How New Is the 'New Order' of Fascism?

Paul Mattick

The democratic nations recognize in the totalitarian regimes new social and economic systems incompatible with their own ideas of freedom and progress. The fascists, too, speak of the existence of "two worlds" which must fight each other until one of them succumbs. The democracies become increasingly more "fascistic" the more vigorously they defend their system. And the fascists claim that there is more "real democracy" within their "new order" than there ever was in liberal capitalism. They see in their own rise to power a real revolution that is changing the whole of society. Some "anti-fascists" share this view, but speak of the "fascist revolution" as a "substitute revolution," "middle-class revolution," "managerial revolution," "nihilist revolution," and so forth. Others describe the present social transformation as a "counter-revolution against a revolution that did not take place," or as a political movement that merely serves the internal and imperialistic interests of monopoly capitalism.

The abundance of definitions of fascism is, in itself, interesting, but it does not help to lay bare the real differences between the fascistic states and the capitalistic democracies. That differences exist is obvious. An investigation of the change from the "old" into the "new" social order shows, however, that the transition affects only some, not all of the social and economic relationships that constitute the capitalistic system. The questions are, then: (1) Are these differences important enough to justify the claim that an old socio-economic system has been replaced by a new and basically different system? (2) Will the new system be subject to the contradictions and developmental laws of capitalism?

Laissez Faire versus State Control

The essential difference between the "old" and the "new" social order is that between laissez faire and a controlled economy. The general competition which characterized the early stage of
capitalist development was interpreted as an assurance that the market mechanism of the commodity-producing society provided for a more or less harmonious growth of production and the wealth of nations. Whoever prospered under laissez faire was bound to believe in a law of supply and demand that brought order into social production and distribution. Whoever did not fare so well was inclined to rebel against this philosophy. Free-trade, recognized as advantageous to the more developed capitalist nations, could be opposed by the less developed countries only with additional political means such as state-fostered industries and tariff regulations. The laissez faire theory was opposed by theories favoring state interventions in the economy.

The question of free-trade was always debated and never solved. It could not be solved because the protectionists were protectionists only in order to compete with the free-traders; the latter, controlling the trade of the world, were actually protectionists. These issues disappeared temporarily whenever there was rapid capital expansion and they always returned as soon as this expansion stopped.

However, the present-day struggle between "democratic" and "fascist" economies, though still partly determined by the inequality of opportunities for participating in the world-exploitation of labor, goes beyond the old struggle. Today state interferences in the economy are no longer restricted to national protection against foreign competition but involve the destruction of the internal market as well. Of course, even the former limited form of state interference disturbed the internal markets, but the adjustment to new situations thus created was left to the decisions of the individual capitalists. State interferences are no longer designed mainly for protective but for aggressive purposes; they are the medium of present-day imperialism.

Long before the rise of fascism, competitive capitalism was replaced in each capitalist nation by monopoly capitalism. The markets were controlled by trusts and cartels. The development from laissez faire to monopoly capitalism led to the creation of the world market, the international division of labor, the concentration of capital, and the increase of the productivity of labor. They are all interdependent; one is unthinkable without the others.

The fascist economy and its social structure is the direct
outcome of the previous process of capitalistic competition. It is thus not possible to oppose fascism without opposing capitalism during all its developmental stages. That not all capitalist nations reach their fascist “maturity” simultaneously is explained by the simple fact that their development did not start at the same time and under identical conditions. There is, however, an apparent contradiction here; for if fascism must be regarded as the direct outcome of the previous capitalist development it should appear first in the oldest and most advanced nations. But this is not the case. Russia, in which we find the most complete totalitarian system was one of the most backward nations, as was Italy which experienced the first “fascist revolution.” Germany was a comparatively new and poor capitalist nation and so were Japan, Turkey, Mexico.

We may recall here that Marx together with the liberal economists thought that “the more developed nation only shows to the less developed the image of its own future.” History has meanwhile shown that the opposite is equally true. Whereas Marx, from his point of view, was inclined to favor the free trade system, because it breaks old nationalities and carries antagonism of proletariat and bourgeoisie to the uttermost point and thus hastens the social revolution, while the protective system is conservative”, present-day proponents of “national economy,” as opposed to modern “free-traders,” prove that they can “destroy old nationalities” more effectively even than can the “free play” of capitalistic forces. They have actually succeeded in carrying the “antagonism between proletariat and bourgeoisie to the uttermost point.” And as far as hastening the revolution is concerned, both systems have been able equally to prevent its actual occurrence.

The specific form in which surplus labor was taken from the producers was similar in both the laissez faire and the protective systems. Similar, also, for all capitalist nations were the social and economic consequences which stemmed from this exploitative relationship. Outside of this relationship, however, there were great variations and gradations in the different national economies which allowed for different political structures. That

\(^1\text{Capital. Vol. I; p. 13.}\)

\(^2\text{Free Trade. An Address Delivered before the Democratic Association of Brussels. 1848; p. 43.}\)
the free-trade system was for a time dominant and thus the "pro-
gressive" one does not make it the capitalistic system per se. It
could have been replaced at any time in any country by a protec-
tive system, and the change would have been not in the capitalist
nature of the nation but only in its competitive methods.
The more rapidly capital accumulates, the more it becomes
concentrated. Until the world war the more highly developed
capitalist nations were also the more centralized. The "richer" a
country was in an economic sense, however, the less urgent was its
need to rule politically. In America, for instance, the powerful
capitalists could ignore the government to the point where the
later seemed at times to be in strict opposition to the needs of Big
Business. In poor countries like Japan, the concentration of
wealth was from the beginning identical with the concentration of
political power. In Germany, too,
"the government displayed all the initiative in the capitalist
development that in the Western world rested almost exclu-
sively with private capitalists."
But the Western world did not shrink from state interference in
the economy whenever it seemed profitable. Napoleon III, for
instance, in his policies regarding free-trade and protectionism
"turned to the right and then to the left and one could never tell
where he was going."
The high capital concentration already reached in the more
"successful" nations accounts for the forced concentration of
wealth and power in the more backward countries. In this forced
centralization we see the real international character of capitalist
production which forces its weakest units to reach and overtake the
richer nations. When at an earlier stage the backward nations
opposed the monopolistic position of the laissez faire nations with
monopolistic actions by way of state interferences and thus escaped
economic exploitation by simply refusing to let the "market
dictate" to them, they countered an effective competitive method
with a still more effective one. When today the highly industrial-

\footnote{Gustav Stolper, \textit{German Economy} 1870-1940; p. 10.}
\footnote{Theophile Gautier; quoted by S. B. Clough in \textit{France: A History of National Economics} 1789-1939; p. 182.}
\footnote{The Bolshevik slogan, "to reach and overtake Western capitalism," for example, was dictated by necessity in order to escape foreign exploitation and to foster a national development that made full use of national resources and labor in the interest of a native ruling class.}
ized monopolistic countries compete with capitalistically weaker nations, the latter must oppose a practically dictatorial economic policy with still greater dictatorial measures. State protection in the traditional sense is not forceful enough; complete state control is needed. And just as Hitler's rise to power coincided with the economic crisis that in 1929 spread from the United States to Europe, so also the German totalitarian state is a product of both German and world capitalism. Whoever favors American democracy necessarily also favors German fascism. In turn, the German fascists are just as responsible for the growing authoritarian tendencies in America as are Americans. In brief, the "new order" cannot be divorced from the "old order."

The replacement of economic competition by open warfare, the predominance of politics over economics, which seems to distinguish the present from the past, is not new. Wars accompanied the whole capitalist development; politics have always interfered with economic activities. The expansion of capital demands an increase of exploitation and likewise the development of the conditions of exploitation. The military aspects of imperialism are as essential as its economic reasons and results. Besides, one should not be surprised, as Marx once said,

"by the bourgeoisie's thirst for conquest. To seize things is the vital principle of every bourgeois and to take foreign provinces is after all 'taking'."

The proportions in which nationally and internationally the surplus labor of the world was divided among the diverse ruling classes was to a large extent, but never absolutely, determined by exchange processes. Thus what is new in the "new order" is that the former relationship between "economic" and "extra-economic" means for appropriating and distributing the surplus labor of the world has been reversed. In this sense Gustav Stolper is right when he says that the Germany of today

"has staked her very existence on the Blitzkrieg technique."

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1The New York Times of May 11th, 1941, quotes L. Domeratzky, trade specialist of the Department of Commerce, as saying: "Confronted by a political combination on the Continent of Europe under the domination of Germany, the individual American entrepreneur would hardly be strong enough to find a market for his product or service except on terms laid down by the National Socialist State; ... the mere fact that an American product or service might be superior would not be a sufficient basis for successful export trade. ... If we should be compelled to adopt economic self-sufficiency as a national policy, it would involve a degree of economic planning that might seriously affect some of our fundamental political institutions."

2Letters to Dr. Kugelmann; p. 114.
On the success or failure of this technique the fate of the world depends. If it succeeds, the face of the globe will be altered beyond recognition. However, not "Germany" but the present German rulers have staked their very existence on the Blitzkrieg technique. Not the fate of the world, but the fate of numerous vested interests based on the status quo is here involved. Nevertheless, it is true that situations can be altered by political measures just as well as, and at times even better than, through the "organic" development of laissez faire capitalism.

**Competition and the Destruction of Capital**

In class society the distinction between politics and economics refers to differences of method for appropriating and distributing the products taken from the producers by the owners and controllers of capital. Political methods influence economic measures and vice versa. From this point of view, the difference between state protection in the "old" order and state control in the "new" order is only a difference in degree, a quantitative change that is determined by the highly monopolistic character of capitalist society. The increase in control is an attempt to break the stagnation of the depression, i.e., the decline of competition during the crisis. It is true that the crisis itself sharpens competition. However, this intensified competition at first only hastens the decline through its destruction of capital values. Because of numerous bankruptcies the crisis leads to further capital concentration and to a situation where those enterprises which can weather the depression are once more capable of increasing the profitability of their production. The competitive struggle, for a time fought almost exclusively in the sphere of distribution, is again fought mainly in the sphere of production. This latter kind of competition leads to a new prosperity because it is a competition by way of capital investments.

In former depressions a number of capitalist enterprises disappeared. Those that the state did not wish to see disappear it had to support with subsidies either by government financing or

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*German Economy*; p. XIII.

*Eric Voegelin writes in "Some Problems of German Hegemony" (The Journal of Politics, May 1941, p. 166) : "Where the revolutionary and military expansion was successful, it resulted in a radical change of personnel in all governmental key positions. ... The measures employed ... range from simple dismissal to detention in concentration camps, killing, and forced emigration."
protectionist measures. Long before Hitler’s ascendancy in Germany, a great number of capitalist enterprises were entirely dependent upon state subsidies. The same was true to a less extent in other nations. However, the continuation of competition by way of capital investments depends on the successful destruction of capital in the sphere of distribution. National protection of capital contradicts the destructive needs of the internationally determined economy. The more the state interferes, the greater the difficulty of overcoming the depression. The deeper the depression, the greater the need for state interferences.

Furthermore, the more monopolization advanced, the less was the crisis able to serve as the destroyer of capital. The monopolies were powerful enough to safeguard themselves at the cost of the rest of society. The crisis in the traditional sense disappeared, but prosperity in the traditional sense disappeared, too. Capitalist development ceased to appear as a cycle of depression and prosperity, and economists began to ponder over the meaning of “long” and “short” waves in the business cycle. They began to speak of monopoly capitalism as a system of “imperfect competition.” In short, because monopolies could not be so easily destroyed as were formerly the small enterprises, the competition that previously deepened but also overcame the depression lost its “regulative” force.

Every society is in need of regulation. If the competitive process no longer serves as the “regulator,” social chaos is bound to increase. Short of the complete socialization of society, that is, the attempt to regulate production and distribution directly and consciously in accordance with social needs and desires, there is no way of bringing “order” into the prevailing society other than by a revival of competition. This fact is acknowledged by both liberal and fascist economists. The former, however, advocate the return to an earlier developmental stage; they advocate, that is, breaking up existing monopolies and reestablishing more general competition. The latter not only want, but actually bring about, the return of competition.

The liberal attempt to re-capture the past is illusory. Breaking up monopolies without altering the basis of capital production can lead only to the re-formation of monopolies. One cannot have the material basis of present-day capitalism, the widespread division
of labor and large-scale industry, without having monopolies. The whole thing is a practical impossibility; it is the wish of the dying to live their lives all over again. Their hopes merely serve the ideological needs of monopolistic capitalism in its struggle against the totalitarian states.

A competition that serves as a "regulator" of capitalistic production and distribution can be revived only in the fascistic manner, that is, by breaking up the monopolistically-determined stagnation through still greater monopolization. Formerly the competitive struggle was waged simultaneously by competitive enterprises among themselves, by monopolistic enterprises among themselves, and by competitive against monopolistic enterprises. Likewise today the whole of the capitalist world is engaged in the competitive struggle, whether still largely competitive, outspokenly monopolistic, or already completely state-controlled. Just as previously the "initiative" was on the side of the strongest capitalists, that is, on the side of monopolies and was "ended" in their favor, so today the "initiative" is on the side of the totalitarian state as the stronger monopolistic force. The result will be the victory of fascism independent of the question of whether or not the present fascist states will be victorious in the current war. Because the fascist state is able to revive a forceful competition it is the true representative of present-day capitalism. It operates with all the competitive weapons at the disposal of capitalist society simultaneously and in a co-ordinated manner in both the sphere of production and the sphere of distribution. Its competitive attack is all-inclusive: economic, political, and military. In short, present-day competition is total war.

The Decisive Factor: The Labor Market

At present the plight of capitalist society is blamed on everything except the real cause—the capitalist system of production. Liberal economists make the appearance of state-controlled economies responsible for all the woes of the world. The "elimination of the market" in the totalitarian state and the destruction of "international free trade" they see as the beginning of the end of all civilization. Blaming extra-economic factors for the disturbances in their economy, they never seemed to notice that just as many of those factors were operative when all went well. If for-
merly state interferences were less important, it was because capital itself was less developed.

Fascist economists, however, blame liberal economies for the prolongation of the crisis because liberal society opposes a necessary reorganization of world economy. And just as formerly monopolistic trends in capitalist society were mistaken for socializing tendencies, so, at present, fascists look upon state-control as the realization of a nationally limited socialism. Though only the fascists, and not even all of them, dare to draw this conclusion, socialists opposed to both the "old" and the "new" order find difficulty naming this new fascist society because of the apparent disappearance of "market-determined production" in the fascist states.

However, what market no longer determines production? Or rather, what market did determine production in the "old" capitalism? Bourgeois economists assume that capitalist production and distribution are regulated by the market. The market, that is, selling and buying to realize a profit, is seen as a conglomeration of competing capitalists. Their competition, it is argued, forbids extraordinary prices and thus exceptional profits. If there is a shortage of commodities of some sort, prices will rise, but only temporarily. An increased production of those commodities initiated by the great demand will reduce the price again to "normal." The price-mechanism based on competition is held to be the "regulator" of production and distribution by all economists whether they belong to the classical, marginal, or neo-classical school. The first school makes the price dependent on the "objective supply," the second on the "subjective demand," and the third on both. Even the Historical School and the Institutionalists do not deny the existence of the price-mechanism, but believe that it could, in addition, be influenced by other forces than merely those of supply and demand. On price fluctuations depend the grandeur and misery of all capitalists. Thus the price-mechanism is their only real concern.

Because the beginnings of capitalism were cumbersome, the transformation of surplus labor into capital generally went through the metamorphoses: money—commodity—money plus profit. But this historically-conditioned awkwardness cannot be taken as the essential feature of capital production. With the growth of capital,
an increasing amount of surplus labor was directly converted into capital without first having to enter the exchange process. The growth of capital implies an always greater “exchange” in natura, because a progressively greater part of the social labor is converted into means of production. In America, for example, during the period from 1899 to 1922, the ratio between quantities of labor and capital changed continuously

“until in 1922 only 37 per cent as much labor was combined with each unit of capital as in 1899, and reciprocally 270 per cent as much capital combined with a unit of labor as then.”

This change in the “organic composition” of capital alters the whole structure of capitalism; it changes the importance and the character of the market. Because of the monopolization of capital connected with this process the control over diverse products was concentrated into fewer hands; and thus non-market distribution for purposes of capital formation became more important.

The market for production goods is the market for capitalists, not the market that regulates production and consumption. With the growing interdependence of capital through concentration, cartelization, and monopolization, the capital-market contracts. Bookkeeping transactions replace market transactions. Though the reproduction process of capital is still a circulation process, the latter is no longer in need of the old market arrangements. The market is not only controlled but is slowly abolished in favor of the direct transformation of surplus labor into capital.

All other phenomena related to market relations change with the above changes. The transformation from monopolistic to governmental control of production, prices, profits, and investments; the change from tariff regulations that serve the growth of home industries to absolute control of all foreign trade; the fact that banks which previously were mainly credit-organizations are now mainly politico-economic instruments; that concentration by means of acquisition of shares, contracts, interlocking directorates is now augmented by direct political decisions—the equivalent of a combination of all previous control measures; the fact that monetary

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40Henry Ford, to use a relatively simple example, today buys less from other enterprises than he did before. He produces to a large extent his own factories, machines, tools, steel, soy beans, etc. Thus his capital grows by a more direct conversion of surplus labor into capital; that is, a growing part of his production does not enter the market at all, nor is it taken from the market.
policy is to a larger extent used politically rather than economically; that syndicates, corporations, conventions are now enforced by governmental decree when previously they were established by both consent and force; the fact that non-profitable enterprises are now operated whereas, previously, unprofitable industries were state-supported; all this and more does not indicate the ascendancy of a new economic system. All this indicates is that the distribution of the surplus products appropriated from the workers has changed once again as it always has throughout capitalist development.

The differences between state controls in the various nations are differences only in degree. Further development in this direction will make all capitalist nations once more look alike as they appeared to look during the hey-day of liberalism because nobody cared to look closer. The difference between the German Four Year Plan and the American armament program is the difference between an early start and a belated reaction to current war needs. The new government-financed enterprises in the U. S. for air-craft, aluminum, magnesium, steel and synthetic rubber production differ from the Goering Reichswerke only in size. In the "war of production" now waged, the difference of size will disappear or even shift in favor of the "democracies." If private property, private initiative, the profit motive and economic competition still exist in America, so do they exist in Germany. In the latter nation, it is true, they exist only by virtue of government support and toleration; but the development in America shows clearly that here, too, private property and all that goes with it become increasingly subordinated to the needs of government. The war which hastens this development is not a "state of emergency" that will disappear as soon as peace breaks out. It is the outcome of the previous "peace"; the structural changes it brings about are based just as much on previous events as on the war itself.

The fact that the capitalist market contracts until nothing is left but the buying and selling of labor power does not transform

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38For a good description of this see Monograph No. 40 of the Temporary National Economic Committee, Regulation of Economic Activities in Foreign Countries. For capital concentration and monopoly control and related questions see The Structure of the American Economy of the National Resources Committee. Also the respective Monographs of the "Investigation of Concentration of Economic Power" by the T.N.E.C.
the production of exchange values into a production for use. The production of "use-values" today, that is, production carried on according to the demands of crisis and war, without apparent regard for profitability, still serves only the production of profits, or rather is intended to serve such purposes. It is a sort of "investment," an advance of capital for future returns. The apparent loss, it is hoped, will be compensated for at a later date; just as many enterprisers in former times, provided they had sufficient reserves, sold below production cost in order to sell above "value" at another time. The barter system, too, has changed nothing in the capitalist manner of exchange; less labor is still bartered for more labor.

These changes in market relations do not indicate the beginning of a consciously regulated social system so long as the class relations behind the market relations continue to determine production and distribution. Class relations are market relations between capital and labor. This market is nowhere disturbed and no one seems to have any intention of ending it. The market on which labor power is sold and bought is the only market that determines production. The fact that labor is no longer "free" in the sense that it was "free" in liberal capitalism, the fact that it can now be drafted whenever the state thinks it necessary, that it can be ordered from place to place just as the government sees fit, that it can no longer choose its employment at will, all these and other restrictions do not invalidate the fact that labor is also still "free" from all productive property, that its power to produce is still a commodity bought by governments at a price.

The whole of the capitalist market—except the market-relations between capital and labor—may disappear without affecting the capitalist form of production at all. The market-relation between capital and labor is the only capitalist relation per se. Short of its abolition the historically developed form of production for human exploitation that has been called capitalism cannot disappear.

"Manya Gordon in her book Workers Before and After Lenin (p. 180) quotes Premier Molotov as saying in 1932: "It is necessary to oppose vehemently all those who believe that socialism means production for use."

"According to the U. S. Department of Commerce Economic Review of Foreign Countries in 1939 and 1940, Germany's balance of trade, even under war conditions, has become more favorable than it was before the war. The Reich was enabled to reduce its clearing indebtedness in many countries."
Capitalism, Fascism, and the Law of Value

The classical economists, in distinction to the modern price theorists who do not care to find an objective basis for their reasoning, did not stop at the description of the supply and demand mechanism. They said that its existence proved the relevance of a "law of value" that regulated society as the law of gravity regulates the known universe.

The "law of value" means that the "value" of a commodity is determined by the labor-time socially necessary for its production. Thus the "law of supply and demand" realized an exchange of labor-time against labor-time. It saw to it that this exchange was a more or less equal one, for if one seller should succeed in getting more for less, and another should be forced to accept less for more, these occurrences were only deviations from the general rule which would not invalidate this rule. In the long run some sort of equilibrium should be observable. This equilibrium would also realize the necessary distribution of the available labor-time between the different branches of production that were engaged in satisfying human needs.

The Marxian critique of bourgeois economy began with a challenge of its "law of value." Marx pointed out that this law was not at all working in the manner in which the bourgeois theoreticians thought it worked. Rather, in the midst of all the accidental and ever-fluctuating exchange relations, the law of value asserts itself "like an over-riding law of nature just as the law of gravity does when a house falls about our ears." It is obvious, Marx once explained,

"that the mass of products corresponding to the different needs require different and quantitatively determined masses of the total labor of society. That this necessity of distributing social labor in definite proportions cannot be done away with is self evident. . . . What can change, in changing historical circumstances, is the form in which these laws operate. . . . The form in which this proportional division of labor operates in a society where the interconnection of social labor is manifested in the private exchange of the individual products of labor, is precisely the exchange value of these products."

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19Letters to Dr. Kugelmann; pp. 73-74.
Thus the real value relation, if one speaks in capitalistic terms, is the necessity for distributing social labor in definite proportions—the need for the social co-ordination of individual operations based on the social division of labor in order to satisfy human, i.e., social needs. The capitalistic value relation is a specific form of this real "value relation." However, in its capitalistic form the "law of value" cannot serve as a continuous "automatic regulator" that squares the social needs with the social division of labor. There never was "equality" of power and opportunity either in society or among the capitalists, there never was "equality" in the exchange process. Consequently no "regulation" could be brought about by a "law of value" that was realized through the exchange of "equal" quantities of labor."

In capitalism, human necessities must first be translated into value relations before they can be realized. But value production is surplus value production. It is the profit need that determines what and how much is produced. The profit need may or may not coincide with the needs of social life. If it coincides, this is merely accidental. In brief, the class relations in society and the production of surplus value that they imply "regulate" production and distribution, supply and demand. No mysterious "invisible hand" is guiding society; it is "regulated" by the relentless permanent social war.

Because of the fact that capitalist production is profit-production, the accumulation of capital is an accumulation for the sake of accumulation. This accumulation, in turn, destroys competition. Each capitalist, in order to remain such, must fight other capitalists; the famous profit incentive is the incentive to destroy capital. The whole production, being a production to appropriate the surplus labor of the workers, is a production that continuously disrupts the connection between social needs and capitalist needs. Instead of mastering production, the people are mastered by production. The more capital accumulates, the more it destroys both the capacity to continue the accumulation process and to maintain some sort of proportioning of the social labor in order to secure

"In his book The Politics of Democratic Socialism (p. 101) E. F. M. Durbin writes: "If hitherto industries lived by strangling each other, and benefits were gained for a section by starving, not by feeding, the whole of society, with the increase of the number of monopolized sections, even the sectional benefits diminished, as all prices rose against everybody. We came to live, not by taking in each other's washing, but by each man garrotting his neighbor."
social life. Short of the destruction of the whole capitalist system, the latter situation can be temporarily remedied only by remedying the situation which prevents continued capital formation. The capitalist crisis, by re-establishing a lost basis for the continuation of profit production, temporarily also re-proportioned the social labor so that society could maintain some sort of stability. The only law that asserted itself throughout the capitalist development was the law of value in the Marxian sense, that is, the law of crises and collapse. Naturally, the bourgeoisie could not admit that the only "order" to be found in their system was the disorder of the crisis. Thus they looked everywhere to discover the forces and reasons that disturbed the smooth working of the "market laws"—which explains the ridiculous but gigantic literature on economics.

If in capitalist society "the determination of the magnitude of value by labor-time is a secret, hidden under the apparent fluctuations in the relative values of commodities," the secret deepens with the development of capitalism. Though "logically" the opposite should occur, because the exchange contracts, because the number of independent producers relative to the total capital decreases, because control displaces anarchy in production and distribution, actually the demands of the law of value are violated in increasing measure. Because the number of anonymous, atomistic competitors declines and cost, sales prices, and margins are increasingly "regulated," the "realization of a rational economy relies on the will, insight, and abilities of the few persons who are in dictatorial command of the whole of society. Thus a decisive irrational, personal, and subjective element comes in." The reason for this increasing "irrationality" should not be looked for, however, in the abilities or lack of abilities of those who rule society dictatorially but in the dictatorial rule itself.

Regulation is possible only in "production by freely-associated men, and is consciously exercised by them in accordance with a settled plan." But then it would be senseless to continue to speak of a "law of value." "Value is a strictly historical category; neither before nor after capitalism does there exist value produc-

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tion." As long as the means of production oppose the workers as capital, however, i.e., as long as a third party has control over them, these means of production can be used only to create surplus products for this third agency. So long, too, will the law of value and not planning "regulate" production and distribution.

In the controlled economy the state acts—as previously the private entrepreneur acted—as a third factor in addition to the two needed for production: means of production and labor. This third agency forbids, but at the same time cannot prevent; the divorce between production and social needs. The controlling position of any ruling class depends on its capacity to keep their subjects subdued and "satisfied." Just to keep them subdued would not be enough today because it would lead to a severe decline of productivity. The rulers are forced to undertake actions that secure a sort of social balance. Though each class, group, or state acts and can only act to safeguard its own interests, it is forced nevertheless to react to the actual social needs.

Previous processes of economic and political development created a situation that endangered both the profits of a growing number of capitalists and the lives of millions of people. There was no longer in evidence any sort of "regulation" between production and distribution that allowed for even a miserable social existence. The violated real law of value asserted itself capitalistically in a gigantic crisis. It forced the ruling classes of the most depressed nations first to react to its demands and to try to bring about a distribution of social labor that allowed for both the continuation of capital accumulation and the postponement of the collapse.

However, the world is not so often radically re-divided as the productive process changes nor so often as the composition of capital is altered. Maintaining profitability in the divided world of many privileged groups, classes, nations demands re-organization by force. In the world as it is, it would help Hitler very little to declare himself not only a national but also an international socialist. Other class societies would fight him just the same. It

\[\text{\footnotesize F. Engels in a letter to Kautsky in } \textit{Aus der Fruehzeit des Marxismus; p. 145.}\]
\[\text{\footnotesize Hitler's rise to power, his foreign policy, and his internal program are all interdependent. To revive German imperialism, all else that has been done in Germany was also necessary—the "ending of unemployment," the increasing of state control, the rearmament program, etc., and vice versa. These actions had their repercussions because to create "social balance" in one class society is to dislocate it in another.}\]
would not help Churchill to declare himself converted from *laissez faire* internationalism into a national socialist; the struggle between “democracy” and “fascism” would still go on. Because it was a class society which reacted to the demands of the law of value its reaction gave new impetus and additional force to the old activities that were designed to combat depressions. “The general character of the action taken to meet the democratic demand arising out of the trade cycle is always the same. It is called ‘planning.’ It actually consists in the substitution of monopoly control for competition in all the markets and industries it touches.”

Once more now, the crisis is fought with still greater concentration, still more “planning,” but this greater “planning” involves a greater destruction of vested interests. Because “all contradictions of the capitalist production come to the fore in the general economic world-crisis,” the destruction of those vested interests demands warfare. The total war indicates that present-day society is still determined by a law of value that asserts itself like an “over-riding law of nature.” Hence the inability to “understand” how the war could happen in our “civilization,” and the “magnetic force” that draws nation after nation into the conflict. If any proof should be needed that the world is still a capitalistic world, the war itself is proof enough. Those nations complying with the demands of the law of value most vigorously, that is, the fascist nations, have to be appraised therefore as the most capitalistic.

**What Is Capitalism?**

It is often assumed that if it were not for the war, Hitler’s production for warfare, i.e., less butter and more cannons, could be transformed into a social production, i.e., no cannons and more butter. Hitler’s production is not solely “war production”; it is capitalistic production pure and simple and therefore also war production. The assumption, furthermore, that socialism might be introduced in Germany and Russia if Hitler and Stalin desired it and if it were not for the “enemy,” or the “war,” is senseless because all economy is world economy. These nations are not isolated; they are integrated parts of the world production and

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distribution, just as much determined by other nations as they themselves determine the rest of the world. Aside from this, the continuation of class rule in the "new order" precludes social production. Production is determined by the need of the ruling group to remain on top, just as previously it was determined by the need of the capitalists to increase their capital in order to remain capitalists. But, it is argued, just as the totalitarian state eliminates competition within the territory it controls; it does away with political competition by the creation of the one-party state. However, we have seen already that the "end of national competition" was no more than a necessary prerequisite for a sharpened international competition. The elimination of democracy is the prerequisite for a greater "democratic" participation in the international scramble for power positions. After all, Germany, Russia, Italy, do play a greater part in international politics than they did twenty years ago. Besides, as Stolper has remarked, "the class struggle which the party (controlling the nation) went out to suppress was only shifted into the party."

The struggle of all against all has not been ended in the "new order." Private incentives are only detoured; they are now directed toward political and social positions which determine the degree to which one may participate in the enjoyment of surplus value. There are rich and poor people in the "new order"; expelled and exploiters, employed and unemployed, the latter being dressed in uniform and sent to their own destruction. Production for the sake of production that benefited minorities and kept majorities in misery is, in the "new order," still production for the sake of production—but only more so, because the results of human labor are destroyed faster than they are created. If formerly the products of labor—capital—only served to increase the exploitation of labor, they now serve to put the workers to death on the battlefields of the world. There is no sense in hoping that the privileged groups will on their own part change the situation in which the products of society destroy their producers. The more the privileged positions disappear, the fiercer the struggle for the remaining positions. Whoever has or believes he has an

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25German Economy; p. 234.
26German income tax figures for 1938 disclosed an increase in the number and income of taxpayers in the highest brackets, and sharp proportional decreases among those at the lowest levels.
opportunity to reach them will struggle unless the whole basis for social privileges is done away with. This, however, can be done only by those who have never a chance to rise, that is, by the proletarian masses.

Capitalist production necessitates a social situation wherein the means of production belong to one class in society. Another class must have at its disposal nothing but its labor power. The divorce of the laborers from the means of production is the prerequisite for and the basis of capitalistic production. So far as this fundamental capitalistic relationship is concerned nothing has changed in the totalitarian systems. What has been altered is the relationship between government and individual capitalists. In the democracies, individual ownership predominates over governmental control; in the fascist states, governmental control over individual ownership. In Russia, alone, individual ownership has been done away with altogether and the state has complete control of the productive apparatus and natural resources.

The trends of development indicate that the democracies travel in the direction of fascism and the fascist nations in the direction of the Russian system. But in all these states the real basis of capitalistic production has not been abolished. However different the world may look to individual proprietors who have been displaced by governmental agencies, for the great mass of the population nothing of real importance has taken place. They have changed their masters as they changed them before in the hiring and firing process, or when they shifted from private to governmental employment. If the "fascist revolution" involves no more than the change of control of the means of production from the hands of private entrepreneurs into those of government officials, nothing new has evolved as regards the relationship between capital and labor.

The capital-labor relationship is the only one that really concerns the working class. Unable or unwilling to alter it by their own independent actions, the workers remain apathetic toward the struggle between fascism and democracy. They are not opposed to state control of the economy. So long as they are willing to work for capital at all, they are just as willing to work for the government as for private enterprises. That the workers in the democratic nations nevertheless participate in the fight against fascism is not
a sign of a genuine anti-fascism on their part. They are merely opposed to German fascism, that is, they are defending the capitalistic interests of their own countries. The anti-fascism angle of this struggle is only incidental; its absence would alter only some of the propaganda phrases employed.

From Liberalism to 'Statism'

Capitalists far more than the workers are affected by the recent social transformations. That this should come to them as a surprise only shows once more how little they understand their own society. Bourgeois thinkers, however, foresaw quite early what has now come to pass. If their present-day heirs despise the most recent metamorphoses of the capitalist system, some of their forefathers found delight in the thought that at a later day the state would not only symbolically but actually represent the "whole of society."

Capitalistic development displaced individual capitalists by organized capitalist groups; individual workers by trade or political organizations. Just as the market mechanism was increasingly disrupted through this development, so the apparatus of the state became increasingly incapable of serving under the new conditions. Additional state powers were needed to assure some sort of social stability. The laissez faire arguments against government power became ridiculous. The question was no longer whether business could, or ought to, stop government, but among what groups the business of governing the country was to be distributed. The trend towards increasing centralization asserts itself, however, only within the chaotic interplay of various monopolies and pressure-groups. Monopolies began, either by reason of strength or

\[\text{Hobbes believed that a totalitarian state might be needed to secure order in the capitalist society. His Leviathan, writes R. H. S. Crossman (Government and the Governed; p. 69) "is the first democratic attack upon democracy." Hegel's discussion of the various stages of government, writes H. Marcuse (Reason and Revolution; p. 59) "is a concrete description of the development from liberalism to an authoritarian political system. \ldots The gist of Hegel's analysis is that liberalistic society gives birth to an authoritarian state."}

\[\text{Saint-Simon and Comte, for example, derived their optimism precisely from the authoritarian tendencies inherent in the capitalistic reproduction process. They dreamed of a conscious re-organization of society through the wisdom and intelligence of a selected ruling body which would plan and establish a desired social harmony.}

weakness, to co-operate with the state, whose controlling powers increased correspondingly. Political pressure groups operated for or against the state, for or against other autonomous groups, or against the indirect pressure of still unorganized activities. The state—essentially a monopolistic enterprise like any other in the capitalist society—used those various forces operating in society to its own advantage. In the attempt to support the monopolies the state increased its own power. In turn, "the corporations only assisted in the complete breakdown of individual freedom without winning freedom for themselves." Within the general crisis conditions the state became the strongest force in society. The new and dominating position of the state monopoly within the monopolistic society allowed parties, competing for state control, to oppose both the workers and the bourgeoisie. J. C. Calhoun, by the mid-nineteenth century, sounded "a warning against the danger to constitutional government from a corporation of politicians having a cohesive group interest and an economic base in the national treasury."

Parties developed corporate interests of their own. "The existence of the state as an economic base has given the professional politicians a degree of independence from economic interest groups" and has thereby prepared the way which, finally—within the general crisis conditions—led to complete control over all the economy by a party-controlled state apparatus. The politicians found little opposition in the weakened bourgeoisie, because "one of the most important developments during the last fifty years was the separation of, and even enmity between, enter-

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Remember, for instance, the use the Roosevelt Administration made of the C.I.O. movement in order to consolidate its power, won by virtue of the depression, and to strengthen the government's position against all other groups.


H. Coering writes in Germany Reborn (p. 67): "It will always remain Hitler's greatest merit that he did not bridge the gulf between proletariat and bourgeoisie, but filled it by hurling both Marxist parties and bourgeois parties into the abyss."


The New Statesman and Nation (November 23, 1940) writes: "It is the railway shareholders who now clamor for nationalization since they know that the state must give them what is known as a 'fair return in perpetuity.' The banks are quite indifferent to such a threat of nationalization. They know they won't lose in the process, and the big executives will find a peaceful home in the Consolidated Fund. There are many captains of industry who would now like to be the Commissars of State-fostered monopolies with the same or larger incomes obtained free of risk. There is even a horrid suspicion that some Labour leaders could be flattered by the offer of such posts."
prise and property. The development of the stock company is partly responsible for this; even more responsible however, is the increasing indebtedness of the enterprises. The latter really no longer belonged to the entrepreneurs.\textsuperscript{336}

To speak of a difference between property and state was only another way of saying that the division of surplus value was still largely determined by a decentralized competition. It is now determined by a centralized competition. Those who lose in this sharpened competition see in the "new order" not only a new arrangement in the distribution of surplus value but the end of all social life because it means the end of their capitalistic existence. Those who win in this battle will pose as the creators of a "new society," a better society, for it is a society that does secure for them a better capitalistic existence. For the workers, however, no new problem arises. Their goal remains the establishment of a direct unity between production and consumption and thus the abolition of the existence of a separate class or political group that controls capital and exploits labor.

\textsuperscript{336}E. Wagemann, \textit{Wirtschaftspolitische Strategie}; p. 341.