following upon one in the Mediterranean could turn out to be as disastrous as the invasion of England itself. The defeat of Chamberlain-England had been augmented by a defeat of the England of Churchill. The defeat of France had been laid to the appeasers. But the Balkan debacle was Churchill's responsibility. Resistance had proved as much a failure as appeasement. Discouraged, the British might come to terms and Hitler was determined to help them do it.

Hitler as Peace Angel

Like the Romans who conquered a formidable part of the world in a mere "defensive" struggle, Hitler claims to wage war for the sole purpose of establishing a lasting peace. Europe, he says, alternated consistently

between war and peace because of the disruptive "balance-of-power" policy of Great Britain. At the same time, though England is proclaimed the source of all evil, all of Hitler's peace offers find their way to London. In a speech before the German *Reichstag* after the Balkan war Hitler complained:

"All my endeavors to come to an understanding with Britain — in fact, to arrive at a lasting and friendly cooperation with her — were wrecked by the desire and the determination of a small clique who — either through hate or avarice — rejected every German proposal for an understanding. They were resolved to resort to war whatever happened. Their endeavors received the most powerful support both openly and secretly from the so-called great democracies on both sides of the Atlantic."

Hitler offered the establishment of a German-English partnership for the control and exploitation of the world on the basis of an uncontested German rule over continental Europe. He hoped to convince the British that such a situation would correspond with their own interests, and he found men in England who agreed with him. All that was necessary was to make those who remained reluctant to see the light. He produced the fact of a German-controlled Europe. He threatened the Empire by attacking in Africa. He demonstrated with the conquest of Crete that there are no "invulnerable islands." British shipping was being destroyed on a progressive scale. Clouds of airplanes darkened the sky and lighted the ground of England. But all without avail. The English could not be convinced either of their weakness nor of German strength. In speaking to the *Reichstag* on May 4, 1941, there was a tone of disappointment in Hitler's victory speech:

"If any other man (except Churchill) had experienced as many defeats as a politician and as many catastrophes as a soldier he would not have remained in office six months unless he also possessed the sole gift that Mr. Churchill possesses: the gift of lying with a pious expression on his face, and of distorting the truth until finally glorious victories are fabricated from the most terrible defeats. In this way Mr. Churchill may be able to throw dust in the eyes of his fellow countrymen, but he cannot eliminate the consequences of his defeats. The fact that this man who would be court-martialed in any other country gains fresh admiration as Prime Minister in his own ... is merely proof of that blindness with which the gods afflict those whom they are about to destroy."

No doubt Hitler felt himself cheated of his victories. He was actually fighting for peace. Not for an everlasting peace, but for a peace that would give Germany another "creative pause," that would allow her to consolidate her gains, to develop new strength on a larger scale in order to make the next step from the dominance of Europe to the dominance of part of the world. The first step had to be taken against England, the second was to be made with England's help. America's early entrance into the war, however, changed the whole situation. The English "appeasers" faced not only the "anti-fascist" English imperialists but the United States as well. The fight against England turned into a German-American struggle for England. The war began to shape itself into one between continents. After the Balkan defeat the U. S. Secretary of the Navy's *Chicago Daily News* (4/21/41) wrote:

"The European phase of the war is over, temporarily, and Hitler won it. From this point on the war, if it goes on, must become a war of continents — truly a world war. The battle of production here in America is the most important battle, the really decisive battle, of the whole war from now on."

The further pursuit of the war became the exclusive responsibility of the United States, a fact that Roosevelt willingly acknowledged.

You Cannot Trust Hitler

To find out why Hitler's hopes for an appeasers' peace came to nought we must look back into history. We will find that not mere ideologies but social and economic forces determine the character of the present war. In many ways this war is a replica of the first world war. The direction of the German expansionist policy prior to 1914 was symbolized by the attempted construction of the Berlin-Baghdad railway and by the Kaiser's naval program. Germany was making inroads into the interest spheres of British imperialism. The dream that occupied imperialists at the beginning of the century became the goal of all the leading German parties during the war. In 1916 the spokesman of Social Democracy proudly announced in the German *Reichstag* that

"The peace which seems possible today will leave Germany and her allies in the eyes of Europe as a group of powers, whose spheres of economic control extends from the marches of the Elbe to the waters of the Persian Gulf. Thus Germany will have won by her arms the kernel of a great sphere of economic control, worthy to be set as a closed economic territory by the side of those of the other world empires."

The military defeat destroyed the realization of the dream but not the dream itself. But the defeat served as a great lesson. It was clear that the strength and resources of Germany were no match against a coalition of all the other great powers. The first prerequisite of winning the second world war was to prevent the recurrence of such a coalition. This idea was back of the bewildering German diplomacy during the days of *Weimar*, as well as in the *Third Reich*.

The same "balance-of-power" policy which, according to Hitler, turned Europe into a warring camp, also provided for the comeback of German imperialism. After the first world war England became Germany's "friend." Lord Palmerston had been right: England's enmities and friendships are not for eternity; only her interests remain invariable. It was in the interest of Britain to have Germany strong on the Continent and weak as an imperialist competitor. It was to England's interest that France should continue to be dependent upon England, unable ever to control Europe on her own account. Germany had not only to serve as a counterweight against French ambitions, but also as a threat to Russia's expansionist designs in the Far East. It can be said that the re-armament of Germany was really undertaken by the Macdonald-Simon Government in London. The German submarine construction really got under way only after the English-German

Naval agreement of 1935. So, although Mr. Thyssen might flatter himself that he and his colleagues paid Hitler's way into power, the monster of German imperialism was created by the British Frankenstein.

Of course one must not conclude that it was merely the selfish stupidity of English statesmen that led to the resumption of the war. England was quite convinced of her ability to control the Germany she strengthened. Capitalist statesmen will not understand that the force of the economic world crisis is more powerful than all the power and cleverness of politicians. The job of politicians is to proceed *as if* they really do determine events. Still, their clear eyedness might turn into utter blindness not, however, because they are really blind, but because politics not history is made by politicians. History is made by all.

In addition, England had insured herself heavily against the possible loss of control over Germany and Europe by a change of policy towards the United States made as early as 1917. England's policy was of course also determined by the actions and counter-actions of other nations. To a certain extent Germany herself could exploit English needs both as a protege and as an enemy.

If England helped in the reconstruction of Germany, Hitler was convinced that an understanding with Britain was a necessity. If England's friendship was limited, not so Hitler's. He thought it sheer folly to think of fighting England again, but he also thought that Germany and England together could rule the world. The arch-enemy was France. It was France who had been responsible for the harshness of *Versailles*, had prevented the *Anschluss* with Austria, had insisted upon reparations, occupied the Ruhr and encircled Germany with the *Little Entente* and an Eastern Pact. The desire for revenge need not disturb British interests. The expansionist aspirations of Germany could find an outlet in Central Europe, through peaceful trade-penetration into the Balkans and possibly by taking from Russia's manifold riches.

There were appeasers in England who began to weigh the value of a closer cooperation with Germany. The world crisis had somewhat shaken their confidence in the security of capitalism. It was certainly worthwhile to make some additional concessions to Germany to ease the tensions of Europe. Political unrest gripped the world; it might lead to great social upheavals in those nations that suffered most from the crisis. To support Hitler was to support the capitalist system proper. It was the reactionary side of Hitler that appealed so strongly to the British ruling class.

Hitler understood his position as well as what his English admirers wanted. When the radical elements within the Nazi movement began to disturb the English capitalists, he hastened to assure them by way of the London *New Chronicle* that "under certain conditions and in the interest of the cause he was ready to divorce himself from his old friends and early party comrades." His cause was still the cause of England and when he

served the cause, the London *Times* (7/2/1934), commenting on Hitler's bloody party purge, did not spare the applause.

"About Hitler's methods one may think as one likes. Yet, Hitler has shown his honest determination to change from a revolutionary to a sober constructive policy. Although coming to power by force, this power is now used to destroy all radicalism based on force."

What aid England granted Germany in order to safeguard her own interests turned into just so many Hitler victories. German pleas changed into requests and then into demands. As long as those demands concerned the property of others and did not disturb vital British interests, it was good business to appease Hitler. There was no hurry about calling a halt to his appetite. British resistance was low because her fears of Germany were small. There was no reason to doubt that after Munich Chamberlain was deeply convinced that he had managed to gain "peace for our time," that is, peace for the English. There is no reason to assume that Hitler lied when he insisted that he had no further territorial demands. He probably did not have them on that particular day. But neither Chamberlain nor Hitler were masters of the situation; the situation mastered them.

With the Sudeten region in German hands it was easy to take the whole of Czechoslovakia. Its incorporation into the *Reich* opened the gates to the Balkans. The Balkans led to the Near East, the Near East to India. What in Germany had begun as a struggle for the restoration of pre-Versailles borders and for economic concessions to keep the capitalist system and Hitler's regime alive, led necessarily to the same situation that initiated the war of 1914. Because Hitler could not be controlled, because he could not control himself, all imperialist forces of the world were released once more.

Germany's determination to overcome the economic crisis by way of expansion revived the danger that all the major imperialist powers would once more combine against Germany. Those nations had to be divided among themselves; they could not be taken on all at once. The proper timing of actions, surprises and sudden turns, the *Blitzkrieg* methods, an unprincipled diplomacy, might prevent combined action against the Nazi drive. Certainly Hitler could not be trusted, but neither could anybody else be trusted. At what point would the appeasers turn into warriors? What unknown agreements had been reached? The Nazis gained confidence through easy victories. Yet the French had confidence, too, in their Maginot line. The British had confidence in the French Army and the combined sea power of England and America. They had not been fooled by Hitler's earlier antics. Why should they be fooled now? They had laughed when Hitler, during one stage of his development, had suddenly scrapped the idea of revenge against France, when he proclaimed, in spite of all that he had written in *Mein Kampf*, that he had always held that a Franco-German rapprochement was more important than an Anglo-German one. They had not been disturbed by the splendid relationship between the *Reichswehr* and

the Red Army, the less so as this relationship had been maneuvered by the British themselves. England was certain that neither France nor Russia would fight on Germany's side. They did not believe that Hitler would dare to attack, as Hitler did not believe that they would dare to resist. But the bluffers were caught in their own bluff.

Since the days of Napoleon England has been convinced that a united Europe means the end of England's privileged world position. Europe must always be divided, nations must remain nations. Despite his hatred for bolshevism it was Lloyd George who sent Lord Lothian to Lenin to make certain that bolshevism in Russia became and remained a *national* bolshevism. By securing Lenin's rule he created Hitler's *national* socialism in advance. Through a policy of proportioning the strength and opportunities of the decisive European powers England determined the question of Europe's peace or war. She knows that ruling classes might fight together but that they do not combine, as combinations imply liquidations. A German-Russian unification would mean the elimination of either Russia or Germany. The same would hold true for a Franco-German combination. Britain knows that the United States of Europe cannot be realized through the agreements of statesmen but, if realized at all, only as the result of enormous struggles that give Europe to the victor.

In each country the interests of the ruling classes are closely bound up with the nation's previous history, existing relations, and its particular position within the frame of a given world situation. Any change of borders, activities, alliances, losses, and opportunities affect the ruling classes deeply, because all existing relations are power and property relations. All external shifts and struggles are thus undivorcably connected with internal shifts and struggles between the classes and within the ruling class. To recognize this fact, one has only to think of the series of social and political upheavals that took place in the process of bringing a small country such as Rumania into the German fold, of the turmoil in France that accompanied the attempts to coordinate the French and German interests, of the butcheries in Russia, long before the outbreak of the war, the changes in Germany that accompanied the new imperialism, the mixture of revolution and imperialism in the Spanish civil war, and so forth.

The interests of the diverse ruling classes in the various European nations prevents a European unification by agreement. The defeat of a nation is the defeat of its ruling class. In so far as nations can "disappear" at all, its ruling classes also disappear. "Defeat" is only another term for the concentration of capital in fewer hands. War has to decide whether these hands belong to French, Russians, or Germans. All that England had to prevent was not a European war, but the decisive defeat of all European nations by one. The chances for such an occurrence seemed slim in 1939. Yet, thoroughly frightened by the temporary nearness of a German victory during the last war, England prepared diplomatically for all eventualities. Her policy followed two general lines. One was a quasi-independent European

policy in the traditional manner, the other the creation of an Anglo-American world bloc of resistance to Europe if it should come to the worst.

The antics of the politicians produced "crisis" after "crisis." Who would outbluff whom? Each one fought for peace on his own terms, all thus fought for war. But the "crises" the politicians produced were only the results of the crisis that existed independent of their doings, that determined their actions and forced them to play their ridiculous diplomatic game. The world trembled through the contradictions of the economic class system it supports. Vast changes must be brought about by human actions. These actions, however, are determined by nationally-orientated class and group interests and are thus competitive actions, actions of war.

The armament race gained new impetus. The weaker a nation is in an economic sense, the greater the need for superiority in arms. Yet, the very weakness of such a nation hinders such superiority. Its expansion in armaments must simultaneously be an economic expansion. *Under existing conditions economic expansion is possible only through territorial expansion.* Once this process is under way, more and still more arms are needed to consolidate the gains. The process is cumulative. These forces, set in motion, cannot be stopped short of their destruction by other, still greater, forces, or through utter self-exhaustion.

The nations which are unable to prevent the advance of others enter the armament race. Appeasement is only the first phase of war. The general armament caused by a particular nation's superiority in arms inevitably destroys the basis for all non-martial procedures. In capitalism it is either the *status quo* as the result of a previous war that rules, or it is a new war. The politicians may believe that they decide events, yet it is the war, as previously it was the economic mechanism of capitalism itself, that moves the movers, controls the controllers. How, under such conditions, can Hitler be trusted? He can no longer trust himself. He ceases to understand what he is doing. And this he shares with all his enemies.

British Imperialism: Old and New

Lord Palmerston's maxim that nothing but the profit counts — which expresses not an English but a general attitude — said nothing about the self-development of this invariable interest. His saying relates, furthermore, to a stage of English imperialism now past. The new imperialism speaks not only of opportunities but also of eternal friendship, i.e., of a "union of the English-speaking people" that is to rule the world. This idea is of course not new; but it meant something other during the days of the old imperialism than it means today. Who does not smile today when he reads the proud descriptions by English capitalist apologists like Stanley Jevons who wrote in 1866:

"The several quarters of the globe are our willing tributaries. The plains of North America and Russia are our cornfields; Chicago and Odessa our granaries, Canada

and the Baltic our forests; Australasia contains our sheep farms, and in South America are our herds of oxen. Peru sends silver, and the gold of California and Australia flows to London; the Chinese grow tea for us and coffee, sugar and spice arrive from the East Indian plantations. Spain and France are our vineyards, and the Mediterranean are our fruit gardens; our cotton grounds, which formerly occupied the Southern United States, are now everywhere in the many regions of the earth."

How funny it is today to think of Cecil Rhodes' "Secret Society," the purpose of which was to "realize British rule all over the world and to bring about the recovery of the United States of America as an integral part of the British Empire." This same process has meanwhile turned into an "Americanization of the World." This change of character in the hoped-for union of the English-speaking world was initiated by the first world war and is now vigorously pushed forward by the second.

The reason for this transformation is the development of capitalism itself. England's rule was based on the weakness of other nations. It was difficult to break her early industrial and trade monopoly. But only in her colonies has she been able to prevent important industrial development, that is, to live up to some degree to the elder Pitt's postulate that not a single nail should be produced in English possessions. Through colonial exploitation and her early start in industry Britain could undersell wherever competition was not hindered by military means. Because she was the workshop of the world free-trade was her philosophy. It was free trade that secured her monopolistic advantages. Europe's struggle against England, as well as the American War for Independence, were attempts to break the English monopoly that hindered the capitalization of other nations. And it was through these struggles rather than through free-trade that the world market came into being. Because "power is more important than wealth" as Adam Smith once remarked, it was possible — so to speak — to develop capitalism in spite of the capitalists.

The growth of world capitalism diminished the world importance of Great Britain. Yet her favored position was seriously challenged only during the first world war. The first attempt, as Napoleon himself confessed, had been quite utopian as there did not exist at that time a real basis for the unification of Continental Europe. In order to defeat the German challenger in 1914-18, however, it was necessary not only to rely to a great extent upon American production but on her military support as well.

At the end of the last century America began to display imperialistic designs of her own. But she was still a debtor nation, a nation largely dependent upon agricultural exports. She was a secondary power. The war changed this quite suddenly. America's rise to a major power was, to be sure, inevitable, but without the war it would have taken considerably longer. Out of the war America emerged a creditor nation, ready and able to export everything and to invest capital abroad. She was on the verge of surpassing all other nations, Britain included. The world crisis of 1929 called a halt to this development but increased the need for further im-