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Introduction

Few discoveries are more irritating than
those which expose the pedigree of ideas.
—Lord Acton

Contemporary events differ from history in that we do not know the results they will produce. Looking back, we can assess the significance of past occurrences and trace the consequences they have brought in their train. But while history runs its course, it is not history to us. It leads us into an unknown land, and but rarely can we get a glimpse of what lies ahead. It would be different if it were given to us to live a second time through the same events with all the knowledge of what we have seen before. How different would things appear to us; how important and often alarming would changes seem that we now scarcely notice! It is probably fortunate that man can never have this experience and knows of no laws which history must obey.

Yet, although history never quite repeats itself, and just because no development is inevitable, we can in a measure learn from the past to avoid a repetition of the same process. One need not be a prophet to be aware of impending dangers. An accidental combination of experience and interest will often reveal events to one man under aspects which few yet see.

The following pages are the product of an experience as near as possible to twice living through the same period— or at least twice watching a very similar evolution of ideas. While this is an experience one is not likely to gain in one country, it may in certain circumstances be acquired by living in turn for long periods in different countries. Though the influences to which the trend of thought is subject in most civilized nations are to a large extent similar, they do not necessarily operate at the same time or at the same speed. Thus, by moving from one country to another, one may sometimes twice watch similar phases of intellectual development. The senses have then become peculiarly acute. When one hears for a second time opinions expressed or measures advocated which one has first met twenty or twenty-five years ago, they assume a new meaning as symptoms of a definite trend. They suggest, if not the necessity,-at least the probability, that developments will take a similar course.

It is necessary now to state the unpalatable truth that it is Germany whose fate we are in some danger of repeating. The danger is not immediate, it is true, and conditions in England and the United States are still so remote from those witnessed in recent years in Germany as to make it difficult to believe that we are moving in the same direction. Yet, though the road be long, it is one on which it becomes more difficult to turn back as one advances. If in the long run we are the makers of our own fate, in the short run we are the captives of the ideas we have created. Only if we recognize the danger in time can we hope to avert it.

It is not to the Germany of Hitler, the Germany of the present war, that England and the United States bear yet any resemblance. But students of the currents of ideas can hardly fail to see that there is more than a superficial similarity between the trend of thought in Germany during and after the last war and the present current of ideas in the democracies. There exists now in these countries certainly the same determination that the organization of the nation which has been achieved for purposes of defense shall be retained for the purposes of creation. There is the same contempt for nineteenth-century liberalism, the same spurious "realism" and even cynicism, the same fatalistic acceptance of "inevitable trends." And at least nine out of every ten of the lessons which our most vociferous reformers are so anxious we should learn from this war are precisely the lessons which the Germans did learn from the last war and which have done much to produce the Nazi system. We shall have opportunity in the course of this book to show that there are a large number of other points where at an interval of fifteen to twenty-five years we seem to follow the example of Germany. Although one does not like to be reminded, it is not so many years since the

socialist policy of that country was generally held up by progressives as an example to be imitated, just as in more recent years Sweden has been the model country to which progressive eyes were directed. All those whose memory goes further back know how deeply for at least a generation before the last war German thought and German practice influenced ideals and policy in England and, to some extent, in the United States.

The author has spent about half of his adult life in his native Austria, in close touch with German intellectual life, and the other half in the United States and England. In the latter period he has become increasingly convinced that at least some of the forces which have destroyed freedom in Germany are also at work here and that the character and the source of this danger are, if possible, even less understood than they were in Germany. The supreme tragedy is still not seen that in Germany it was largely people of good will, men who were admired and held up as models in the democratic countries, who prepared the way for, if they did not actually create, the forces which now stand for everything they detest. Yet our chance of averting a similar fate depends on our facing the danger and on our being prepared to revise even our most cherished hopes and ambitions if they should prove to be the source of the danger. There are few signs yet that we have the intellectual courage to admit to ourselves that we may have been wrong. Few are ready to recognize that the rise of fascism and naziism was not a reaction against the socialist trends of the preceding period but a necessary outcome of those tendencies. This is a truth which most people were unwilling to see even when the similarities of many of the repellent features of the internal regimes in communist Russia and National Socialist Germany were widely recognized. As a result, many who think themselves infinitely superior to the aberrations of naziism, and sincerely hate all its manifestations, work at the same time for ideals whose realization would lead straight to the abhorred tyranny.

All parallels between developments in different countries are, of course, deceptive; but I am not basing my argument mainly on such parallels. Nor am I arguing that these developments are inevitable. If they were, there would be no point in writing this. They can be prevented if people realize in time where their efforts may lead. But until recently there was little hope that any attempt to make them see the danger would be successful. It seems, however, as if the time were now ripe for a fuller discussion of the whole issue. Not only is the problem now more widely recognized; there are also special reasons which at this juncture make it imperative that we should face the issues squarely.

It will, perhaps, be said that this is not the time to raise an issue on which opinions clash sharply. But the socialism of which we speak is not a party matter, and the questions which we are discussing have little to do with the questions at dispute between political parties. It does not affect our problem that some groups may want less socialism than others; that some want socialism mainly in the interest of one group and others in that of another. The important point is that, if we take the people whose views influence developments, they are now in the democracies in some measure all socialists. If it is no longer fashionable to emphasize that "we are all socialists now," this is so merely because the fact is too obvious. Scarcely anybody doubts that we must continue to move toward socialism, and most people are merely trying to deflect this movement in the interest of a particular class or group.

It is because nearly everybody wants it that we are moving in this direction. There are no objective facts which make it inevitable. We shall have to say something about the alleged inevitability of "planning" later. The main question is where this movement will lead us. Is it not possible that if the people whose convictions now give it an irresistible momentum began to see what only a few yet apprehend, they would recoil in horror and abandon the quest which for half a century has engaged so many people of good will? Where these common beliefs of our generation will lead us is a problem not for one party but for every one of us—a problem of the most momentous significance. Is there a greater tragedy imaginable than that, in our endeavor consciously to shape our future in accordance with high ideals, we should in fact unwittingly produce the very opposite of what we have been striving for?

There is an even more pressing reason why at this time we should seriously endeavor to understand the forces which have created National Socialism: that this will enable us to understand

our enemy and the issue at stake between us. It cannot be denied that there is yet little recognition of the positive ideals for which we are fighting. We know that we are fighting for freedom to shape our life according to our own ideas. That is a great deal, but not enough. It is not enough to give us the firm beliefs which we need to resist an enemy who uses propaganda as one of his main weapons not only in the most blatant but also in the most subtle forms. It is still more insufficient when we have to counter this propaganda among the people in the countries under his control and elsewhere, where the effect of this propaganda will not disappear with the defeat of the Axis powers. It is not enough if we are to show to others that what we are fighting for is worth their support, and it is not enough to guide us in the building of a new world safe against the dangers to which the old one has succumbed.

It is a lamentable fact that the democracies in their dealings with the dictators before the war, not less than in their attempts at propaganda and in the discussion of their war aims, have shown an inner insecurity and uncertainty of aim which can be explained only by confusion about their own ideals and the nature of the differences which separated them from the enemy. We have been misled as much because we have refused to believe that the enemy was sincere in the profession of some beliefs which we shared as because we believed in the sincerity of some of his other claims. Have not the parties of the Left as well as those of the Right been deceived by believing that the National Socialist party was in the service of the capitalists and opposed to all forms of socialism? How many features of Hitler's system have not been recommended to us for imitation from the most unexpected quarters, unaware that they are an integral part of that system and incompatible with the free society we hope to preserve? The number of dangerous mistakes we have made before and since the outbreak of war because we do not understand the opponent with whom we are faced is appalling. It seems almost as if we did not want to understand the development which has produced totalitarianism because such an understanding might destroy some of the dearest illusions to which we are determined to cling.

We shall never be successful in our dealings with the Germans until we understand the character and the growth of the ideas which now govern them. The theory which is once again put forth, that the Germans as such are inherently vicious, is hardly tenable and not very creditable to those who hold it. It dishonors the long series of Anglo-Saxon thinkers who during the last hundred years have gladly taken over what was best, and not only what was best, in German thought. It overlooks the fact that, when eighty years ago John Stuart Mill was writing his great essay *On Liberty,* he drew his inspiration, more than from any other men, from two Germans—Goethe and Wilhelm von Humboldt[1]—and forgets the fact that two of the most influential intellectual forebears of National Socialism—Thomas Carlyle and Houston Stewart Chamberlain—were a Scot and an Englishman. In its cruder forms this view is a disgrace to those who by maintaining it adopt the worst features of German racial theories.

The problem is not why the Germans as such are vicious, which congenitally they are probably no more than other peoples, but to determine the circumstances which during the last seventy years have made possible the progressive growth and the ultimate victory of a particular set of ideas, and why in the end this victory has brought the most vicious elements among them to the top. Mere hatred of everything German instead of the particular ideas which now dominate the Germans is, moreover, very dangerous, because it blinds those who indulge in it against a real threat. It is to be feared that this attitude is frequently merely a kind of escapism, caused by an unwillingness to recognize tendencies which are not confined to Germany and by a reluctance to re-examine, and if necessary to discard, beliefs which we have taken over from the Germans and by which we are still as much deluded as the Germans were. It is doubly dangerous because the contention that only the peculiar wickedness of the Germans has produced the Nazi system is likely to become the excuse for forcing on us the very institutions which have produced that wickedness.

The interpretation of the developments in Germany and Italy about to be proffered in this book is very different from that given by most foreign observers and by the majority of exiles from those countries. But if this interpretation is correct, it will also explain why it is almost impossible for a person who, like most of the exiles and the foreign correspondents of English and American

newspapers, holds the now prevalent socialist views to see those events in the proper perspective. The superficial and misleading view which sees in National Socialism merely a reaction fomented by those whose privileges or interests were threatened by the advance of socialism was naturally supported by all those who, although they were at one time active in the movement of ideas that has led to National Socialism, have stopped at some point of that development and, by the conflict into which this brought them with the Nazis, were forced to leave their country. But the fact that they were numerically the only significant opposition to the Nazis means no more than that in the wider sense practically all Germans had become socialists and that liberalism in the old sense had been driven out by socialism. As we hope to show, the conflict in existence between the National Socialist "Right" and the "Left" in Germany is the kind of conflict that will always arise between rival socialist factions. If this interpretation is correct, it means, however, that many of those socialist refugees, in clinging to their beliefs, are now, though with the best will in the world, helping to lead their adopted country the way which Germany has gone.

I know that many of my Anglo-Saxon friends have sometimes been shocked by the semi-Fascist views they would occasionally hear expressed by German refugees, whose genuinely socialist convictions could not be doubted. But while these observers put this down to the others' being Germans, the true explanation is that they were socialists whose experience had carried them several stages beyond that yet reached by socialists in England and America. It is true, of course, that German socialists have found much support in their country from certain features of the Prussian tradition; and this kinship between Prussianism and socialism, in which in Germany both sides gloried, gives additional support to our main contention.[2] But it would be a mistake to believe that the specific German rather than the socialist element produced totalitarianism. It was the prevalence of socialist views and not Prussianism that Germany had in common with Italy and Russia—and it was from the masses and not from the classes steeped in the Prussian tradition, and favored by it, that National Socialism arose.

Notes

1. As some people may think this statement exaggerated, the testimony of Lord Morley may be worth quoting, who in his *Recollections* speaks of the "acknowledged point" that the main argument of the essay *On Liberty* "was not original but came from Germany."

2. That there did exist a certain kinship between socialism and the organization of the Prussian state, consciously organized from the top as in no other country, is undeniable and was freely recognized already by the early French socialists. Long before the ideal of running the whole state on the same principles as a single factory was to inspire nineteenth-century socialism, the Prussian poet Novalis had already deplored that "no other state has ever been administered so much like a factory as Prussia since the death of Frederick William" (cf. Novalis [Friedrich von Hardenberg], *Glauben und Liebe, oder der Konig und die Konigin* [1798]).

Chapter 1

The Abandoned Road

A program whose basic thesis is, not that the system of free enterprise for profit has failed in this generation, but that it has not yet been tried.
—F. D. Roosevelt

When the course of civilization takes an unexpected turn—when, instead of the continuous progress which we have come to expect, we find ourselves threatened by evils associated by us with past ages of barbarism – we naturally blame anything but ourselves. Have we not all striven according to our best lights, and have not many of our finest minds incessantly worked to make this a better world? Have not all our efforts and hopes been directed toward greater freedom, justice, and prosperity? If the outcome is so different from our aims—if, instead of freedom and prosperity, bondage and misery stare us in the face—is it not clear that sinister forces must have foiled our intentions, that we are the victims of some evil power which must be conquered before we can resume the road to better things? However much we may differ when we name the culprit—whether it is the wicked capitalist or the vicious spirit of a particular nation, the stupidity of our elders, or a social system not yet, although we have struggled against it for a half a century, fully overthrown—we all are, or at least were until recently, certain of one thing: that the leading ideas which during the last generation have become common to most people of good will and have determined the major changes in our social life cannot have been wrong. We are ready to accept almost any explanation of the present crisis of our civilization except one: that the present state of the world may be the result of genuine error on our own part and that the pursuit of some of our most cherished ideals has apparently produced results utterly different from those which we expected.

While all our energies are directed to bring this war to a victorious conclusion, it is sometimes difficult to remember that even before the war the values for which we are now fighting were threatened here and destroyed elsewhere. Though for the time being the different ideals are represented by hostile nations fighting for their existence, we must not forget that this conflict has grown out of a struggle of ideas within what, not so long ago, was a common European civilization and that the tendencies which have culminated in the creation of the totalitarian systems were not confined to the countries which have succumbed to them. Though the first task must now be to win the war, to win it will only gain us another opportunity to face the basic problems and to find a way of averting the fate which has overtaken kindred civilizations.

Now, it is somewhat difficult to think of Germany and Italy, or of Russia, not as different worlds but as products of a development of thought in which we have shared; it is, at least so far as our enemies are concerned, easier and more comforting to think that they are entirely different from us and that what happened there cannot happen here. Yet the history of these countries in the years before the rise of the totalitarian system showed few features with which we are not familiar. The external conflict is a result of a transformation of European thought in which others have moved so much faster as to bring them into irreconcilable conflict with our ideals, but which has not left us unaffected.

That a change of ideas and the force of human will have made the world what it is now, though men did not foresee the results, and that no spontaneous change in the facts obliged us thus to adapt our thought is perhaps particularly difficult for the Anglo-Saxon nations to see, just because in this development they have, fortunately for them, lagged behind most of the European peoples. We still think of the ideals which guide us, and have guided us for the past generation, as ideals only to be realized in the future and are not aware how far in the last twenty-five years they have already transformed not only the world but also our own countries. We still believe that until quite recently we were governed by what are vaguely called nineteenth-century ideas or the principle of

laissez faire. Compared with some other countries, and from the point of view of those impatient to speed up the change, there may be some justification for such belief. But although until 1931 England and America had followed only slowly on the path on which others had led, even by then they had moved so far that only those whose memory goes back to the years before the last war know what a liberal world has been like.[1]

The crucial point of which our people are still so little aware is, however, not merely the magnitude of the changes which have taken place during the last generation but the fact that they mean a complete change in the direction of the evolution of our ideas and social order. For at least twenty-five years before the specter of totalitarianism became a real threat, we had progressively been moving away from the basic ideas on which Western civilization has been built. That this movement on which we have entered with such high hopes and ambitions should have brought us face to face with the totalitarian horror has come as a profound shock to this generation, which still refuses to connect the two facts. Yet this development merely confirms the warnings of the fathers of the liberal philosophy which we still profess. We have progressively abandoned that freedom in economic affairs without which personal and political freedom has never existed in the past. Although we had been warned by some of the greatest political thinkers of the nineteenth century, by De Tocqueville and Lord Acton, that socialism means slavery, we have steadily moved in the direction of socialism. And now that we have seen a new form of slavery arise before our eyes, we have so completely forgotten the warning that it scarcely occurs to us that the two things may be connected.[2]

How sharp a break not only with the recent past but with the whole evolution of Western civilization the modern trend toward socialism means becomes clear if we consider it not merely against the background of the nineteenth century but in a longer historical perspective. We are rapidly abandoning not the views merely of Cobden and Bright, of Adam Smith and Hume, or even of Locke and Milton, but one of the salient characteristics of Western civilization as it has grown from the foundations laid by Christianity and the Greeks and Romans. Not merely nineteenth- and eighteenth-century liberalism, but the basic individualism inherited by us from Erasmus and Montaigne, from Cicero and Tacitus, Pericles and Thucydides, is progressively relinquished.

The Nazi leader who described the National Socialist revolution as a counter-Renaissance spoke more truly than he probably knew. It was the decisive step in the destruction of that civilization which modern man had built up from the age of the Renaissance and which was, above all, an individualist civilization. Individualism has a bad name today, and the term has come to be connected with egotism and selfishness. But the individualism of which we speak in contrast to socialism and all other forms of collectivism has no necessary connection with these. Only gradually in the course of this book shall we be able to make clear the contrast between the two opposing principles. But the essential features of that individualism which, from elements provided by Christianity and the philosophy of classical antiquity, was first fully developed during the Renaissance and has since grown and spread into what we know as Western civilization—are the respect for the individual man *qua* man, that is, the recognition of his own views and tastes as supreme in his own sphere, however narrowly that may be circumscribed, and the belief that it is desirable that men should develop their own individual gifts and bents. "Freedom" and "liberty" are now words so worn with use and abuse that one must hesitate to employ them to express the ideals for which they stood during that period. "Tolerance" is, perhaps, the only word which still preserves the full meaning of the principle which during the whole of this period was in the ascendant and which only in recent times has again been in decline, to disappear completely with the rise of the totalitarian state.

The gradual transformation of a rigidly organized hierarchic system into one where men could at least attempt to shape their own life, where man gained the opportunity of knowing and choosing between different forms of life, is closely associated with the growth of commerce. From the commercial cities of northern Italy the new view of life spread with commerce to the west and north, through France and the southwest of Germany to the Low Countries and the British Isles, taking firm root wherever there was no despotic political power to stifle it. In the Low Countries and Britain it for a long time enjoyed its fullest development and for the first time had an opportunity to grow

freely and to become the foundation of the social and political life of these countries. And it was from there that in the late seventeenth and eighteenth centuries it again began to spread in a more fully developed form to the West and East, to the New World and to the center of the European continent, where devastating wars and political oppression had largely submerged the earlier beginnings of a similar growth.[3]

During the whole of this modern period of European history the general direction of social development was one of freeing the individual from the ties which had bound him to the customary or prescribed ways in the pursuit of his ordinary activities. The conscious realization that the spontaneous and uncontrolled efforts of individuals were capable of producing a complex order of economic activities could come only after this development had made some progress. The subsequent elaboration of a consistent argument in favor of economic freedom was the outcome of a free growth of economic activity which had been the undesigned and unforeseen by-product of political freedom.

Perhaps the greatest result of the unchaining of individual energies was the marvelous growth of science which followed the march of individual liberty from Italy to England and beyond. That the inventive faculty of man had been no less in earlier periods is shown by the many highly ingenious automatic toys and other mechanical contrivances constructed while industrial technique still remained stationary and by the development in some industries which, like mining or watch-making, were not subject to restrictive controls. But the few attempts toward a more extended industrial use of mechanical inventions, some extraordinarily advanced, were promptly suppressed, and the desire for knowledge was stifled, so long as the dominant views were held to be binding for all: the beliefs of the great majority on what was right and proper were allowed to bar the way of the individual innovator. Only since industrial freedom opened the path to the free use of new knowledge, only since everything could be tried—if somebody could be found to back it at his own risk—and, it should be added, as often as not from outside the authorities officially intrusted with the cultivation of learning, has science made the great strides which in the last hundred and fifty years have changed the face of the world.

As is so often true, the nature of our civilization has been seen more clearly by its enemies than by most of its friends: "the perennial Western malady, the revolt of the individual against the species," as that nineteenth-century totalitarian, Auguste Comte, has described it, was indeed the force which built our civilization. What the nineteenth century added to the individualism of the preceding period was merely to make all classes conscious of freedom, to develop systematically and continuously what had grown in a haphazard and patchy manner, and to spread it from England and Holland over most of the European continent.

The result of this growth surpassed all expectations. Wherever the barriers to the free exercise of human ingenuity were removed, man became rapidly able to satisfy ever widening ranges of desire. And while the rising standard soon led to the discovery of very dark spots in society, spots which men were no longer willing to tolerate, there was probably no class that did not substantially benefit from the general advance. We cannot do justice to this astonishing growth if we measure it by our present standards, which themselves result from this growth and now make many defects obvious. To appreciate what it meant to those who took part in it, we must measure it by the hopes and wishes men held when it began: and there can be no doubt that its success surpassed man's wildest dreams, that by the beginning of the twentieth century the workingman in the Western world had reached a degree of material comfort, security, and personal independence which a hundred years before had seemed scarcely possible.

What in the future will probably appear the most significant and far-reaching effect of this success is the new sense of power over their own fate, the belief in the unbounded possibilities of improving their own lot, which the success already achieved created among men. With the success grew ambition—and man had every right to be ambitious. What had been an inspiring promise seemed no longer enough, the rate of progress far too slow; and the principles which had made this progress possible in the past came to be regarded more as obstacles to speedier progress, impatiently to be brushed away, than as the conditions for the preservation and development of what had already been achieved.

There is nothing in the basic principles of liberalism to make it a stationary creed; there are no hard-and-fast rules fixed once and for all. The fundamental principle that in the ordering of our affairs we should make as much use as possible of the spontaneous forces of society, and resort as little as possible to coercion, is capable of an infinite variety of applications. There is, in particular, all the difference between deliberately creating a system within which competition will work as beneficially as possible and passively accepting institutions as they are. Probably nothing has done so much harm to the liberal cause as the wooden insistence of some liberals on certain rough rules of thumb, above all the principle of laissez faire. Yet, in a sense, this was necessary and unavoidable. Against the innumerable interests which could show that particular measures would confer immediate and obvious benefits on some, while the harm they caused was much more indirect and difficult to see, nothing short of some hard-and-fast rule would have been effective. And since a strong presumption in favor of industrial liberty had undoubtedly been established, the temptation to present it as a rule which knew no exceptions was too strong always to be resisted.

But, with this attitude taken by many popularizers of the liberal doctrine, it was almost inevitable that, once their position was penetrated at some points, it should soon collapse as a whole. The position was further weakened by the inevitably slow progress of a policy which aimed at a gradual improvement of the institutional framework of a free society. This progress depended on the growth of our understanding of the social forces and the conditions most favorable to their working in a desirable manner. Since the task was to assist, and where necessary to supplement, their operation, the first requisite was to understand them. The attitude of the liberal toward society is like that of the gardener who tends a plant and, in order to create the conditions most favorable to its growth, must know as much as possible about its structure and the way it functions.

No sensible person should have doubted that the crude rules in which the principles of economic policy of the nineteenth century were expressed were only a beginning—that we had yet much to learn and that there were still immense possibilities of advancement on the lines on which we had moved. But this advance could come only as we gained increasing intellectual mastery of the forces of which we had to make use. There were many obvious tasks, such as our handling of the monetary system and the prevention or control of monopoly, and an even greater number of less obvious but hardly less important tasks to be undertaken in other fields, where there could be no doubt that the governments possessed enormous powers for good and evil; and there was every reason to expect that, with a better understanding of the problems, we should some day be able to use these powers successfully.

But while the progress toward what is commonly called "positive" action was necessarily slow, and while for the immediate improvement liberalism had to rely largely on the gradual increase of wealth which freedom brought about, it had constantly to fight proposals which threatened this progress. It came to be regarded as a "negative" creed because it could offer to particular individuals little more than a share in the common progress—a progress which came to be taken more and more for granted and was no longer recognized as the result of the policy of freedom. It might even be said that the very success of liberalism became the cause of its decline. Because of the success already achieved, man became increasingly unwilling to tolerate the evils still with him which now appeared both unbearable and unnecessary.

Because of the growing impatience with the slow advance of liberal policy, the just irritation with those who used liberal phraseology in defense of antisocial privileges, and the boundless ambition seemingly justified by the material improvements already achieved, it came to pass that toward the turn of the century the belief in the basic tenets of liberalism was more and more relinquished. What had been achieved came to be regarded as a secure and imperishable possession, acquired once and for all. The eyes of the people became fixed on the new demands, the rapid satisfaction of which seemed to be barred by the adherence to the old principles. It became more and more widely accepted that further advance could be expected not along the old lines within the general framework which had made past progress possible but only by a complete remodeling of society. It

was no longer a question of adding to or improving the existing machinery but of completely scrapping and replacing it. And, as the hope of the new generation came to be centered on something completely new, interest in and understanding of the functioning of the existing society rapidly declined; and, with the decline of the understanding of the way in which the free system worked, our awareness of what depended on its existence also decreased.

This is not the place to discuss how this change in outlook was fostered by the uncritical transfer to the problems of society of habits of thought engendered by the preoccupation with technological problems, the habits of thought of the natural scientist and the engineer, and how these at the same time tended to discredit the results of the past study of society which did not conform to their prejudices and to impose ideals of organization on a sphere to which they are not appropriate.[4] All we are here concerned to show is how completely, though gradually and by almost imperceptible steps, our attitude toward society has changed. What at every stage of this process of change had appeared a difference of degree only has in its cumulative effect already brought about a fundamental difference between the older liberal attitude toward society and the present approach to social problems. The change amounts to a complete reversal of the trend we have sketched, an entire abandonment of the individualist tradition which has created Western civilization.

According to the views now dominant, the question is no longer how we can make the best use of the spontaneous forces found in a free society. We have in effect undertaken to dispense with the forces which produced unforeseen results and to replace the impersonal and anonymous mechanism of the market by collective and "conscious" direction of all social forces to deliberately chosen goals. The difference cannot be better illustrated than by the extreme position taken in a widely acclaimed book on whose program of so-called "planning for freedom" we shall have to comment yet more than once. "We have never had to set up and direct," writes Dr. Karl Mannheim, "the entire system of nature as we are forced to do today with society. . . . Mankind is tending more and more to regulate the whole of its social life, although it has never attempted to create a second nature."[5]

It is significant that this change in the trend of ideas has coincided with a reversal of the direction in which ideas have traveled in space. For over two hundred years English ideas had been spreading eastward. The rule of freedom which had been achieved in England seemed destined to spread throughout the world. By about 1870 the reign of these ideas had probably reached its easternmost expansion. From then onward it began to retreat, and a different set of ideas, not really new but very old, began to advance from the East. England lost her intellectual leadership in the political and social sphere and became an importer of ideas. For the next sixty years Germany became the center from which the ideas destined to govern the world in the twentieth century spread east and west. Whether it was Hegel or Marx, List or Schmoller, Sombart or Mannheim, whether it was socialism in its more radical form or merely "organization" or "planning" of a less radical kind, German ideas were everywhere readily imported and German institutions imitated.

Although most of the new ideas, and particularly socialism, did not originate in Germany, it was in Germany that they were perfected and during the last quarter of the nineteenth and the first quarter of the twentieth century that they reached their fullest development. It is now often for gotten how very considerable was the lead which Germany had during this period in the development of the theory and practice of socialism; that a generation before socialism became a serious issue in this country, Germany had a large socialist party in her parliament and that until not very long ago the doctrinal development of socialism was almost entirely carried on in Germany and Austria, so that even today Russian discussion largely carries on where the Germans left off. Most English and American socialists are still unaware that the majority of the problems they begin to discover were thoroughly discussed by German socialists long ago.

The intellectual influence which German thinkers were able to exercise during this period on the whole world was supported not merely by the great material progress of Germany but even

more by the extraordinary reputation which German thinkers and scientists had earned during the preceding hundred years when Germany had once more become an integral and even leading member of the common European civilization. But it soon served to assist the spreading from Germany of ideas directed against the foundations of that civilization. The Germans themselves—or at least those among them who spread these ideas—were fully aware of the conflict: what had been the common heritage of European civilization became to them, long before the Nazis, "Western" civilization—where "Western" was no longer used in the old sense of Occident but had come to mean west of the Rhine. "Western" in this sense was liberalism and democracy, capitalism and individualism, free trade and any form of internationalism or love of peace.

But in spite of the ill-concealed contempt of an ever increasing number of Germans for those "shallow" Western ideals, or perhaps because of it, the people of the West continued to import German ideas and were even induced to believe that their own former convictions had merely been rationalizations of selfish interests, that free trade was a doctrine invented to further British interests, and that the political ideals of England and America were hopelessly outmoded and a thing to be ashamed of.

Notes

1. Even in that year the Macmillan Report could already speak of "the change of outlook of the government of this country in recent times, its growing preoccupation, irrespective of party, with the management of the like of the people" and add that "Parliament finds itself increasingly engaged in legislation which has for its conscious aim the regulation of the day-to-day affairs of the community and now intervenes in matters formerly thought to be entirely outside its scope." This could be said before, later in the same year, England finally took the headlong plunge and, in the short space of the inglorious years 1931-39, transformed its economic system beyond recognition.

2. Even much more recent warnings which have proved dreadfully true have been almost entirely forgotten. It is not yet thirty years since Hilaire Belloc, in a book which explains more of what has happened since in Germany than most works written after the event, explained that "the effect of Socialist doctrine on Capitalist society is to produce a third thing different from either of its two begetters—to wit, the Servile State" *(The Servile State* [1913; 3d ed., 1927], p. xiv).

3. The most fateful of these developments, pregnant with consequences not yet extinct, was the subjection and partial destruction of the German bourgeoisie by the territorial princes in the fifteenth and sixteenth centuries.

4. The author has made an attempt to trace the beginning of this development in two series of articles on "Scientism and the Study of Society" and "The Counter-Revolution of Science" which appeared in *Economica,* 1941-44.

5. *Man and Society in an Age of Reconstruction* (1940), p. 175.

Chapter 3

Individualism and Collectivism

The socialists believe in two things which are
absolutely different and perhaps even contradictory:
freedom and organization
—Elie Halevy

Before we can progress with our main problem, an obstacle has yet to be surmounted. A confusion largely responsible for the way in which we are drifting into things which nobody wants must be cleared up. This confusion concerns nothing less than the concept of socialism itself. It may mean, and is often used to describe, merely the ideals of social justice, greater equality, and security, which are the ultimate aims of socialism. But it means also the particular method by which most socialists hope to attain these ends and which many competent people regard as the only methods by which they can be fully and quickly attained. In this sense socialism means the abolition of private enterprise, of private ownership of the means of production, and the creation of a system of "planned economy" in which the entrepreneur working for profit is replaced by a central planning body.

There are many people who call themselves socialists, although they care only about the first, who fervently believe in those ultimate aims of socialism but neither care nor understand how they can be achieved, and who are merely certain that they must be achieved, whatever the cost. But to nearly all those to whom socialism is not merely a hope but an object of practical politics, the characteristic methods of modern socialism are as essential as the ends themselves. Many people, on the other hand, who value the ultimate ends of socialism no less than the socialists refuse to support socialism because of the dangers to other values they see in the methods proposed by the socialists. The dispute about socialism has thus become largely a dispute about means and not about ends—although the question whether the different ends of socialism can be simultaneously achieved is also involved.

This would be enough to create confusion. And the confusion has been further increased by the common practice of denying that those who repudiate the means value the ends. But this is not all. The situation is still more complicated by the fact that the same means, the "economic planning" which is the prime instrument of socialist reform, can be used for many other purposes. We must centrally direct economic activity if we want to make the distribution of income conform to current ideas of social justice. "Planning," therefore, is wanted by all those who demand that "production for use" be substituted for production for profit. But such planning is no less indispensable if the distribution of incomes is to be regulated in a way which to us appears to be the opposite of just. Whether we should wish that more of the good things of this world should go to some racial elite, the Nordic men, or the members of a party or an aristocracy, the methods which we shall have to employ are the same as those which could insure an equalitarian distribution.

It may, perhaps, seem unfair to use the term "socialism" to describe its methods rather than its aims, to use for a particular method a term which for many people stands for an ultimate ideal. It is probably preferable to describe the methods which can be used for a great variety of ends as collectivism and to regard socialism as a species of that genus. Yet, although to most socialists only one species of collectivism will represent true socialism, it must always be remembered that socialism is a species of collectivism and that therefore everything which is true of collectivism as such must apply also to socialism. Nearly all the points which are disputed between socialists and liberals concern the methods common to all forms of collectivism and not the particular ends for which socialists want to use them; and all the consequences with which we shall be concerned in this book follow from the methods of collectivism irrespective of the ends for which they are used. It must also not be forgotten that socialism is not only by far the most important species of collectivism or "planning" but that it is socialism which has persuaded liberal-minded people to

submit once more to that regimentation of economic life which they had overthrown because, in the words of Adam Smith, it puts governments in a position where "to support themselves they are obliged to be oppressive and tyrannical."[1]

The difficulties caused by the ambiguities of the common political terms are not yet over if we agree to use the term "collectivism" so as to include all types of "planned economy," whatever the end of planning. The meaning of this term becomes somewhat more definite if we make it clear that we mean that sort of planning which is necessary to realize any given distributive ideals. But, as the idea of central economic planning owes its appeal largely to this very vagueness of its meaning, it is essential that we should agree on its precise sense before we discuss its consequences.

"Planning" owes its popularity largely to the fact that everybody desires, of course, that we should handle our common problems as rationally as possible and that, in so doing, we should use as much foresight as we can command. In this sense everybody who is not a complete fatalist is a planner, every political act is (or ought to be) an act of planning, and there can be differences only between good and bad, between wise and foresighted and foolish and shortsighted planning. An economist, whose whole task is the study of how men actually do and how they might plan their affairs, is the last person who could object to planning in this general sense. But it is not in this sense that our enthusiasts for a planned society now employ this term, nor merely in this sense that we must plan if we want the distribution of income or wealth to conform to some particular standard. According to the modern planners, and for their purposes, it is not sufficient to design the most rational permanent framework within which the various activities would be conducted by different persons according to their individual plans. This liberal plan, according to them, is no plan—and it is, indeed, not a plan designed to satisfy particular views about who should have what. What our planners demand is a central direction of all economic activity according to a single plan, laying down how the resources of society should be "consciously directed" to serve particular ends in a definite way.

The dispute between the modern planners and their opponents is, therefore, *not* a dispute on whether we ought to choose intelligently between the various possible organizations of society; it is not a dispute on whether we ought to employ foresight and systematic thinking in planning our common affairs. It is a dispute about what is the best way of so doing. The question is whether for this purpose it is better that the holder of coercive power should confine himself in general to creating conditions under which the knowledge and initiative of individuals are given the best scope so that *they* can plan most successfully; or whether a rational utilization of our resources requires *central* direction and organization of all our activities according to some consciously constructed "blueprint." The socialists of all parties have appropriated the term "planning" for planning of the latter type, and it is now generally accepted in this sense. But though this is meant to suggest that this is the only rational way of handling our affairs, it does not, of course, prove this. It remains the point on which the planners and the liberals disagree.

It is important not to confuse opposition against this kind of planning with a dogmatic laissez faire attitude. The liberal argument is in favor of making the best possible use of the forces of competition as a means of coordinating human efforts, not an argument for leaving things just as they are. It is based on the conviction that, where effective competition can be created, it is a better way of guiding individual efforts than any other. It does not deny, but even emphasizes, that, in order that competition should work beneficially, a carefully thought-out legal framework is required and that neither the existing nor the past legal rules are free from grave defects. Nor does it deny that, where it is impossible to create the conditions necessary to make competition effective, we must resort to other methods of guiding economic activity. Economic liberalism is opposed, however, to competition's being supplanted by inferior methods of coordinating individual efforts. And it regards competition as superior not only because it is in most circumstances the most

efficient method known but even more because it is the only method by which our activities can be adjusted to each other without coercive or arbitrary intervention of authority. Indeed, one of the main arguments in favor of competition is that it dispenses with the need for "conscious social control" and that it gives the individuals a chance to decide whether the prospects of a particular occupation are sufficient to compensate for the disadvantages and risks connected with it.

The successful use of competition as the principle of social organization precludes certain types of coercive interference with economic life, but it admits of others which sometimes may very considerably assist its work and even requires certain kinds of government action. But there is good reason why the negative requirements, the points where coercion must not be used, have been particularly stressed. It is necessary in the first instance that the parties in the market should be free to sell and buy at any price at which they can find a partner to the transaction and that anybody should be free to produce, sell, and buy anything that may be produced or sold at all. And it is essential that the entry into the different trades should be open to all on equal terms and that the law should not tolerate any attempts by individuals or groups to restrict this entry by open or concealed force. Any attempt to control prices or quantities of particular commodities deprives competition of its power of bringing about an effective co-ordination of individual efforts, because price changes then cease to register all the relevant changes in circumstances and no longer provide a reliable guide for the individual's actions.

This is not necessarily true, however, of measures merely restricting the allowed methods of production, so long as these restrictions affect all potential producers equally and are not used as an indirect way of controlling prices and quantities. Though all such controls of the methods of production impose extra costs (i.e., make it necessary to use more resources to produce a given output), they may be well worth while. To prohibit the use of certain poisonous substances or to require special precautions in their use, to limit working hours or to require certain sanitary arrangements, is fully compatible with the preservation of competition. The only question here is whether in the particular instance the advantages gained are greater than the social costs which they impose. Nor is the preservation of competition incompatible with an extensive system of social services—so long as the organization of these services is not designed in such a way as to make competition ineffective over wide fields.

It is regrettable, though not difficult to explain, that in the past much less attention has been given to the positive requirements of a successful working of the competitive system than to these negative points. The functioning of a competition not only requires adequate organization of certain institutions like money, markets, and channels of information—some of which can never be adequately provided by private enterprise—but it depends, above all, on the existence of an appropriate legal system, a legal system designed both to preserve competition and to make it operate as beneficially as possible. It is by no means sufficient that the law should recognize the principle of private property and freedom of contract; much depends on the precise definition of the right of property as applied to different things. The systematic study of the forms of legal institutions which will make the competitive system work efficiently has been sadly neglected; and strong arguments can be advanced that serious shortcomings here, particularly with regard to the law of corporations and of patents, not only have made competition work much less effectively than it might have done but have even led to the destruction of competition in many spheres.

There are, finally, undoubted fields where no legal arrangements can create the main condition on which the usefulness of the system of competition and private property depends: namely, that the owner benefits from all the useful services rendered by his property and suffers for all the damages caused to others by its use. Where, for example, it is impracticable to make the enjoyment of certain services dependent on the payment of a price, competition will not produce the services; and the price system becomes similarly ineffective when the damage caused to others by certain uses of property cannot be effectively charged to the owner of that property. In all these instances there is a divergence between the items which enter into private calculation and those which affect social welfare; and, whenever this divergence becomes important, some method other than competition may have to be found to supply the services in question. Thus neither the provision of signposts on the roads nor, in most circumstances, that of the roads

themselves can be paid for by every individual user. Nor can certain harmful effects of deforestation, of some methods of farming, or of the smoke and noise of factories be confined to the owner of the property in question or to those who are willing to submit to the damage for an agreed compensation. In such instances we must find some substitute for the regulation by the price mechanism. But the fact that we have to resort to the substitution of direct regulation by authority where the "conditions for the proper working of competition cannot be created does not prove that we should suppress competition where it can be made to function.

To create conditions in which competition will be as effective as possible, to supplement it where it cannot be made effective, to provide the services which, in the words of Adam Smith, "though they may be in the highest degree advantageous to a great society, are, however, of such a nature, that the profit could never repay the expense to any individual or small number of individuals"—these tasks provide, indeed, a wide and unquestioned field for state activity. In no system that could be rationally defended would the state just do nothing. An effective competitive system needs an intelligently designed and continuously adjusted legal framework as much as any other. Even the most essential prerequisite of its proper functioning, the prevention of fraud and deception (including exploitation of ignorance), provides a great and by no means yet fully accomplished object of legislative activity.

The task of creating a suitable framework for the beneficial working of competition had, however, not yet been carried very far when states everywhere turned from it to that of supplanting competition by a different and irreconcilable principle. The question was no longer one of making competition work and of supplementing it but of displacing it altogether. It is important to be quite clear about this: the modern movement for planning is a movement against competition as such, a new flag under which all the old enemies of competition have rallied. And although all sorts of interests are now trying to reestablish under this flag privileges which the liberal era swept away, it is socialist propaganda for planning which has restored to respectability among liberal-minded people opposition to competition and which has effectively lulled the healthy suspicion which any attempt to smother competition used to arouse.[2] What in effect unites the socialists of the Left and the Right is this common hostility to competition and their common desire to replace it by a directed economy. Though the terms "capitalism" and "socialism" are still generally used to describe the past and the future forms of society, they conceal rather than elucidate the nature of the transition through which we are passing.

Yet, though all the changes we are observing tend in the direction of a comprehensive central direction of economic activity, the universal struggle against competition promises to produce in the first instance something in many respects even worse, a state of affairs which can satisfy neither planners nor liberals: a sort of syndicalist or "corporative" organization of industry, in which competition is more or less suppressed but planning is left in the hands of the independent monopolies of the separate industries. This is the inevitable first result of a situation in which the people are united in their hostility to competition but agree on little else. By destroying competition in industry after industry, this policy puts the consumer at the mercy of the joint monopolist action of capitalists and workers in the best organized industries. Yet, although this is a state of affairs which in wide fields has already existed for some time, and al though much of the muddled (and most of the interested) agitation for planning aims at it, it is not a state which is likely to persist or can be rationally justified. Such independent planning by industrial monopolies would, in fact, produce effects opposite to those at which the argument for planning aims. Once this stage is reached, the only alternative to a return to competition is the control of the monopolies by the state—a control which, if it is to be made effective, must become progressively more complete and more detailed. It is this stage we are rapidly approaching. When, shortly before the war, a weekly magazine pointed out that there were many signs that British leaders, at least, were growing accustomed to thinking in terms of national development by controlled monopolies, this was probably a true estimate of the position as it then existed. Since then this process has been greatly

accelerated by the war, and its grave defects and dangers will become increasingly obvious as time goes on.

The idea of complete centralization of the direction of economic activity still appalls most people, not only because of the stupendous difficulty of the task, but even more because of the horror inspired by the idea of everything being directed from a single center. If we are, nevertheless, rapidly moving toward such a state, this is largely because most people still believe that it is must be possible to find some middle way between "atomistic" competition and central direction. Nothing, indeed, seems at first more plausible, or is more likely to appeal to reasonable people, than the idea that our goal must be neither the extreme decentralization of free competition nor the complete centralization of a single plan but some judicious mixture of the two methods. Yet mere common sense proves a treacherous guide in the field. Although competition can bear some admixture of regulation, it cannot be combined with planning to any extent we like without ceasing to operate as an effective guide to production. Nor is "planning" a medicine which, taken in small doses, can produce the effects for which one might hope from its thoroughgoing application. Both competition and central direction become poor and inefficient tools if they are incomplete; they are alternative principles used to solve the same problem, and a mixture of the two means that neither will really work and that the result will be worse than if either system had been consistently relied upon. Or, to express it differently, planning and competition can be combined only by planning for competition but not by planning against competition.

It is of the utmost importance to the argument of this book for the reader to keep in mind that the planning against which all our criticism is directed is solely the planning against competition—the planning which is to be substituted for competition. This is the more important, as we cannot, within the scope of this book, enter into a discussion of the very necessary planning which is required to make competition as effective and beneficial as possible. But as in current usage "planning" has become almost synonymous with the former kind of planning, it will sometimes be inevitable for the sake of brevity to refer to it simply as planning, even though this means leaving to our opponents a very good word meriting a better fate.

Notes

1. Quoted in Dugald Stewart's *Memoir of Adam Smith* from a memorandum written by Smith in 1755.

2. Of late, it is true, some academic socialists, under the spur of criticism and animated by the same fear of the extinction of freedom in a centrally planned society, have devised a new kind of "competitive socialism" which they hope will avoid the difficulties and dangers of central planning and combine the abolition of private property with the full retention of, individual freedom. Although some discussion of this new kind of socialism has taken place in learned journals, it is hardly likely to recommend itself to practical politicians. If it ever did, it would not be difficult to show (as the author has attempted elsewhere—see *Economica,* 1940) that these plans rest on a delusion and suffer from an inherent contradiction. It is impossible to assume control over all the productive resources without also deciding for whom and by whom they are to be used. Although under this so-called "competitive socialism" the planning by the central authority would take somewhat more roundabout forms, its effects would not be fundamentally different, and the element of competition would be little more than a sham.

Chapter 7

Economic Control and Totalitarianism

The control of wealth is the
control of human life itself.
—Hilaire Belloc

Most planners who have seriously considered the practical aspects of their task have little doubt that a directed economy must be run on more or less dictatorial lines. That the complex system of interrelated activities, if it is to be consciously directed at all, must be directed by a single staff of experts, and that ultimate responsibility and power must rest in the hands of a commander-in-chief whose actions must not be fettered by democratic procedure, is too obvious a consequence of underlying ideas of central planning not to command fairly general assent. The consolation our planners offer us is that this authoritarian direction will apply "only" to economic matters. One of the most prominent economic planners, Stuart Chase, assures us, for instance, that in a planned society "political democracy can remain if it confines itself to all but economic matter." Such assurances are usually accompanied by the suggestion that, by giving up freedom in what are, or ought to be, the less important aspects of our lives, we shall obtain greater freedom in the pursuit of higher values. On this ground people who abhor the idea of a political dictatorship often clamor for a dictator in the economic field.

The arguments used appeal to our best instincts and often attract the finest minds. If planning really did free us from the less important cares and so made it easier to render our existence one of plain living and high thinking, who would wish to belittle such an ideal? If our economic activities really concerned only the inferior or even more sordid sides of life, of course we ought to endeavor by all means to find a way to relieve ourselves from the excessive care for material ends and, leaving them to be cared for by some piece of utilitarian machinery, set our minds free for the higher things of life.

Unfortunately, the assurance people derive from this belief that the power which is exercised over economic life is a power over matters of secondary importance only, and which makes them take lightly the threat to the freedom of our economic pursuits, is altogether unwarranted. It is largely a consequence of the erroneous belief that there are purely economic ends separate from the other ends of life. Yet, apart from the pathological case of the miser, there is no such thing. The ultimate ends of the activities of reasonable beings are never economic. Strictly speaking, there is no "economic motive" but only economic factors conditioning our striving for other ends. What in ordinary language is misleadingly called the "economic motive" means merely the desire for general opportunity, the desire for power to achieve unspecified ends.[1] If we strive for money, it is because it offers us the widest choice in enjoying the fruits of our efforts. Because in modern society it is through the limitation of our money incomes that we are made to feel the restrictions which our relative poverty still imposes upon us, many have come to hate money as the symbol of these restrictions. But this is to mistake for the cause the medium through which a force makes itself felt. It would be much truer to say that money is one of the greatest instruments of freedom ever invented by man. It is money which in existing society opens an astounding range of choice to the poor man—a range greater than that which not many generations ago was open to the wealthy. We shall better understand the significance of this service of money if we consider what it would really mean if, as so many socialists characteristically propose, the "pecuniary motive" were largely displaced by "noneconomic incentives." If all rewards, instead of being offered in money, were offered in the form of public distinctions or privileges, positions of power over other men, or better housing or better food, opportunities for travel or education, this would merely mean that the recipient would no longer be allowed to choose and that whoever fixed the reward determined not only its size but also the particular form in which it should be enjoyed.

Once we realize that there is no separate economic motive and that an economic gain or economic loss is merely a gain or a loss where it is still in our power to decide which of our needs

or desires shall be affected, it is also easier to see the important kernel of truth in the general belief that economic matters affect only the less important ends of life and to understand the contempt in which "merely" economic considerations are often held. In a sense this is quite justified in a market economy—but only in such a free economy. So long as we can freely dispose over our income and all our possessions, economic loss will always deprive us only of what we regard as the least important of the desires we were able to satisfy. A "merely" economic loss is thus one whose effect we can still make fall on our less important needs, while when we say that the value of something we have lost is much greater than its economic value, or that it cannot even be estimated in economic terms, this means that we must bear the loss where it falls. And similarly with an economic gain. Economic changes, in other words, usually affect only the fringe, the "margin," of our needs. There are many things which are more important than anything which economic gains or losses are likely to affect, which for us stand high above the amenities and even above many of the necessities of life which are affected by the economic ups and downs. Compared with them, the "filthy lucre," the question whether we are economically somewhat worse or better off, seems of little importance. This makes many people believe that anything which, like economic planning, affects only our economic interests cannot seriously interfere with the more basic values of life.

This, however, is an erroneous conclusion. Economic values are less important to us than many things precisely because in economic matters we are free to decide what to us is more, and what less, important. Or, as we might say, because in the present society it is *we* who have to solve the economic problems of our lives. To be controlled in our economic pursuits means to be always controlled unless we declare our specific purpose. Or, since when we declare our specific purpose we shall also have to get it approved, we should really be controlled in everything.

The question raised by economic planning is, therefore, not merely whether we shall be able to satisfy what we regard as our more or less important needs in the way we prefer. It is whether it shall be we who decide what is more, and what is less, important for us, or whether this is to be decided by the planner. Economic planning would not affect merely those of our marginal needs that we have in mind when we speak contemptuously about the merely economic. It would, in effect, mean that we as individuals should no longer be allowed to decide what we regard as marginal.

The authority directing all economic activity would control not merely the part of our lives which is concerned with inferior things; it would control the allocation of the limited means for all our ends. And whoever controls all economic activity controls the means for all our ends and must therefore decide which are to be satisfied and which not. This is really the crux of the matter. Economic control is not merely control of a sector of human life which can be separated from the rest; it is the control of the means for all our ends. And whoever has sole control of the means must also determine which ends are to be served, which values are to be rated higher and which lower—in short, what men should believe and strive for. Central planning means that the economic problem is to be solved by the community instead of by the individual; but this involves that it must also be the community, or rather its representatives, who must decide the relative importance of the different needs.

The so-called economic freedom which the planners promise us means precisely that we are to be relieved of the necessity of solving our own economic problems and that the bitter choices which this often involves are to be made for us. Since under modern conditions we are for almost everything dependent on means which our fellow-men provide, economic planning would involve direction of almost the whole of our life. There is hardly an aspect of it, from our primary needs to our relations with our family and friends, from the nature of our work to the use of our leisure, over which the planner would not exercise his "conscious control."[2]

The power of the planner over our private lives would be no less complete if he chose not to exercise it by direct control of our consumption. Although a planned society would probably to some extent employ rationing and similar devices, the power of the planner over our private lives does not depend on this and would be hardly less effective if the consumer were nominally free to spend his income as he pleased. The source of this power over all consumption which in a planned society the authority would possess would be its control over production.

Our freedom of choice in a competitive society rests on the fact that, if one person refuses to satisfy our wishes, we can turn to another. But if we face a monopolist we are at his mercy. And an authority directing the whole economic system would be the most powerful monopolist conceivable. While we need probably not be afraid that such an authority would exploit this power in the manner in which a private monopolist would do so, while its purpose would presumably not be the extortion of maximum financial gain, it would have complete power to decide what we are to be given and on what terms. It would not only decide what commodities and services were to be available and in what quantities; it would be able to direct their distribution between districts and groups and could, if it wished, discriminate between persons to any degree it liked. If we remember why planning is advocated by most people, can there be much doubt that this power would be used for the ends of which the authority approves and to prevent the pursuits of ends which it disapproves?

The power conferred by the control of production and prices is almost unlimited. In a competitive society the prices we have to pay for a thing, the rate at which we can get one thing for another, depend on the quantities of other things of which by taking one, we deprive the other members of society. This price is not determined by the conscious will of anybody. And if one way of achieving our ends proves too expensive for us, we are free to try other ways. The obstacles in our path are not due to someone's disapproving of our ends but to the fact that the same means are also wanted elsewhere. In a directed economy, where the authority watches over the ends pursued, it is certain that it would use its powers to assist some ends and to prevent the realization of others. Not our own view, but somebody else's, of what we ought to like or dislike would determine what we should get. And since the authority would have the power to thwart any efforts to elude its guidance, it would control what we consume almost as effectively as if it directly told us how to spend our income.

Not only in our capacity as consumers, however, and not even mainly in that capacity, would the will of the authority shape and "guide" our daily lives. It would do so even more in our position as producers. These two aspects of our lives cannot be separated; and as for most of us the time we spend at our work is a large part of our whole lives, and as our job usually also determines the place where and the people among whom we live, some freedom in choosing our work is, probably, even more important for our happiness than freedom to spend our income during the hours of leisure.

No doubt it is true that even in the best of worlds this freedom will be very limited. Few people ever have an abundance of choice of occupation. But what matters is that we have some choice, that we are not absolutely tied to a particular job which has been chosen for us, or which we may have chosen in the past, and that if one position becomes quite intolerable, or if we set our heart on another, there is almost always a way for the able, some sacrifice at the price of which he may achieve his goal. Nothing makes conditions more unbearable than the knowledge that no effort of ours can change them; and even if we should never have the strength of mind to make the necessary sacrifice, the knowledge that we could escape if we only strove hard enough makes many otherwise intolerable positions bearable.

This is not to say that in this respect all is for the best in our present world, or has been so in the most liberal past, and that there is not much that could be done to improve the opportunities of choice open to the people. Here as elsewhere the state can do a great deal to help the spreading of knowledge and information and to assist mobility. But the point is that the kind of state action which really would increase opportunity is almost precisely the opposite of the "planning" which is now generally advocated and practiced. Most planners, it is true, promise that in the new planned world free choice of occupation will be scrupulously preserved or even increased. But there they promise more than they can possibly fulfil. If they want to plan, they must control the entry into the different trades and occupations, or the terms of remuneration, or both. In almost all known instances of planning, the establishment of such controls and restrictions was among the first measures taken. If such control were universally practiced and exercised by a single planning

authority, one needs little imagination to see what would become of the "free choice of occupation" promised. The "freedom of choice" would be purely fictitious, a mere promise to practice no discrimination where in the nature of the case discrimination must be practiced, and where all one could hope would be that the selection would be made on what the authority believed to be objective grounds.

There would be little difference if the planning authority confined itself to fixing the terms of employment and tried to regulate numbers by adjusting these terms. By prescribing the remuneration, it would no less effectively bar groups of people from entering many trades than by specifically excluding them. A rather plain girl who badly wants to become a saleswoman, a weakly boy who has set his heart on a job where his weakness handicaps him, as well as in general the apparently less able or less suitable are not necessarily excluded in a competitive society; if they value the position sufficiently they will frequently be able to get a start by a financial sacrifice and will later make good through qualities which at first are not so obvious. But when the authority fixes the remunerations for a whole category and the selection among the candidates is made by an objective test, the strength of their desire for the job will count for very little. The person whose qualifications are not of the standard type, or whose temperament is not of the ordinary kind, will no longer be able to come to special arrangements with an employer whose dispositions will fit in with his special needs: the person who prefers irregular hours or even a happy-go-lucky existence with a small and perhaps uncertain income to a regular routine will no longer have the choice. Conditions will be without exception what in some measure they inevitably are in a large organization—or rather worse, because there will be no possibility of escape. We shall no longer be free to be rational or efficient only when and where we think it worth while; we shall all have to conform to the standards which the planning authority must fix in order to simplify its task. To make this immense task manageable, it will have to reduce the diversity of human capacities and inclinations to a few categories of readily interchangeable units and deliberately to disregard minor personal differences.

Although the professed aim of planning would be that man should cease to be a mere means, in fact—since it would be impossible to take account in the plan of individual likes and dislikes—the individual would more than ever become a mere means, to be used by the authority in the service of such abstractions as the "social welfare" or the "good of the community."

That in a competitive society most things can be had at a price—though it is often a cruelly high price we have to pay—is a fact the importance of which can hardly be overrated. The alternative is not, however, complete freedom of choice, but orders and prohibitions which must be obeyed and, in the last resort, the favor of the mighty.

It is significant of the confusion prevailing on all these subjects that it should have become a cause for reproach that in a competitive society almost everything can be had at a price. If the people who protest against having the higher values of life brought into the "cash nexus" really mean that we should not be allowed to sacrifice our lesser needs in order to preserve the higher values, and that the choice should be made for us, this demand must be regarded as rather peculiar and scarcely testifies to great respect for the dignity of the individual. That life and health, beauty and virtue, honor and peace of mind, can often be preserved only at considerable material cost, and that somebody must make the choice, is as undeniable as that we all are sometimes not prepared to make the material sacrifices necessary to protect those higher values against all injury.

To take only one example: We could, of course, reduce casualties by automobile accidents to zero if we were willing to bear the cost—if in no other way—by abolishing automobiles. And the same is true of thousands of other instances in which we are constantly risking life and health and all the fine values of the spirit, of ourselves and of our fellow-men, to further what we at the same time contemptuously describe as our material comfort. Nor can it be otherwise, since all our ends compete for the same means; and we could not strive for anything but these absolute values if they were on no account to be endangered.

That people should wish to be relieved of the bitter choice which hard facts often impose upon them is not surprising. But few want to be relieved through having the choice made for them by others. People just wish that the choice should not be necessary at all. And they are only too ready to believe that the choice is not really necessary, that it is imposed upon them merely by the particular economic system under which we live. What they resent is, in truth, that there is an economic problem.

In their wishful belief that there is really no longer an economic problem people have been confirmed by irresponsible talk about "potential plenty"—which, if it were a fact, would indeed mean that there is no economic problem which makes the choice inevitable. But although this snare has served socialist propaganda under various names as long as socialism has existed, it is still as palpably untrue as it was when it was first used over a hundred years ago. In all this time not one of the many people who have used it has produced a workable plan of how production could be increased so as to abolish even in western Europe what we regard as poverty—not to speak of the world as a whole. The reader may take it that whoever talks about potential plenty is either dishonest or does not know what he is talking about.[3] Yet it is this false hope as much as anything which drives us along the road to planning.

While the popular movement still profits by this false belief, the claim that a planned economy would produce a substantially larger output than the competitive system is being progressively abandoned by most students of the problem. Even a good many economists with socialist views who have seriously studied the problems of central planning are now content to hope that a planned society will equal the efficiency of a competitive system; they advocate planning no longer because of its superior productivity but because it will enable us to secure a more just and equitable distribution of wealth. This is, indeed, the only argument for planning which can be seriously pressed. It is indisputable that if we want to secure a distribution of wealth which conforms to some predetermined standard, if we want consciously to decide who is to have what, we must plan the whole economic system. But the question remains whether the price we should have to pay for the realization of somebody's ideal of justice is not bound to be more discontent and more oppression than was ever caused by the much-abused free play of economic forces.

We should be seriously deceiving ourselves if for these apprehensions we sought comfort in the consideration that the adoption of central planning would merely mean a return, after a brief spell of a free economy, to the ties and regulations which have governed economic activity through most ages, and that therefore the infringements of personal liberty need not be greater than they were before the age of laissez faire. This is a dangerous illusion. Even during the periods of European history when the regimentation of economic life went furthest, it amounted to little more than the creation of a general and semipermanent framework of rules within which the individual preserved a wide free sphere. The apparatus of control then available would not have been adequate to impose more than very general directions. And even where the control was most complete it extended only to those activities of a person through which he took part in the social division of labor. In the much wider sphere in which he then still lived on his own products, he was free to act as he chose.

The situation is now entirely different. During the liberal era the progressive division of labor has created a situation where almost every one of our activities is part of a social process. This is a development which we cannot reverse, since it is only because of it that we can maintain the vastly increased population at anything like present standards. But, in consequence, the substitution of central planning for competition would require central direction of a much greater part of our lives than was ever attempted before. It could not stop at what we regard as our economic activities, because we are now for almost every part of our lives dependent on somebody else's economic activities.[4] The passion for the "collective satisfaction of our needs," with which our socialists have so well prepared the way for totalitarianism, and which wants us to take our pleasures as well as our necessities at the appointed time and in the prescribed form, is, of course, partly intended as a means of political education. But it is also the result of the exigencies of planning, which consists

essentially in depriving us of choice, in order to give us whatever fits best into the plan and that at a time determined by the plan.

It is often said that political freedom is meaningless without economic freedom. This is true enough, but in a sense almost opposite from that in which the phrase is used by our planners. The economic freedom which is the prerequisite of any other freedom cannot be the freedom from economic care which the socialists promise us and which can be obtained only by relieving the individual at the same time of the necessity and of the power of choice; it must be the freedom of our economic activity which, with the right of choice, inevitably also carries the risk and the responsibility of that right.

Notes

1. Cf. Lionel Robbins, *The Economic Causes of War* (1939), Appendix.

2. The extent of the control over all life that economic control confers is nowhere better illustrated than in the field of foreign exchanges. Nothing would at first seem to affect private life less than a state control of the dealings in foreign exchange, and most people will regard its introduction with complete indifference. Yet the experience of most Continental countries has taught thoughtful people to regard this step as the decisive advance on the path to totalitarianism and the suppression of individual liberty. It is, in fact, the complete delivery of the individual to the tyranny of the state, the final suppression of all means of escape—not merely for the rich but for everybody. Once the individual is no longer free to travel, no longer free to buy foreign books or journals, once all the means of foreign contact can be restricted to those of whom official opinion approves or for whom it is regarded as necessary, the effective control of opinion is much greater than that ever exercised by any of the absolutist governments of the seventeenth and eighteenth centuries.

3. To justify these strong words, the following conclusions may be quoted at which Colin Clark, one of the best known among the younger economic statisticians and a man of undoubted progressive views and a strictly scientific outlook, has arrived in his *Conditions of Economic Progress* (1940): The "oft-repeated phrases about poverty in the midst of plenty, and the problems of production having already been solved if only we understood the problem of distribution, turn out to be the most untruthful of all modern cliches. . . . The under-utilisation of productive capacity is a question of considerable importance only in the U.S.A., though in certain years also it has been of some importance in Great Britain, Germany and France, but for most of the world it is entirely subsidiary to the more important fact that, with productive resources fully employed, they can produce so little. The age of plenty will still be a long while in coming. ... If preventable unemployment were eliminated throughout the trade cycle, this would mean a distinct improvement in the standard of living of the population of the U.S.A., but from the standpoint of the world as a whole it would only make a small contribution towards the much greater problem of raising the real income of the bulk of the world population to anything like a civilised standard" (pp. 3-4).

4. It is no accident that in the totalitarian countries, be it Russia or Germany or Italy, the question of how to organize the people's leisure has become a problem of planning. The Germans have even invented for this problem the horrible and self-contradictory name of *Freizeitgestaltung* (literally: the shaping of the use made of the people's free time), as if it were still "free time" when it has to be spent in the way ordained by authority.

Chapter 12

The Socialist Roots of Naziism

All antiliberal forces are combining against
everything that is liberal
—A. Moeller Van Den Bruck

It is a common mistake to regard National Socialism as a mere revolt against reason, an irrational movement without intellectual background. If that were so, the movement would be much less dangerous than it is. But nothing could be further from the truth or more misleading. The doctrines of National Socialism are the culmination of a long evolution of thought, a process in which thinkers who have had great influence far beyond the confines of Germany have taken part. Whatever one may think of the premises from which they started, it cannot be denied that the men who produced the new doctrines were powerful writers who left the impress of their ideas on the whole of European thought. Their system was developed with ruthless consistency. Once one accepts the premises from which it starts, there is no escape from its logic. It is simply collectivism freed from all traces of an individualist tradition which might hamper its realization.

Though in this development German thinkers have taken the lead, they were by no means alone. Thomas Carlyle and Houston Stewart Chamberlain, Auguste Comte and Georges Sorel, are as much a part of that continuous development as any Germans. The development of this strand of thought within Germany has been well traced recently by R. D. Butler in his study of *The Roots of National Socialism.* But, although its persistence there through a hundred and fifty years in almost unchanged and ever recurring form, which emerges from that study, is rather frightening, it is easy to exaggerate the importance these ideas had in Germany before 1914. They were only one strand of thought among a people then perhaps more varied in its views than any other. And they were on the whole represented by a small minority and held in as great contempt by the majority of Germans as they were in other countries.

What, then, caused these views held by a reactionary minority finally to gain the support of the great majority of Germans and practically the whole of Germany's youth? It was not merely the defeat, the suffering, and the wave of nationalism which led to their success. Still less was the cause, as so many people wish to believe, a capitalist reaction against the advance of socialism. On the contrary, the support which brought these ideas to power came precisely from the socialist camp. It was certainly not through the bourgeoisie, but rather through the absence of a strong bourgeoisie, that they were helped to power.

The doctrines which had guided the ruling elements in Germany for the past generation were opposed not to the socialism in Marxism but to the liberal elements contained in it, its internationalism and its democracy. And as it became increasingly clear that it was just these elements which formed obstacles to the realization of socialism, the socialists of the Left approached more and more to those of the Right. It was the union of the anticapitalist forces of the Right and of the Left, the fusion of radical and conservative socialism, which drove out from Germany everything that was liberal.

The connection between socialism and nationalism in Germany was close from the beginning. It is significant that the most important ancestors of National Socialism—Fichte, Rodbertus, and Lassalle—are at the same time acknowledged fathers of socialism. While theoretical socialism in its Marxist form was directing the German labor movement, the authoritarian and nationalist element receded for a time into the background. But not for long.[1] From 1914 onward there arose from the ranks of Marxist socialism one teacher after another who led, not the conservatives and reactionaries, but the hard-working laborer and idealist youth into the National Socialist fold. It was only thereafter that the tide of nationalist socialism attained major importance and rapidly grew into the Hitlerian doctrine. The war hysteria of 1914, which, just because of the German defeat, was

never fully cured, is the beginning of the modern development which produced National Socialism, and it was largely with the assistance of old socialists that it rose during this period.

Perhaps the first, and in some ways the most characteristic, representative of this development is the late Professor Werner Sombart, whose notorious *Handler und Helden* ("Merchants and Heroes") appeared in 1915. Sombart had begun as a Marxian socialist and, as late as 1909, could assert with pride that he had devoted the greater part of his life to fighting for the ideas of Karl Marx. He had done as much as any man to spread socialist ideas and anticapitalist resentment of varying shades throughout Germany; and if German thought became penetrated with Marxian elements in a way that was true of no other country until the Russian revolution, this was in a large measure due to Sombart. At one time he was regarded as the outstanding representative of the persecuted socialist intelligentsia, unable, because of his radical views, to obtain a university chair. And even after the last war the influence, inside and outside Germany, of his work as a historian, which remained Marxist in approach after he had ceased to be a Marxist in politics, was most extensive and is particularly noticeable in the works of many of the English and American planners.

In his war book this old socialist welcomed the "German War" as the inevitable conflict between the commercial civilization of England and the heroic culture of Germany. His contempt for the "commercial" views of the English people, who had lost all warlike instincts, is unlimited. Nothing is more contemptible in his eyes than the universal striving after the happiness of the individual; and what he describes as the leading maxim of English morals: be just "that it may be well with thee and that thou mayest prolong thy days upon the land" is to him "the most infamous maxim which has ever been pronounced by a commercial mind." The "German idea of the state," as formulated by Fichte, Lassalle, and Rodbertus, is that the state is neither founded nor formed by individuals, nor an aggregate of individuals, nor is its purpose to serve any interest of individuals. It is a *Volksge-meinschaft* in which the individual has no rights but only duties. Claims of the individual are always an outcome of the commercial spirit. "The ideas of 1789"—liberty, equality, fraternity—are characteristically commercial ideas which have no other purpose but to secure certain advantages to individuals.

Before 1914 all the true German ideals of a heroic life were in deadly danger before the continuous advance of English commercial ideals, English comfort, and English sport. The English people had not only themselves become completely corrupted, every trade-unionist being sunk in the "morass of comfort," but they had begun to infect all other peoples. Only the war had helped the Germans to remember that they were really a people of warriors, a people among whom all activities and particularly all economic activities were subordinated to military ends. Sombart knew that the Germans were held in contempt by other people because they regard war as sacred—but he glories in it. To regard war as inhuman and senseless is a product of commercial views. There is a life higher than the individual life, the life of the people and the life of the state, and it is the purpose of the individual to sacrifice himself for that higher life. War is to Sombart the consummation of the heroic view of life, and the war against England is the war against the opposite ideal, the commercial ideal of individual freedom and of English comfort, which in his eyes finds its most contemptible expression in—the safety razors found in the English trenches.

If Sombart's outburst was at the time too much even for most Germans, another German professor arrived at essentially the same ideas in a more moderate and more scholarly, but for that reason even more effective, form. Professor Johann Plenge was as great an authority on Marx as Sombart. His book on *Marx und Hegel* marks the beginning of the modern Hegel renaissance among Marxian scholars; and there can be no doubt about the genuinely socialist nature of the convictions with which he started. Among his numerous war publications the most important is a small but at the time widely discussed book with the significant title, *1789 and 1914: The Symbolic Years in the History of the Political Mind.* It is devoted to the conflict between the "Ideas of 1789," the ideal of freedom, and the "Ideas of 1914," the ideal of organization.

Organization is to him, as to all socialists who derive their socialism from a crude application of scientific ideals to the problems of society, the essence of socialism. It was, as he rightly emphasizes, the root of the socialist movement at its inception in early nineteenth-century France. Marx and Marxism have betrayed this basic idea of socialism by their fanatic but Utopian adherence to the abstract idea of freedom. Only now was the idea of organization again coming into its own, elsewhere, as witnessed by the work of H. G. Wells (by whose Future in America Professor Plenge was profoundly influenced, and whom he describes as one of the outstanding figures of modern socialism), but particularly in Germany, where it is best understood and most fully realized. The war between England and Germany is therefore really a conflict between two opposite principles. The "Economic World War" is the third great epoch of spiritual struggle in modern history. It is of equal importance with the Reformation and the bourgeois revolution of liberty. It is the struggle for the victory of the new forces born out of the advanced economic life of the nineteenth century: socialism and organization.

"Because in the sphere of ideas Germany was the most convinced exponent of all socialist dreams, and in the sphere of reality she was the most powerful architect of the most highly organized economic system.—In us is the twentieth century. However the war may end, we are the exemplary people. Our ideas will determine the aims of the life of humanity.—World History experiences at present the colossal spectacle that with us a new great ideal of life penetrates to final victory, while at the same time in England one of the World-Historical principles finally collapses."

The war economy created in Germany in 1914 "is the first realization of a socialist society and its spirit the first active, and not merely demanding, appearance of a socialist spirit. The needs of the war have established the socialist idea in German economic life, and thus the defense of our nation produced for humanity the idea of 1914, the idea of German organization, the people's community *(Volksgemein-schaft)* of national socialism. . . . Without our really noticing it the whole of our political life in state and industry has risen to a higher stage. State and economic life form a new unity.. .. The feeling of economic responsibility which characterizes the work of the civil servant pervades all private activity." The new German corporative constitution of economic life, which Professor Plenge admits is not yet ripe or complete, "is the highest form of life of the state which has ever been known on earth."

At first Professor Plenge still hoped to reconcile the ideal of liberty and the ideal of organization, although largely through the complete but voluntary submission of the individual to the whole. But these traces of liberal ideas soon disappear from his writings. By 1918 the union between socialism and ruthless power politics had become complete in his mind. Shortly before the end of the war he exhorted his compatriots in the socialist journal *Die Glocke* in the following manner:

"It is high time to recognize the fact that socialism must be power policy, because it is to be organization. Socialism has to win power: it must never blindly destroy power. And the most important and critical question for socialism in the time of war of peoples is necessarily this: what people is preeminently summoned to power, because it is the exemplary leader in the organization of peoples?"

And he forecast all the ideas which were finally to justify Hitler's New Order: "Just from the point of view of socialism, which is organization, is not an absolute right of self-determination of the peoples the right of individualistic economic anarchy? Are we willing to grant complete self-determination to the individual in economic life? Consistent socialism can accord to the people a right to incorporation only in accordance with the real distribution of forces historically determined."

The ideals which Plenge expressed so clearly were espe^ daily popular among, and perhaps even derive from, certain circles of German scientists and engineers who, precisely as is now so loudly demanded by their English and American counterparts, clamored for the centrally planned organization of all aspects of life. Leading among these was the famous chemist Wilhelm Ostwald, one of whose pronouncements on this point has achieved a certain celebrity. He is reported to have stated publicly that "Germany wants to organize Europe which up to now still lacks

organization. I will explain to you now Germany's great secret: we, or perhaps the German race, have discovered the significance of organization. While the other nations still live under the regime of individualism, we have already achieved that of organization."

Ideas very similar to these were current in the offices of the German raw-material dictator, Walter Rathenau, who, although he would have shuddered had he realized the consequences of his totalitarian economics, yet deserves a considerable place in any fuller history of the growth of Nazi ideas. Through his writings he has probably, more than any other man, determined the economic views of the generation which grew up in Germany during and immediately after the last war; and some of his closest collaborators were later to form the backbone of the staff of Goring's Five-Year Plan administration. Very similar also was much of the teaching of another former Marxist, Friedrich Naumann, whose *Mitteleuropa* reached probably the greatest circulation of any war book in Germany.[2]

But it was left to an active socialist politician, a member of the Left wing of the social-democratic party in the Reichstag, to develop these ideas most fully and to spread them far and wide. Paul Lensch had already in earlier books described the war as "the flight of the English bourgeoisie before the advance of socialism" and explained how different were the socialist ideal of freedom and the English conception. But only in his third and most successful war book, his *Three Years of World Revolution,* were his characteristic ideas, under the influence of Plenge, to achieve full development.[3] Lensch bases his argument on an interesting and in many respects accurate historical account of how the adoption of protection by Bismarck had made possible in Germany a development toward that industrial concentration and cartelization which, from his Marxist standpoint, represented a higher state of industrial development.

"The result of Bismarck's decision of the year 1879 was that Germany took on the role of the revolutionary; that is to say, of a state whose position in relation to the rest of the world is that of a representative of a higher and more advanced economic system. Having realized this, we should perceive that *in the present World Revolution Germany represents the revolutionary, and her greatest antagonist, England, the counter-revolutionary side.* This fact proves how little the constitution of a country, whether it be liberal and republican or monarchic and autocratic, affects the question whether, from the point of view of historical development, that country is to be regarded as liberal or not. Or, to put it more plainly, our conceptions of Liberalism, Democracy, and so forth, are derived from the ideas of English Individualism, according to which a state with a weak government is a liberal state, and every restriction upon the freedom of the individual is conceived as the product of autocracy and militarism."

In Germany, the "historically appointed representative" of this higher form of economic life, "the struggle for socialism has been extraordinarily simplified, since all the prerequisite conditions of Socialism had already become established there. And hence it was necessarily a vital concern of any socialist party that Germany should triumphantly hold her own against her enemies, and thereby be able to fulfil her historic mission of revolutionizing the world. Hence the war of the Entente against Germany resembled the attempt of the lower bourgeoisie of the pre-capitalistic age to prevent the decline of their own class."

That organization of capital, Lensch continues, "which began unconsciously before the war, and which during the war has been continued consciously, will be systematically continued after the war. Not through any desire for any arts of organization nor yet because socialism has been recognized as a higher principle of social development. The classes who are today the practical pioneers of socialism are, in theory, its avowed opponents, or, at any rate, were so up to a short time ago. Socialism is coming, and in fact has to some extent already arrived, since we can no longer live without it."

The only people who still oppose this tendency are the liberals. "This class of people, who unconsciously reason from English standards, comprises the whole educated German bourgeoisie. Their political notions of 'freedom' and 'civic right,' of constitutionalism and parliamentarian-ism, are derived from that individualistic conception of the world, of which English Liberalism is a classical embodiment, and which was adopted, by the spokesmen of the German bourgeoisie in the fifties, sixties, and seventies of the nineteenth century. But these standards are old-fashioned and

shattered, just as old-fashioned English Liberalism has been shattered by this war. What has to be done now is to get rid of these inherited political ideas and to assist the growth of a new conception of State and Society. In this sphere also Socialism must present a conscious and determined opposition to individualism. In this connection it is an astonishing fact that, in the so-called 'reactionary' Germany, the working classes have won for themselves a much more solid and powerful position in the life of the state than is the case either in England or in France."

Lensch follows this up with a consideration which again contains much truth and which deserves to be pondered:

"Since the Social Democrats, by the aid of this [universal] Suffrage, occupied every post which they could obtain in the Reichstag, the State Parliament, the municipal councils, the courts for the settlement of trade disputes, the sick funds, and so forth, they penetrated very deeply into the organism of the state; but the price which they had to pay for this was that the state, in its turn, exercised a profound influence upon the working classes. To be sure, as the result of strenuous socialistic labors for fifty years, the state is no longer the same as it was in the year 1867, when universal suffrage first came into operation; but then, Social Democracy, in its turn, is no longer the same as it was at the time. *The state has undergone a process of socialization, and Social Democracy has undergone a process of nationalization."*

Plenge and Lensch in turn have provided the leading ideas for the immediate masters of National Socialism, particularly Oswald Spengler and Arthur Moeller van den Bruck, to mention only the two best-known names.[4] Opinions may differ in how far the former can be regarded as a socialist. But that in his tract on *Prussianism and Socialism,* which appeared in 1920, he merely gave expression to ideas widely held by German socialists will now be evident. A few specimens of his argument will suffice. "Old Prussian spirit and socialist conviction, which today hate each other with the hatred of brothers, are one and the same." The representatives of Western civilization in Germany, the German liberals, are "the invisible English army which after the Battle of Jena, Napoleon left behind on German soil." To Spengler, men like Hardenberg and Humboldt and all the other liberal reformers were "English." But this "English" spirit will be turned out by the German revolution which began in 1914.

"The three last nations of the Occident have aimed at three forms of existence, represented by famous watchwords: Freedom, Equality, Community. They appear in the political forms of liberal Parliamentarianism, social Democracy, and authoritarian socialism.[5] . . . The German, more correctly, Prussian, instinct is: the power belongs to the whole. . . . Everyone is given his place. One commands or obeys. This is, since the eighteenth century, authoritarian socialism, essentially illiberal and anti-democratic, in so far as English Liberalism and French Democracy are meant. . . . There are in Germany many hated and ill-reputed contrasts, but liberalism alone is contemptible on German soil.

"The structure of the English nation is based on the distinction between rich and poor, that of the Prussian on that between command and obedience. The meaning of class distinction is accordingly fundamentally different in the two countries."

After pointing out the essential difference between the English competitive system and the Prussian system of "economic administration" and after showing (consciously following Lensch) how since Bismarck the deliberate organization of economic activity had progressively assumed more socialist forms, Spengler continues:

"In Prussia there existed a real state in the most ambitious meaning of the word. There could be, strictly speaking, no private persons. Everybody who lived within the system that worked with the precision of a clockwork, was in some way a link in it. The conduct of public business could therefore not be in the hands of private people, as is supposed by Par-liamentarianism. It was an *Amt* and the responsible politician was a civil servant, a servant of the whole."

The "Prussian idea" requires that everybody should become a state official—that all wages and salaries be fixed by the state. The administration of all property, in particular, becomes a salaried function. The state of the future will be a *Beamtenstaat.* But "the decisive question not only for Ger-

many, but for the world, which must be solved *by* Germany *for* the world is: Is in the future trade to govern the state, or the state to govern trade? In the face of this question Prus-sianism and Socialism are the same. . . . Prussianism and Socialism combat the England in our midst."

It was only a step from this for the patron saint of National Socialism, Moeller van den Bruck, to proclaim World War I a war between liberalism and socialism: "We have lost the war against the West. Socialism has lost it against Liberalism."[6] As with Spengler, liberalism is, therefore, the arch-enemy. Moeller van den Bruck glories in the fact that "there are no liberals in Germany today; there are young revolutionaries: there are young conservatives. But who would be a liberal? . . . Liberalism is a philosophy of life from which German youth now turns with nausea, with wrath, with quite peculiar scorn, for there is none more foreign, more repugnant, more opposed to its philosophy. German youth today recognizes the liberal *as the archenemy."* Moeller van den Bruck's Third Reich was intended to give the Germans a socialism adapted to their nature and undefiled by Western liberal ideas. And so it did.

These writers were by no means isolated phenomena. As early as 1922 a detached observer could speak of a "peculiar and, on a first glance, surprising phenomenon" then to be observed in Germany: "The fight against the capitalistic order, according to this view, is a continuation of the war against the Entente with the weapons of the spirit and of economic organization, the way which leads to practical socialism, a return of the German people to their best and noblest traditions."[7]

Fight against liberalism in all its forms, liberalism that had defeated Germany, was the common idea which united socialists and conservatives in one common front. At first it was mainly in the German Youth Movement, almost entirely socialist in inspiration and outlook, where these ideas were most readily accepted and the fusion of socialism and nationalism completed. In the later twenties and until the advent to power of Hitler a circle of young men gathered round the journal *Die Tat* and, led by Ferdinand Fried, became the chief exponent of this tradition in the intellectual sphere. Fried's *Ende des Kapitalismus* is perhaps the most characteristic product of this group of *Edelnazis,* as they were known in Germany, and is particularly disquieting because of its resemblance to so much of the literature which we see in England and the United States today, where we can watch the same drawing-together of the socialists of the Left and the Right and nearly the same contempt of all that is liberal in the old sense. "Conservative Socialism" (and, in other circles, "Religious Socialism") was the slogan under which a large number of writers prepared the atmosphere in which “National Socialism” succeeded. It is “conservative socialism: which is the dominant trend among us now. Had the war against Western powers “with the weapons of the spirit and of economic organization” not almost succeeded before the real war began?

Notes

1. And only partially. In 1892 one of the leaders of the social-democratic party, August Bebel, was able to tell Bismarck that "the Imperial Chancellor can rest assured that German Social Democracy is a sort of pre-paratory school for militarism"!

2. A good summary of Naumann's views, as characteristic of the German combination of socialism and imperialism as any we quote in the text, will be found in R. D. Butler, *The Roots of National Socialism* (1941), pp. 203-9.

3. Paul Lensch, *Three Years of World Revolution,* with a Preface by J. E. M. (London, 1918). The English translation of this work was made available, still during the last war, by some far-seeing person.

4. The same applies to many others of the intellectual leaders of the generation which has produced naziism, such as Othmar Spann, Hans Freyer, Carl Schmitt, and Ernst Jiinger. On these compare the interesting study by Aurel Kolnai, *The War against the West* (1938), which suffers, however, from the defect that, by confining itself to the postwar period when these ideals had already been taken over by the nationalists, it overlooks their socialist creators.

5. This Spenglerian formula finds its echo in an often-quoted statement of Schmitt, the leading Nazi expert on constitutional law, according to which the evolution of government proceeds "in three dialectic stages: from the *absolute* state of the seventeenth and eighteenth centuries through the *neutral* state of the

liberal nineteenth century to the *totalitarian* state in which state and society are identical" (Carl Schmitt, *Der Huter der Verfassung* [Tubingen, 1931], p. 79).

6. Arthur Moeller van den Bruck, *Sozialismus und Aussenpolitik* (1933), pp. 87, 90, and 100. The articles here reprinted, particularly the article on "Lenin and Keynes," which discusses most fully the contention discussed in the text, were first published between 1919 and 1923.

7. K. Pribram, "Deutscher Nationalismus und deutscher Sozialismus," *Archht fur Sozialwissenschaft und Sozialpolitik,* XLIX (1922), 298-99. The writer mentions as further examples the philosopher Max Scheler, preaching "the socialist world mission of Germany," and the Marxist K. Korsch, writing on the spirit of the new *Volksgemeinschaft,* as arguing in the same vein.

Chapter 16

Conclusion

The purpose of this book has not been to sketch a detailed program of a desirable future order of society. If with regard to international affairs we have gone a little beyond its essentially critical task, it was because in this field we may soon be called upon to create a framework within which future growth may have to proceed for a long time to come. A great deal will depend on how we use the opportunity we shall then have. But, whatever we do, it can only be the beginning of a new, long, and arduous process in which we all hope we shall gradually create a world very different from that which we knew during the last quarter of a century.

It is at least doubtful whether at this stage a detailed blueprint of a desirable internal order of society would be of much use—or whether anyone is competent to furnish it. The important thing now is that we shall come to agree on certain principles and free ourselves from some of the errors which have governed us in the recent past. However distasteful such an admission may be, we must recognize that we had before this war once again reached a stage where it is more important to clear away the obstacles with which human folly has encumbered our path and to release the creative energy of individuals than to devise further machinery for "guiding" and "directing" them—to create conditions favorable to progress rather than to "plan progress." The first need is to free ourselves of that worst form of contemporary obscurantism which tries to persuade us that what we have done in the recent past was all either wise or inevitable. We shall not grow wiser before we learn that much that we have done was very foolish.

If we are to build a better world, we must have the courage to make a new start—even if that means some *reculer pour mieux sauter.* It is not those who believe in inevitable tendencies who show this courage, not those who preach a "New Order" which is no more than a projection of the tendencies of the last forty years, and who can think of nothing better than to imitate Hitler. It is, indeed, those who cry loudest for the New Order who are most completely under the sway of the ideas which have created this war and most of the evils from which we suffer. The young are right if they have little confidence in the ideas which rule most of their elders. But they are mistaken or misled when they believe that these are still the liberal ideas of the nineteenth century, which, in fact, the younger generation hardly knows. Though we neither can wish nor possess the power to go back to the reality of the nineteenth century, we have the opportunity to realize its ideals—and they were not mean. We have little right to feel in this respect superior to our grandfathers; and we should never forget that it is we, the twentieth century, and not they, who have made a mess of things. If they had not yet fully learned what was necessary to create the world they wanted, the experience we have since gained ought to have equipped us better for the task. If in the first attempt to create a world of free men we have failed, we must try again. The guiding principle that a policy of freedom for the individual is the only truly progressive policy remains as true today as it was in the nineteenth century.