

A Question of Politics, Economics, or Both? The Neumann-Pollock Debate in Light of Marcuse's "State and Individual under National Socialism"

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During the late 1930s and early 1940s, in response to a series of socio-historical crises (e.g., the Civil War in Spain, the world-wide depression, and the seemingly unstoppable rise of fascism in Italy, Spain, and Germany) the Institute for Social Research set out to develop a comprehensive theory that would account for the rapid social, economic, and political changes within the industrialized countries of the Western World. More specifically, having experienced Hitler's rise to power first hand, the meanwhile exiled members of the Institute focused their attention on the nature and origin of German National Socialism.

In typical interdisciplinary fashion, the Institute did not limit itself to a rigorous critique of fascist ideology and culture, but grounded its analysis in a thorough investigation of the underlying political and economic forces that operated within National Socialism (Kellner 66). For the purpose of this paper, we will focus on the Institute's latter investigations. Although there was, as Douglas Kellner points out, a general consensus among most members that the rise of National Socialism could best be understood as a result of the prevailing crisis of monopoly capitalism and its growing social antagonisms, two competing theories about the economic organization of Nazi Germany gained credence within the Institute: Friedrich Pollock's theory of "State Capitalism," stressing the pre-dominant role of politics in the transformation from a free market economy to a planned, state-controlled form of capitalism, and Franz Neumann's theory of "Monopolistic Economy," which explains the shift toward totalitarian monopoly capitalism under fascist rule in economic terms of profit maximization (67).

At first glance, Pollock's and Neumann's positions appear almost irreconcilable, for the former's assessment of the economic organization of Nazi Germany strongly emphasizes political factors or "the will to political power" (81), while the latter's analysis is firmly grounded in economic dynamics or the "motivating power of . . . profit" (192). Moreover, while Pollock's theory breaks with the traditional Marxist concept of capitalism in that it describes "totalitarian state capitalism" as an altogether new, post-capitalistic order, wherein "[e]conomic problems in the old sense no longer exist," (87) Neumann perceives Nazi Germany's "totalitarian monopoly economy" as a logical extension of liberal capitalism that is still characterized by entrepreneurial "cut-throat competition" (292).

But even though Pollock and Neumann approach the problem from opposite ends, their divergent interpretations are not necessarily incompatible, as Herbert Marcuse demonstrates in "State and Individual Under National Socialism." Both Neumann's emphasis on economics and Pollock's on politics can help to illuminate the crucial question of how National Socialism, in Marcuse's words, "has done away with the essential features which characterized the modern state" (70). As we shall see, it is precisely at the points where Pollock's and Neumann's analyses can be linked that the clearest picture of the immensely complex and intertwined relationship between the fascist state and its monopolistic economy emerges.

The aim of this essay, then, is twofold: first, to highlight areas of disagreement by taking a closer look at Friedrich Pollock's essay, "State Capitalism: Its Possibilities and Limitations" (1941), and Franz Neumann's chapter on "The Monopolistic Economy" from his landmark study, *Behemoth* (1942), which has been hailed as "a definitive analysis of the German Reich and a basic contribution to the social sciences" (Mills 170); and, second, to show how central elements of Pollock's and Neumann's theories might be combined so as to arrive at a more complete description of the internal structure of National Socialism. To this end, we will pay particular attention to the first part of Marcuse's posthumously published lecture "State and Individual under National Socialism" (1942).

The Primacy of Politics

From the outset of "State Capitalism: Its Possibilities and Limitations," Pollock states his underlying assumption that private capitalism will soon be a thing of the past. Since the end of World War One, massive unemployment, the accumulation of capital, the growth of monopolies, and ever-increasing government interventions indicate that the free market economy, which had its heyday in the 19th century, is no longer able to effectively fulfill the "necessary functions" of production, allocation, coordination, and distribution (74). The result is the emergence of state capitalism, which is characterized by the state's direct control over all economic processes, including production and distribution. This does not mean, however, that either the totalitarian or the democratic state nationalizes all means of production. Rather, "[u]nder a totalitarian form of state capitalism," such as the one that emerged in Nazi Germany, "the state is the power instrument of a new ruling group, which has resulted from the merger of the most powerful vested interests, the top-ranking personnel in industrial and business management, the higher strata of the state bureaucracy (including the military) and the leading figures of the victorious party's bureaucracy" (73).

According to Pollock, this post-capitalistic system of state capitalism operates under "a new set of rules," which differs markedly from the old rules of the free market economy (75). First of all, the production and consumption of goods is no longer regulated by a supply and demand mechanism. Instead, state capitalism operates in strict accordance with a predetermined plan that regulates "how much time shall be spent for work" and "how much social product shall be consumed" (75). Second, prices are not determined by market forces; rather, they are fixed in order to adjust both the production and the consumption of goods in accordance with the state's plan. Third, the profit interest of executives and special interest groups are "subordinated to the general plan" (76). Although even the totalitarian form of state capitalism in Germany has not yet completely eliminated the profit motive, since it still serves as a powerful incentive, individual interests can no longer assert themselves against the dominant interest of the "ruling group as a whole" (76). Fourth, state capitalism rigorously eliminates inefficiency through rationalization and scientific management (77). Fifth, the state supervises and enforces the fulfillment of the general plan.

Whereas under private capitalism the producer's or share-holder's power over his property or capital was limited solely by the laws of the market, under state capitalism it is not the market but the government which restricts control over both private property and capital flow. "The replacement of the economic means by political means," Pollock concludes, "signifies the transition from a predominantly economic to an essentially political era" (78). Moreover, Pollock points out that under state capitalism the profit motive is gradually replaced by the power motive, because power is no longer contingent upon individual profits, but upon a close association with the political ruling circles. Based upon these five "new rules," the implementation and enforcement of the general plan allows the state to exert total control over the production and distribution processes.

In marked contrast to Neumann, Pollock argues that under the National Socialist regime banks as well as "many organizations developed by business interests -- trade associations, cartels, chambers of commerce, etc. -- serve as, or are transformed into, government agencies for the control of production" (79). Thus, management becomes "virtually independent" from capital, because the "entrepreneurial and the capitalist functions are interfered with or taken over by the government" (80). While the capitalist "is reduced to mere rentier," the manager becomes the central figure within the economic process (80). And since the manager is a salaried administrator rather than a capitalist, it is not his desire for profit, Pollock underscores, but his "will to political power" that ensures the implementation of the general plan on behalf of the state (81). Under state capitalism, "most productive facilities are privately owned but controlled by the government" (82). Thus, the government, which on one hand regulates the quota system and on the other fixes the wage scales, is in total control of the distribution of consumer goods. "Economic problems" of "overproduction and overinvestment," which lead to the demise of liberal capitalism, Pollock argues, have become soluble "problems of administration" under state capitalism (86-87).

In his final analysis, Pollock can therefore only discern "non-economic" or political "limitations" to productivity under totalitarian state capitalism. For instance, in order to maintain its spiritual and material dominance over the masses, the ruling minority in totalitarian state capitalism is likely to decree "a low general standard of living and long drudging work hours" (89). Furthermore, in order to avert internal threats to its dominant position, the ruling classes must continue their aggressive and imperialistic foreign policies indefinitely. In times of peace, Pollock surmises in anticipation of the Cold War, this might lead to an armament race. Concerning the political structure within totalitarian state capitalism, Pollock concedes that "[a]ntagonisms of [power] interests among the

groups within the ruling class might lead to serious difficulties" (91). Yet, on the other hand, he presumes that the "class interest of maintaining the new status . . . will probably be strong enough for a long time to overcome these antagonisms before they can turn into a menace to the system" (91).

The Primacy of Economics

In part one of "The Monopolistic Economy," Neumann illustrates the transition from classic to monopolistic capitalism by discussing how the concepts of freedom of trade and freedom of contract have changed. During the 17th and 18th centuries, he claims, both freedom of trade and freedom of contract served concrete social functions in that their exercise was grounded in the principle of free competition between entrepreneurs. As capitalism evolved, however, and new technologies required larger and potentially riskier investments, the social principle of free competition, which also comprises the workers' right to form labor unions, was gradually subverted. Freedom of contract and freedom of trade henceforth became merely formal categories, which, deprived of their social functions, were used to justify the formation of huge cartels and monopolies without any public oversight or control. Moreover, once property rights were divorced from socio-economic responsibility, monopolies began demanding guarantees and special protection from the state.

According to Neumann, then, the period of monopolistic capitalism is not marked by the state's attempt to control the monopolies, but by the monopolies' attempt to take over the state machinery and turn it into the "weapon by which the masses will be made completely subservient to the policies of the industrial empires" (260). Although the system of political democracy in the Weimar Republic was weak, it nevertheless prevented monopolies from achieving the complete takeover of the state, because it still enabled socialist parties and labor unions to assert the workers' rights. Thus, Germany's big business embraced the totalitarian ideology of National Socialism, through which political and economic liberties could finally be eliminated. Neumann calls this fusion of a totalitarian state with a privately owned monopolistic economy "Totalitarian Monopoly Capitalism." (261).

In the remainder of this chapter, Neumann traces the rise of "Totalitarian Monopoly Capitalism" in Fascist Germany. When the Nazis assumed power in 1933, cartels had already been well established, for neither the Brüning, nor the von Papen, nor the Schleicher administrations were able or willing to take effective measures against them. With the institution of fascism, the cartel oversight board became the executive agent of big capital; smaller retailers, wholesalers, and craftsmen were driven out of business. Furthermore, in a move that resembled measures taken by Italy and Japan, the German cartel tribunal mandated compulsory cartellization, thus securing the profits of industrial combines which had been threatened by periodic economic downturns. The enactment of the Four Year Plan in 1936, carried out under Göring's auspices, pooled all economic resources in order to prepare for war. The plan did not, however, aim to increase productivity by nationalizing natural resources and means of production. Instead, the state made all resources available to the existing cartel organizations, which "thereby secured [complete] control of the political structure of business" (270). Although trade associations nominally oversee the cartels, their members are appointed from the pool of business leaders. This, in effect, not only allows the cartels to govern themselves, but also

to freely exercise public political functions within the state such as the allocation of raw materials.

Next, Neumann attempts to answer the question of how these influential cartels are governed. Cartels, he argues, are not democratic associations run by equally powerful business executives, but autocratic organizations ruled by a few directors whose companies, by virtue of sheer size, possess the highest production and/or sales quotas. Given this enormous concentration of power in the hands of a small, self-governing business elite, Neumann mainly attributes the rapid process of concentration and centralization to six factors: (1) the bureaucratic structure, (2) Aryanization, (3) Germanization, (4) technological changes, (5) the elimination of small businesses, and (6) the corporate structure.

(1) Because the totalitarian state rests upon a centralized bureaucracy, it prefers dealing with centralized monopolies rather than numerous smaller businesses. Thus, the state, which in Germany's case had already handed over economic control to the trade associations, will inevitably award contracts to the biggest businesses. (2) Property seized from Jewish industrialists in the process of Aryanization was left at the disposal of Germany's most influential businessmen; Neumann mentions Wolff, Flick, and Mannesmann. (3) Control over all major industries and resources within conquered territories was given to German cartels. Consequently, it is not the German workers and soldiers who enjoy the spoils of an expansionist war, but the privately owned corporation. (4) New methods of processing coal, wood, straw, nitrogen, oil, and metal increase productivity, but require costly and risky investment. Hence, the huge enterprises, which were the only ones with enough capital to invest in new technologies, demanded and received financial assistance and guarantees from the state. This solidified the dominating position of existing private monopolies, especially since National Socialism abstained from nationalizing industries in the process. In addition, the state-enacted scheme of "community financing" (a setting up of new joint stock corporations supervised by executives of the largest firms) forced "the small and middle entrepreneur to finance the expansion of the big one" (281). (5) Two legislative acts, the decree for the "purification of retail trade," and the decree "for the carrying out of the Four Year Plan in the sphere of the handicrafts," aided the cartels in wiping out small retailers and independent artisans. These statutes strengthened the position of emerging cartels, because they turned hundreds of thousands of retailers and craftsmen into wage-dependent laborers, who could quickly be utilized by large consumer and producer's goods industries. (6) The emergence of joint stock corporations did not lead to a democratization of the economy, for the separation of capital and administration enabled the board of directors to reign supreme over the majority of small stockholders. Legally freed from the control of minor stockholders, company politics are decided by powerful monopolistic groups and the management. Under National Socialist rule, the rights of small and medium share-holders were restricted to the utmost extent so that "[i]nterlocking directorates, proxy voting, plurality votes, exchange of shares, pooling of profits . . . have made possible the erection of a system of combines not surpassed in any country, not even the United States" (288).

In his final analysis of the monopolists themselves, Neumann underscores his claim that the centralization of economic power by totalitarian means has changed the facade of capitalism, but left its underlying dynamics untouched. Although totalitarian monopoly capitalism has eliminated outside competition, fierce rivalry continues within the cartels in the form of a relentless struggle for supply, production, and sales quotas. Leading monopolists such as Wolff and Flick, Neumann stresses, are neither mere "rentiers" nor salaried "managers," as Pollock claims, but "have long ago assumed the role of capitalists proper" (291). In contrast to Pollock, Neumann therefore insists that the economic system

of Nazi Germany does not represent a break with both market and monopoly capitalism. Rather, Neumann argues that the fascist economy in Germany presents the most extreme and natural development of unbridled private capitalism to date.

"Hypostatized Economic, Social, and Political Forces"

In the Institute's ongoing debate as to whether National Socialism should be understood as primarily driven by political or economic forces, Marcuse offers an interesting third stance which attempts to mediate between Pollock's and Neumann's positions. Instead of asserting the predominance of either political or economic factors, Marcuse argues that that "[t]he efficient realization of the interests of large scale enterprise was one of the strongest motives for the transformation of economic into totalitarian political control, and efficiency is one of the main reasons for the Fascist regime's hold over its regimented population." In short, Marcuse contends that political and economic interests are so tightly interwoven that they can hardly be separated. Both monopoly capitalism and the anti-democratic political system are firmly united in their aim to exploit and dominate the masses.

Thus, what Pollock identifies "as the will to political power" (81) is inseparable from what Neumann describes as "the motivating power . . . of profit (292);" both, more or less, necessitate each other. "To secure industrial capacity and its full utilization," Marcuse continues in his 1942 lecture on National Socialism, "all the barriers between politics and economy, between state and society had to be removed, the intermediate institutions which mitigated the oppressive social economic forces had to be abandoned, the state had to identify itself directly with the predominant economic interest and order all social relationships according to their requirements" (75). Here, Marcuse clearly adopts Neumann's view that National Socialism, far from breaking with the old capitalistic tradition, promotes the interests of leading industrialists. "Industrial expansion," Marcuse writes, echoing Neumann, "could be maintained only through the transformation of the democratic state into an authoritarian political system" (72). Yet, in adapting Pollock's line of argument, he also acknowledges that capitalistic activities have inevitably become more regulated under fascist rule: "In the same measure, however, as the economic forces became direct political forces, they lost their independence. . . . The restoration of their full efficiency was conditioned upon a strong regulation of the market, a coordination of production, control of investment and consumption, and, above all, a curbing and compensation of all those groups which had to be sacrificed to the necessity of rationalization" (75).

Although Marcuse agrees with Neumann that the fascist state has become "the executive organ of the imperialist economic interest," he nevertheless argues with Pollock that the governing National Socialist party itself has gained tremendous political and economic influence in this process (72). "Its vast bureaucracy," Marcuse writes, "offers numerous opportunities for new jobs and creates a new elite which rises into the highest ranks of the ruling class and amalgamates with the old captains of industry and finance" (76). Hence, in arguing that the transformation from economic to political relations has resulted in a "new division of power," Marcuse puts forth a third interpretation of fascist society that falls somewhere in between Neumann's claim that the "industrial rulers" have completely subjugated the state (261) and Pollock's contention that the state has assumed total control over the economy. Rather than as dominated by either the political interest of the "ruling group" or the economic interests of competing

monopolists, Marcuse sees the "National Socialist state" as "the government of hypostatized economic, social, and political forces" (78).

Merging Pollock and Neumann's positions, Marcuse henceforth compares the National Socialist state to a highly efficient "machine," whose workings are "coordinated in a bureaucratic apparatus which integrates the interests of industry, army, and party" (78). Similar to Pollock, Marcuse maintains that the "National Socialist state thus emerges as the threefold sovereignty of industry, party, and army which have divided up among themselves the former monopoly of coercive power" (76). Yet, contrary to Pollock, who believes that a planned totalitarian economy of scarcity can hold down the masses indefinitely while the "antagonisms within the ruling class" will be effectively averted by common interests, Marcuse emphasizes the growing tensions and contradictions within all strata of a fiercely individualistic fascist society:

The National Socialist state is not the reversal but the consummation of competitive individualism. The regime releases all those forces of brutal self-interest which the democratic countries have tried to curb and combine with the interest of freedom. Like any other form of individualist society, National Socialism operates on the basis of private ownership in the means of production. Accordingly, it is made up by two polar strata, the small number of those who control the productive process and the bulk of the population which, directly or indirectly, is dependent on the former. Under National Socialism it is the status of the individual in this latter stratum that has most drastically changed. Here, too, however the changes bring to fruition rather than contradict certain tendencies of individualist society. (80)

Like Neumann, who foresees the eventual demise of fascist society in what he describes as the ongoing "cut-throat competition" among industrialists, Marcuse, in line with the Marxist interpretation of history, views the "competitive individualism" that characterizes National Socialism as portent of its own end. Still, as the first part of the above quote already indicates, Marcuse, unlike Neumann, does not merely focus on the inherent economic antagonisms of an essentially capitalistic society, but also pays close attention to the social and political tensions that mark the National Socialistic state as a whole. Concerning the question of man's potential for emancipation, then, Marcuse clearly rejects Pollock's pessimistic assessment that National Socialism represents an altogether new social order which has managed to overcome the heightening crisis of capitalism through planned state intervention. But while arguing with Neumann that the "National Socialist state" has become "the executive organ of the imperialist economic interest," Marcuse also recognizes, as Pollock does, that the Nazi government asserts direct political control over the economy and the masses, for "National Socialist security is essentially bound up with scarcity and oppression" (72 & 84).

In blending elements of Pollock's political with Neumann's economic analysis, Marcuse thus presents a more comprehensive concept of National Socialism which underscores that just as unbridled capitalistic expansion requires "an authoritarian political system," so fascist rule necessitates the "full utilization of the entire industrial apparatus" and the "total mobilization of labor power" (72, 80, & 82).

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