18: Nazis, Bolsheviks, Fascists, Stalinists—and Social Democrats, 1870-1939

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This Draft: October 2009

From “Requiem” by Anna Akhmatova

No, not under the vault of another sky, not under the shelter of other wings. I was with my people then, there where my people were doomed to be.

*Instead of a Forward*
During the years of Yezhov’s terror, I spent seventeen months standing outside the prison in Leningrad, waiting for news. One day someone recognized me. Then a woman with lips blue from the cold, who was standing behind me, and of course had never heard of my name, came out of the numbness which affected us all. She whispered in my ear (for we all spoke in whispers there): “Can you describe this?”

I said, “I can.”

Then something resembling a smile slipped over what had once been her face…

18.1: Madmen in Authority
If there is one key point to grasp about Communism and Nazism, it is that both sets of doctrines saw the liberal market capitalist order as hopelessly and deeply flawed in ways that could not be
corrected without a wholesale restructuring of society in order to bring social structures into a closer match with human personalities. Both saw much of what we see as key progressive institutions in our society—from representative democracy to the market economy running off of privately-owned property—as not just flawed, but as evil: as powerful obstacles that blocked humanity from continuing its journey towards utopia.

Some have traced the twentieth century’s cultures of genocide to the overturning of the traditional rules of European war that sharply distinguished combatants from non-combatants. Others trace it to the rhetoric of violence that always accompanied Karl Marx’s version of socialism. In Marx’s writings, really-existing democratic political institutions, individual rights, and public deliberation are always masks and shams in the absence of substantive economic equality—and were to be fought as fiercely as medieval barons who slaughtered peasants for failing to pay feudal rents. This habit of rhetoric cannot help but have influenced the glasses through which Marx’s followers viewed the world, and the steps they would take as they tried to seize power.

Still others trace it to the great French Revolution of the eighteenth century, to political philosophers like Jean-Jacques Rousseau, and to the idea that whatever political party represents the Nation is engaged in a life-and-death struggle with Enemies, a struggle in which scruples about means are out of place. Still others say that it was there all along, but that pre-twentieth century governments and religions by and large lacked the organizational capability and certainly lacked a motive to exterminate their fellow human beings by the tens of millions.

There is some truth to all of these interpretations. For example, the practice of Robespierre’s Committee of Public Safety during the French Revolution in executing not just the leaders but also the followers and families of their political opponents (a practice that Robespierre’s political opponents turned against him as soon as
they could), the practice of using the military to depopulate restive regions like the Vendee of western France, and the practice of using rigged courts to give a thin veneer of “legality” and due process to political murder did have their modern origin in the French Revolution.

But the greater power of governments to organize and carry out purges, the sharpening of ethnic conflicts, and the rising power of violent nationalism were, even together, not enough to trigger the genocides of this century. That required two political movements: Communism and Nazism. And both Communism and Nazism were movements that had economic ideology at their core.

Only in the twentieth century have people killed each other on a large scale in disputes over the economic organization of society. Communism saw itself as a utopian mode of social and economic organization, engaged in a death struggle with the other modes of “Capitalism” and “Feudalism.” Opponents of regimes had to die because their very existence was “objectively” reinforcing the strength of the opposing modes of organization, and preventing the achievement of universal prosperity and utopia.

The economic ideologies of the Communists and the Nazis did not play a significant role in boosting or maintaining their power. The Communist Party chief of a Ukrainian village is and remains boss whether the cattle are owned by individual farmers or by the village collective. Fidel Castro ruled in Havana whether or not farmers are allowed to sell their crops in roadside stands. Deng Xiaoping’s control over China was not impaired by his decision to be pragmatic: to announce that a good cat was one that catches mice—not one that was the ideologically-correct color. Power, personal status, and eternal salvation had little to do with the Soviet collectivization of agriculture, the Cuban suppression of small-scale markets, or the disaster of Mao’s Great Leap Forward. These were in large part and certainly appeared on the surface to
be attempts to guide and shift the economy in order to meet the requirements that some ideology claimed were necessary.

World War II simply does not happen in the absence of Adolf Hitler’s idee fixe that the Germans needed a better land-labor ratio—more “living space”, more lebensraum—if they were to be a strong nation. Underlying Hitler’s conquest of Czechoslovakia and Poland, and his attack on the Soviet Union is the ghost of Malthus: the strongly-held belief that national numbers and national power depend ultimately on the possession of land for farms. Hitler deeply believed in his insane combination of Malthus and Darwin: that ultimately the numbers of the German people were limited by the land that they could occupy, and that without more land and more numbers the Germans would not long survive as a people. They would be swamped by the Slavs, by the Americans—and by the Jews.

18.1.1: Marx’s Grandchildren
Marx had claimed, first—and perhaps rightly—that unregulated market economies could not deliver acceptable distributions of income; second—and wrongly—that market economies could not be politically managed to deliver acceptable distributions of income; and third—also wrongly—that the British Industrial Revolution had accumulated the capital to build the factories by expropriating the property of the peasants. The “enclosure” movement, Marx claimed, had deprived the peasants of their common property and their land, had turned them into a property-less industrial proletariat, and had concentrated the wealth that the rich then used to invest in factories.

The continued existence of the industrial democracies of the North Atlantic, with the absence of substantial pressures from below for more leveling of economic outcomes, provides us with a verdict on Marx’s second claim if not on his first. But here I want to focus on his third claim.
Fact: Marx was wrong. The enclosure movement in Britain was not a win-win event: the politically powerful who could reach and influence Parliament did very well indeed. But the industrial working class of nineteenth century Britain was a consequence of population growth: there was no rural depopulation in Britain until the end of the nineteenth century, well after the industrial revolution took hold, when farm workers were pulled into the cities by higher urban wages. And factories were financed by merchants and entrepreneurs on shoestrings, not by landlords fattened by the profits of enclosure: landlords fattened by the profits of enclosure kept their wealth in land or loaned in to the governments that fought the wars that made the British Empire.

But by the end of the 1920s the Communists—not just Stalin, but Trotsky and such figures as Preobrazhensky too, and not just Stalin but his successors and imitators elsewhere, whether named Gomulka, or Mao Zedong or Fidel Castro—had reached the conclusion that the Soviet Union needed to do what Marx told them the British business class had done two centuries before: “primitive accumulation.” Confiscate the land and animals of the kulaks, the Party decided. Bring them into collective farms, along with the poor and middle peasants. Tighten down their standard of living to a little bit more than what the non-kulak average had been beforehand. The middle peasants and the poor peasants will be happy, the Party thought. Only the kulaks will be upset—and their resistance can be handled. Thereafter the entire agricultural surplus can be taken for the cities, with no need to supply the countryside with any consumer goods at all.

John Maynard Keynes had written at the end of his General Theory that:

The ideas of economists and political philosophers... are more powerful than is commonly understood... the world is ruled by little else. Practical men... believe[ing] themselves... exempt from any intellectual influences, are usually the slaves of some
defunct economist. Madmen in authority, hearing voices in the air, are distilling their frenzy from some academic scribbler...

We see this in Lenin, driven to try to destroy the market as a social mechanism by the voices in the air of Marx and Engels.

We see this in Stalin and his peers, driven to kill and exile fifteen million peasants because Marx had once written five chapters on the “so-called primitive accumulation” of capital in pre-industrial Britain.

And we see this in Hitler: driven to conquer Poland, Czechoslovakia, and Russia by his hearing the voices in the air of the economist Thomas Malthus (along with the racist philosopher Houston Stewart Chamberlain, and the social Darwinist sociologist Herbert Spencer).

**18.1.2: Naziism**

Adolf Hitler of Nazi Germany, did not match up to his peers Stalin and Mao in length of his tyranny but surely was their master in evil. He gained a voice in German politics by exploiting nationalist resentment against those who had beaten Germany in World War I and the economic distress of the Great Depression. He took power by outmaneuvering the right-wing politicians who had taken him into the cabinet to boost their popular support.

He quickly turned Germany into a centralized-totalitarian-dictatorship in which, in theory at least, all social and economic institutions were “co-ordinated” with the Nazi Party. “What need have we to socialize industry or agriculture? We socialize human beings!” Up until the start of World War II the terror was, by twentieth century standards, relatively small: murder, imprisonment, and harassment of Jews, opposition political activists, homosexuals, and some of the disabled and mentally ill.
After the beginning of World War II, the machine of extermination was put in motion on a large scale. Some were worked to death in slave labor camps at the disposal of German businesses like Krupp and I.G. Farben. Some were shot by mobile extermination teams. Many were shot by the army well behind the fighting lines. Some were left to die in concentration camps. Many others were killed assembly-line fashion in extermination camps.

Stalin and Mao could point to reasons—insane and mistaken reasons, true, but reasons nevertheless—why their actions and killings made sense in terms of ends that we all share of general prosperity and human development, and why they had chosen the path that the poet W.H. Auden wrote of as “the acceptance of guilt in the necessary murder.” The Cultural Revolution in China was “needed” to keep China a socialist country that could someday become a free and equal utopia, to keep it from degenerating into a bureaucratic despotism like the Soviet Union. The mass slaughter of the peasants of the Ukraine was “necessary” because an agriculture based on private farming and small plots rather than collective farming and industrialized agriculture could never produce the increases in productivity needed to feed the growing cities of the industrializing Soviet Union. These justifications were wrong—insanely wrong—but economic development and the avoidance of bureaucratic despotism are good things.

But Hitler? Killing in concentration camps, extermination camps, and through forced labor, killing six million Jews, two million of scattered nationalities from western Europe, and perhaps five to ten million or so from eastern Europe in addition to the battle-related deaths of World War II? Why? To diminish the likelihood that the German “race” would be further polluted through intermarriage, and to provide more “living space” for German farmers.

Stalin and Mao still have their defenders: people who admit with one hand that:
there is no doubt that under some other leader [than Stalin]...
the sufferings of the peoples of the [Union of Soviet Socialist
Republics] would have been less, the number of victims
smaller…

yet with the other go on to write that:

any policy of rapid modernization in the U.S.S.R… was bound
to be ruthless and, because imposed against the bulk of the
people and imposing serious sacrifices on them, to some
extent coercive… closer to a military operation than to an
economic enterprise. On the other hand… the breakneck
industrialization of the first Five-Year Plans (1929-41)
generated support by the very ‘blood, toil, tears, and sweat’ it
imposed on the people…. sacrifice itself can motivate.

Hitler, however, has no defenders. Next to no one claims that he
used “perhaps” excessive means to good ends. His ultimate
goals—the Aryan racial purity of the German people, and
sufficient “living space” at the disposal of the German nation to
allow it to dominate the world—are far, far outside the admissible
bounds.

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the Jews.
18.2: Marxism

18.2.1: The Most Revolutionary Class

Karl Marx was one of the few in the nineteenth century to see the explosion of wealth the twentieth century would bring. He mocked the sober, dark-suited businessmen of his time. They claimed to want only stability. They claimed to view revolution with horror. Yet they were themselves, in a sense, the most ruthless revolutionaries the world had ever seen.

Businessmen—members of what standard translations of Marx call the bourgeoisie—were indeed a most revolutionary, and progressive, class. In a very real sense, Karl Marx believed and argued his whole life long, the prehistory during which scarcity, want, and oppression had been human destiny was about to end. It was the business class of entrepreneurs and investors, together with the market economy that pitted individual businessmen against each other through competition, that was responsible for this greatest of all revolutions in the potential human condition.
But Marx also saw an overpowering danger: the economic system that the bourgeoisie had created would soon become the main obstacle to happiness. It could, Marx thought, create wealth, but it could not distribute wealth evenly. Alongside prosperity would come increasing polarization of wealth. The rich would become richer. The poor poorer, kept in a poverty made all the more hateful because needless.
18.2.2: Marx the Prophet
In the end all would be well:

And I saw a new heaven and a new earth: for the first heaven and the first earth were passed away; and there was no more sea. And I John saw the holy city, new Jerusalem, coming down from God out of heaven, prepared as a bride adorned for her husband. And I heard a great voice out of heaven saying, “Behold, the tabernacle of God is with men, and he will dwell with them, and they shall be his people, and God himself shall be with them, and be their God. And God shall wipe away all tears from their eyes; and there shall be no more death, neither sorrow, nor crying, neither shall there be any more pain: for the former things are passed away.” And he that sat upon the throne said, “Behold, I make all things new.” And he said unto me, “Write: for these words are true and faithful.” And he said unto me, “It is done. I am Alpha and Omega, the beginning and the end. I will give unto him that is athirst of the fountain of the water of life freely…”

Image 18.2: Giuseppe Pellizza da Volpedo (1868-1907), Il Quarto Stato (The Fourth Estate)
But in the meanwhile humanity would have an absolutely horrible time:

[Y]e shall hear of wars and rumours of wars: see that ye be not troubled: for all [these things] must come to pass, but the end is not yet. For nation shall rise against nation, and kingdom against kingdom: and there shall be famines, and pestilences, and earthquakes, in divers places. All these [are] the beginning of sorrows. Then shall they deliver you up to be afflicted, and shall kill you: and ye shall be hated of all nations for my name's sake. And then shall many be offended, and shall betray one another, and shall hate one another. And many false prophets shall rise, and shall deceive many. And because iniquity shall abound, the love of many shall wax cold…

Yes, Karl Marx had a vision—just like John of Patmos under the persecution of Domitian. Marx’s vision was one of how the Industrial Revolution would transform everything and be followed by a Great Communist Social Revolution—greater than the political French Revolution—that would wash us up on the shores of Utopia. The writings of Karl Marx and his friend Friedrich Engels became—as the writings of John of Patmos had—sacred texts for a world religion. In Communism, things passed beyond the absurd into tragedy and beyond tragedy into horror: the belief that the logic of development of the economy was the most important thing about society became entangled in the belief that Joe Stalin or Mao Zedong or Pol Pot or Kim Il Sung or Fidel Castro was our benevolent master and ever-wise guide.

But for now let us go back to a time before Marxism lost its innocence. Look at Karl Marx, and what he actually wrote and thought.

Marx had a three part intellectual trajectory. He started out as a German-style philosopher; became a French-style political activist, political analyst, and political historian; and ended up trying to become a British-style economist and economic historian. At the
At each stage Marx had the enthusiasm of the true-believing convert, and in each stage he was wrong: It was never the case that philosophy alone could bring utopia. It was never the case that after the revolution all problems will be resolved. And it was never the case that the underlying economic mode of production was the base and that its evolution drove the shape of the superstructure.

Karl Marx never completed the intellectual trajectory he set himself on. He tried as hard as he could to become a British-style classical economist—a “minor post-Ricardian economic theorist” as Paul Samuelson once joked—but he did not make it: the late, mature Marx is mostly an economist and economic historian, but he is also substantially a political activist, and also part prophet.

I’m going to skip over Marx the prophet. I don’t have time.

18.2.3: Marx the Political Activist

I’m also going to skip over Marx the political activist: he wasn’t very good at it. As I see it, Marx the political activist had three big ideas:

1. That previous systems of hierarchy and domination maintained control by hypnotizing the poor into believing that the rich in some sense “deserved” their high seats in the temple of civilization, capitalism would replace masked exploitation by naked exploitation. Then the scales would
fall from people’s eyes, for without its masking ideological legitimations unequal class society could not survive. This idea seems to me to be completely wrong. Cf. Antonio Gramsci, passim, on legitimation and hegemony.

2. That even though the ruling class could decide to appease the working class by using the state to redistribute and share the fruits of economic growth, it would in fact never do so. The rulers would be trapped by their own ideological legitimations—they really do believe that it is in some sense “unjust” for a factor of production to earn more than its marginal product. Hence social democracy would inevitably collapse before an ideologically-based right-wing assault, income inequality would rise, and the system would collapse or be overthrown. The Wall Street Journal editorial page works day and night 365 days a year to make Marx’s prediction come true. But I think this, too, is wrong.

3. That factory work was the wave of the future, and that the social patterns of factory work—lots of people living in cities living alongside each other working alongside each other—would lead people to develop a sense of their common interest. Hence working people would organize, revolt, and establish a free and just society in a way that they could not back in the old days when the peasants of this village were suspicious of the peasants of that one, and peasants formed not a class for themselves but, rather, a sack of potatoes which could attain no organization but simply remains a sack of potatoes. Here I think Marx mistook a passing phase for an enduring trend. The socialists of Germany told their emperor in 1914 that they were Germans first and Marxists second.

Add to these the fact that Marx’s idea of the “dictatorship of the proletariat” was clearly not the brightest light on humanity’s tree of ideas, and I see very little in Marx the political activist that is
worthwhile today. Neither the unveiling-of-reality Marx nor the ruling-class-prisoners-of-their-ideas Marx nor the solidarity Marx seems to me to have his finger on it.

18.2.4: Marx the Political Economist
I am going to focus on Marx the political economist, and on the use afterwards that others made of his ideas. I believe that Karl Marx the political economist had six big things to say. Three of them are very valuable today even across more than a century and a half: call them the three goods. Three of them are not: call them the three bads.

The three goods:

1. Marx the economist was among the very first to recognize that the fever-fits of financial crisis and depression that afflict modern market economies were not a passing phase or something that could be easily cured, but rather a deep disability of the system—as we are being reminded once again right now. We modern neoliberal economists view it not as a fatal lymphoma but rather like malaria: Keynesianism—or monetarism, if you prefer—gives us the tools to transform the business cycle from a life-threatening economic yellow fever of the society into the occasional night sweats and fevers: that with economic policy quinine we can manage if not banish the disease. We will see.

2. Marx the economist was, as I said, among the very first to get the Industrial Revolution right: to understand what it truly meant for long-run human possibilities and the human destiny in a sense that earlier thinkers like Adam Smith did not. In his Politics Aristotle observed that it was not possible to run a household in a way that permitted its head enough leisure and freedom to, say, become a lover of wisdom unless the household owned slaves, and that this
would be true unless and until we had instruments like “the statues of Daedalus, or the tripods of Hephaestus, which, says the poet, ‘of their own accord entered the assembly of the Gods’; if, in like manner, the shuttle would weave and the plectrum touch the lyre without a hand to guide them, chief workmen would not want servants, nor masters slaves...” Karl Marx was among the very first to see that the industrial revolution was giving us the statues of Daedalus, the tripods of Hephaestus, looms that weave and lyres that play by themselves—and thus opens the possibility of a society in which we people can be lovers of wisdom without being supported by the labor of a mass of illiterate, brutalized, half-starved, and overworked slaves.

3. Marx the economist got a lot about the economic history of the development of modern capitalism in England right—not everything, but he is still very much worth grappling with as an economic historian of 1500-1850.

Now on to the three bads:

1. Marx believed that capital is not a complement to but a substitute for labor. Thus technological progress and capital accumulation that raise average labor productivity also lower the working-class wage. Hence the market system simply could not deliver a good or half-good society but only a combination of obscene luxury and mass poverty. This is an empirical question. Marx's belief seems to me to be simply wrong.

2. Marx the economist did not like the society of the cash nexus. He believed that a system that reduced people to some form of prostitution—working for wages and wages alone—was bad. He saw a society growing in which worked for money, and their real life began only when the five o’clock whistle blows—and saw such an economy as
an insult, delivering low utility, and also sociologically and psychologically unsustainable in the long run. Instead, he thought, people should view their jobs as expressions of their species-being: ways to gain honor or professions that they were born or designed to do or as ways to serve their fellow-human. Here, I think, Marx mistook the effects of capitalism for the effects of poverty. The demand for a world in which people do things for each other purely out of beneficence rather than out of interest and incentives leads you down a very dangerous road, for societies that try to abolish the cash nexus in favor of public-spirited benevolence do not wind up in their happy place. We neoliberal economists shrug our shoulders and say that we are in favor of a market economy but not of a market society, and that there is no reason why people cannot find jobs they like or insist on differentials that compensate them for jobs they don’t.

3. Marx believed that the capitalist market economy was incapable of delivering an acceptable income distribution for anything but the briefest interval. As best as I can see, he was pushed to that position by watching the French Second Republic of 1848-1851, where the rich come to prefer a charismatic clown of a dictator—“Napoleon III”—over a democracy because dictatorship promises to safeguard their property in a way that democracy will not. Hence Marx saw political democracy as only surviving for as long as the rich could pull the wool over the workers' eyes, and then collapsing. It may be difficult to maintain a democratic capitalist market system with an acceptable distribution of income. But “incapable” is surely too strong.

The good things that Marx was able to think must, I believe, be credited to his own account—to his thoughtfulness, his industry, his intelligence, and his desperate desire to try to get things right. The
bad things have, I believe, two of his intellectual origins: Marx’s beginnings in German philosophy, and the fact that he hooked up in the 1840s with Friedrich Engels whose family owned textile factories in Manchester. Let me skip over the German philosophy of Georg Friedrich Wihelm Hegel, and focus on Manchester.

18.2.5: Manchester

The British interests of the German partnership of Ermen and Engels were not in London or in Birmingham but instead in Manchester. Engels’s 1845 *Condition of the Working Class in England*, cribbed for section 1 of the *Communist Manifesto*, was about the condition of the working class in Manchester. Yet as Asa Briggs (1963) stressed most strongly, Manchester was not typical—and Engels’s book would have been very different indeed had Ermen and Engels’s interests been in Birmingham and London: “his conception of ‘class’ and his theories of the role of class in history might have been very different.... Marx might have been not a communist but a currency reformer...” As George Boyer of Cornell writes:

[A]verage age of death of “mechanics, labourers, and their families” in Manchester was 17, as compared to 38 in rural Rutlandshire... despite the fact that laborers’ wages were at least twice as high in Manchester... 57 percent of children born in Manchester to working class parents died before their fifth birthday.... Engels arrived in Manchester in the late fall of 1842, Britain was just beginning to recover from the deep depression of 1841-42... “crowds of unemployed working men at every street corner, and many mills were still standing idle” (Engels, 1845 [1987], pp. 121 – 22).... The Economist reported that in the first six months of 1848 [as the Manifesto was being written], 18.6 percent of the workforce in Manchester’s cotton mills was unemployed, and another 9.5 percent was on short time (Boyer, 1990, p. 235).... Marx and Engels... were not alone in asserting that the standard of living... was quite poor, and perhaps declining... during the “hungry ’40s.”... [A]my recruits born around 1850 were shorter than those born around 1820...
It looks as though Marx and Engels wrote the Communist Manifesto—and made their permanent intellectual commitments—at the end of 1847 and the beginning of 1848, at the nadir of living standards as far as British Lancashire textile workers were considered both for secular trend reasons (Malthus, potato famine, etc.) and for business cycle reasons. Their assertion that wages declined as capitalism progressed looks good up until 1848 if you take Manchester as your guide. Thereafter it proved wrong. By 1880 manual workers in Manchester were earning 40% more than in 1850. Parliament began to regulate conditions of employment in the 1840s. Parliament began to regulate public health in the 1850s. Parliament doubled the urban electorate in 1867, just as volume 1 of Marx’s Capital was published. Parliament gave unions official sanction to bargain collectively in the 1870s.

18.2.6: Marx Digs in and Doubles Down

Marx appears to have responded to this not by rethinking his opposition to markets as social allocation mechanisms or by reworking his analyses of the dynamics of economic growth, capital accumulation, and the real wage level, but by blaming British workers for not acting according to his model in response to predictions by Marx of continued impoverishment and ever-larger business cycles that had not come to pass.

Boyer quotes Marx writing in 1878 about how British workers “had got to the point when [the British working class] was nothing more than the tail of the Great Liberal Party, i.e., of the oppressors, the capitalists.” And Boyer quotes Engels writing in 1894 of how “one is indeed driven to despair by these English workers... bourgeois ideas... viewpoints... narrow-mindedness...”

In the late 1870s—after the failure of the British working class to become
more militant, the failure of the Paris Commune and the founding of the
French Third Republic, and Bismarck's creation of a unified
Prussified
German Empire—Marx and Engels started to turn their attention
toward the possibilities for revolution in Russia.

18.2.7: Marx’s Economic Theory

Marx tried to make his argument as simple and convincing as one,
two, three. He chose to analyze the economy using “labor value”
units: define the production of the average worker to have a labor
value of one. As time passes and productivity grows, the quantity
of commodities that make up this one unit of value will increase.
As long as this is remembered, the use of labor values is
innocuous: production can be measured in any units as long as they
are used consistently.

At any given time, the economy as a whole has a fixed, set stock of
capital. Call the amount of capital that the average firm has for
each of its workers “Capital”. The economy also has a set total
flow of annual profits. Call the profits that the average firm earns
divided by its total capital stock the “Profit_Rate”. Call the annual
wages of the average worker “Wages”. Then it must
be—arithmetically—that the Profit_Rate times Capital per worker
plus Wages must add up to one, where everything is measured in
terms of its labor value.

(1) \[ \text{Profit}_\text{Rate} \times \text{Capital} + \text{Wages} = 1 \]

As time passes and economic development progresses, production
becomes more and more capital intensive. More machines are used
by each worker. New methods are more productive, and new
methods are more capital intensive. Businesses that do not adopt
the newest technology will lose first market share and then money
as other, more efficient, more modern firms undersell them. So
over time the variable “Capital”—the number of machines per worker—grows.

But the economic system requires profits to function. If the rate of profit drops too low, then investors will stop investing. A falloff in investment causes a depression and unemployment. During the depression wages will drop, and the depression will not lift until the rate of profit is once again up above some minimum acceptable rate necessary to induce the business class to invest again.

Call this long-run floor that bounds the sustainable Profit_Rate “Profit_Floor”. Because the rate of profit cannot stay lower than the Profit_Floor for long, we know that:

\[
(2) \quad \text{Wages} < 1 - \text{Profit}_{\text{Floor}} \times \text{Capital}
\]

Over time, Marx argued, “Capital”—capital per worker—grows, and “Profit_Floor” stays the same. So Wages—the real annual wage of the average worker, defined in labor value terms—must fall. Profits per unit of capital must be at least as large as Profit_Floor. The number of units of capital per worker—Capital—grows. So either economic development comes to a halt, or workers’ wages will keep falling.

This was Marx’s argument that capitalism can deliver rapid economic growth, but it cannot deliver permanently rising living standards for the working class—the proletariat.

There are holes in this argument.

When a normal reader hears “declining wages” he or she hears not that workers’ share of total production falls, but that workers’ material standard of living—their ability to buy goods and services on the market—falls. Yet workers’ material standard of living is not “Wages” but is instead equal to the labor value of wages times the average productivity of labor. There is no reason in Marx's
system for this—the labor value of wages times average labor productivity—to fall.

One interpretation is that Marx never meant to imply that the absolute standard of living of workers falls, but only that relative standards of living fall—that workers would be paid a smaller share of total production, and would feel relatively deprived as they gazed on palaces of the rich. But those who hold to such an interpretation have a very hard time facing passages in Marx’s writings like:

In proportion as capital accumulates, the lot of the laborer, be his payment high or low, must grow worse. The law that always equilibrates the relative surplus [unemployed] population to the extent and energy of accumulation, this law rivets the laborer to capital more firmly than the wedges of Vulcan did Prometheus to the rock. It establishes an accumulation of misery, corresponding with accumulation of capital. Accumulation of wealth at one pole is, therefore, at the same time accumulation of misery, agony of toil, slavery, ignorance, brutality, mental degradation, at the opposite pole, i.e., on the side of the [working] class...

Or:

The more productive capital grows, the more the division of labor and the application of machinery expands. The more the division of labor and the application of machinery expands, the more competition among the workers expands and the more their wages contract. [T]he forest of uplifted arms demanding work becomes thicker and thinner, while the arms themselves become thinner and thinner.

Leon Trotsky, a good authority on Marx, thought that the doctrine was one of “relative immiserization”—increasing income inequality going along with rising working class material standards of living—in good times, absolute immiserization in bad times, all adding up to absolute immiserization over the long run.
But the logic slips for “relative immiserization” as well. “Capital” is the value of the machines used by the average worker measured in labor value units. Yet the argument that “Capital” will increase is an argument that the machine-to-worker ratio will rise—not that the labor value of the machines used by each worker will rise. If the price of machines falls relative to the price of labor as economic development continues, the capital intensity of production can rise while the variable “Capital” measured in labor units stays constant. In fact, this is economic development: machines become cheap relative to labor as technology advances. Relative wages—of skilled and of unskilled workers—in rich industrial nations have by and large kept pace with the growth of productivity over the past two centuries. There has been no consistent pattern of relative immiserization.

The holes in Marx's logic would be unimportant had the substance of Marx’s predictions been correct. If decade after decade had seen falling wages, growing productivity, and polarization of the income distribution, we would not care whether Marx’s logic was airtight or not. We would say that while he got details wrong he got the big picture right.

But he didn’t.

18.3 Socialism

Without Marx, the history of the twentieth century would have been unimaginably different: probably much better, possibly much worse, but very much other than it actually was. The dogmas of Communism as derived from the writings of Marx dictated insane and destructive policies to governments that ruled over billions, and left pronounced scars on the history of the twentieth century. You would not have thought that such havoc could be wreaked by the ideas of one defunct economist. So now we need to look at the
The process of interpretation: from Marx to Lenin, Stalin, Mao, and company

18.3.1: The First and Second Socialist Internationals

As Europe industrialized in the second half of the nineteenth century and the first quarter of the twentieth, its politics became dominated by Marxian socialism. This is not to say that political parties pledging allegiance to Marxian versions of socialism won and held power: by and large they did not. But political debate revolved around the question of what should be done to deal with, ameliorate, or accept the forces pushing for socialism: socialism became the axis around which politics revolved.

Marx himself had played a role in the so-called First Socialist International. But more important was the Second Socialist International, formally inaugurated on the centennial of the storming of the Bastille. The founders of western Europe’s socialist and social democratic parties looked not back to the political revolutions of the past, nor forward to the technological wonders of the future, but forward to a utopia in which wealth and power would be evenly distributed. Thus they invited the workers of the world to join them in their counter-celebration held at the same time as the bourgeoisie of Paris were admiring Gustave Eiffel’s tower:

The capitalists have invited the rich and powerful to the [Paris] universal exposition to observe and admire the product of the toil of workers, forced to live in poverty in the midst of the greatest wealth human society has ever produced. We, the socialists, have invited the producers to join us in Paris on 14 July. Our aim is the emancipation of the workers, the abolition of wage-labor, and the creation of a society in which all irrespective of sex or nationality will enjoy the wealth produced by the work of all workers…

---

1
The founders of European socialism attained considerable political influence in the years before 1914. As much as a third of the electorate in most Western European countries could be counted on to vote socialist (or social democratic: the distinction between the two did not yet exist) on the eve of World War I.

Table 18.1: Date of Universal (Manhood) Suffrage, and Maximum Pre-WWI Socialist Vote Shares

<table>
<thead>
<tr>
<th>Manhood Nation</th>
<th>Universal Electoral Suffrage</th>
<th>Pre-WWI Peak</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>1907</td>
<td>25.4%</td>
</tr>
<tr>
<td>Belgium</td>
<td>1893</td>
<td>30.3%</td>
</tr>
<tr>
<td>Denmark</td>
<td>1901</td>
<td>29.6%</td>
</tr>
<tr>
<td>Finland</td>
<td>1906</td>
<td>47.3%</td>
</tr>
<tr>
<td>France</td>
<td>1848</td>
<td>16.8%</td>
</tr>
<tr>
<td>Germany</td>
<td>1871</td>
<td>34.8%</td>
</tr>
<tr>
<td>Holland</td>
<td>1917</td>
<td>11.2%</td>
</tr>
<tr>
<td>Italy</td>
<td>1919</td>
<td>21.3%</td>
</tr>
<tr>
<td>Norway</td>
<td>1898</td>
<td>32.1%</td>
</tr>
<tr>
<td>Sweden</td>
<td>1907</td>
<td>36.4%</td>
</tr>
<tr>
<td>Britain</td>
<td>1918</td>
<td>7.0%</td>
</tr>
</tbody>
</table>

But there was one curious hole: they did not discuss what society would be like after the revolution. The socialists of the world displayed a singular lack of curiosity about what socialism would be like.

They believed that socialism required democracy, and equality, and the elimination of inequalities based on private property. They feared a violent struggle between the people and the bosses and the rich—a “pro-slavery rebellion” as Engels liked to call it. But they did not call for an overturning of the basis of society until the
moment for the Revolution was ripe. And until the moment was ripe the socialist political platform was modest.

In 1875, meeting in Erfurt, the German socialists set out their program. They called for:

1. Universal, equal and direct suffrage, with secret, obligatory voting by all citizens at all elections in state or community.
2. Direct legislation by the people. Decision as to peace or war by the people.
4. Abolition of all laws of exception, especially all laws restricting the freedom of the press, of association and assemblage; above all, all laws restricting the freedom of public opinion, thought and investigation.
5. Legal judgment through the people. Free administration of law.
6. Universal and equal popular education by the state. Universal compulsory education. Free instruction in all forms of art. Declaration that religion is a private matter.
7. The widest possible expansion of political rights and freedom according to the foregoing demands.
8. A progressive income tax for state and municipality instead of all those existing, especially in place of the indirect tax which burdens the people.
9. Unrestrained right of unionization.
10. Shortening of the working day according to the needs of society. Abolition of Sunday labor.
11. Abolition of child labor and all female labor injurious to health and morality.
12. Protective laws for the life and health of the worker. Sanitary control of the homes of the workers. Supervision of the mines, factories, workshops and hand industries by an officer elected by the people. An effectual law of enforcement.
13. Regulation of prison labor.
14. Full autonomy in the management of all laborers' fraternal and mutual benefit funds.

And for:

the erection, with the help of the state, of socialistic productive establishments under the democratic control of the laboring people. These productive establishments are to place industry and agriculture in such relations that out of them the socialist organization of the whole may arise…

It is interesting to note that (with the exception of segments of America’s Republican Party), no mainstream political party today in the North Atlantic is opposed to any significant number of the planks of this workaday “socialist” program of 1891. The concrete reforms that the nineteenth-century socialists thought would make the world better have been enacted in the North Atlantic at least, and the agenda of politics for the past half-century has been their exact shape and extension.

18.3.2: Utopianism
It is true that the long-term goals of the agitators and activists assembled at Gotha were broader. They did indeed hope or expect or confidently believe that government support of workers’ cooperatives would see the erosion of the capitalist-owned wage-labor company and the evolution of “the socialist organization of the whole.” And they announced broader ultimate aims:

[T]he Socialist Labor party of Germany seeks through all legal means the free state and the socialist society, the destruction of the iron law of wages, the overthrow of exploitation in all forms and the abolition of all social and political inequality. The Socialist Labor party of Germany, though working chiefly in national boundaries, is conscious of the international character of the labor movement and is resolved to fulfill
every duty which is laid on the workers in order to realize the brotherhood of humanity…

which they based on the principle that:

Labor is the source of all wealth and all culture, and since universal productive labor is possible only through society, therefore to society—that is to all its members—belongs the collective product of labor. With the universal obligation to labor, according to equal justice, each should have in proportion to his reasonable needs…

But was that pie-in-the-sky-by-and-by destination relevant to workaday politics? Karl Marx said—firmly, stridently, and nastily—that it was not. To propose equal pay for all was, Marx thought, simply silly. And such things should not be mentioned in a political party’s program—especially not in terms of this “universal obligation to labor” according to your ability coupled with distribution “to each in proportion to his reasonable need” stuff—and certainly should not be put into practice:

What is “a fair distribution”? Do not the bourgeois assert that the present-day distribution is “fair”?… What we have to deal with here is a communist society, not as it has developed on its own foundations, but, on the contrary, just as it emerges from capitalist society; which is thus in every respect, economically, morally, and intellectually, still stamped with the birthmarks of the old society from whose womb it emerges. Accordingly, the individual producer… receives a certificate from society that he has furnished such-and-such an amount of labor… and with this certificate, he draws from the social stock of means of consumption as much as the same amount of labor cost…. [O]ne man is superior to another physically, or mentally, and supplies more labor in the same time, or can labor for a longer time; and labor, to serve as a measure, must be defined by its duration or intensity…. Further, one worker is married, another is not; one has more children than another, and so on and so forth….

Right can never be higher than the economic structure of society and its cultural development conditioned thereby…
We thus have the interesting spectacle of Karl Marx in 1875 attacking the “reformist” Lasallean socialists of Germany from the right: accusing them of indulging in utopian posturing unsuited to a political party that wanted to be effective in the real world. Such things have to wait, Marx says, until the New Jerusalem descends from the clouds, and there are no more tears or sorrow:

In a higher phase of communist society… after labor has become not only a means of life but life's prime want; after the productive forces have also increased with the all-around development of the individual, and all the springs of cooperative wealth flow more abundantly—only then can the narrow horizon of bourgeois right be crossed in its entirety and society inscribe on its banners: From each according to his ability, to each according to his needs!

In the process of accomplishing its reformist program, socialists in the industrial core of the world economy have been transformed into social democrats. The intellectual and political descendants of the nineteenth-century socialists have given up the revolutionary part of their program as vague, unclear, self-contradictory, and impossible to implement—in a word: utopian.

18.3.3: Revisionism
Karl Marx fled Germany after the failed revolution of 1848, and spent the rest of his life in exile in London, where he learned the bitter taste of others’ salty bread and how hard it was to go up and down others’ stairs. He died in 1883, at the age of 65.

His counterpart Ferdinand Lasalle stayed in Germany, and defended himself against the charge of organizing armed resistance to the Prussian government: he had done so, he said, but it was no more than his duty. The jury acquitted him—and the Prussian government let him go. He lived all his life in Germany. He organized the first German socialist party. He had three interviews
with the Iron Chancellor of Prussia, Otto von Bismarck, at which he dangled before Bismarck the image of a royal-aristocratic state that pursued what were then called socialist policies—universal suffrage, universal pensions, universal health care—and thus won the gratitude and allegiance of the working class in the struggle of the government of nobles and landlords against the rising industrial and mercantile rich who thought the government should be their servant. But Lasalle died in 1864 at the young age of 39—shot in a duel by the Count von Racowitza to whom her father wanted to marry Lasalle’s fiancée, Helene von Doenniges.

Neither Marx nor his close friend Friedrich Engels ever forgave Lasalle: not for staying in Germany, not for successfully defending himself and winning over the jury, not for talking to Bismarck, not for organizing the first socialist party in Germany.

And they forgave him least of all because even the German socialist politicians who started out as revolutionary Marxists became more and more reformist parliamentarians, Lasalleans, and also good German nationalists as time passed.

Consider Eduard Bernstein, born in 1850, a Marxian socialist from 1872, but eager to sacrifice doctrinal rigor for unity on the left. By 1896 Bernstein was writing his “Problems of Socialism”:

I set myself against the notion that we have to expect shortly a collapse of the bourgeois economy… [and] an imminent, great, social catastrophe…. The adherents of this theory of a catastrophe, base it especially on the conclusions of the Communist Manifesto. This is a mistake in every respect…. [I]f social evolution takes a much greater period of time than was assumed, it must also take upon itself forms and lead to forms that were not foreseen and could not be foreseen then. Social conditions have not developed to such an acute opposition of things and classes as is depicted in the Manifesto. It is not only useless, it is the greatest folly to attempt to conceal this from ourselves. The number of members of the possessing classes is today not smaller but
larger. The enormous increase of social wealth is not accompanied by a decreasing number of large capitalists but by an increasing number of capitalists of all degrees. The middle classes change their character but they do not disappear from the social scale.…

In all advanced countries we see the privileges of the capitalist bourgeoisie yielding step by step to democratic organisations. Under the influence of this, and driven by the movement of the working classes which is daily becoming stronger, a social reaction has set in against the exploiting tendencies of capital, a counteraction which, although it still proceeds timidly and feebly, yet does exist and is always drawing more departments of economic life under its influence. Factory legislation, the democratising of local government, and the extension of its area of work, the freeing of trade unions and systems of co-operative trading from legal restrictions, the consideration of standard conditions of labour in the work undertaken by public authorities—all these characterise this phase of the evolution.

But the more the political organisations of modern nations are democratised the more the needs and opportunities of great political catastrophes are diminished. He who holds firmly to the catastrophic theory of evolution must, with all his power, withstand and hinder the evolution described above, which, indeed, the logical defenders of that theory formerly did. But is the conquest of political power by the proletariat simply to be by a political catastrophe?… The point at issue is between the theory of a social cataclysm and the question whether with the given social development in Germany and the present advanced state of its working classes in the towns and the country, a sudden catastrophe would be desirable.…

The conquest of political power by the working classes, the expropriation of capitalists, are… only means for the accomplishment of certain aims and endeavours…. Nothing can be said beforehand as to the circumstances of their accomplishment; we can only fight for their realisation. But the conquest of political power necessitates the possession of political rights; and the most important problem of tactics which German social democracy has at the present time to solve appears to me to be to devise the best ways for the
extension of the political and economic rights of the German working classes.

From 1901 to 1928 Bernstein was a socialist representative in the Reichstag.

Bernstein’s attack on Marxist orthodoxies was originally resisted by Karl Kautsky, Friedrich Engels’s successor as grand intellectual of German socialism.

In 1914 Bernstein vote to fund Germany’s World War I. He turned against the war and called for an immediate peace from the summer of 1915 on.

Lenin later wrote that Rosa Luxemburg had said that the German socialists’ votes in the Reichstag to fund Germany’s World War I on August 4, 1914 turned the party into “a stinking corpse.”

18.4: Leninism
18.4.1: The October Revolution
Communism as we have known it was born when Vladimir Lenin’s fraction of the Russian left seized power in a late-1917 coup from the post-Czarist Social Democratic government led by Kerensky. A brutal Civil War followed, as “White” supporters of the Czar, local autocrats seeking effective independence, Lenin’s “Red” followers, stray other forces—including a Czech army that found itself effective ruler of Siberia for a while, and Japanese regiments fought back and forth over much of Russia for three years. The United States sent both troops to secure base areas for anti-Communist forces, and food to feed Russians (and Red Army soldiers) in Communist-controlled areas.

When the Civil War ended, Lenin’s regime was in control. The Czarist generals were dead or in exile in Paris. Any liberal democratic or social democratic center had been purged by the
Whites or the Reds in the course of the Civil War. And the relatively small group of socialist agitators that had gathered under Lenin’s banner before the revolution found itself with the problem of running a country and building a utopia, with the assistance of all those who had declared for the Reds and against the Whites and joined Lenin’s banner during the Civil War.

Almost all observers had long seen Czarist Russia as heading for a revolution—including the Czar's government. Indeed, Russia had blundered into the 1905 Russo-Japanese War that it lost decisively in large part because the Czar's officials hoped that a “short victorious war” would distract popular attention and dampen the smoldering fires of revolution. The Czarist regime barely survived the uprising of 1905. It did not survive the First World War: military defeat left the Czar without supporters; Nicholas II fell in February 1917; and for the rest of the year various political groups tried to fill the power vacuum. Lenin won the struggle in the capital of St. Petersburg, and then was faced with the challenge of governing a country.

Peace, Land, and Bread

[Map: The Russian Civil War]

18.4.2: The Abolition of Private Property

The first imperative facing Lenin's regime was the necessity of eliminating capitalism. According to the Marxist theory that Lenin deeply believed, capitalism—private ownership of businesses and land, and private receipt of profits—was the source of inequality or exploitation.

But how do you run industry and economic life in the absence of business owners—of people whose incomes and social standing depend directly on the prosperity of individual enterprises, and who thus have the incentives and the power to try to make and keep individual pieces of the economy productive and functioning? Lenin’s answer was that you
organize the economy like an army: top down, planned, hierarchical, with under-managers promoted, fired, or shot depending on how well they attained the missions that the high economic command had assigned them. Lenin had been impressed by what he saw of the German centrally-directed war economy of World War I:

The war has reaffirmed... that modern capitalist society... has fully matured for the transition to socialism. If... Germany can direct the economic life of 66 million people from a single, central institution... then the same can be done... by the non-properied masses if their struggle is directed by the class-conscious workers.... Expropriate the banks and... carry out in [the masses’] interests the same thing the [wartime] Weapons and Ammunition Supply Department is carrying out in Germany.

18.4.3: Primitive Accumulation
The second imperative facing Lenin’s regime was to industrialize Russia. Frightened that the powers of the industrial core might decide to overthrow their regime, and desperately aware of their economic weakness, it seemed to Lenin and his followers that military discipline in the service of industrialization was essential. For someday the Communist regime might have to fight a war to survive.

Lenin was not wrong.

On June 22, 1941 Nazi Germany attacked the Soviet Union with all its strength, its wars aims (i) to exterminate Jewish Bolshevism, and (ii) to enslave or exterminate the inhabitants of the Soviet Union, in order to acquire more land for German farmers and more “living space” —Lebensraum—for the German nation.

How do you industrialize rapidly? Lenin’s answer was that you take a leaf from Marx’s interpretation of how Britain industrialized. Marx interpreted the economic history of Britain as one of "primitive accumulation" in which landlords used the
political system to steal land from the peasantry, squeeze down their standard of living, force them to migrate to the cities to become a penniless urban working class, and use the resources from squeezing the peasant standard of living to build factories. Thus Lenin and his successors believed that industrialization was possible only if the ruling Communists first waged economic war against Russia's peasants. Squeeze their standard of living as far as you can in order to extract as much as possible to feed the growing industrial cities. Keep urban wages high enough to provide a steady stream of migrants to city jobs, but no higher. Every kopek that can be kept from being spent on consumption goods is a kopek that can go to a new dam, a new railroad, a new steel mill.

18.4.3 Making Omelets

Communist ideologues justified this depression of the living standards of the current population for the benefit of a nebulous future by saying first that Russia had no choice, and second that the sacrifice was worth it for the sake of the future. Communism could never survive unless Russia were powerful enough to fight off military enemies. And the more the sacrifices of this generation the quicker would utopia be attained.

In fact, there is a very wide range of experience showing that industrialization does not have to take place through blood and fire. Countries as diverse as France, the U.S., Korea, and Italy have seen industrialization take hold as better opportunities in the cities pull workers in from the countryside; there is no necessity for the peasantry to be starved, beaten, and pushed into the cities by making conditions in the countryside more miserable.

The third imperative was to survive. As the British historian Eric Hobsbawm has written of Lenin’s regime, “as Lenin recognized... all it had going for it was the fact that it was... the established government of the country. It had nothing else. Even so, what actually governed the country was an undergrowth of smaller and
larger bureaucrats…” And for a government to survive when there are no powerful social classes or interest groups that have ideological allegiances or substantive reasons to back it requires great ruthlessness.

The first severe test was the counterrevolution: the White armies bent on restoring the Czar. It soon became clear that volunteer cadres with their own elected officers were not very effective: the Communist government needed to draw on the skills of the old Czarist army officers. But could they be trusted?

Lubyanka Prison in Dzerzhinsky Square

Leon Trotsky, Commissar for War, came up with the answer: draft the officers, and shadow each one with an ideologically-pure political commissar who needed to sign each order, and who would indoctrinate the soldiers in socialism. This system of “dual administration” could be—and was—applied to everything. It was the origin of the pattern of administration that was to be common throughout Soviet society: the party watches over the technocrats.
to ensure their obedience at least to the formulas of Communist rule. And if the technocrats do not behave, the Gulag is waiting for them.

Lenin and the Communists won the Civil War, in part because of Feliks Dzerzhinsky's skill at organizing the secret police and Trotsky's skill at organizing the Red Army, in large part because although the peasants hated the Reds (who confiscated their grain), they hated the Whites even more: the Whites brought back the landlords whom the peasants had expelled in 1917-1918. The peasants saw the Reds as their only hope to stay free and keep their property (a vain hope, as it turned out in the end).

However, during the Civil War the Communist Party acquired the habit of great ruthlessness that was in the end exercised not only against society outside the Communist Party but against the activists of the Communist Party itself. A “command economy” turned out to require a “command polity” as well. The Communist Party won the Russian Civil War as a one-party dictatorship with a powerful and aggressive secret police, committed to using mass terror to suppress counter-revolutionaries, and banning even internal democracy and discussion of policies and politics.

We can gain at least some insight into Lenin’s character from a short monologue that the writer Maxim Gorky reported, of Lenin as a classical music critic:

I know nothing that is greater than the Appassionata [by Beethoven]; I'd like to listen to it every day [Lenin said]. It is marvelous superhuman music. I always think with pride—perhaps it is naive of me—what marvelous things human beings can do!

But I can’t listen to music too often. It affects your nerves, makes you want to say stupid nice things, and stroke the heads of people who could create such beauty while living in this vile hell. And now you must not stroke anyone's head: you might get your hand bitten off. You have to strike them on the
head, without any mercy, although our ideal is not to use force against anyone.

Hm, hm, our duty is infernally hard.

Rosa Luxemburg

**18.3: Fascism**

1. Strong belief that--through social darwinism--morality is ultimately tied to blood and race, understood as descent and genetic relationship;

2. Strong rejection of the classical "liberal" belief that individuals have rights that any legitimate state is bound to respect;

3. Strong assertion, in its place, that what individuals have are duties to the state, seen as the decision-making organ of the race; and

4. Strong fear of Marxist communism, and a willingness to use communism's weapons--suspension of parliamentary democracy, mass propaganda, rallies, street violence, and so forth--to combat it.

Authoritarian socialism minus equality plus nationalism

**18.4 Naziism**

**The consolidation of the Weimar Republic**

In 1928 the British publisher Methuen published a book entitled Republican Germany: An Economic and Political Survey (by H. Quigley and R.T. Clark). In the introduction the authors wrote that they were fortunate because they had a single, central, powerful
theme: the coming-to-maturity of the post-World War I German republic:

The consolidation of the German [Weimar] Republic is in itself a theme of the most absorbing interest; it lends itself to dramatic presentation with the leading characters active at moments with a real dramatic force.... The fifth and probably last act is now being played, and promises something more heartening than a catastrophic ending. There may be scenes of conflict, world-shaking events, accompanied by the possibility and dangers of war, but the real consumation will probably be reached—namely, the recognition of the German Republic as a permanent feature in German history and its economic and political relations, and, with it, the opening of a new era of international prosperity...

Quigley and Clark’s—long—book contains three mentions of Adolf Hitler: a passing reference to the “Hitler incident”, a half-page narrative of Hitler’s unsuccessful 1923 attempt to take over the Bavarian provincial government via a coup, and a classification of Hitler as one of the leaders of:

...secret societies in morality and mentality far more akin to the worst traditions of medievalism than to those of the twentieth century...

Writing in 1928, five years before Hitler was to take power and destroy the German Republic, and Adolf Hitler is simply not a big deal to two people writing a political and economic survey of Germany. Were Quigley and Clark obtuse? Not at all. Hitler was an unimportant part of the political fringe in Germany in 1928.

**The Politics of Weimar**
In May 1928 Germany held elections for its legislature, the Reichstag. The Nazis won 2.6% of the vote: they were part of a fringe of small parties with more-or-less impractical and nutty
programs that together drew off some twelve percent of the vote from the established parties on the right-left spectrum.

**1928 Reichstag Election: Distribution of Votes**

<table>
<thead>
<tr>
<th>Party</th>
<th>May, 1928</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communists</td>
<td>11.7%</td>
</tr>
<tr>
<td>Social Democrats</td>
<td>33.0%</td>
</tr>
<tr>
<td>Democrats</td>
<td>5.4%</td>
</tr>
<tr>
<td>Center</td>
<td>13.4%</td>
</tr>
<tr>
<td>German People</td>
<td>5.2%</td>
</tr>
<tr>
<td>German National People</td>
<td>15.8%</td>
</tr>
<tr>
<td>Bavarian People</td>
<td>3.4%</td>
</tr>
<tr>
<td>Nazi</td>
<td>2.6%</td>
</tr>
<tr>
<td>Landbund</td>
<td>0.6%</td>
</tr>
<tr>
<td>Economics Party</td>
<td>5.0%</td>
</tr>
<tr>
<td>Landvolk</td>
<td>2.2%</td>
</tr>
<tr>
<td>Farmers’ Party</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

On the far left were the Communists—obedient to Moscow’s every whim, dedicated to the overthrow of the democratic Weimar Republic and to the coming social revolution. They polled 11.7% of the vote in May 1928. But their 11.7% of the vote did not shift the center of gravity of German politics to the left, but to the right. The fact that the Communists attracted a sizeable share of the vote terrified the center and right wing parties. And the Communists devoted more of their attention to undermining the Social Democrats to their left—”social fascists,” they called them—than to advancing Germany’s welfare state or to opposing the right.

Why did the Communists hate the Social Democrats so? One reason was that the Social Democratic government had assassinated the Communists’ two best-loved leaders—Karl Leibknecht and Rosa Luxemburg—when they were under arrest in 1919 after the unsuccessful Spartakist uprising. But a second
reason was that Stalin and his henchmen in Moscow were more interested in making the Moscow-run Communist International the only political force on the European left than in pushing for liberal and leftist parliamentary victories. Since Communism was to be established by a revolution that would sweep away the old order, why bother to try to make the old order better? The only purpose of parliamentary struggles, to Lenin and Stalin, was to solidify the working class and teach them that compromise with the capitalists was a mistake. A more brutal and right-wing government did more to advance the cause: “the worse, the better” in Lenin’s formulation. So why help the Social Democrats make the Weimar Republic a success?

Moreover, Karl Marx’s theory of history guaranteed the victory of socialism. It did not guarantee the victory of Lenin’s Bolshevik brand of Marxist socialism rather than, say, German Social Democrat Friedrich Ebert’s revisionist brand. So from Stalin’s perspective, it made sense to spend all your institutional resources trying to discredit the Social Democrats, and to leave the broader task of destroying capitalism and fascism to the Angel of History.

The belief was that if the Nazis should come to power they would not be able to maintain themselves for long. They would quickly alienate the people, radicalize the masses, and set the stage for a Communist revolution in Germany. Or so was the justification for making tactical alliances with the Nazis against the Social Democrats in the hope of bringing down the Weimar Republic. Not until the end of 1934 would Moscow and the Comintern give their blessing to the idea of the “Popular Front”—the general alliance of all forces in the center and on the left against fascism. And by the end of 1937 the Popular Front would be losing support in Moscow once again, although Stalin would not formally ally with Hitler until the middle of 1939.

On the near left were the Social Democrats, with 33% of the vote. The Weimar Republic had been their creation. The Social
Democrats, as the major parliamentary opposition to the Imperial regime, had seized power with the fall of the German Imperial government in November 1918. They had quickly reached an agreement with the army: the army would support the Social Democratic provisional government if the Social Democrats would refrain from large-scale expropriations, confiscations, and executions and would set up a genuinely democratic, rather than a socialist, republic. To Friedrich Ebert and his colleagues, this had seemed like a good deal: universal suffrage would lead to large socialist majorities in the Reichstag as workers, peasants, and small shopkeepers realized their common interest in social democracy. Thus they would be the natural party of government.

They were wrong, in the 151 months between the first elections for the Reichstag and the fall of the Weimar Republic, a Social Democrat was Chancellor—Prime Minister—for only twenty-one of them. Three things kept the Social Democrats from being the natural center of the Weimar government. First, the Communists would not support them under any circumstances. Second, the farmers, paper-shufflers, and small shopkeepers of Germany were scared by the Marxist class-struggle-and-nationalization rhetoric of the Social Democrats. Third, the Social Democrats had signed the Treaty of Versailles and accepted the reparations burden imposed on Germany by the victorious Allies: they were thus seen as the servants of foreign domination, and were anathema to any interested in German national reassertion.

Further to the right were the Democratic Party, the Catholic Center Party, the German People’s Party, the German National People’s Party, and the Bavarian People’s Party, all with varying degrees of fear of the Social Democrats and the Communists, nostalgia for the old order, desire to reverse the humiliation of the Treaty of Versailles, and—among the rightmost—contempt for a democracy that gave Social Democrats and Communists more than forty percent of the seats in the legislature. For most of the 1920s, these parties to the right of the Social Democrats made up a shifting
coalition government, with Gustav Stresemann (of the German People’s Party), Wilhelm Marx (of the Center Party), or Hans Luther (who claimed to have no party at all) as the dominant player in the government.

It is traditional to blame the German Social Democratic Party of Ebert and Hilferding and company for having failed to have any plan for the transformation of the economy when they took power upon the collapse of the Kaiserrreich at the end of World War I. Instead of socializing the means of production and concentrating on economic transformation, the Social Democratic Party focused on building a solid political democracy. Thus it found itself the creator and the principal bulwark of the Weimar Republic in a political climate in which most parties to its right would have been happier with a somewhat more authoritarian and less democratic state.

Such criticisms of German social democracy seem to me to be wrongheaded. A political party with a base of 30 percent of the vote has no business undertaking radical social and economic transformation unless it wants to transform itself into a dictatorship—or into martyrs at the hands of some general staging a military coup. No one today has any idea of how to create a “socialist” economy that is an improvement over the mixed economies that we have.

Thus the German social democrats’ strategy of being first in defense of the republic—defending democracy above all, because democracy is the ultimate sine qua non to social and economic progress—seems to me to have been the right one to follow up until the beginning of the Great Depression. And it almost worked. For Quigley and Clark are correct when they write that up until 1928 the story of post-World War I Germany is the story of the triumph of democracy: the consolidation of the Weimar Republic.
But no one expected the Great Depression.

**The Great Depression in Germany**

All this changed with the Great Depression. In the March 1930 election the Communists took 13.8% of the vote; the Nazis took 19.2% of the vote. Since neither Communist Ernest Thaelmann nor Nazi Adolf Hitler was interested in anything other than destroying the republic, a government could have the support of a parliamentary majority only with the active support and cooperation of the Social Democrats, the Center, and the “establishment” right wing parties.

And here the Great Depression made such a “grand coalition” impossible. The Social Democrats demanded an expansion of the welfare state: unemployment insurance, public works, and large budget deficits to reduce the impact of the Great Depression. The establishment parties demanded — wrongly — financial orthodoxy: balance the budget, cut spending, and restore confidence in non-socialist parties. Neither block thought that it could afford to compromise with the other and still survive as a political movement. So parliamentary government became impossible.

[The Great Depression in Germany]

Subsequent elections in search of a viable parliamentary majority only made things worse. The Nazis took 38.4% of the vote in the elections of July 1932. The Communists and the Nazis together had a majority: no parliamentary majority was possible. The German constitution offered an out: if no parliamentary majority could be assembled, the Chancellor could ask the President—himself directly elected for a seven-year term—to rule by decree.

Heinrich Bruening, the leader of the Catholic Center party who became Chancellor when the Social Democrats and the
establishment parties split in March 1930 under pressure from the Great Depression, was chosen Chancellor by the aging President of the Weimar Republic, the war hero Paul Hindenburg. Bruening sought to use this escape hatch to pass a policy of fiscal retrenchment and welfare state cutbacks. For as he promised Hindenburg, Bruening tried “at any price [to] make the government finances safe”: balancing the budget—reassuring investors that Germany was committed to financial orthodoxy—was Bruening’s first and nearly his only priority.

Thus Bruening spent the first months of his Chancellorship trying to balance the budget, only to find the economic situation outrunning him. The projected deficit tripled during his first three months as tax collections fell and social insurance spending rose.

On July 16, 1930 Bruening’s budget-balancing program was defeated in the Reichstag by 256 to 193. Bruening immediately
reissued the entire program as a presidential emergency decree. By a very close vote, the Reichstag demanded that the decree be rescinded. In response Bruening dissolved the Reichstag, hoping that new elections would give him a mandate to continue pursuing policies of fiscal austerity. The dissolution of the legislature blew up in his face: the Nazis gained 107 seats. The conservative establishment parties from which Bruening drew his base collapsed.

But Bruening still believed in the necessity of a balanced budget and the maintenance of the gold standard. Government expenditures were cut by one-third from 1928 to 1932. But fiscal retrenchment and welfare state cutbacks did no good, and some harm. The German economy slid further into the Great Depression.

Bruening, desperate for some economic policy success, attempted to negotiate a customs union with Austria: the policy move that turned out in the end to block French assistance to Austria’s central bank during the financial crises of 1931. The abandonment of the gold standard by Austria led speculation to pull money out of Germany. When the North German Wool Combing Company declared bankruptcy, and worry began to spread about the solvency of its creditor banks, Germany faced a full-fledged speculative attack on the currency. Bruening abandoned the gold standard, creating two different currencies, one for international and one for domestic use.

The speculative attack against the German mark, and Germany’s abandonment of the gold standard, finally focused attention on the overhang of reparations obligations. U.S. president Herbert Hoover proposed a one-year suspension of all international debt payments, both war debts owed to the United Staets and reparations owed by Germany. But even if this moratorium had been a factor restoring confidence, it would have come too late to help Heinrich Bruening.

For Bruening did not use the freedom of action created to pursue
loose monetary and expansionary fiscal policies, even though urged to do so by once and future central bank president Hjalmar Horace Greeley Schacht. Even after the financial crises of 1931 made expansion possible—because Germany was no longer on the gold standard—Bruening continued to hope that balancing the budget would restore investor confidence. In the end he enforced deflation on the economy: a December 8, 1931 decree ordering the reduction of all fixed prices by ten percent, and a ten to fifteen percent cut in wages.

From our perspective such a fall in prices would not be expected to help the economy. Debts would be a larger burden on the lower-price economy, uncertainty about the stability of the financial system would be greater, and so investment would fall. Bruening’s deflationary and budget balancing measures did not help. British attempts to cancel the reparations burden came too late to restore confidence while Bruening was still in office. Unemployment rose.

And as unemployment rose, the Nazi Party vote rose as well.
Who Voted for Hitler? And Why?

Why did higher unemployment raise the Nazi Party share of the vote? As the Great Depression deepened, old party allegiances were shaken and the formerly apathetic began to go to the polls. Voters were unlikely to move to the establishment parties: they had ruled the country and thus presumably bore some responsibility for the Depression.

Voters outside the industrial working class were unlikely to move to the Social Democrats: the Social Democrats were an explicitly “class” based party, their rhetoric and their form of organization making belonging somewhat uncomfortable for the middle class;
and the Social Democrats carried the twin burdens in a strongly nationalist country of being officially “internationalist” and of having been the collaborators of the allies who had imposed the Versailles peace settlement. Indeed, Social Democratic voters tended to move to the Communists.

Disaffected voters were interested in a party that promised to do something about the Depression: that had a theory of who was responsible, a program, and a bias toward action rather than parliamentary talk. the Nazis had a theory of who was responsible: the Jews, the financiers, foreign capitalists, and the “November criminals”—the Social Democrats who had signed the Treaty of Versailles. They had a bias toward action. And they had a program, confused as it was: the overthrow of the Treaty of Versailles, German rearmament and national reassertion, and the drafting of industry into the service of the nation to provide unemployment.

The “socialist” in National Socialism was taken very seriously: it was the opposite of liberalism and individualism, it was the submission of the individual to the collective interest, and it was a national—a German—socialism, as opposed to what they called the Marxist-Jewish-internationalist-unGerman socialism. As Hitler once said:

I had only to develop logically what social democracy failed....
National Socialism is what Marxism might have been if it could have broken its absurd ties with a democratic order....
Why need we trouble to socialize banks and factories? We socialize human beings....

The growth of such authoritarian-fascist movements in (or at other times) the Great Depression was not at all unusual. Think of Father Coughlin or Huey Long in the United States during the Great Depression; think of the French interwar right with its emphasis on national discipline; or think of Patrick Buchanan’s calls for a culture war, and ascription of blame to immigrants and to foreign trade in the contemporary United States.
What was unusual was the virulence of the National Socialist strain of fascism: their love of war even at unfavorable odds, their murderous anti-semitism (and anti-gypsyism, anti-slavism, anti-disabledism), their eagerness to resort to not just retail but wholesale murder, and the speed with which they seized control of Germany.

The Nazi Regime

The Nazis Are Invited in

On January 30, 1933, in accord with the German constitution, President Hindenburg named Adolf Hitler Chancellor of Germany. The Nazis held only three of eleven cabinet posts. Their government rested on a coalition with the Nationalists. On February 27, 1933, someone—probably the Nazis—burned down the Reichstag building. On February 28 President Hindenburg proclaimed martial law. On March 23 the Reichstag passed a “Law for Removing the Distress of the People and the Reich” which centralized all legislative powers in the cabinet for four years. By July 14 the Nazi Party was the only political party in Germany.

[Nuremburg rally]

The Nazi Consolidation of Power

As a political venture, Nazism was a smashing success in its first few years. The political correspondent William Shirer was posted to Berlin in the late summer of 1934, a year and a half after Hitler took power. He found:

much that impressed, puzzled, and troubled a foreign observer about [Hitler’s] Germany. The overwhelming majority of Germans did not seem to mind that their personal freedom had been taken away, that so much of their culture had been destroyed and replaced with a mindless barbarism, or that their life and work had become regimented....
In the background, to be sure, there lurked the terror of the
Gestapo.... Yet the Nazi terror in the early years affected the
lives of relatively few Germans, and a newly arrived observer
was somewhat surprised to see that the people... did not... feel
that they were being cowed and held down by an unscrupulous
and brutal dictatorship. On the contrary, they supported it with
genuine enthusiasm....

Hitler was... confounding the victorious Allies and making
Germany militarily strong again. This was what most Germans
wanted.... By the autumn of 1936 the problem of
unemployment had been largely licked, almost everyone had a
job again, and one heard workers who had been deprived of
their trade-union rights joking, over their full dinner pails, that
at least under Hitler there was no more freedom to starve....
“The Common Interest before Self-Interest!” was a popular
Nazi slogan in those days... the masses were taken in by the
new “national socialism” which ostensibly put the welfare of
the community above one’s personal gain.

The racial laws which excluded the Jews... seemed... to be a
shocking throwback... but since the Nazi racial theories exalted
the Germans as the salt of the earth... they were far from being
unpopular...

**Nazi Policies at Home**
The image of Hitler’s ideology can be seen in the Nazi program for
the German agricultural sector. The Hereditary Farm Law of
September 1933 transformed all farms of less than 300 acres into
hereditary estates that must be passed down undivided to the next
male heir. Only an Aryan German who could prove “purity” of
blood back to 1800 could own such a farm. Such a farmer’s estate
could not be sold or seized for debt or bankruptcy. And farm prices
were raised an average of twenty percent.

The industrial policies of the Third Reich were in the beginning the
brainchildren of Hjalmar H.G. Schacht, who assumed office as
president of the central bank under Hitler in 1933, and because
finance minister in the following year. Schacht was one of the few finance ministers to take advantage of the freedom provided by the end of the gold standard to keep interest rates low and government budget deficits high: massive public works funded by large budget deficits. The consequence was an extremely rapid decline in unemployment—the most rapid decline in unemployment in any country during the Great Depression. Eventually this Keynes-like policy was to be supplemented by the boost to demand provided by rearmament and swelling military spending.

[Nazi economic recovery]

In the longer run the corruption and bureaucracy that the Nazi government imposed on the government would slow Germany’s economic progress. Hjalmar H.G. Schacht was replaced in September 1936 by Hitler’s lieutenant Hermann Goering, with a mandate to make Germany self-sufficient to fight a war within four years (and to acquire a vast industrial conglomerate from looted Jewish-owned properties for himself. Under Goering imports were slashed. Wages and prices were controlled—under penalty of being sent to the concentration camp. Dividends were restricted to six percent on book capital. And strategic goals to be reached at all costs (much like Soviet planning) were declared: the construction of synthetic rubber plants, more steel plants, automatic textile factories.

The replacement of Schacht by Goering was fortunate for the rest of the world: the German economy during World War II was not as strong, and hence could not give as much support to the military, as it might have.

Real wages in Germany dropped by roughly a quarter between 1933 and 1938. Trade unions were abolished, as was collective bargaining—which would have been of little use with wages frozen by government decree. The right to strike was, of course, abolished. And the right to quit disappeared as well: labor books
were introduced in February 1935, and required the consent of the previous employer in order to be hired for another job.

In William Shirer’s view, however, German workers were not actively discontented with Hitler’s regime: it had, after all, brought the Great Depression to an end in Germany, and removed the fear of unemployment. Loss of the freedom to quit, the freedom to engage in politics, and the freedom to join a union was worth less than the loss of the freedom to starve.

18.5: Stalinism

The New Economic Policy

It was not foreordained that the Soviet Union would turn into a terror-ridden prison camp. There were strong signs of impending disaster under Lenin: the promotion of the secret police-first called the Cheka, then the OGPU, then the NKVD, and at its end the KGB—to a prominent place. The use of unselective terror to dominate regions during the Russian Civil War. The suppression of discussion and debate within the Communist Party.

But Lenin—ever the pragmatist—had taken a number of steps backward from the central command-driven, terror-using, Communism-now-at-all-costs policies of the Civil War. “War Communism” had been replaced by a “New Economic Policy” placing less emphasis on the elimination of the business class and more emphasis on boosting production to make up for the losses of World War I and the Civil War.

“War Communism” was Lenin’s attempt to achieve both the degree of military mobilization of the economy that he believed World War I-era Germany had obtained, and to accomplish the goals of nationalization and income equalization to which he and his Communists were strongly committed. It took place against the desperate background of the Russian Civil War. The first economic
consequence was inflation, ending in a 1924 reform of the currency that exchanged fifty million “old” rubles for one “new” ruble. The second economic consequence of War Communism was complete nationalization: all factories were nationalized. All credit institutions were nationalized. International trade was nationalized. All wages were equalized. Instead of employers hiring workers, party functionaries conscripted them.

In agriculture War Communism was a disaster—the first of many agricultural disasters. The do-it-yourself redistribution of land that the peasants accomplished and the Bolshevik Party blessed was very popular. But the government needed food for the towns—and peasant farmers living in the countryside were much less interested in delivering grain in exchange for urban luxuries than had been noble landlords under the Czar.

The government tried to requisition the food it needed for the cities. The peasants hid the grain they had, and cut back on production because they thought that any excess above their own subsistence would be confiscated. Urban workers, short of food, returned to their relatives’ family farms in the countryside, where they at least thought that they could get fed. Industrial output fell.

In 1920 agricultural output was perhaps half of what it had been in 1913. And industrial output was perhaps one fifth of what it had been in 1913.

Nikolai Bukharin—one of the big losers in the succession struggle following Lenin’s death (he was in the end shot in the late 1930s) and the model for Arthur Koestler’s protagonist, Rubashov, in the novel Darkness at Noon—saw the New Economic Policy [NEP] as desirable for perhaps generations: let the Soviet Union build up its productive power and improve its living standards; let progressive income taxes keep the successful entrepreneurs of the NEP—the so-called NEPmen—from getting too rich; slowly build up the backbone of the economy in the form of state-owned and -operated
dams, railroads, utilities, and heavy industrial plants; and then at sometime in the relatively distant future attempt to move beyond a market economy in which goods were distributed “to each according to his work” to a Communist economy in which goods would be distributed “to each according to his need.”

The New Economic Policy of Lenin restored private enterprise to the distribution sector. Heavy industrial production remained nationalized. Artisans, and small light industry factories, could work on their own account. But distribution was privatized: private traders bought output from state factories, transported it, and then delivered it to private stores that sold it to consumers. Peasants sold grain to private traders as well—and taxes in money replaced the previous requisitions of surplus.

By 1926 Russian industrial production was back to the level of 1913.

National Bolshevism
The dictator who won the struggle for power after Lenin’s death—Josef Stalin, born Josef Vissarionovich Djugashvili—was a paranoid psychopath: the lead candidate for the greatest mass-murderer in human history. His bureaucratic triumph over first the left and then the right opposition within the Soviet Communist Party in the late 1920s left him as the unchallenged dictator of the Soviet Union, surrounded by supporters, clients, and yes-men.

Stalin had been born in what would become the Soviet Republic of Georgia, and ventured into revolutionary-politics-with-banditry after being expelled from an Orthodox seminary. He was arrested and exiled to Siberia four times; he escaped four times, suspiciously quickly. Trotsky and others thought that Stalin had spent his time before World War I as an agent provocateur, a spy on the Communists for the Okhrana, the Czar’s secret political police.
In 1912 Lenin needed somebody from one of the ethnic minorities of the Russian Empire to stir up agitation at the fringes of the Empire. He chose Stalin. In 1917 Stalin was the first major Bolshevik to return to the then-capital—St. Petersburg or Petrograd—after the fall of the Czar. Lenin gave Stalin the post of editor of the party newspaper, Pravda. During the Civil War he was Commissar for Nationalities—responsible for trying to cement the revolution among the ethnic minorities at the fringes of the Russian Empire. Lenin named him “General Secretary”—responsible for personnel and other bureaucratic matters—of the Communist Party after the Civil War. And Stalin used his post to promote his friends, scatter his opponents, and build up a large faction of clients in the party.

Trotsky thought that Stalin poisoned Lenin.

After Lenin’s death, Stalin outmaneuvered his political rivals one by one, allying with one group to expel another from the party before turning on his former allies. Upon Lenin’s death the rulers of the Communist Party—the Politburo—established an uneasy truce of “collective leadership.” But Trotsky appeared first among equals: Lenin’s right hand during the Bolshevik Revolution and the leader of the victorious Red Army. So the other party barons Zinoviev and Kmeny united with Stalin against Trotsky. At the Thirteenth Parthy Congress in 1924 Trotsky’s advocacy of rapid industrialization at home and continuous attempts to spark more revolutions abroad was condemned as a “Left” deviation. Trotsky lost his share of power.

Within a year Zinoviev and Kamenev were scared of Stalin—and realized that on the substance of rapid industrialization they agreed with Trotsky. Their “Left Opposition” was condemned by the Party Congress at the end of 1925: Stalin’s control of personnel was a more powerful weapon than they had realized. Before 1917 the party had been an underground conspiracy of hunted
revolutionaries. In 1917 the hunted revolutionaries emerged above ground after the overthrow of the Czar, and the Communist Party became a more normal political party: a large number of voters and allies among the public following the lead of the party officials. During the Civil War the Communist Party became a coalition to fight the war. And after the war it became a bureaucracy.

Recruitment drives brought the party membership up to one million in 1929, with the new members selected and screened by the party. The General Secretary—Stalin—was responsible for recruitment, promotion, and personnel, an onerous task that he had agreed to assume at Lenin’s plea. The General Secretary appointed the secretaries of subordinate local committees. The local secretaries would appoint those who screened incoming members. And the local secretaries would choose the delegates to the Communist Party Congresses—who would then do as their patron’s patron Stalin suggested.

By 1927 Zinoviev and Kamenev were expelled from the Communist Party.

Two years later Stalin turned on his allies—Bukharin, Rykov, and Tomskii—who had helped him expel Kamenev, Zinoviev, and Trotsky. Bukharin and company were a “Right Deviation” that wanted to restore capitalism. Thus by the end of the 1920s all of the rest of Lenin’s lieutenants—Kamenev, Zinoviev, Bukharin, and Trotsky—were powerless. They were dead by the end of the 1930s.

After the end of the Russian Civil War, Lenin had taken several steps back away from the planned, centralized, and militarized economy. His “New Economic Policy” allowed the return of entrepreneurs, merchants, and middlemen—the so called “NEPmen.” It encouraged the growth of a class of relatively rich
peasants—the “kulaks”—to produce the agricultural surplus needed to feed the cities. Forced confiscations of grain were replaced by a proportional tax, and peasants received the right to sell their surplus on the market. Lenin exhorted the Party to learn khozraschet—in Martin Malia’s translation, “profit and loss business methods.”

The Russian economy recovered relatively quickly under the New Economic Policy. Martin Malia believes that ordinary Russians had a higher standard of living in the mid-1920s than at any time since:

> the superior living standard of the NEP is eminently plausible with respect to the obvious availability in the earlier years [of NEP] of food, of consumer goods that people actually wanted, and of personal freedom...

As far as material wealth is concerned, Malia is surely wrong. Soviet households of the 1980s had radios, and apartments with some consumer appliances rather than cottages with straw floors. But the gain in material living standards was not nearly as much as it should have been. Traditionally-measured real wages in 1952 appear no higher than in 1929, when they were about at the level of 1913; and Soviet urban consumers saw few of the new inventions that enriched consumer choice elsewhere. The grain harvest of 1952 was less than that of 1929, which was less than that of 1913.

And throw into the balance the chance of being arrested, shot, or exiled to Siberia after the end of NEP, and it does look like a golden age.

**The Soviet Industrialization Debate**

But NEP did little to equip the Soviet Union to defend itself against attack from abroad. And it did nothing to advance Communist ideals. It is possible to envision a different Soviet Union, in which other leaders had won the succession struggle
after Lenin’s death, which would have seen economic policy evolve very differently: an extension of the NEP coupled with an ever-postponed long-run plan to resume nationalization, arriving in the end at something like post-World War II Sweden as far as economic organization is concerned.

It is unlikely: practically all of the Bolsheviks who made the Russian Revolution would have been opposed to such an evolution, at least at first. And to all in the Communist Party, the increasing wealth of the NEPmen, the traders and distributors who had prospered under the New Economic Policy, was offensive: they toiled not, neither did they spin; all they did was carry things from place to place; and Communists saw no creation of economic value in distribution; so their profits were pure exploitation of the people, and the Party, by bloodsucking parasites. NEP could not last. To the Bolshevik cadre, NEP was a betrayal of the dream of socialism. When Stalin began his industrialization drive, all elements of the Party—in power or not, expelled or not, exiled or not—rallied to him in support of his policies (if not his rule).

[Economic recovery under NEP]

Moreover, as Alec Nove has pointed out, national security considerations required an emphasis on building up those industries necessary to boost military might and maintain economic independence; steel, coal, and heavy machinery—not consumer goods. But how are you to persuade the peasants to boost agricultural production if you have no factory-made consumer goods to trade them for their grain?

So from the perspective of the Communist Party the problem of agricultural economics was how to extract as much as possible in the way of food from the countryside while giving up as little as possible, in the sense of the share of manufacturing production devoted to producing consumer goods for rural localities, as possible. In the latter stages of the NEP the government raised
industrial prices and lowered farm prices—using “the scissors” to improve the government’s terms-of-trade vis-a-vis the farmers. This had the expected result: the farmers did not want to sell grain to the cities at the prices the government was willing to pay.

The “goods famine” generated by the start of the first Five Year Plan and the shift of urban production from consumer goods to capital goods, and from light industry to heavy industry, called forth a “grain famine.” Peasants shifted to growing industrial crops—cotton and flax—and to raising livestock rather than grain that the could not sell to the state at a reasonable price.

In 1929 urban rationing was reintroduced. The NEP had failed from the government’s point of view: the peasants were not willing to deliver to the state the grain that the government wanted at the price that the government wanted to pay.

Thus the government decided that it would have to do something about the “kulak,” the relatively rich peasant who was producing a surplus of agricultural products and yet unwilling to deliver it up to the party. Note that a “kulak” was not a landlord; a “kulak” was merely a peasant who had enough land and money to hire a farmhand. The poorest group of peasants were not sources but net purchasers of food, earning from handwork and handicrafts enough to bring their food consumption up from starvation levels. The so-called “middle” peasants were in rough balance, eating what they produced.

Only the “kulaks” produced a surplus.

**Purges and Power Lines**

Beginning in 1929, Stalin decreed the collectivization of agriculture. Some ninety-four percent of the Soviet Union’s twenty-five million peasant households were gathered into state-
and collective farms, averaging some fifty peasants per farm. Peasants were shot, died of famine, and were exiled to Siberian prison labor camps in the millions during the 1930s. Perhaps fifteen million died. Agricultural production dropped by a third. The number of farm animals in the Soviet Union dropped by half.

Certainly the entire surplus was taken, with little or anything being traded back from the cities to the countryside. But resistance was not confined to the kulaks. Peasants everywhere slaughtered and ate their animals, rather than submit calmly to their collectivization.

It is not likely that there were any benefits to the collectivization of agriculture. Food for the cities could have been obtained—more food on better terms—by devoting a share of urban industrial production to consumer goods useful for farmers. The underlying idea of collectivization was the re-enserfment of the peasantry: reduce their standard of living to the bare minimum, take the surplus, and use the surplus to feed the urban workers. But serfdom is not a very efficient way of squeezing food out of the countryside. More efficient to have kept the farm animals and the fifteen million people alive and traded consumer goods for the food to feed the cities.

The other side of Stalin’s economic policy was rapid industrialization. After having condemned his political opponents as unrealistic “super-industrializers,” Stalin announced a Five-Year Plan that exceeded even their hopes. During the First and Second Five-Year Plans Soviet statisticians claimed that industrial production—which had stood 11% above its 1913 level in 1928—was some 181 percent higher by 1933, and some 558 percent higher than 1913 by 1938. Heavy industry had the highest priority: coal, steel, chemicals, and electricity. Consumer goods were to come later, if at all.
The “Plan” was not an overall, integrated, achievable strategy for industrial development—what we would call a plan. Instead, it rapidly became a series of selected objectives—finish this dam, build so many blast furnaces, open so many coal mines—to be achieved whatever the cost. When in the mid-1960s Fidel Castro decreed that Cuba was to make a ten-million ton sugar harvest, nearly twice its normal production, and that everything else was to be subordinated to that goal, he was acting in the spirit of Stalin’s Five Year Plans.

The aim was to build up heavy metallurgy. The task was to acquire—buying from abroad or making at home—the technology that American heavy industry deployed. A “steel city” was to be built in the Urals, at Magnitogorsk, and supplied with coal from the Chinese border. (And without Magnitogorsk it is hard to see how Stalin could have won World War II, or the factories of western Russia were under German occupation from July 1941 until late in 1943). Dams, automobile factories, tractor (or tank) factories—all located not near the border or where the people were but far to the east of Moscow. General Motors, Ford, and Caterpillar were eager to contribute engineering expertise for a price.

How to get workers to man the new heavy industrial plants—especially since Stalin couldn’t pay them much: consumer goods were impossible to find with the shift to heavy industry, and agricultural production was in shambles. The answer was by drafting the population: internal passports destroyed freedom of movement, housing and ration books depended on keeping your job (and thus satisfying your employer), and there was always the threat of Siberian exile in a concentration camp or a bullet in the neck for those whose bosses accused them of “sabotage.” Nonfulfillment of quotas led to arrest and imprisonment or
execution. In 1932 the government empowered local authorities to dismiss workers and deprive them of their food ration cards and housing for one day’s absenteeism. Unemployment was eliminated: if you were unemployed, you might as well be sent to a labor camp.

At the start of the industrialization drive, there were show trials of engineers (accused of being “plan-wreckers”). Squeezing down the rural standard of living further produced a mass exodus: bad and low-paid as the cities were, for an adult male being a semi-serf on the collective farm was worse. More than twenty-five million people moved to the cities and the factories during the 1930s.

On the one hand, the Soviet Union did outproduce Germany and Britain in war weapons during World War II—and many of the weapons were of excellent quality. On the other hand, the claims of nearly sevenfold growth in industrial production from 1913 to 1940 were significantly exaggerated: cut reported industrial production in 1940 in half relative to 1913 to get a better indication of Soviet industrial production growth: perhaps industrial production in 1940 was (measured using standard techniques) 3.5 times industrial production in 1913 (although, once again, Russia was making new goods and new types of goods that it could not have made in 1913). But by the end of the Second Five Year Plan Russia had a strong industrial base, with a greatly increased capacity to produce coal, steel, iron, electricity, airplanes, tractors (and tanks), and locomotives. As best as Bergson could estimate, Soviet real national product grew at some 4.5 percent per year on average from 1928 to 1958.

Factory workers were shot or exiled to Siberian labor camps for failing to meet production targets assigned from above. Intellectuals were shot or exiled to Siberian labor camps for being insufficiently pro-Stalin, or for being in favor of the policies that Stalin had advocated last year and being too slow to switch. Communist activists, bureaucrats, and secret policemen fared no
better. More than five million government officials and party members were killed or exiled in the Great Purge of the 1930s as well. All of Stalin’s one-time peers as Lenin’s lieutenants were gone by the late 1930s—save for Leon Trotsky, in exile in Mexico, who survived until one of Stalin’s agents put an icepick through his head in 1940.

**The End of Lenin’s Bolsheviks**

Curiously enough, the most dangerous place to be in Russia in the 1930s was among the high cadres of the Communist Party. Of the 1800 delegates to the Communist Party Congress of 1934, less than one in ten were delegates to the Party Congress of 1939. The rest were dead, in prison, or in Siberian exile. The most prominent generals of the Red Army were shot as well. The Communist Party at the start of World War II was more than half made up of those recruited in the late 1930s, and keenly aware that they owed their jobs and their status in Soviet society to Stalin, Stalin’s proteges, and Stalin’s proteges’ proteges.

We really do not know how many people died at the hands of the Communist regime in Russia. We do know that the Siberian concentration camps were filled by the millions at least five times. The Gulag Archipelago grew to encompass millions with the deportation of the “kulaks” during the collectivization of agriculture. It was filled again by the purges of the late 1930s. It was filled yet again by Poles, Lithuanians, Estonians, Latvians, and Moldavians when the Soviet Union annexed those territories on the eve of World War II. Soldiers being disciplined, those critical of Stalin’s wartime leadership, and ethnic groups thought to be pro-German were deported during World War II. After World War II perhaps four million Soviet soldiers who had been captured by the Germans and survived Hitler were sent to the Gulag until they rotted and died.

The entire system would not be shut down until the late 1950s,
when Nikita Krushchev was General Secretary.

As Basil Kerblay write in his Modern Soviet Society, we know more about how many cows and sheep died in the 1930s than about how many of Stalin’s opponents, imagined enemies, and bystanders were killed. R.J. Rummel estimates 62 million dead from the Soviet regime. Other estimates tend to be somewhat but not orders of magnitude lower.

The reality of the Soviet Union in the 1930s was in strong contrast to the image that many outside had of it. Outsiders focused on three things. First, the Soviet Union had eliminated unemployment—in a decade in which unemployment was bitter and pervasive outside of Russia. Second, Soviet production was expanding rapidly—in a decade in which production stagnated elsewhere in the world. Third, shortcomings in the Soviet Union could be blamed on the past: the country’s backwardness, the heritage of the Czars, the necessity of doing everything as fast as possible to strengthen the country and catchup to the advanced industrial powers. “You can’t make an omelette without breaking eggs.”

Yet it exerted a definite attraction on leftists and non-leftists alike. An effete intellectual upper-class snob like John Maynard Keynes—at the heart of the High British Decadence of the Bloomsbury group—had many reasons to dislike Leninism and the Soviet Union. As he wrote:

For me, brought up in a free air... Red Russia holds too much which is detestable. Comfort and habits let us be ready to forgo, but I am not ready for a creed that does not care how much it destroys the liberty and security of everyday life, which uses deliberately the weapons of persecution,
destruction, and international strife... spending millions to suborn spies in every group and family at home.... How can I accept a doctrine which sets up as its bible, above and beyond criticism, an obsolete economic textbook [Marx’s Capital] which I know to be not only scientifically erroneous but without interest or application for the modern world? How can I adopt a creed which, preferring the mud above the fish, exalts the boorish proletariat above the bourgeois and the intelligentsia who... are the quality of life and surely carry the seeds of all human advancement? Even if we need a [new] religion, how can we find it in the turbid rubbish of the Red bookshops?

Yet even he could also write:

Now that the [Bolshevik Revolution] is done and there is no chance of going back, I should like to give Russia her chance; to help and not to hinder. For how much rather... if I were a Russian, would I contribute my quota of activity to Soviet Russia than to Tsarist Russia!... I should detest the actions of the new tyrants....But I should feel that my eyes were turned towards, and no longer away from, the possibilities of things...

The writer Lincoln Steffens ruined his reputation with the bon mot, on his return from Stalin’s Russia: “I have seen the future, and it works.”

Yet even John Maynard Keynes is prepared to say that Soviet Russia might have some germ of the future in it, and might work.
More from “Requiem”  
by Anna Akhmatova

Introduction

It was a time when only the dead smiled, happy in their peace.

And Leningrad dangled like a useless pendant at the side of its prisons.

A time when, tortured out of their minds, the convicted walked in regiments, and the train whistles sang their short parting song.

Stars of death stood over us.

Innocent Russia squirmed under the bloody boots, under the wheels of the prisoner transport vans....

* * * * *

They took you away at dawn, I walked after you as though you were being borne out, the children were crying in the dark room, the candle swam by the icon stand.

The cold of the icon on your lips.

Death sweat on your brow... Do not forget!

I will howl by the Kremlin towers...
Epilogue

I found out how faces droop,  
how terror looks out from under the eyelids,  
how suffering carves on cheeks  
hard pages of cuneiform,  
how curls ash-blonde and black  
turn silver overnight,  
a smile fades on submissive lips,  
fear trembles in a dry laugh.

I pray not for myself alone,  
but for everyone who stood with me,  
in the cruel cold, in the July heat,  
under the blind, red, prison wall.

The hour of remembrance has drawn close again.

I see you, hear you, feel you.

The one they hardly dragged to the window,  
the one who no longer treads this earth,

the one who shook her beautiful head,  
and said: “Coming to this place is like coming home.”

I would like to call them all by name.  
But the list was taken away, and I cannot remember.

For them I have woven a wide shroud  
from the humble words I heard among them.

I remember them always, everywhere,  
I will never forget them, whatever comes.
And if they gag my tormented mouth,  
with which one hundred million people cry,  
then let them also remember me  
on the eve of my remembrance day.

If they ever think of building  
a memorial to me in this country,  
I solemnly give my consent,  
only with this condition: not to build it  
near the sea where I was born;  
my last tie with the sea is broken;  
nor in Tsarsky Sad by the hallowed stump  
where an inconsolable shadow seeks me,  
but here, outside the prison, where I stood three hundred hours,  
and they never unbolted the door for me.

Build it here because even in blessed death I am terrified  
that I will forget—for get the thundering of the prisoner transport  
vens,  
forget how the hateful door slammed,  
forget how the old woman howled like a wounded beast.

Let the melting snow stream  
like tears from my motionless, bronze eyelids,  
let the prison dove call in the distance,  
and the boats go quietly on the Neva.

18.6: Maoism

18.7: The High Tyrannies of the Twentieth Century
Suppose that the Austrian Archduke Franz Ferdinand, heir to the throne of the Habsburg Monarchy that ruled what by 1914 was called the Austro-Hungarian Empire and that incorporated all or part of what is now the Czech Republic, Slovakia, Ruthenia, Romania, Hungary, Serbia, Bosnia-Herzegovina, Croatia, Slovenia, and Austria5—suppose that Franz Ferdinand had not been assassinated, but had lived to ascend the throne as Emperor of Austria and King of Hungary in 1916—then World War I as we know it would not have happened. Would we then still have seen Communism and Nazism play such a powerful and bloody role in the history of the twentieth century?

Political historians (and assassins) tend to answer “no”: they tend to think that how events happen can be very important, and that determining and understanding the causal chains running from event to event are the purposes of history. In their view human history is near-chaotic, at least at key times and places, and small changes can have very large long-run effects, just as the presence or absence of a hurricane can be determined by the flap of a butterfly’s wings a year before and three thousand miles away.

Economic and social historians have a very different presumption: if Franz Ferdinand had not been assassinated in the summer of 1914, he might have been assassinated somewhere else; if he had not been assassinated, the Austrian government would have found some other excuse for an attempt to chastise the Serbian government through what it had hoped would be a small, limited war. Key individuals, luck, and chaos may determine exactly how things happen, but for the most part what happens is the result of stronger, deeper currents of ideas and interests that cannot be diverted or transformed even by key events.

Which is right? I do not know. But this is a work of economic history, so I follow my discipline. And thus I focus on the intellectual currents and social structures that underlay the development of the two major anti-liberal ideologies of the
twentieth century: Communism and Nazism. Thus personalities—Hitler, Lenin, Stalin, Mussolini—are given short shrift: they are seen as carriers of ideas and doctrines that had resonance and importance, rather than as evil geniuses without whom the twentieth century would have been much closer to a utopia.

Stalinism

The New Economic Policy

The Scissors Crisis

The Collectivization of Agriculture

The Great Purges
Curiously enough, the most dangerous place to be in Russia in the 1930s was among the high cadres of the Communist Party. Of the 1800 delegates to the Communist Party Congress of 1934, less than one in ten were delegates to the Party Congress of 1939. The rest were dead, in prison, or in Siberian exile. The most prominent generals of the Red Army were shot as well. The Communist Party at the start of World War II was more than half made up of those recruited in the late 1930s, and keenly aware that they owed their jobs and their status in Soviet society to Stalin, Stalin’s proteges, and Stalin’s proteges’ proteges.

As Basil Kerblay writes in his Modern Soviet Society, we know more about how many cows and sheep died in the 1930s than
about how many of Stalin’s opponents, imagined enemies, and bystanders were killed.

**Magnitogorsk**

**The Nazi-Soviet Pact**

**The Shock of June 22, 1941**

No. The point is to change it in a positive direction. The American Enterprise Institute has "changed the world," and everybody based in reality recoils in horror. I prefer to ignore Thesis XI and to take my stand with John Maynard Keynes's view of Comrade Trotsky at the Cafe Central:

[Trotsky's] first proposition. The historical process necessitates the change-over to Socialism if civilisation is to be preserved.... Second proposition. It is unthinkable that this change-over can come about by peaceful argument and voluntary surrender. Except in response to force, the possessing classes will surrender nothing.... Third proposition.... The possessing classes will do lip-service to parliamentary methods so long as they are in control of the parliamentary machine, but if they are dislodged, then, Trotsky maintains, it is absurd to suppose that they will prove squeamish about a resort to force on their side.... Fourth proposition. In view of all this, whilst it may be good strategy to aim also at constitutional power, it is silly not to organise on the basis that material force will be the determining factor in the end. In the revolutionary struggle only the greatest determination is of avail to strike the arms out of the hands of reaction to limit the period of civil war, and to lessen the number of its victims....

Granted his assumptions, much of Trotsky's argument is, I think, unanswerable. Nothing can be sillier than to play at revolution.... But... he assumes that the moral and intellectual problems of the transformation of Society have been already solved--that a plan exists, and that nothing remains except to put it into operation.... He is so much occupied with means
that he forgets to tell us what it is all for.... Trotsky's book must confirm us in our conviction of the uselessness, the empty-headedness of Force at the present stage of human affairs. Force would settle nothing no more in the Class War than in the Wars of Nations or in the Wars of Religion. An understanding of the historical process, to which Trotsky is so fond of appealing, declares not for, but against, Force at this juncture of things. We lack more than usual a coherent scheme of progress, a tangible ideal. All the political parties alike have their origins in past ideas and not in new ideas and none more conspicuously so than the Marxists. It is not necessary to debate the subtleties of what justifies a man in promoting his gospel by force; for no one has a gospel. The next move is with the head, and fists must wait

1 Or, in the case of Nazism, not “human” but “Aryan” personalities.
4 Historians of interwar Germany continue to debate—and will forever continue to debate—whether Bruening had other options. Critics point to the successful examples of deficit finance and economic recovery of Sweden. Defenders of Bruening point to the memory of the recent past hyperinflation, and to the fear that any steps toward expanding demand would produce a panic and a renewal of hyperinflation. See Charles Maier (1987), In Search of Stability (Cambridge: Cambridge University Press); David Beetham, ed.,1983), Marxism in the Face of Fascism (Manchester: Manchester University Press); Donna Harsh (1993), German Social Democracy and the Rise of Nazism (Chapel Hill: U.N.C. Press); Knut Borchardt (1991), Perspectives on Modern German Economic History (Cambridge: Cambridge University Press). I
think that the critics of Bruening have by far the better case: Hitler pulled the German economy out of the Great Depression without putting it into hyperinflation.

5 Not to mention small pieces that are now in Italy—the area around Trieste, and the Alpine region of the Alto Adige, where a leading local political party today is still called the Sudtirol Volksbund.