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# History of Economic Thought

## XIV. Fascist Economics

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Dr. Kristoffer J. M. Hansen | Institute for Economic Policy



1. Origins of Fascism
2. Nazi Economics
3. Later Fascists
4. Is Fascism Socialism?



# 1. Origins of Fascism

## Italian Fascism

- Italian revolutionary groups and unions known as *fasci* the origins
- First fascist party founded 1915
- Fascists gained prominence fighting communists 1919-20

## Across Europe

- Fascist-like parties rose across Europe in the interwar period
- But not devoted to a common ideology



## Anti-Communist Reaction

- The communists revolutions across Europe provoked a violent response
- Fascism fights communism with communist means – Mises
- Italian fascism grew out of syndicalist *fasci* – revolutionary unions

## Across Europe

- The two red years in Italy, Biennio Rosso 1919-20
- Street violence in Germany – the Freikorps against the communists
- Spanish Civil War 1936-39



## Benito Mussolini (1883-1945)

- Communist journalist, editor of *Avanti!*
- Against Italian neutrality in WWI – broke with the party
- Founded a new journal 1914, *Il Popolo d'Italia*
- Fascist organizer 1919, took power in Italy 1922

## Ideology

- For the all-powerful, total state
- “Everything in the state, nothing outside the state, nothing against the state”
- Avowed socialist – however, not a clear economic programme



## Giovanni Gentile (1875-1944)

- Idealist philosopher
- Ghost-writer of *The Doctrine of Fascism* (1932)
- The “philosopher of fascism”

## Ideology

- The twentieth century is the century of the collective, not the individual
- State corporatism, central direction
  - Compulsory organisation of the economy in corporate associations
  - Inspired by syndicalism, guild socialism
- Autarky



## Definition

- Against unearned income – profits, interest
- Workers’ control of the means of production
  - But not central state control
  - The railways to the railwaymen, the mines to the miners etc

## Origins

- Grew out of trade union movements – especially France, Italy
- A product of the working classes
- Georges Sorel (1847-1922) the philosopher of syndicalism
- Syndicalism advocates “direct action” – strikes, violent action of all kinds



## Problems of Distribution

- Abolition of “unearned income” will lower productivity drastically
  - Union leaders have no particular skill in management
- Inequality will prevail – the different industries are not equally valuable
  - The amount of “labour” and nature” is unequal

## Economic Calculation and Capital Consumption

- Workers will not be able to sell their “share” in their industry
- There is no reason to preserve capital value
  - “Shares” cannot be traded, evaluated
  - Capital consumption will result
- Any change in technology, or the importance of each industry incompatible with syndicalism
  - How do you reduce the size of old industries, build new?





## Aim

- The socialization of the means of production
- This is what makes it different from syndicalism
- In vogue in early years after WWI – especially English socialism
- An attempt at decentralized socialism
- Catchword: “self-government in industry”

## Organization

- Production is controlled by the workers in each particular industry
  - Guilds organize the producers in individual industries, face the state as the organization of the consumers
  - The state taxes the guilds, thus regulates prices and wages
  - Thereby the state determines everything – is in total control
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## Official Economic Ideology of Fascism

- All economic groups organized in cartels, guilds
  - Labour unions on one side, employers on the other
  - Different industries in compulsory cartels
- The state directs the cartels, issues orders
  - Price controls, quotas
  - Last stage of interventionism

## Problems of Corporatism

- It replaces harmony of interests under capitalism with conflict
  - All groups aim at special benefits for their guild, cartel, at the expense of other sectors
  - Production distorted
- End-state is socialism “on the German pattern”



## Reality of Fascism in the 20s

- Economic views not set in stone: the fascists groping towards more liberal views in 1920s, e.g. programme of July 1922
- Confronted with communist menace, liberals welcomed fascists
- Liberal economists very critical of the Italian state
  - An organization of special interests plundering society
- Hence liberals sympathetic to Mussolini’s call for a “producers’ front”
  - To combat the parasites of the political class
  - The communal socialist bureaucracy

## Fascism’s Turn Away from Liberal Policies

- Mussolini never into economic freedom
- Realities of special-interest politics increasingly dominated
- From late 1920s on, Italy became increasingly corporatist, fascist



## 2. Nazi Economics

### Roots of Nazi Economics

- Socialism of the chair
- Interventionism

### Tenets of Nazi Economics

- Command economy – the primacy of politics
- Autarky and Lebensraum



## Intellectual Reaction

- From 1920 or so on, against dominance of Marxist thought
- These were still socialists, however – Sombart the most famous
  - Othmar Spann, Oswald Spengler
- Yet they did not fundamentally reject Marxist class conflict views
- Key difference: nationalism

## The National Question

- Especially acute in Germany after WWI – in two aspects
- Germans living outside Germany in mixed territories
- Trade and migration: Germany relatively overpopulated
  - Free trade to raise wages
  - Free emigration to New World of German labourers



Marxian socialism is beckoning: “Class war, not national war!” It is proclaiming: “Never again [imperialistic] war.” But it is adding in thought: “Civil war forever, revolution.” National socialism is beckoning: “National unity! Peace among classes!” And it is adding in thought: “War on the foreign enemy!”

...

The migration problem is the third form of the practical political problem for Germany. Germany lacks territory for its excess population. And again, the prewar theory of German nationalism discovered no better solution than violence through conquest of suitable territory... The nationalistic Anti-Marxists of Germany could perform a great service by solving the emigration problem. The German mind could develop a new doctrine of universal freedom and free movement that would evoke an echo with Italians, Scandinavians, Slavs, Chinese, and Japanese, and which in the long run no nation could resist. But no beginning has yet been made of what needs to be done, and surely nothing has been accomplished.



## A Product of the Ruling Ideology

- Out of the historical school (Schmoller, Sombart)
  - Hitler against economics, any economic theory
- Etatism: against gold, against trade, for autarky
- Anti-marxist socialism

## The Myth of Capitalist Hitler

- Hitler allegedly for private property
  - Privatizations? Really transfer of industry to cronies
- But really only under control of state
  - Always threatened socialization
  - More and more hostile over time to property



## **Etatism**

- Overstating the powers of the state
- Believing that the state can manage the economy as a whole

## **The Third Way**

- A social system that is neither capitalism nor socialism
- Capitalism decried as inhuman, favouring narrow groups etc.
- Socialism found to be unpractical – and equality not an ideal
- The third way will unite the best of both system

## **Interventionism**

- Private property in the means of production is retained
- The state intervenes with commands and prohibitions to guide the economy along the path the state desires





## Dynamic of Interventionism

- The system is unstable: it does not tend to the desired outcome
- There is a conflict of wills: the central state against entrepreneurs
- Either the first intervention must be abandoned, or new ones added

## Example of Price Controls

- Maximum price imposed on milk to make it available for poor
- Result is less supply: farmers use cows for other, profitable ends
- Either end the control or add interventions
- Control prices of milk inputs to make milk profitable again
- But then the problem repeats at a remoter plane
- Carried to its conclusion, an interventionist system results in a system of decreed prices



## The End Result

- Every price and quantity of every product controlled
- Private entrepreneurs nominally in control of their property
- In reality, they cannot do anything except with the permission of bureaucrats

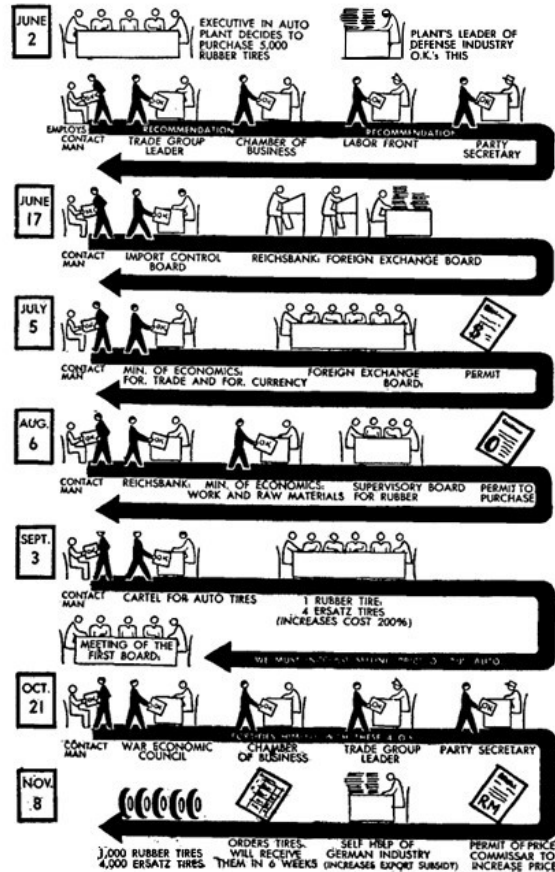
## The German Reality

- Interventionist logic already carried far under Weimar
  - Including many outright socializations
- Entrepreneurs still nominally in control: but everything had to be approved
- The result was an extremely inefficient, wasteful system



# Reimann, *The Vampire Economy*

## WHAT A GERMAN AUTO MANUFACTURER HAS TO DO TO GET 5,000 TIRES FOR HIS CARS





## Autarky

- Protectionism a natural complement of interventionism
- As costs of production are pushed up, national industries become uncompetitive → barriers to foreign imports necessary
- Economic self-sufficiency, cut off from international trade the goal

## Lebensraum

- Germany did not have access to the raw materials needed in its industries
- It was relatively overpopulated
- Complete autarky would mean a drastic reduction in the standard of living
- Lebensraum the answer: conquest of more territory for German settlement, more raw materials for German industry
  - Also argued as the answer to other nations' protectionist policies
- As protectionism increased, an aggressive foreign policy became inevitable



### 3. Later Fascists

#### A Nebulous Concept

- Tainted by Soviet propaganda
- Anyone who doesn't agree with Stalin

#### Franco's Spain

- Falangism close to Italian fascism
  - Including syndicalism
- But later Spain very different from Italian fascist economics



## Franco's Rule

- From the end of the Civil War to 1975
- Period of transition, large economic growth in Spain

## Francoist Economics

- First period: some syndicalist ideas tried
  - Controlled economy
  - Agrarian colonisation
- More liberal policies in the 1950s
- In 1959, liberal economists gained influence with Franco, control over policy
- Liberalisation of the economy followed



## General Point

- Military dictators tend to favour bureaucratic management, command economies
- “Fascist” economics therefore means roughly the same as in Germany

## An Exception

- Augusto Pinochet in Chile from 1973
- Favoured liberal free market policies
- The result was large economic growth in Chile



## 4. Is Fascism Socialism?

### National Socialism

- It's in the name
- Marxist deny this – fascism/nazism is a form of capitalism

### Economics of Fascism

- An economic analysis proves the Marxists wrong
- Socialism on the Russian pattern vs. socialism on the German pattern





## Russian Pattern Socialism

- The state owns everything
- Everything is bureaucratically managed
- The Soviet Union: it worked because they could refer to world market prices and had abundant natural resources

## German Pattern Socialism

- Entrepreneurs retain nominal ownership of their property
- Everything is controlled and directed by the state, however
  - The final outcome of interventionism
  - The entrepreneur is only a manager, a *Betriebsführer*
- Nazi Germany too could refer to world market prices
  - Entrepreneurs expected an end to the system → attempted to reduce waste
  - Weimar/Nazi Germany integrated into the world market → nationalization not viable



## The Principle of Free Exchange, Contract

- The key principle of free markets
- State direction limited to protection of property and contract
- Economic life free to unfold as actors want

## The Principle of Force, Hegemony

- One will decides all
- Citizens can only obey or rebel
- In this, fascism (national socialism) and socialism is at one
- Socialism is the economic system of hegemony
  - Russian, Marxist socialism just a historical type or case
  - Ditto for German national socialism