

# Doing Business Under Fascism

By HELEN BERNSTEIN

German business men in the twenties made heavy financial contributions to the National Socialist movement, hoping that its rise to power would free them from the grip of the trade unions. The tragic consequences of this piece of folly have impressed many sober minds. Our financial journals have repeatedly cautioned American business men against similar steps and Guenter Reimann's "Vampire Economy" provides concrete evidence of the results.

German enterprisers conduct their affairs in an atmosphere of terror, corruption and official caprice. They can never be sure that yesterday's decree has not become today's prohibition, nor that some ukase the violation of which was almost universal and tolerated by the state, might not suddenly be enforced with terrible consequences for the transgressor. Their business success or failure depends ultimately upon their standing with Party officials who usually have little sympathy with and less understanding of their needs. Their relation with them is tenuous and expensive, dependent upon constant bribery and repeated affirmation of National Socialist fervor. The most important and best paid functionary on the payroll of every German firm is the "contact man," who is hired for his acquaintance with officialdom and his ability to secure occasional favors for his employer.

Raw materials in Germany cannot be obtained without a certificate from a distributing board. For each material there is a special board with its own unique procedure. Thus, at least half the working day is consumed in making application for these goods with no assurance of ever getting them. Since so much of the basic materials is consumed by the military, the allocation of the residue must be made upon the grounds of "urgent" need. Vast armies of government clerks sift through innumerable requests, each claiming "urgency." The sum total

requested of course far exceeds the available supply. Consequently, business men deliberately ask for more than they need hoping at least an adequate minimum will be forthcoming. Ultimately, after bribery and special privilege have effected some distribution, the rest is allocated in irrational fashion among firms who have not yet offended the bureaucracy. These shipments of raw material often arrive late, holding up production. The accompanying diagram illustrates the point.

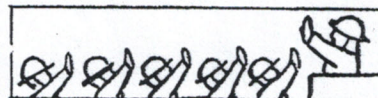
The story about Herr A., the wool importer, typifies the essential irrationality of every bureaucracy. Wishing to order a shipment from London, he obtained the necessary permission from the proper supervisory board and from the Administration of Foreign Currency. When the wool arrived the needed foreign exchange had not yet been released. The cargo lay in the "free port" piling up storage charges. When the money finally arrived, Herr A. was requested by his creditors to pay the storage fee as well. This necessitated application for more foreign currency to cover this sum. Until this became available the storage charge would have increased. Yet he could not request more than he needed at the moment. In despair, Herr A. set out for Berlin with plenty of cash on hand to line the pocket of a friend's friend who knew an official in the Reichsbank who had some connection with the Administration of Foreign Currency.

The experiences of the inflation have left a deep mark in the German memory. The Nazi state wished, above all, to avoid its repetition. So it appointed a Price Commissar charged with keeping the price level from rising. This was at a time when huge governmental expenditures for munitions had created an artificial boom while on the other

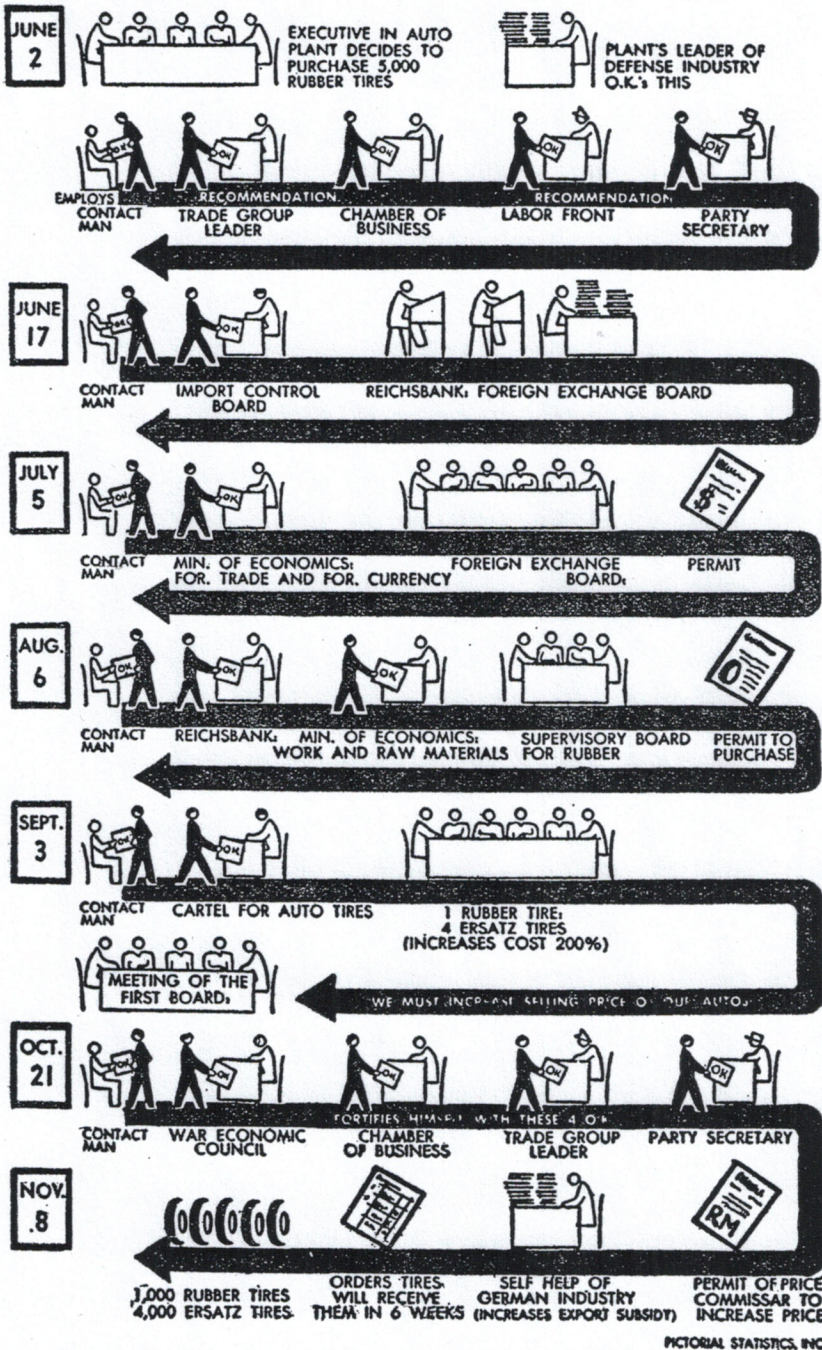
hand, consumer's goods grew scarcer daily. Prices found their own way of circumventing the official maximum. For example, a cunning peasant, when approached by a buyer, asked no more than the official price for his pig. However, in order to obtain the pig, the purchaser had also to buy the peasant's worthless dog for which no maximum price had been set. The combined price more than compensated him for the real value of the two animals. Such supplementary articles as this dog, often produced solely for the purpose of effecting exchange despite impossible price regulation, are a total economic waste.

Manufacturers frequently alter products slightly so as to be able to maintain they are new commodities and hence not subject to current price restrictions. They are also forced to adulterate their goods so that the decree price may cover their costs. The State itself tries to manipulate demand by propagandizing against the use of the scarcer commodities. When it does grant a price increase, it usually gives it to a favored and influential group and compels other groups to bear the cost.

Those who still doubt the complete hegemony of the Nazi bureaucracy over all classes, monopolist, competitive business man, worker and farmer, will be impressed by what happened to Krupp whose family had enjoyed an enviable position under Kaiser and Republic alike. When Hitler came to power, the Krupp munition interests continued to prosper greatly. Yet when a direct conflict arose between Krupp and Goering, Krupp was forced to bow. The clash came over the question of investment policies. Krupp wished to follow the prudent course of setting aside reserves for the days after the armament boom and tried to avoid risky investments. Goering hinted that Krupp's profits were needed to finance a new plant for the production of "Buna," ersatz rubber. Despite Krupp's refusal, the government



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



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organized the new company with Krupp's funds and invited him to send a representative. I. G. Farbenindustrie, Germany's greatest chemical trust, was forced to finance

the erection of two giant synthetic gasoline plants, whose high production costs made them completely dependent on government subsidies. Similarly when Thyssen and other

steel magnates refused to finance plants for extracting iron from low-grade domestic ore, the State formed the Goering Iron Works with heavy forced contributions from these industrialists.

In spite of this forced investment, Germany's capital plant has not appreciably increased over the last decade. Firms have been unable to replace outworn machinery because they may not use their liquid assets for this purpose. On the other hand, plants are put to day-and-night use so that depreciation proceeds at an accelerated rate. Much liquid capital is diverted to completely unproductive use, such as the maintenance of the bureaucracy, and the rest invested in the production of synthetic products.

Though the "ersatz" program has accomplished many technical miracles, it has done no more in the economic field than turn out inferior goods at high prices and at the expense of huge investments. Despite the liberal subsidies the price of synthetic gasoline is four times the world price of the natural product. The production of "Buna" has made Germany 25% self-sufficient in rubber, but at what a cost! A 100% ad valorem duty was imposed on rubber imports, yet Buna still costs 60% more than natural rubber and nearly four times what it costs abroad.

Although profits can still be made under Nazism (a grudging admission of their superiority as an economic incentive over the Soviet system) their ownership is a constant danger. Continual business success and "conspicuous consumption" (except for high Party bureaucrats) frequently result in a visit from the local Party leader threatening drastic penalties unless a substantial contribution to Party funds or projects is forthcoming.

This system of legalized extortion is an inevitable consequence of the highly respectable State Socialism advocated by all major German universities from Bismarck to Hitler. This theory postulated a hierarchy of permanently fixed classes with income distributed according to rank

in the hierarchy. The private enterpriser would become a virtual agent for the State, holding his "property" in trust for the State and receiving an income rigidly controlled by the State. Hitler has made the German producer accept this scheme of social and economic organization only through the Gestapo.

Hitlerism is the theory of State Socialism brought into the world of

practice. It is the culmination of a movement which has developed in Germany during more than a century. Its chief spokesmen, whose writings have profoundly shaped European history as well as German policy were Fichte, Hegel, Friedrich List, Bismarck, Marx and Rathenau. The great Anglo-American tradition of economic liberalism as expressed by Adam Smith, Jefferson, Ricardo,

J. S. Mill, Cobden, Bright and Henry George, was never accepted in Germany to the extent of influencing its state policy. These two traditions represent on the one hand the complete subordination of the individual to the State and on the other, freedom of the individual to attain his ends in his own way. Between them the conflict is forever irreconcilable.

### Homeless in Washington

MORE THAN a half million people located in the City of Washington are staring straight into the country's producer. Judged either by the average rate of wages in the United States or by the average rate of wages in the world, these people are individually more or less collectively homeless.

But the recipients of these stipends are no better off on the whole than are the taxpayers who make the involuntary contributions. There have been no points of a partition to the White House for a "tax commission."

Commission or no commission, rent will keep on increasing with the increase of population in the nation's capital. And as the war plans will require even a greater number of "workers" than did ever the New Deal (and none of these persons are being laid off), the landlords will reap a real harvest in Washington. Realizing this, they are refusing to give longer than one-year leases on living quarters.

It is reliably reported that the New Deal tenants are too busy eating up "vital statistics" to pay any attention to the real phenomenon in their midst.

From newspapers like we learn something about what it meant to be an Indo-Chinese under the French. If we succeed in liberating these people from the Japanese, who will most certainly follow the international pattern of exploitation we might give some thought also to liberating them from French and American exploitation. But here's the story of Indo-China from the west.

The Indo-Chinese were willing to be liberated. The French were at last ready to give the harvest of the particular brand of civilization they had sown in Indo-China. By exploiting 22,000,000 natives 28,000 Frenchmen had arranged for themselves an attractive existence including the extraction of a tidy income from 10,000 tons of opium sold annually to the population under Government license. They had built European towns with bread, maintenance systems, schools, hospitals, beautiful sports adorned with the status of the French gentry beyond the extensive French domain in almost equal and poverty, lived the native population, including a great number of half-breed products of industrial marriage between French officials and natives girls.

Economically the French kept Indo-China in swabbling clothes. They had done little with the colony's extensive deposits of iron ore, the sulfur, wolframite, manganese and zinc, but from the concentrated cultivation of rice and rubber and

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