On the Critique of the Idea of a Planned Management of the Economy

Dissertation

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EDITORS NOTE:

This is a translation of Oskar Dirlewanger's PhD thesis from 1922 titled:

On the Critique of the Idea of a Planned Management of the Economy

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Interest in the topic sparked by a thread at the Axis History Forum

Link: https://forum.axishistory.com/viewtopic.php?p=2597222

Thanks to everyone that helped salvage and preserve this hard to find document.

Context for further understanding, important events with regards to politics and economics:

1776 – Adam Smith publishes *The Wealth of Nations*, establishing classical economics and the case for free markets and limited government.

1817 – David Ricardo publishes *On the Principles of Political Economy and Taxation*, refining classical theory with the labor theory of value and comparative advantage in trade.

1867 – Karl Marx releases *Das Kapital*, developing his critique of capitalism based on Ricardo's labor theory and proposing socialist revolution.

1871 – Carl Menger publishes *Principles of Economics*, launching the Austrian School and replacing labor value with subjective marginal utility.

1884 – Eugen von Böhm-Bawerk publishes *Capital and Interest*, beginning a major critique of Marx's capital theory.

1885 – Oskar Dirlewanger is born in Würzburg, Germany.

1889 – Böhm-Bawerk advances his time-preference theory of interest, linking capital accumulation to deferred consumption.

1890 – Alfred Marshall releases *Principles of Economics*, integrating classical and marginalist ideas into neoclassical economics.

1896 – Böhm-Bawerk publishes *Karl Marx and the Close of His System*, dismantling the labor-value foundation of Marxist economics.

1912 – Ludwig von Mises publishes *The Theory of Money and Credit*, explaining monetary value and criticizing state inflationism.

1914 – World War I begins, forcing centralized wartime economics and massive state intervention. Dirlewanger takes part in the war.

1916 – Vladimir Lenin writes *Imperialism: The Highest Stage of Capitalism*, interpreting imperialism as capitalism's inevitable crisis phase.

1917 – The Bolshevik Revolution establishes the USSR and the first socialist planned economy under Lenin's leadership.

1918 – World War I ends, bringing Europe into economic ruin and political extremism.

1919 – The Weimar Republic is founded amid revolution, inflation, and the struggle between socialist and liberal visions of recovery.

1919 – John Maynard Keynes publishes *The Economic Consequences of the Peace*, condemning punitive reparations on Germany.

1920 – Mises writes *Economic Calculation in the Socialist Commonwealth*, arguing that rational planning without market prices is impossible.

1921 – Lenin introduces the *New Economic Policy (NEP)*, partially reintroducing markets to stabilize the Soviet economy. NEP was abandoned in 1928 with Joseph Stalin's "Great Break" and gradually phased out during 1928–1931.

1922 – Dirlewanger submits his dissertation *On the Critique of the Idea of a Planned Management of the Economy*, at age 26-27

1923 – Hyperinflation devastates Weimar Germany, fueling distrust in central economic management.

1926 – Keynes publishes *The End of Laissez-Faire*, proposing a pragmatic middle ground between market and state.

1931 – Friedrich Hayek publishes *Prices and Production*, extending Austrian business cycle theory and criticizing central banking.

1936 – Keynes releases *The General Theory of Employment, Interest and Money*, revolutionizing macroeconomics with demand-side management.

1937 – Hayek publishes *Economics and Knowledge*, emphasizing dispersed information and spontaneous order in market systems.

1939 – World War II begins, making large-scale economic planning a practical reality in both capitalist and totalitarian states.

Enjoy,
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DiplomaticImmunity
November, 2025

I hereby declare on my honor that the present work has been prepared independently and with the use only of the literature cited.

(Signed)

O. Dirlewanger

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Contents

Foreword

The unification of Germany in 1871 created, in the heart of Central Europe, a coherent economic organism. Under a firm political and administrative authority, the German nation developed into a transport and industrial economy whose remarkable rise stands unmatched in history. Emigration fell to a minimum, while the population grew rapidly as new opportunities for existence emerged through the economic upswing. From the thirty-nine million people of 1870 there had become a nation of seventy million.

Although it was not possible to eradicate poverty and hardship entirely, the general situation compared favorably with that of other civilized nations. The buildings that arose in those years — in industry, in commerce, and in the public realm — schools, institutions, and civic works — bear witness to the economic surplus that could be reinvested for the benefit of the nation.

The World War brought this ascent to an abrupt halt. The blockade created an economy of scarcity and compulsion — rationing, requisitions, price ceilings, and the rise of state-controlled war corporations — a system of intervention, centralization, and bureaucracy. The lifting of the blockade brought temporary relief, and economic life began to stir again, yet the crisis was far from over. The shortage of goods was replaced by another: the shortage of fiscal strength to shoulder the enormous burdens that our enemies, in their hatred and vindictiveness, imposed upon our fatherland.

By accepting the ultimatum, the German government bound itself to these obligations. To keep the machinery of the economy running and prevent it from stalling, the Reich resorted to a dangerous remedy — the printing press. The state paid with paper money backed only by its credit, not by any growth in actual goods. This policy amounted to an expropriation of savers and pensioners — a dreadful event that must trouble the conscience of every thoughtful economist. The new and terrible burdens the Reich believed it had to bear only intensified and hastened this process of dispossession through the continued devaluation of money.

Meanwhile, those forms of capital that could compensate for monetary depreciation through rising prices — land, enterprises, industrial assets — increased substantially in value. While the savings accumulated from labor incomes lost their worth, the wealth of the owners of production and trade survived, in many cases even multiplied. Class antagonisms deepened; a profound social transformation took place.

These immense changes have led many of our countrymen to see in them the symptoms of the collapse of the capitalist system. They believe the time has come to prepare and carry out a socialist economy. In millions of minds today live the ideas of socialism and the demand for socialization.

Orienting Systematics of Socialization Measures: An Attempt to Integrate the Idea of a Planned Management of the Economy into the Socialization Measures

As long as an economic or social order exists only as an idea — as a desired image arising in contrast to an existing but different social order — it appears, in its theoretical stage, to be a unified and simple construct. Yet the moment it moves from abstract conception into the realm of practical realization, and attempts at implementation begin, the supposedly simple structure reveals itself to be a complex, multifaceted system, whose internal contradictions and difficulties were not visible during its ideological incubation.

This is shown most clearly in the case of socialism. Karl Marx believed that with his seminal work *Das Kapital* he had finally overcome the earlier socialist-communist utopias of Blanc, Fourier, and Proudhon. Even Ferdinand Lassalle's theories soon faded among the working masses. Marx and his theoretical edifice, however, have endured — and for forty years after his death his teachings continued to be propagated, expanded, and commented upon with success. Only in practice had they not yet been tested.

Once Marx had given socialism a fully systematic form, it seemed clear what was meant by *scientific socialism*: the socialization of the means of production. At that stage the socialist goal appeared simple and straightforward, because the central issue — the ownership of the means of production — was treated as a mere problem of property relations. To the socialist mind, solving this would also settle the associated problems of distribution and social power. If the owners of production — the entrepreneurs and capitalists — were replaced by society as a whole, then production and distribution could seemingly be organized rationally and justly.

However, the experience of war and revolution has shown that socialism is no longer a uniform, clearly defined system. It has become a layered, complex structure whose character and priorities are not easily fixed. What was once thought to be decisive and essential now seems uncertain — even within socialist politics, where multiple factions dispute over who represents the "true Marxist" line. In the economic sphere, too, the recognition of the system's internal complications has become unavoidable. The confusion is now so great that before one can critique any specific plan of socialization, one must first attempt an orienting systematization of the various approaches themselves.

All the many practical experiments and countless schemes — whether full or partial socialization, or radical social reform — are grouped together under the vague collective name of *socialization measures*. To bring conceptual order to these, it is first necessary to distinguish between *formal* and *material* socialism.

Formal socialism aims primarily at changing the social and, above all, the economic order in favor of the relatively propertyless classes. It is essentially a labor movement.

Its focus is on greater participation of workers in production and in the proceeds of production. Material socialism, by contrast, treats such formal measures as means to an end — the end being the complete integration of production into the social organism. Where formal socialism concerns itself with ownership and profit-sharing, material socialism is concerned with the conscious direction of production itself.

When these various measures are viewed as part of a gradual progression toward the socialization of the entire process of life, four successive stages can be distinguished:

I. Determining influence of workers within individual enterprises (*workers councils*).
II. Transfer of "mature" industries into the hands of the community (*nationalization*).
III. Participation of the community in economic life as a whole (*state capitalism*).
IV. Planned management of the national economy through an alteration of the economic constitution (*planned economy*).

The first three stages merely strengthen workers' influence, redistribute profits, or extend state ownership — but they leave the overall structure of production largely untouched. The economy remains fundamentally self-regulating. Even the nationalization of mature industries does not transform the system, since such industries are already concentrated or monopolistic by nature. In these cases, development is still left to the immanent forces of the market; socialization remains passive. Only the third stage — the comprehensive nationalization of all enterprises — might be said to break this passivity slightly, but even that still falls short of organizing the national economy as a unified whole.

A fundamentally different conception underlies the fourth stage: *planned management of the economy*. This represents an attempt to regulate the economy as an integrated process — the grand project of rebuilding an allegedly flawed economic system from its very foundations.

Yet after Marxism had proven itself an unsuitable instrument in practice, the masses and their leaders, uncertain and searching for new directions, returned to pre-Marxist theories and ideologies. In this context, the idea of a *planned economy* emerged as a compromise between the realities of economic life and the popular yearning for socialization — an effort to fulfill the promises once made by socialist leaders.

Among socialist-oriented workers, there prevails the belief that labor's share of income should be expanded at the expense of capital's. Many even believe there are no real limits to raising wages relative to profits and interest. They follow the *Erfurt Program* of 1891, which asserted the possibility of an ever-increasing labor share of the national product.

However, empirical studies contradicted this. *Geheimrat* Deutsch of A.E.G. calculated that even if all surplus value were distributed, the average worker's income would rise by only about 7.5 percent. The total "surplus value" is simply too small, relative to the number of wage earners, for its redistribution to make a substantial difference.

Even the prominent socialist Otto Bauer, in his pamphlet *Bolshevism or Social Democracy?* (Vienna People's Publishing House), conceded:

"*Even when the confiscation of all surplus-value titles is complete, the real income of the working class increases only slightly. The greater part of surplus value is not consumed by the capitalist class, but accumulated. This portion could not, even in a socialist economy, be distributed to the workers, since one cannot forgo continuous expansion and improvement of the social apparatus of production. The smaller part, which is consumed, if divided among millions of workers, would not substantially improve any individual's standard of living*."

Taking this insight, and the failure of past socialization attempts, into account, the planned economy places at the forefront not the problem of distribution, nor even that of social power, but the problem of production. For every measure aiming to change the economic system within a private order has proven an illusion. Wherever such experiments were attempted, they failed — because, as shown above, even a full redistribution of the propertied class's surplus consumption would not significantly enlarge the total consumption fund. This was likewise confirmed in the reports of the German *Sozialisierungskommission*.

Nature, Structure, and Aims of a Planned Economy

At first glance, the idea of a planned management of the economy appears persuasive and clear. There can be no doubt that the fundamental tone of this idea is one of lofty and genuine idealism.

The core of the concept of a planned economy is ethical in nature. It seeks to replace or complement the instinct of self-preservation with a sense of duty toward others and toward the community. The reconstruction of our entire economy—organized methodically for the benefit of the nation and subject to collective supervision—is its great objective.

The starting point, in economic terms, is organization: the structural articulation of the economy in its entirety. All enterprises of similar character in industry, handicraft, and trade are to be gathered into professional associations; these, in turn, into industrial federations. Both are to be state-recognized and supervised organizations endowed with extensive rights.

Through this strict centralization and coordination of all productive forces, a unified and clearly defined production plan is to be realized—one binding for the entire economy.
The purpose of such regulation is to achieve the greatest possible efficiency and productivity by eliminating the element of chance and replacing it with conscious coordination.

From a central authority, every effort is to be made to eliminate randomness and inefficiency in the operation of the national economy. The direction of production is no longer to be left to the “free play of forces,” but is to proceed according to a production plan issued by the central office, which stands at the apex of all creative activity. The individual’s initiative must yield to the collective will. Thus, the planned economy represents a pronounced collectivism, subordinating the will of the individual completely to that of the community.

The principle of the planned economy is indeed settled, but opinions diverge widely about the manner of its implementation and, in particular, about its extent. The most significant systematic proposals are found in the works of Walther Rathenau and in the memorandum of the then Minister of the Economy, Rudolf Wissell, dated 7 May 1919, on the transformation of the German economy into a planned economy. Both men present a program for the future management of the German economy, arising from the same ethical motives and pursuing the same objective.

The extent to which the economic milieu from which these ideas stem shapes its view of planned economy is shown by its position toward socialism. Even in Rathenau’s thought, the economy is no longer regarded as the affair of the individual but as that of the community. Yet he fails to draw the necessary conclusions from this thesis.

The participation of the national community in production and in the distribution of economic returns, as well as the powers of the workers to influence their conditions of employment, receive scarcely any mention in his “new economy,” and in any case no clear definition or justification. These questions, however, stand at the very center of Wissell’s concerns. Upon them rests the entire external organization of the systematically directed economy. “In economic policy,” Wissell writes, “there can be no compromise: one must stand firmly with both feet on the ground of the communal economy.”

Rathenau’s proposals constitute an entirely systematic, centralized, and comprehensive regulation; they aim at the farthest-reaching rationalization of production and consumption. Rathenau calls for the organizational structuring of the national economy, the creation of professional and industrial associations to which he assigns the following functions: the elaboration and execution of a broad and scientifically conceived plan of the division of labor from plant to plant, from district to district, the procurement of raw materials, the distribution of production quotas, and the decision on the establishment of new enterprises.

Formally, according to Rathenau, the private economic order is to be retained; in reality, however, both organizational principles—the individualistic and the communal—are merged, with the former effectively eliminated. The entire national economy becomes centralized and subordinated to the authority of a few leading personalities.

The cardinal point of Rathenau's system—where it goes beyond Wissell's proposals—lies in granting the economic associations sovereign authority to determine both the type and extent of production. Rathenau sought to make production independent of the will of individual enterprises and, in similar fashion, to subject the organization of consumption—its quantity and nature—to central regulation. He placed the regulation of demand in the hands of the industrial associations, endowed with extensive powers to direct the consumption of goods along predetermined lines, whether through a prohibitive customs policy or through far-reaching tax measures — not for the sake of fiscal revenue, but as instruments of economic restriction.

Thus, Rathenau's planned economy is neither purely individualistic nor socialist, nor is it an attempt to reconcile the two principles. Since he removes the regulation of demand from the discretion of the individual, he goes far beyond Marx's concept of a socialized economy; yet, at the same time, he entrusts the direction of the entire economic system, once reconstructed, to big capital. In his plan for a national economy, large-scale capital would hold in its hands a bound and subordinated economic order.

Wissell's concept of a planned economy rests on somewhat different foundations. According to the memorandum of the Reich Ministry of Economics, the entire economic program set forth there was to be carried out by a newly created council organization, structured both regionally and by sector. The regional organization would encompass, starting from individual enterprises, employers and workers—initially organized separately—through the formation of enterprise councils, district enterprise councils, and a Reich enterprise council. Correspondingly, workers would be represented through factory councils, district workers' councils, and a Reich workers' council. These two sides—employers and workers—would then be brought together within district economic councils and ultimately within the Reich Economic Council.

Alongside this regional organization stood a sectoral structure, linked to the employers' associations of industry and formed from the specialized groups of economic associations (for example, those of the iron industry, the chemical industry, and others). These bodies likewise culminated in the Common Reich Economic Council. In addition to the Reich Ministry of Finance and the Reich Ministry of Labor, the Reich Ministry of Economics would preside over this system, maintaining direct contact with the regional and sectoral organizations through the Reich Economic Council. These three ministries together were to direct the entire economic policy of the nation.

Before describing the tasks of these organizations, one essential point must be noted. While the sectoral organization, whose bodies were conceived as self-governing institutions of industry, was intended to build at least in part upon already existing structures—particularly the industrial associations—the regional organization was to consist predominantly of newly created bodies. The functions of the regional and sectoral organizations thus differ. The regional organization was responsible for examining the economic and social conditions within its district. Its duties included

conducting studies and statistical surveys on the state of the economy, monitoring collective wage agreements, safeguarding the common interests of employers and employees within its district, maintaining industrial peace, promoting the efficiency and productivity of enterprises, and—most significantly—possessing the right of legislative initiative in economic and social affairs. Their proposals, accompanied by the assessments of the higher administrative bodies, were to be submitted officially to the Reich Economic Council.

The professional organizations were assigned the principal task of fully implementing the national economy; their powers were therefore considerably broader. Their responsibility lay in regulating the procurement of raw materials and their distribution according to priority, a task overseen by a commissioner—the “brain” of this planned economy—within the Reich Economic Council. Based on the statistics provided by the regional organizations, the Reich Economic Council was to determine these priorities. It was also entrusted with influencing prices to achieve the greatest possible reductions, through control of price formation and improvement of production methods. Further responsibilities included the establishment of foreign trade offices to regulate imports and exports, the organization of sales while eliminating unnecessary intermediaries, the mitigation of social inequalities through the establishment of binding collective agreements (whose enforcement was to be supervised by the regional organizations), and finally, the provision of public funds. The central office and highest authority in this structure was likewise the Reich Economic Council, in which all branches of the regional and professional self-governing bodies converged.

In addition to this comprehensive organization of the national economy, the memorandum also contained other demands of great economic and political significance. To stimulate German goods production, a Reich Fund amounting to several billion marks was to be established. Its financial administration was to be assumed by a newly created Reich Property Bank, which would serve to promote the state’s mixed-economy enterprises. The memorandum also proposed the creation of a law on industrial peace, intended to suppress, if not entirely prevent, labor strikes and work stoppages.

Following this attempt to define the nature and character of the planned economy in general—and of Rathenau’s and Wissell’s concepts in particular—the next step is to formulate the ethical and economic objectives inherent in the idea of a systematically directed economy.

The ethical objective of the idea of a systematically directed economy, according to its ideologues, follows the Rodbertusian demand that production should not be adjusted to the effective demand of the propertied classes, but rather to the social needs of the working members of the economy. Production should be oriented not toward profitability, but toward productivity.

The systematically directed economy is intended to create the material foundations for a morally sound development of individual personalities by achieving, with the least

possible expenditure, the greatest possible benefit for all members of the nation, while subordinating all opposing special wishes of individual groups and classes. The economy should satisfy the principle of justice in order to meet all the requirements of practicality.

The idea of a systematically directed economy has, as its economic objective, the increase of the material stock of goods and of the productive forces. This is to be achieved through the regulation of production, the organization of distribution, and the influence on prices; through the improvement of production methods; through rationalization, not only within individual enterprises but throughout the entire economic administration as a whole—by eliminating chance as much as possible and replacing it with deliberate organization.

Planned Economy and Marxism

With reference to the claim that the realization of the idea of a systematically directed economy is no longer possible today—since the necessary precondition for it, the unity of the masses and their willingness to take the decisive step from ideological theory to practical application, has greatly diminished, and since even a socialist cabinet would have rejected the implementation of this idea—the question of whether a critical examination of this concept is justified cannot simply be dismissed.

The current, and fortunately observable, stabilization of our economic life, as well as of life in general, in contrast to the period immediately following the revolution, unfortunately appears to be only temporary. It seems to be connected with the artificial boom in our industry brought about by inflation.

The question arises whether impending major upheavals in our economic life—whose early signs are already clearly visible—might provide the ideologues of a planned economy with the opportunity to once again promote their ideas.

Marx maintained that the existing “bourgeois organization” of economic life must first reach its full development before socialism could be realized. He therefore looked forward to a rich inheritance. In all his fundamental pronouncements, Marx never ceased to advocate a form of socio-political realism and to distance himself from revolutionary extremism. Time and again, he emphasized the necessity of an evolutionary, organic transformation of the social order and the futility of any violent economic revolution. Socialism, in Marx’s understanding, is a process of social development that unfolds with compelling necessity, whose natural stages of evolution can neither be skipped nor decreed away.

According to Mr. von Möllendorff, a planned economy stands in contrast to private and global economy because, unlike these, it has not developed organically but has been consciously and artificially constructed and created. This means that we are not dealing here with an evolution or an organic progression, but rather with a revolutionary reformation. The idea of a planned direction of the economy therefore stands, in this essential respect, in opposition to Marxism. Among the advocates of the

idea of a planned economy, it is often regarded as a provisional arrangement — a transitional stage between the present free economy and a Marxist-socialist one. Yet the propagation and realization of such a system would do little to diminish the masses' enthusiasm for the goals of Marxist socialism.

According to Wissell, the planned economy should serve as a preparatory instrument for socialism, paving the way for it in the sense intended by Marx. It was meant to *gradually make the proletariat mature for socialization through practical training.* After the revolution, it had become evident that the proletariat—due to insufficient theoretical education, including that of its leaders, and because of a lack of technical, organizational, and commercial knowledge and capacity—was incapable of assuming control of production on its own. By consolidating the economy on a horizontal basis, which is inherent to the very concept of a planned economy, an essential preliminary step toward a Marxist economy would be accomplished. However, Wissell argued in his brochure *Planwirtschaft?* that implementing such a system at the present time was impossible—not only because the conditions in non-German cultural nations left no doubt that the introduction of a Marxist-socialist economy there was out of the question, but also because Germany, surrounded by such nations, could not itself move toward a Marxist economy, as its own economic system was far too closely connected and intertwined with the world economy.

If it could be shown that a material form of socialism could not be achieved without the intermediate stage of a planned management of the economy, then the adherents of material socialism would also have to agree to this form as a means of its realization—for he who wills the end must also will the means.

The principle of class-based socialism, aimed at helping the economically weak and dispossessed, plays only a subordinate role in the concept of a planned economy. The issue is not an improvement in the social condition of the "proletarians of all countries," but rather an increase in the productivity of the German economy. What connects the idea of a planned economy with class socialism is precisely what must be regarded as the necessary evil of this social order, if one is to accept it at all: the restriction of individual initiative, the rigid centralization, the dependence of small and medium-sized livelihoods, the regulation of the economy through bureaucracy, the suppression of any healthy speculation, and the renunciation of the advantages of the automatic regulation of market exchange and of free price formation. However, all this would have to be accepted in the interest of the national community if it could be shown that the introduction of a planned economy would lead to an increase in national production volume and productive capacity, as well as in the individual share of production. This will be examined further below.

The propagation of the planned-economy idea. Examination of the justification for the reasons by which the demand for a planned management of the economy is motivated.

Not only to demonstrate the legitimacy of this demand, but above all to prepare the ground for the realization of this concept, its intellectual proponents have directed particularly sharp criticism against the existing economic order. This criticism must also be examined in detail here, since it represents the essential foundation upon which the structure of the planned economy is to be built—namely, to overcome the shortcomings of the current economic system that this criticism has revealed.

Before doing so, however, something must be said about the success of this criticism. It is telling of how deeply the masses placed their hopes for salvation in the realization of a planned economic order, and how receptive the war-, hunger-, and revolution-weary people had become to the incessantly repeated attacks on the old system, that even the group of heavy-industry entrepreneurs around Stinnes felt compelled to take account of this mass psychosis.

In 1920, the Stinnes group presented to the public a program of “socialization,” which defined socialization as follows:

“The assurance that all means of production are utilized as fully and as rationally as possible in the supreme interest of the national economy and of the people as a whole, under equal, full participation, co-determination, and shared responsibility of all those involved in production.”

From this wording—and especially from the explanations given during a session of the Socialization Commission by a representative of that group—it becomes clear that its authors explicitly and unequivocally aligned themselves with the concept of an organized common economy, based on the fundamental principles of a planned economy.

The ideologues of a planned economic system direct fierce criticism against the economic and social order of Germany before the war. Both the goals and the methods of the previous economic system are condemned. In a manner that at times appears repellent, because of its demagogic tone, the deficiencies and errors of the old order are denounced. The fundamental reason given for its economic imperfection is repeatedly the claim that it failed to meet the demands of ethics, that its injustice was the cause of its economic shortcomings. Rathenau speaks of the dark times of the free economy, in which private enterprise was almost unrestrained:

“The order we are approaching will not be unrestrained. A sense of community, morality, and responsibility will permeate the economy, ennobling every act of service to the community.”

He attacks with particular sharpness the principle of free competition, which he believes had dominated German economic life up until the war. Equally severe is his

reproach of the ruthless, self-serving energy of the acquisitive spirit. The fact that production was often misdirected, he argues, stemmed from its orientation toward private demand, and that this very demand was abnormal, unhealthy, and misguided. The question of whether the economy should be expected to be moral at all will not be addressed here; it will be taken up later in a separate section.

In a lecture delivered at the Political Society in Mannheim on July 11, 1921, Wichard von Möllendorff—according to the author's own notes, who attended the lecture—described the prewar economy not only as being in contradiction with the principle of morality, as anarchic in the socialist sense, but as an unregulated and constitutionless economy altogether.

To give the economy, shattered by war and revolution, a constitution—to regulate and organize its functioning, to place the common good above individual interest, and to tackle the problem of production at its root—must, he said, be the task of all rationally minded economic policymakers.

With accusatory gravity, he pointed to the then particularly acute economic crisis and its effects, which he identified as a consequence of the "free economy of arbitrariness." Since it had now become clear that the previous economic order had proven ineffective, the demand for a planned economy, he argued, must be raised. Only such an order, he maintained, would be capable of mastering the grave challenges that the lost war had imposed upon the German economy.

This criticism is not new. Not only advocates of planned economy, but all socialists in general, have sought to win over the masses through similar critical reflections. Economic history teaches that the propagation of new ideologies has always begun with criticism of the prevailing economic system. It further teaches that this has most often occurred when economic crises arise, whose consequences provide critics with convenient evidence of the deficiencies of the existing order. However, proof that crises would be impossible under the proposed alternative systems has never been successfully provided.

A planned economy functioning as the organizer of production certainly does not exclude crises; they merely assume a different character. Russia, where the concept of planned economic management has been implemented in practice, is convulsed by famine and a technical-economic crisis—in comparison to which any economic crisis in a country with a free economy appears mild.

Thus, whether it is truly reasonable to replace the existing economic system merely because of the possibility or likelihood of crises is doubtful, since the very idea of a planned economy—when realized—does not, in fact, make crises impossible, as Wissell himself has admitted.

The criticism voiced by the ideologues of a planned economy against the established economic order is based primarily on the severe economic shocks that our homeland endured in 1919 and 1920. Here, however, a conceptual error becomes apparent: the

effects of that crisis—the unspeakable economic hardship on one side, and the unscrupulous profiteering of war and revolution profiteers on the other—were repeatedly contrasted in that criticism to demonstrate the untenability and injustice of the previous economic order and of the principle of the free market, which supposedly enabled such stark contrasts and thus revealed its inability to function as the organizer of the economy.

Yet, when we recall the economic conditions of that recent period, it becomes clear that it was not the *normal* market that produced those conditions, but rather that we were living precisely in a time when, under the impression of these events, the justification and necessity of a planned economy were being drummed into the masses—at a time when the market was more abnormal than it had ever been.

The blockade, the lost war, the revolution, and not least the ongoing strikes had all contributed to this situation. Instead of showing the means and ways to accelerate the return to normal market conditions and to restore the organization of the market, the abnormal, ailing market was declared to be *the* market, and its abolition as the economic organizer was demanded.

Instead of calling for the elimination of the causes of the crisis, the elimination of the free market was demanded—on the pretext that the aforementioned causes of the crisis were consequences of the free-market economy, of the “planlessness of the market.”

Even Wissell himself admitted that “crises cannot be completely avoided” under a planned economy. Yet when such crises occur, they inevitably bring with them the same accompanying phenomena that have always followed economic crises: the enrichment of a few unscrupulous individuals at the expense of the general public. For centuries of experience show that people have always been selfish—and that they merely await the opportunity to exercise their self-interest.

Apart from this fact, the criticism based on the claim that the German economy did not prove itself in its pre-revolutionary structure is very poorly founded. One must ask whether there exists any economic system that could have withstood the burden of this four-year war, and above all the harmful consequences and effects of such a severe blockade, through which Germany was completely cut off from world trade for years.

It must, in contrast to this claim, be stated clearly that the German economy in the past conquered the world market, nourished our ever-growing population, and at the same time shouldered the heavy social burdens provided for in our legislation for workers’ and employees’ insurance—and not least, through the free social activity of workers, employees, and their families, provided comprehensive care.

An economic system that has elevated a nation as highly—economically, intellectually, and socially—as the German one cannot reasonably be said to have failed; it was precisely this system that created our prewar prosperity in the first place. The cyclical,

market-driven economy may have brought with it a lack of regulation, but it also produced the surplus productive capacity from which the war economy could be carved.

The ideologues of a planned economy criticize the existing economic system for promoting only individual interest and not the common good—deliberately setting individual interest in opposition to the collective welfare. Two years ago, Wissell gave a lecture before the National Economic Council titled *“Promotion of the Common Good or Promotion of Individual Interests?”*

On this question, the answer can hardly be in doubt: no one would dare object when it comes to promoting the common good. The only uncertainty lies in what is meant by “common good,” and who decides what benefits or harms it.

Promoting the common good has always been considered the highest and noblest goal of economic policy. There was a time, even in Germany, when people believed in the absolute truth of the saying: *“private gains, public profit.”* Accordingly, private benefit was thought to also serve the benefit of society as a whole. This, however, is not always true in absolute form.

By emphasizing private economic interests too one-sidedly, the common good can indeed be harmed. What seems absolutely correct, however, is this: *“Private and national economic interests are not opposites; rather, they are like Siamese twins, inseparably linked.”* It would not be difficult to demonstrate, with many examples, that there is no inherent contradiction between private and public economic interests.

Nevertheless, the ideologues of a planned economy regard this contentious question as already settled. The disputed opposition between the common good and self-interest is turned into an unquestioned fact, from which they derive the demand for realizing their idea.

Precisely because this opposition is presumed to exist, the advocates of planned economy argue that the economy should no longer be a matter for individuals, but for the community as a whole.

Since the economy fundamentally means labor, nothing could be more harmful than relieving individuals of their responsibility for striving toward economic success. Yet it would be equally wrong to view the economy solely as an individual concern.

It seems correct to say that economic life rests on the mutually reinforcing cooperation between individuals and society. Ultimately, however, this is a matter of worldview, and therefore not something that can be proven scientifically.

Economy and Ethics

The terrible moral disintegration of our people — the ruthless dominance of unrestrained individual, group, and class egoism — is so evident that it has become a common realization: the moral forces must once again be elevated for the good of the

whole. Thus, we see the peculiar phenomenon that today, economic policies and mass measures are to a large extent justified and examined from an ethical standpoint and judged by their moral effect.

There is agreement about the goal, though not about the path; here the minds diverge. The liberal abstractionists base their views on the notion of a human being who, by his very nature, can make use of his freedom only in a way that benefits the community. The socialists generalize with a pessimistic tendency; they claim that if man were freed from all restraints, he would work for the common good.

The advocates of the idea of a free economy demand morality from individuals themselves and oppose every compulsory shaping of our economic life — because, in their view, the wartime command economy forced people into immoral behavior.

The advocates of the idea of a planned economy, on the other hand, demand — referring to the deep decline of economic morality — a compulsory, ethically guided management of the economy, through which people are to be compelled to act morally.

Thus, Dr. Schiele, the energetic champion of the free economy, in his well-known *Hamburg Letters*—bearing the telling title *"Questions of Price and Morality"*—accuses war socialism of having turned every German into a dishonest merchant, trader, or self-provider, and of having plunged the entire German nation into corruption and deceit.

In the same vein, the deputy Hugenberg declared before the German National Assembly on June 10, 1919, against the implementation of the idea of a planned economy: *"The German people want to become honest again. Without honesty, there can be no trade, no change, no development, and without a free economy, there can be no honesty."*

On the other hand, from socialist thought arises the claim that the root of *economic anarchy* lies in the *purely materialistic thinking* of our people. One cannot deny one's share of guilt in this recognition either; as Wissell openly admitted at the Social Democratic Party Congress in Weimar: *"The Social Democracy is also to blame, for in all its agitation it has emphasized only the economic driving forces of socialism, and not the deeper moral principles that lie within it."*

In his major speech, Wissell advocated above all for duties toward the community, emphasizing that economic life must no longer be entrusted to the profit interests of the individual, but must be subordinated to moral laws. He therefore called for an economy planned according to the principles of morality.

The more systematically organized a national economy is, the more ethically it must be founded. Genuine, community-oriented willingness to work and industriousness in an economy can reasonably be expected and accounted for only when, alongside the exclusion of external forces and arbitrariness, a highly cultivated idealistic motivation

and orientation of the will and actions of the participants toward the common good prevail internally.

Those who oppose so-called *capitalist arbitrariness* and demand a far-reaching state-controlled economy of needs and administration must, if their plans are not to go completely astray, be fully aware that achieving their goal requires first and foremost the moral education of humanity toward socially minded economic thought.

The idea of a planned management of the economy suffers from the fundamental misconception that a goal which is ethical at its core can be achieved by non-ethical means. It seeks to base a planned economy on a general bureaucratic system, whereas in reality such a system could only be built upon inner conviction and strong feelings of mutual responsibility. Since these moral forces evidently do not exist in sufficient strength, a coercive system is supposed to replace them through external pressure.

This, however, has always been a sociological fallacy and shows that the concept of a planned economy in this sense has never been fully thought through by those who elaborated detailed technical plans for its implementation. Any attempt to substitute missing moral forces with external compulsion may produce a temporary semblance of success (as in the first two years of the wartime economy), but in reality, the imperfectly suppressed selfish interests soon erode the artificially created community system from within.

Some theorists of planned economy—Rathenau expressed this most clearly—recognize the necessity of a strongly developed communal spirit for the realization of their ideas. Yet they hope to instill such communal economic thinking and conduct in the masses precisely by reorganizing the economy according to their plans. And therein lies the main weakness of the idea of a systematically organized and directed economy: it attempts to erect an edifice upon a foundation that does not yet exist.

The plan to realize an economic system that meets both the demands of ethics and the principles of efficiency will remain nothing more than a wish as long as human beings remain as they are — selfish and self-interested. Human economic activity has always been driven by self-interest; the instinct for self-preservation has so far determined human economic behavior — as even Möllendorff indirectly admits when he writes:

“One does not become thoughtful, inventive, persistent, or loyal by command.”

This morally grounded instinct for self-preservation has nothing in common with the unrestrained drive for acquisition of the *homo oeconomicus*, whose actions are uninfluenced by moral motives. The latter may serve as a heuristic principle for revealing economic laws, but it can never explain reality. Even less can it — as has often been attempted — be made the sole regulating principle of state economic policy.

The plan for realizing an economic order that meets both the demands of ethics and those of rational purpose will remain a mere ideal as long as human beings are not different—namely, selfless and unselfish. Human economic activity has always been driven by self-interest; the instinct for self-preservation has thus far determined man's economic behavior, as even Möllendorff himself indirectly admits: "One does not become thoughtful, inventive, persistent, or loyal on command." This morally grounded instinct for self-preservation has nothing in common with the unrestrained acquisitive drive—the self-interest of the *homo oeconomicus* unaffected by moral motives. The latter may be useful as a heuristic principle for uncovering economic regularities, but it can never explain reality. Still less can it—something that has never occurred—be made the sole regulatory principle of state economic policy.

The subordination of the instinct for self-preservation, of one's own ego to the collective whole, is the supreme command of a planned economy. The logical conclusion of the reflections on human economic behavior within such an economy must therefore be:
I must, in the interest of the general economic plan, leave my position, work more or less, perform these functions, abandon those, invent for the common good, produce this commodity, and renounce the manufacture of that one. Whether such an attitude can be assumed to exist among the millions of today's economic subjects, either now or in the foreseeable future, is the decisive question. Whether it will ever succeed in eliminating self-interest—the essential driving force of economic progress—within any foreseeable time, must be doubted.

It does, however, seem certain that we today are further removed than ever from any ideal state of human selflessness. During the war, two worldviews coexisted in Germany: the idealistic one, embodied in our front-line army—composed of the physically and morally still half-capable part of the nation—and the crudely materialistic one, which had been nurtured at home and which ultimately manifested itself in the revolution, through which it became dominant and remains so today. Even Noske complained in 1919 that the revolution had degenerated into a wage movement, and the planned-economy theorist Wissell was forced to admit to the "frighteningly profit-driven tendencies of the working class."

And this is the inner falseness not only of the idea of a planned economy, but of every form of socialism as such—that its ideologues appeal to envy, even though the ground required for the realization of their plans presupposes selflessness and unselfishness. These are traits that leave no room for envy—the very envy stirred and inflamed by those ideologues among the masses, and which, once aroused, cannot suddenly be torn from their hearts after the goals have been achieved.

Because collective economic thinking and action—the voluntary fulfillment of duty by the individual toward the whole, not compelled by force—do not exist, one cannot simply eliminate the previous driving forces of our economic life: self-interest and the

pursuit of profit. This realization may be bitter for a proponent of a planned economy, but closing one's eyes to it serves no purpose.

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The ideologues of the concept of a planned economy demand that the economy conform to the principle of morality. However, true morality does not depend on the economic system but on human beings themselves.

One of the most characteristic features of our modern economic life is its close interconnection with science and technology. In these two fields, moral forces are of paramount importance. It is not the pursuit of profit or external honors—though these may play a role for some individuals—but rather faithful dedication to one's profession, self-sacrificing labor, and passionate idealism that define the essential qualities of those engaged in these spheres. These human qualities, as subjective factors, exert their influence regardless of the economic system. Therefore, the demand to be moral must be directed at people, not at the economy. If people meet this demand, then any economic system in which they participate will also do so; if not, none will.

A glance at Russia, organized along planned-economic lines, confirms this. In his book *Prerequisites for the Current Economic System in Soviet Russia*, Professor Barchudarian of Rostov-on-Don points out that it is misguided to attempt to shape economic life according to ethical principles so long as people are not imbued with a sense of community. He demonstrates that people have always, whenever given the opportunity, acted out of self-interest—even during the period of planned economy in Soviet Russia—and that reorganizing the economy according to ethical principles in no way produces a moral attitude among people (which would, in fact, have to be a precondition). Instead, he shows that people failed entirely to live up to the moral standards expected of them once the economy itself had supposedly become moral.

Planned Economy and the Idea of the State

The idea of a planned management of the economy, in which the state takes the place of the free market and functions as the organizer of the economy, presupposes a certain conception of the state: the state can do everything, must be able to do everything, because it possesses the means of power to enforce itself.

Not only the advocates of a planned economy, but all theorists of socialization assume for the realization of their plans that the state must compel the mass of individuals to adopt the economic system they advocate. Whether today's state authority, which in the past three years has suffered many losses, is in a position to accomplish this, must be strongly doubted. Whether, therefore, the mass of the population would not oppose the economic-policy acts of a government—whose infallibility they doubt—with such a degree of passive resistance as would suffice to render the execution of those decrees impossible, is a question interesting enough, but one whose examination must be omitted here so as not to risk departing from the realm of knowledge and entering the realm of belief, of politics. Be that as it may, it is an unreasonable conception to regard power as the purpose of the state, and thereby to assign it the task of exercising its power ruthlessly even in the sphere of the economy. The state does not live for power, but from power, which is a prerequisite of its existence.

Psychologically, the overestimation of state authority and power, which underlies the idea of a planned economy, is quite understandable. For so long, the workers had been the object of legislation that, having come into possession or co-possession of political power through the revolution, they now wish to turn the tables and make the other classes the object of legislation — and not merely in the political sphere, but above all in the economic one.

That they focus particularly on the economic field is also not surprising to anyone who knows that socialist workers have long been systematically taught the idea that the conquest of political power also means the fulfillment of their leaders' promises in the economic sphere.

However, as has been shown, neither are the ethical preconditions for achieving such a socialization measure present, nor is the state in its current structure capable of creating or enforcing the conditions for it through the use of its clumsy instruments of power. A glance at Soviet Russia confirms this. There too, the state attempted to introduce a planned economy.

Yet even though all instruments of state power were employed there in the most ruthless and brutal form, the elimination of the market and the systematic regulation of the entire economy succeeded only within the range of the rifles of the Red Guards, who embodied the state authority there. And today, the current rulers of Russia are compelled to return to the capitalist form of economy, because the passive resistance of a large part of the population has opposed the government's attempts at systematic economic organization.

The authority of the state and its coercive power are necessary for various reasons — above all, to ensure that the economic struggle within national borders is carried out by peaceful means. The state determines which means and weapons may be tolerated in the internal economic struggle; it must ensure that the formal rules of engagement are observed.

It is therefore the duty of the state — standing above the contending economic parties — to supervise the struggle of the economic subjects, which, according to the structure of the planned economy, is also fought primarily between the two factors of labor and capital, and to guide it into the most peaceful channels possible.

A material intervention by the state in this struggle in favor of the factor of labor, as envisioned in a planned economy, appears harmful and disadvantageous not only for capital, but also for labor. For any coercion of one factor in the struggle by the state must soon result in the disadvantage of the other factor as well.

The age-old scientific dispute over the limits of state authority in the realm of economics is virtually synonymous with the question of whether, and to what extent, freedom should be granted to the market.

The advocates of the idea of a planned management of the economy are opposed to the free market and wish to replace it with an authoritarian organization of economic life — alongside the political state, an economic state is to be constructed as well.

And since the price of a good is the outcome of a struggle, and since economic life likewise requires the “struggle that will never disappear from the world,” its elimination must not be attempted if production, distribution, and the satisfaction of needs are not to suffer. For this reason, it seems misguided to wish to establish a state dictatorship in the field of economics, as lies in the very nature of a planned economy.

It is further a question whether the state, in the long run, would truly gain an increase in power and economic advantage from the realization of this system. All experience teaches that nothing so greatly burdens and impairs the role of the state in relation to society as its overloading with legislative and administrative tasks.

The democratic state — at least according to the German conception — is meant to be a general community of self-administration and political fellowship. But a planned economy, in its monopolistic centralization, could only be practically carried out if enormous autonomous power were placed in the hands of a few leading individuals.

By believing that the state can and must introduce some economic system through coercion and force, one inevitably ends up denying the democratic principle — the very principle of which the ideologues of a planned economy are particularly proud. From this standpoint, only the council system (*Rätesystem*) appears consistent — yet it necessarily excludes the democratic principle.

The idea of a planned management of the economy ultimately rests on the realization that the fundamental and determining subjects of the world economy are the nations — those that wish to base their political existence on economic independence.

This connects the concept with the view of Friedrich List, who regarded a nation as having reached a state of economic maturity only when agriculture, manufacturing, and trade had developed in balanced proportion. The economic forces of the nation, he held, should be “educated” by the state toward this goal.

For List, however, the means of such education was not the creation of a state-controlled economic body designed to harness the country's productive forces, but rather the protection of private enterprise through tariffs against foreign imports.

The recognition inherent in planned-economy thought — that the subjects of the world economy are the nations — also links the idea of a planned economy with mercantilism.

In comparing the two, it is interesting to recall that a distinguished scholar such as August Oncken regarded mercantilism as nothing less than a social revolution — a view that seems inaccurate, since mercantilist ideas did not arise from the people themselves, who, even more than today, were in no position to grasp political and economic interrelations. These ideas were rather imposed upon the people by the government and its adherents.

There was, at that time, no need for propaganda to promote any economic idea as there is today. Whatever the king considered good and right for his people was carried out. In place of the consent of the masses to economic policy ideas — which today is a prerequisite for their realization — there then stood a strong state authority, symbolized by Frederick the Great's *Knotenstock* (cane of command).

In essence, mercantilism was a purely national — indeed, the first nationalistic — current of its time, which sought to subordinate all politics, and especially economic policy, solely to the purpose of the state, within which the idea of the nation was then awakening. In this respect, mercantilism differs sharply from the concept of a planned economy; yet the measures taken by both in pursuit of their respective goals display many common features.

During wartime, one could perceive a revival of mercantilism, for it was then a matter of uniting all the nation's forces to achieve the great goal of victory and thereby to celebrate the triumph of the national idea. It was also because the government implemented a war economy (*Zwangswirtschaft*) of unprecedented strictness, in which production and consumption were regulated by the state.

Although national arguments are not decisive in the idea of a planned economy, the planned centralization of economic life and the state's intervention reveal the same measures as those of the mercantilists, who likewise wished to see every individual economic activity carried out according to a precise economic plan. The mercantilists, too, believed in the omnipotence of the state in economic affairs — just as the planned economy envisions state direction of the economy through the creation of a state economic body.

Such a state economic body — an "economic state within the state" — represents a danger for the state itself that must not be underestimated. Since the revolution, we have repeatedly witnessed economic organizations wielding their power not only in the sphere of economic policy but also exerting a decisive influence on state considerations in non-economic matters. And when one considers that, under a

planned economy, its central authority would logically have to hold enormous power, one must acknowledge as justified the fear that interference in non-economic acts of the state would occur on an even greater scale.

However, the state has, beyond strengthening the economy and promoting the development of all economic forces, other duties: the safeguarding of the state itself and the representation of national interests. These are imponderables whose uncompromising defense may become imperative in the interest of the national community — even if this appears to conflict with the interests of the economy. The fulfillment of these duties of the national state would, at the very least, be hindered — if not rendered impossible — by the economic central authority.

One must not overlook that the idea of a planned direction of the economy, while it seeks to give industry and trade an entirely different structure, nonetheless halts before the banks — indeed, before large-scale capital itself.

Here we encounter points at which the socialist planned economy most curiously touches upon capitalism. It thus becomes evident that capitalism and socialism are not irreconcilable opposites whose struggle exhausts all existence; on the contrary, capitalism and socialism are brothers who share a common material goal: both seek money.

In a planned economy, it would seemingly be the state that rules; in reality, however, it would be big capital — nominally acting in the name and on behalf of the state, but in fact out of its own plenary power — that would dominate German enterprise and the German people, including the working class.

Planned Economy and the Individual

The ideologues of a planned economy always assume that any centralization and regulation, if carried out ruthlessly, must also succeed. The idea of a planned economy, as we find it especially in Müllendorf and Rathenau, appears one-sided in that it is animated solely by the consciousness of those who lead and command, without attempting to put themselves in the position of those who are regulated and must — willingly or unwillingly — submit to the directives of those in authority.

It is forgotten that strict centralization deprives the individual of possible work functions, accustoming them to dependence on prescribed tasks, so that they are then compelled to rely on the central authority — without being able to verify its efficiency or fairness, since all competition is lacking.

This creates the dependence of each individual on the economic centers, so that the number of independent and free people would continually diminish. Even if individuals who feel an inner drive toward freedom wished to help themselves and were capable of doing so, they would not be permitted to, since the economic centers — which, by their very purpose, must suppress all competition — would exclude them.

A remark by Treitschke may be cited here: “Every expansion of state activity is a blessing when it awakens, promotes, and refines the independence of free and rational people; it is an evil when it kills and stifles that independence.”

And this loss of individual independence is particularly grave because, in a planned economy, the individual must become acutely aware of their dependence on higher economic authorities. Owing to the centralistic and bureaucratic nature of such an economic system, the more dependent a person feels, the more immature they become — and the less willing they are to consent to the directives of those who command them.

Planned Economy and the Formation of Personality

The economic life of a people has always proven to be a most significant school for the formation of personality. The creative drive and joy of life of the citizens have continually found in this sphere of activity — which occupies the main part of our existence — their most important field of development.

Since ancient times, this realm of economic life has offered countless individuals, to varying degrees, the possibility of self-determination. As independent entrepreneurs, these citizens could apply their energies according to their own choice and could manage freely with their own ability and their own capital.

The path of personal, self-responsible experimentation was, for them, the prescribed one. No one relieved them of the necessity for daring self-help. Responsibility for their own advancement and that of their families rested essentially on their entrepreneurship, which — through creation and thrift — had to struggle for success and survival alike. That this special situation exerted an extraordinarily strong and significant influence on the formation of the individual will is beyond doubt.

“A people depends on the strength and reliability of the entrepreneurial will, and therefore, restrictions on property rights and other regulations of economic life should never go so far as to paralyze that will. For even the most advanced social policy cannot make up for the harm caused by the suppression of the entrepreneurial spirit.”

Entrepreneurs in the true sense of the word are inconceivable in a planned economy, for in such a system there can only be functionaries who execute the directives of central authorities. One must therefore be clear on the question: is a central authority, or are any economic organizations, capable of successfully taking over the functions of enterprise?

If one answers this question in the negative, acknowledging the legitimacy of the entrepreneur, then it must be admitted that all social-political considerations reach their limit where their realization brings about such paralysis of the entrepreneurial will that the advantages of enterprise can no longer be effective.

Precisely in the economic unfolding of the individual — in his disposition and ability to act according to his own judgment, to serve the common good with his own means

under the compulsion of conscience — there has always been manifested the special superiority of the traditional economic order. Individualism, with its personal character and responsibility, has time and again proven itself as a driving force of humanistic development, as a source of industrious civic virtue.

As a special spiritual value, there was added to the nation's cultural heritage that creative joy of production which gave momentum to the individual. One's own invention and achievement awakened in the producer and distributor of economic goods a sense of satisfaction and vigor, enriching public life abundantly with valuable cultural elements of communal will.

Likewise, the position of the individual consumer within this process had a similar effect on the development of economic endeavors and energies. Each person, through free choice and demand, was able to influence to some degree the creation of labor and commodity values in the market. This possibility continually offered an incentive for examination and judgment, helping to keep inventive powers alive and productive.

Since ancient times, the "arbitrariness of consumer desires," the free play of forces, has proven to be a source of healthy development of interests. I would therefore maintain that the communal will, which according to the spiritual founders of the planned economy must and should operate within it, was in fact cultivated effectively within this traditional economic system.

If I have attempted above to show the favorable influence of the liberal economic order on the formation of personality, it should not, on the other hand, be denied that this system also entails certain deficiencies which the advocates of the idea of planned economic management rightly point out.

The only question is whether what is good and valuable in the inherited economic order would not, through its planned reorganization — which would eliminate all individuality — be so suppressed that the damage caused thereby would outweigh the benefits that a more rational and systematically organized economic order might offer.

It is precisely this question — the answer to which is essential in any critical examination of the idea of a planned economy — that must undoubtedly be answered in the affirmative. At the very least, it seems certain that the educationally detrimental effects of a planned economy upon the individual would, in their nature and scope, be so extensive that no improvement in the vitality of our economic life could be expected from such a system.

In a planned economy, the will to economic action that fosters the growth of healthy national personalities and practical men would certainly not develop more richly than under the present economic order. That comprehensive standardization of enterprises, which the advocates of a planned economy consider its superiority, would inevitably entail the destruction of economic self-determination on the widest scale.

In any case, the implementation of the idea of a planned economy would greatly cripple the individual citizen's ability to employ independent effort and capital. The vast majority of citizens who have so far enjoyed business independence would, under the centralized will of state-authorized and supervised professional and trade associations, fall under a most severe restriction of freedom.

In place of free personal responsibility, a planned economy would substitute dependence upon the opinions and wisdom of its leaders and their organs — association secretaries and bureaucrats.

As with the producer, so too in a planned economy would the consumer's economic education fall into serious decay. His "constructive will," as Rathenau called it, would wither in proportion as he became incapacitated in the market by intolerant higher authorities concerned with normalization and standardization.

In such an economic system, the people would increasingly lose their cheerful faith in personal individuality. Together with the distinctive creative individualism of our nation, much of the German idealism would be condemned to inactivity and given over to stagnation.

Such a development would open the door wide to a spirit of discontent. Where free and courageous creativity yields ever more ground to prescribed duty, and the entrepreneurial spirit exhausts itself largely in futile corporative and political endeavors, the burden of rigid national labor would become doubly oppressive.

A planned, monopolistic economy would depress the spiritually unfree entrepreneur to the despondent state of a disillusioned bureaucrat.

This decline of the joyful faith in one's own life's work would at the same time result in an increase in the hunger for external goods — an increase that would severely impair the nation's upward striving. The more the soil for the development of the free, creative personality — which finds its satisfaction largely within itself — were lost in our economic life, the more broadly would spread among our people the disfiguring and divisive obsession with money and external ambition.

The question whether it is the purpose of the economy to educate the individual — the person active within economic life — into a moral personality was not the subject of discussion here. Rather, the intention has been only to examine conceptually the effects of an economic system upon the moral self-orientation of the individual.

And here the comparison turns decisively to the disadvantage of a planned economy. If the view of the ideologues of a planned economy — according to which self-interest and the common good are opposites — were correct, then in a planned economy the promotion of the common good would be extremely difficult, because through the suppression of faith in one's own life's work it would lead to a crudely materialistic outlook on life, as was attempted to be shown above.

The Economic Effects of Implementing the Idea of a Planned Economy

Anyone who undertakes to examine the economic effects of implementing the idea of a planned economy — whose nature and aims were outlined above — must not cite the German war economy against the ideologues of planning, nor seek to infer from its failures the inadequacy of the collectivist theories they represent.

The war economy arose from an entirely different intellectual foundation. It was neither a communal economy in the sense of the planners, nor a free economy. Insufficient familiarity with the phenomena and laws of economic life prevented the civil servants from preparing and then directing a corresponding war economy.

On the other hand, the economic professions only gradually came to see their professional work as serving the general public. Thus, due to insufficient mutual understanding, state and economy could not become a truly unified whole such as had been envisaged.

That their performance discredited the concept of a communal economy in many circles is undeniable, but this cannot serve as a refutation of the idea of planned economic management. In a conceptual investigation, every allowance must be made for the factor of personnel selection.

Accordingly, in the following discussion we are to imagine a planned economy directed by the best-trained and most well-intentioned officials. If such officials were absent or almost absent in the war economy, it was because during the last great war the physically and morally capable and useful elements of the nation were not at home — a phenomenon that recurs in every war.

If, therefore, we imagine a planned economy administered by conscientious officials, it must then become evident whether, and to what extent, obstacles to economic success arise inherently from the very nature of planned economic management, independent of incidental circumstances.

Two paths have so far been proposed for realizing the idea of a planned direction of the economy. One is represented in the Saxon Socialization Program of Neurath, Krönold, and Schumann. A central authority, equipped with an enormous apparatus of statistics (Neurath's "universal statistics"), was to determine needs and then uniformly assign orders to individual enterprises, which would then deliver their products to designated business offices or directly to processors.

This is pure utopia and fantasy, containing no concrete proposals. Neurath attempted to implement this "socialization program" during the council dictatorship in Bavaria but was forced, in the course of the attempt, to recognize its impracticability himself.

The other path employs existing organizations or seeks to achieve its goal by creating new economic bodies — whether general compulsory syndicates or self-governing

industrial associations. These are intermediary organs intended to “consciously direct the national economy in favor of the national community and to control it socially.” The management would have to oversee at least the production of goods itself and attempt thereby to influence the entire national economy.

There is, however, a fundamental difference between an economic order that grows and develops freely, as has been the case throughout economic history, and one that is artificially constructed and deliberately created.

In this respect, the history of cartels and syndicates is very instructive, showing how they first emerged slowly, gradually assumed firmer forms, and only at the culmination of this development produced a stable structure such as the coal syndicate. The history of the guilds likewise shows that they continually changed — just as the current economic form of capitalism was not artificially constructed and imposed, but rather developed and grew organically.

It is of great importance whether one seeks to create such institutions coercively, to which economic life must conform, or whether they have developed naturally from within economic life itself and continue to change along with it.

A planned direction of the economy envisages the artificial creation of economic structures — and precisely this calls into question the achievement of its goal, the increase of production. Such artificially created organizations easily lose their adaptability precisely because they are created arbitrarily. They tend to ossify, to become rigid organizations — all the more so, the more freely they are conceived.

In order to critically examine the economic effects of the idea of a planned direction of the economy, it is first necessary to determine the economic measures required for its realization.

Since the memorandum of the Reich Ministry of Economics of **July 5, 1919** contains a fully developed program for a planned economic administration, the measures proposed in that memorandum will be listed here — those which, apart from the so-called **Wissell Plan Economy** propagated there, every planned economy would logically have to confront:

1. Distribution of raw materials and production of goods according to the urgency of demand.
2. Influence on price formation through control of price structure, as well as through:
   a) relocation and closure of enterprises,
   b) technical improvements, especially standardization and normalization.
3. Regulation of sales.

We shall examine these measures of planned economic administration to determine whether they actually increase national production and the total quantity of goods, and

whether thereby the individual share in production — and thus real income — can be increased.

A) Distribution of Raw Materials and Production of Goods According to the Urgency of Demand

The distribution of raw materials according to the existing capacity of enterprises, as long as raw material shortages prevail, is in the general interest — not only to secure supply for a few capital-strong firms, but also to maintain smaller enterprises. Such distribution could be implemented without large organizations; indeed, the former Commission for Transitional Economy had already worked out such a key.

Quite different, however, is the permanent allocation of raw materials according to the urgency of demand, since this would prescribe the direction of production. The urgency of need is a highly variable measure, depending not only on the structure of income and purchasing power of the population but also on export possibilities.

It would require a complete reorganization of all enterprises if domestic industry were to produce solely for the most pressing national needs. From the standpoint of the national economy, however, the export of luxury and high-quality goods is far more advantageous than that of mass-produced items. Therefore, luxury production would also have to be permitted to some extent. The majority of our production concerns mass goods on the one hand and means of production on the other, while conspicuous luxury plays only a negligible role.

The overestimation of the importance of nonessential needs — of luxury consumption — arises from the fact that the satisfaction of luxury desires takes place before our very eyes, in public view: luxury goods are those displayed in shop windows and provoke attention and excitement through their ostentation. In reality, luxury production constitutes only a vanishing fraction of total national production.

The gain in productive capacity for general mass production would therefore not be significantly increased by a ban on luxury production, as the planned-economic way of thinking might assume. This follows already from earlier remarks on surplus value: since the portion of surplus value actually consumed by the possessing class, relative to total wages, represents only a small fraction, even a planned redirection of production toward essential needs could not yield any significant additional output for the whole population.

The debate over the economic assessment of excessive consumption is very old. The concept of luxury is by no means clear and seems to depend on the level of culture, on prevailing social customs, and on national prosperity. The realization that as a people we have become impoverished is harsh — as is the conclusion that every individual member of the nation therefore has the duty to practice restraint.

Whether this moral demand can be achieved through a governmental restriction of luxury production is doubtful; the goal is much more likely to be achieved if we appeal

directly to individuals to act according to this insight. If people are unwilling to do so voluntarily, they will also sabotage any attempt at state-imposed luxury restrictions.

Here, “luxury goods” are understood to mean goods valued only because they are expensive and because one wishes to distinguish oneself through their use. Luxury, in this sense, has the character of provocation and serves to deepen social contrasts and to intensify hostility toward property in general.

If the production of such goods were prohibited, little national labor would thereby be saved that could benefit the common good. To achieve any savings of significance, the concept of luxury would have to be expanded very broadly to include goods desirable but not essential to life.

Even then, it is far from clear whether prohibiting such luxury production would increase the output of urgently needed goods.

For the very increase of luxury needs is the main cause of rising labor intensity. We exert and develop our powers because we have needs to satisfy — because we wish to enjoy. It is a ruse of nature that enjoyment is the detour through which man is spurred to higher productivity.

Even a frugal economy should allow every citizen some modest sphere in which to indulge a personal luxury beyond necessity, for from such pleasures flow energies that, in the end, benefit the national community.

Yet if one disregards this causal link between enjoyment and productivity — recognizing that luxury consumption is only a small fraction of total consumption — then redirecting production toward essential goods cannot significantly increase total output.

Moreover, it is practically impossible to separate production for domestic use from that for export, or even to determine with certainty what truly counts as “urgent.”

To achieve real savings beneficial to society, restriction would have to target not consumption quantity but consumption variety — to simplify and standardize consumption instead of maintaining the infinite diversity of existing needs. Only a redistribution of income can influence this process, gradually steering consumption toward greater uniformity.

“To discern human needs and satisfy only the indispensable among them — therein lies the true wisdom of all economic art,” as Richard von Müllendorff put it.

He explained that proponents of planned economic management imagine the regulation of production according to the urgency of needs much like Fichte’s model of the *Closed Commercial State*. But while Fichte’s moral philosophy remains admirable, his economic methods, products of his time, bear no relation to present reality.

The ideologues of a planned economy assume that human needs are scientifically measurable and that state authorities can and should determine, according to objective criteria, how far production may respond to expressed demand.

Such an assumption implies an unprecedented tutelage over all consumers — supposedly in the name of their “inner freedom” — and founders already on the question of who should decide the order of needs to be met.

Never has such absolute power been entrusted to any group of men as would be the case here. It would amount to a tyranny — one otherwise found only in the rhapsodic utopias of extreme socialists like Thomas More or Campanella.

This idea represents a delirious exaggeration of the belief that economic life can and should be directed solely by the conscious will of a few, and that the economy must never be left to its own balancing forces — an idea now disguised beneath popular appeals to curtail luxury consumption by dictating the “proper” paths of production.

If a national economy becomes poorer — as is presently Germany’s fate — it must, of necessity, adjust itself to a frugal household, for two reasons.

First, because the envy of the broad masses will be sufficiently alert, even without special incitement, to prevent a small circle from indulging in excessive luxury at the expense of the general public, which lacks the essentials.

Second, because as impoverishment progresses and material hardship increases, people will come to recognize clearly and forcefully that the crude materialistic outlook — which since the Revolution has threatened to overgrow everything — brings only apparent advantages to the individual, and that acting in accordance with such a materialist worldview must ultimately work to his disadvantage.

Rising hardship will therefore vividly show people that one cannot forget — without self-harm — that a national community is a community of shared fate. Necessity will thus induce a different moral attitude in individuals.

The foregoing should not be understood as a denial of the legitimacy of attempts to supervise and regulate imports and exports. It would indeed be an unnatural and untenable state of affairs if strong domestic capital and labor forces were devoted to the production of nonessential goods while there remained an urgent need for necessities, or if Germany were importing all sorts of relatively superfluous goods while lacking the most essential ones.

However, the restriction of luxury consumption — the main goal of planned-economic regulation of production according to the urgency of needs — cannot be achieved politically by bureaucratic decrees, since this “urgency of need” is not objectively determinable. It is impossible to measure the scale and intensity of needs scientifically and accurately in advance through statistical data.

Even assuming such a method were possible, directing production accordingly would fail. In the absence of a legal means of satisfying luxury needs, an illegal path would simply arise. One can imagine that at the moment a bureaucrat arbitrarily forbids the purchase of certain goods he labels “luxury,” those very goods would suddenly appear to many as supremely desirable — precisely because they were forbidden — although these same people had never before noticed their absence.

Likewise, the attempt to regulate and control imports and exports remains an experiment with unsuitable means — as the past two and a half years have amply demonstrated. Despite all this control, billions’ worth of superfluous goods have flowed into Germany in recent years.

In place of coercive re-education, only the moral education of man himself can remain — instead of an economy directed by the principle of moral compulsion.

B) Influence on Price Formation through Control of Price Structure

A particularly delicate issue is that of prices — or the influence upon them — as envisaged in a planned economy. It is delicate because, in an economic system based on private property, price functions as the regulator of income, circulation of goods, and production itself.

The market price of any commodity includes:

1. Wages and salaries paid to workers,
2. Wages for managerial labor,
3. Interest on fixed and operating capital,
4. Entrepreneurial profit,
5. Taxes on production and turnover,
6. Trade margins and distribution costs.

Price control aims to reduce those cost elements that allow a lowering of prices without directly cutting the first element — wages. Thus, with stable wages, prices should be reduced by trimming elements 3, 4, and 6. Wissell therefore proposed the establishment of “price inspection offices,” or neutral bodies for economic production, charged with verifying all cost elements for legitimacy. Whether such bodies could truly be considered neutral is doubtful.

After such examination, fixed prices would necessarily be set for all price-forming factors. Yet even if official decrees lowered prices, it is easy to imagine that the working class, influenced by its political upbringing, would soon regard these fixed wages as inadequate — and strikes would follow. This would jeopardize the central aim of a planned economy — the increase of production — and render the entire project of

price control illusory. Consequently, strikes would have to be legally prohibited in a planned economy.

Wissell thus proposed a “Law on Industrial Peace,” limiting the right to strike: disputes must first go before an arbitration court, and nine-tenths of all workers in a company must vote in favor of a strike in a secret ballot. Although not formally a strike ban, this law would effectively amount to one — for it is hardly conceivable that nine-tenths of all workers would ever vote for a strike. Even among workers, the understanding has spread that strikes bring uncertain gains but certain economic harm and personal hardship.

Hence, efforts to curb or prevent chaotic strikes are to be welcomed — though it is doubtful whether such a goal can be achieved through legal prohibition. Far more promising is the idea of depoliticizing and better organizing the labor market. If both sides of the “exchange pair” — employer and employee — learn to respect one another in the labor relationship, conflicts will diminish. The more workers are made interested in the product of their labor and in the shared goals of production efficiency, the fewer strikes and lockouts will occur.

Still, such harmony cannot be achieved without realizing the broader concept of a coordinated (planned) economic order. It is a misconception to believe that moral or legal commands alone can eradicate strikes.

It is certain that in a planned economy — where competition is eliminated — some cost elements (such as advertising) would indeed disappear. Yet whether this would actually lead to lower prices is doubtful, since creating and maintaining price inspection offices would introduce new costs.

Underlying this is the idea of syndicates regulating prices, but even this concept remains incomplete. Even in the strictest centralized system, competition cannot be entirely eliminated, and employers and workers often collude at the expense of consumers.

In a planned economy, prices would tend to follow the least efficient producers, or else — through miscalculated “norming” by bureaucratic agencies — production would be hampered, damaging the national economy.

To attempt a national price policy in such a system reflects the lingering mentality of wartime command economics. Such control may suit an autarkic economy, but not an industrial nation dependent on imports and exports once free trade is restored. Even if practically feasible, such state-imposed pricing would create rigidity — compelling economic forces to fight constantly against artificial constraints.

By contrast, in a free market unshaped by bureaucratic arbitrariness, only those capable of offering real value in exchange will successfully transact.

It does not seem the right path to counteract the exclusion of the economically weak by nominally lowering prices. Rather, everything must be done to raise the real purchasing power of the masses.

If one wishes to grant workers a larger share of productive output, it is not necessary at the same time to shackle the market. The idea of directing the economy by plan ignores the advantages inherent in the automatic regulation of the free market, which adjusts prices through supply and demand and relieves us of personal arbitrariness.

The free market is not without organization — its advantage lies precisely in compelling both sides, producers and consumers, to organize themselves. Self-interest ensures that price is the result of struggle, and both parties, to secure advantage, form associations. The advantages of free competition lie in this equilibrium of counterforces: even monopolies born from competition are corrected by new competitors.

By contrast, the difficulties of price-setting in a planned economy lie in the need to fix one market price despite unequal costs, and in the danger that schematic control suffocates initiative or harms the more capable.

Von Möllendorff proposed that every producer firm receive revenue composed of material costs, labor costs, salary and interest shares — with any surplus flowing into an equalization fund. Yet this syndicalist concept is dubious: either bookkeeping must be perfectly reliable, or entrepreneurs will conceal bonuses, or constant inspection will be required.

After these general reflections, the specific measures are considered: relocation and closure of firms, Taylorist optimization, formalization, standardization, and rationalization of distribution.

Eliminating inefficient firms might increase productivity, but it is wrong to assume that large factories are always superior. Though they produce cheaper, they support fewer people; small workshops employ more and sustain greater national welfare under unemployment conditions. Absolute concentration of enterprises achieves only apparent rationalization, while overcrowding labor in few centers breeds social ills — high rents, food shortages, and unrest. Efficiency, as Thünen already recognized in 1826, has an optimum that depends on many local factors.

Technical progress likewise meets resistance from small firms — the majority in self-administrative organs — since it eliminates backward elements through competition. Forced introduction of new technology would bring unemployment. Hence, even technical improvement requires a balance between free will, coercion, and planning. Worker co-determination (Mitbestimmung) is important but conservative and slows reform.

Standardization and typification — reducing wasteful variation of forms and models — are beneficial, but they further de-spiritualize labor. The worker becomes a machine-

hand, the clerk a mechanical mind. Labor thus breeds resentment rather than responsibility. Since true responsibility cannot exist within monotonous, mechanized work, it must be increased outside the act of labor — through participation in workplace administration.

Yet the planned-economic solution — giving workers and officials co-determination rights — is flawed: for workers it is never enough, for employers it is intolerable. As long as private enterprise exists, risk cannot be borne by one side while the other co-determines policy without liability.

Therefore, the idea of compensating the diminished inclination to work caused by mechanization through an increased share in workplace administration appears a half-measure, not suited to promoting industrial peace and thereby production.

C) Regulation of Sales

The planned economy has further assigned itself the task of regulating sales according to plan. It aims thereby to achieve a lowering of consumption costs; through this, the individual share in profit would rise, and a lasting increase of production would be attained.

The demand for a planned regulation of sales is aimed primarily at eliminating all those elements which, during the wartime economy and the post-revolutionary period of scarcity, ruthlessly exploited the shortage of goods to enrich themselves at the expense of the national community. Every attempt to exclude such elements, even when it involves the slightest possibility of success, must necessarily serve the national interest by removing unnecessary intermediaries in the broadest sense of the word, consciously and permanently.

The call for a planned regulation of sales means that trade is denied the ability to organize its own market. When trade is accused, for the sake of justifying a planned economy, of abusing its power and of corrupting consumers through the restless search for novelty, of diverting buyers' needs toward unnecessary desires, and of drawing money from savings that would otherwise serve more urgent needs, this proves much against the present state of our social education — though not against trade itself. It speaks more against the underlying system of property distribution.

Trade is also dependent on the general cultural conditions of its time. The satisfaction of needs across all classes is driven by the urge to emulate. Its effects appear most clearly in the imitation of the lifestyle of socially higher groups by lower ones. Because the less wealthy and less educated segments of the population often imitate the external habits of the richer and better-educated, it is not the role of trade, but of personality formation, to instill in individuals a sense for maintaining their own cultural striving.

To what extent and in what direction a planned organization of the economy influences the development of personality will be examined below. Yet even aside from this, a

planned economy seeks savings in trade as such. The multiplicity of commercial circles, as well as the relatively large number of travelers and agents compared with the services rendered, justify the effort toward intensification and rationalization of human labor. Although such efforts often occur spontaneously through the merging of syndicates, associations, and similar groupings, the desired result — a systematic concentration of functions — appears more rapidly and completely achievable under planned direction.

The Costs of Organizing a Planned Economy

Every organization contains new cost elements which limit the maximum of productive capacity. The system of medieval craftsmanship, as well as that of mercantilism, contained a great quantity of dead costs which the liberal economic system set itself the task of overcoming. Yet even within this system new dead items have arisen once more. Unfavorable locations of enterprises, redundant intermediaries, production of purely competitive goods, and expenditures for advertising, etc., constitute dead costs in today's economic life.

The ideologists of a planned economy refuse to acknowledge that the very idea of systematic planning presupposes a large bureaucratic apparatus. Nevertheless, such an apparatus remains indispensable. Not only does the example of the planned Russian economy confirm this; indeed, organization itself and the entire administrative machinery are inconceivable without a large body of officials. Transparency suffers in a different way than under a free system — namely through the complexity of organization itself, through the uneconomic attitude of all persons not directly engaged in enterprise operations, and through the enormous costs of supervision and bureaucratic procedure.

The centralist, or if one will, bureaucratic nature of a planned economy necessarily demands numerous supervisory officials, required for the oversight of economic conduct in the spirit and interest of the national community. It also requires an army of additional officials — hundreds of managers of local, district, and regional employer and worker associations, and finally thousands of officials responsible for the distributive activity of trade, which must continue to be carried out under all circumstances even within a planned economy.

It is difficult to imagine that workers and entrepreneurs could perform the functions assigned to them in a planned economy on an honorary basis. The complexity of these tasks makes it impossible for them to retain their previous occupations and simultaneously manage a form of self-administration that demands the highest degree of responsibility.

Rather, this would require a large staff of directors, department heads, syndics, secretaries, office clerks, typists, and other officials. Every association would need to establish central offices as well as specialist commissions for price fixing ("neutral

offices for economic production”), for regulating sales, allocating raw materials, improving operations, etc. These would hold all relevant data and issue directives and replies. Extensive correspondence would thus be unavoidable.

All these officials and auxiliary personnel, whose sole purpose is to facilitate communication between various groups, represent dead costs and unproductive labor. The national central offices that are to organize and direct economic life compulsorily and systematically would be impossible without a trade bureaucracy. To the state and municipal bureaucracies there would therefore be added a vast corps of commercial officials, along with numerous governmental and economic administrators.

A systematic functioning of these bodies presupposes that their decrees carry compulsory force. Thus, enforcement organs would have to be created, charged with the permanent supervision of individual enterprises.

From the annex to the memorandum of the Ministry of National Economy dated 7 May 1919 — which contains the fully elaborated program of the Wissell-Möllendorff planned economy — an excerpt may serve here to illustrate the dead costs arising from its implementation.

Accordingly, for the iron and metal industry alone, the following collective economic bodies would exist:

I. Three umbrella associations for
A. Iron industry,
B. Metal industry,
C. Industry of iron and metal products.

II. These three umbrella associations would each receive further subdivisions, namely:

The umbrella association A, according to production stages, into specialized associations:
1.) Iron ores of all kinds, manganese ores,
2.) Pig iron, scrap, and iron alloys,
3.) Stainless steel,
4.) Cast iron and pipe casting.

The umbrella association B would receive specialized associations for:
1.) Zinc,
2.) Lead,
3.) Precious metals and goods made thereof,
4.) Copper, aluminum, and their alloys,
5.) A special economic group for jewelry.

For the remaining base metals, specialized associations would be formed as needed. The umbrella association C would receive eight specialized associations.

These specialized associations would again be subdivided into economic groups — namely into ten such groups. Altogether there would thus arise at least thirty-five corporate formations, whose leadership would be composed on a parity basis.

To each of these would belong the organs of the respective economic body:
1.) General assemblies,
2.) Working committees, namely
a) Foreign trade committee,
b) Domestic trade committee,
c) Production committee,
3.) The trustees,
4.) The commissioners.

To these would be added “working communities,” as well as foreign trade offices and auxiliary domestic and foreign trade bureaus.

For the three associations A, B, and C of the iron and metal industry, twenty-one collective economic bodies were envisioned to regulate import and export, in addition to the imperial plenipotentiary. Thus, for the iron and metal industry alone, approximately 125 collective economic bodies would be required.

According to occupational statistics, 13.2 percent of Germany’s population is employed in trade. Whether this number would decline under a planned economy appears doubtful.

Such a multitude of organizations must in any case give pause, since it is difficult to see how this immense chain of institutions could work together smoothly enough for a genuine planned economy to emerge.

Even if the number of officials required for implementing the planned economy were to remain the same, or only slightly exceed the number freed by eliminating unnecessary intermediaries, it must still be emphasized that what matters is not quantity but the work performance of officials. Considering this factor, comparison turns decisively to the disadvantage of the planned economy, which, like every centralist organization, must be bureaucratic and technically inexpert.

For the view expressed by von Möllendorff in his introductory Mannheim lecture — that a future bureaucracy, imbued with the idea of collective economy, would operate more insightfully and economically — cannot be shared; it seems to misunderstand the essence of bureaucratic administration.

The assumption underlying the idea of planned management of an economy — that through compulsory organization of economic life savings in national labor could be achieved — is therefore erroneous, for every form of organization and centralization brings with it a multitude of new cost elements and creates considerable internal friction, greatly impairing overall clarity.

The assumption that the Ministry of National Economy, which in May 1919 published that memorandum on a planned economy in all its details, conducted thorough investigations on this highly important question of internal organizational costs, is incorrect. The desire for a cheaper planned economy was so strong that it seems to have been taken for granted.

If, despite extensive inquiries within the Ministry itself, no precise numerical data on the organizational and administrative costs of a systematically managed economy could be obtained, then comparison with the internal administrative costs of the wartime command economy would serve only as an emergency measure.

For one and a half years, a commission appointed by the Ministry at the request of the Reichstag investigated the management of the wartime companies, also dealing with this important question. Its work and findings, in general, were likely submitted to some Reichstag committee.

The investigations relevant here — into costs for the purpose of enabling comparison with the expenditures for unproductive labor in the free economy — are, however, carefully locked away in some cabinet of the Ministry of National Economy. The reasons for this are irrelevant in the present context.

For an ideal economic order, the primary aim must be to reduce organizational costs to a minimum. This is the first and most essential matter to be examined in any system: how great is its inner resistance, and consequently, how large are its dead costs.

Neither Wissell and Möllendorff — the intellectual fathers of that memorandum — nor Rathenau conducted such an investigation.

That the complicated and bureaucratic structure of a planned economy, as described above, would increase unproductive expenditures appears beyond doubt.

The political-psychological aspect has not been neglected in this critical analysis. The awareness of greater power, and of the corresponding influence in an economic system supposedly better aligned with justice, may make people more willing to submit to circumstances — may even serve as an incentive to labor.

Whether and to what extent this would indeed be the case in a planned economy cannot be scientifically measured. The sharply materialistic mindset prevailing today among wide circles stands in opposition to it.

The politician’s will perceives solutions where, for the time being, only problems exist. The wish that it might be so is not yet its realization. In any case, the results of the socialization measures carried out thus far give strong grounds for doubt in this respect.

Even if one accepts the ethical principle of the planned economy as a motive for work, it still proves not to be the economically more fruitful one, since it introduces into the

system a new source of dead costs and unproductive labor on a large scale — particularly in the matter of price formation.

Administrative management of collective economy according to private-economic principles, as envisaged in a planned economy, is a contradiction in itself. One cannot, in the same breath, uphold the energetic principle of the free entrepreneurial spirit — which always carries within it the striving for profit — and at the same time demand state administration bound by rigid planning.

The Idea of a Planned Economy Considered from the National Standpoint

Remarks

The ideologues of a planned economy wish, through its realization, to secure a better future for the German people. According to Richard Wagner, *Volk* means the community of those who share the same fate. Yet despite this common hardship, we are today more deeply divided than ever before as a national community. The division of our people is bound to a seemingly irreconcilable hatred between right and left.

Is the realization of the idea of a planned economy suited to bridging this division? This question must be answered in the negative, for the idea of a planned economy fails to recognize that economic questions, while they form the lowest foundations and prerequisites of all life, can never constitute the content or summit of a national development — never the focal point of a great spiritual movement. We do not live for the sake of material means.

The idea of systematically directing the economy represents an attempt to relieve individuals of their concern for the struggle for existence through regulatory intervention in the conflict between capital and labor. This is a fundamental error. The planned-economic interpretation of economic processes is rooted in the very moment when all forces of a people, under capitalist and anti-capitalist banners alike, dissipated themselves in the struggle between capital and labor. Both are but parts of reality.

The realization of a planned economy would not only hinder the natural selection and unfolding of personalities; it would actually prevent the formation of independent, self-conscious men of action — the very type we need most today if we are not to despair of our national future.

On the Necessity of a Planned Direction of the Economy in Wartime

The preservation, training, and perfection of nationality is one of the main aims of a nation’s striving — and must be so. The power of a nation is determined primarily by

its economic condition. Since the emergence of the modern state system, we have witnessed a rivalry among individual powers engaged in the fiercest competition. Through economic development, they gain in wealth and population.

To achieve such growth, every art of economic policy is employed. Economy serves power; power serves readiness for war. Economic competition corresponds to the war of trade — the commercial war. War and economy thus stand in a relation of construction and destruction, mutually dependent in a permanent state of tension, a dynamic equilibrium.

And this is as it should be — for otherwise the citizen would lose his edge, would become a complacent property-holder or a lumpen proletarian; the inner vigor of economic creativity would be lost. Despite the delusions of utopian dreamers, we must also reckon in the future with the struggle of great political individuals.

It is worth examining whether the idea of a systematically directed economy may legitimately aspire to realization only when the nation's very existence — for example, national defense — requires a planned structure and centralized leadership of the economy.

If, at the onset of such a situation, the national mindset were the same as in 1914 — animated by pure and genuine patriotism — then the ethical preconditions for a planned economy would partly exist. Yet even without a full planned economy, wartime organization of the economy would be conceivable, if the state, through adequate mobilization of existing professional associations, ensured sufficient procurement by trade and prudent industrial preparation.

To this duty of foresight must be added the obligation of the state to promote the numerous substitute industries which, during the last war, proved themselves efficient and productive even under lack of preparation. This would be an indispensable condition for their further development, by securing a market capable of absorbing their output.

For such a national policy of economic preparedness, neither Smith nor Ricardo — the advocates of the principle of profitability — can be guides. Only List and Rodbertus, who taught us to place the development of productive forces at the forefront, provided that the preservation of the nation — and thus of every private economy — demands it.

Nevertheless, there can be no policy of stockpiling aimed at preparing for every possible expansion of war. Due to the geographical situation of our homeland, we must reckon in any future war, despite prior precautions, with a wartime economy of scarcity.

All objections to a systematic direction of the economy would in this case have to yield before the national aim of creating, through planned economy, the economic preconditions for the conduct of war.

It is clear that a planned economy in wartime does not coincide entirely in its premises, measures, and goals with the economic system critically examined in previous sections.
The essential economic features of both — centralized control of production and prioritization of needs according to urgency — are, however, in wartime directed toward securing the army's supplies, which fully justifies the term *planned economy* in this context.

Planned Economy and National Unity

The German national character corresponds to no unqualified, centralized regulation but rather to the economic and political form of federalism. Frisians, Pomeranians, Rhinelanders, Swabians, Thuringians, and Holsteiners; the Saxon tribes of northern Germany; the old Alemannic tribes of southern Germany — all demand recognition of their distinct character.

Any attempt to impose the inherent strict centralization of a planned economy from one single center — from Berlin — would, beyond doubt, provoke reactions in wide parts of the Reich, especially in southern Germany, whose consequences would be unmistakable.

Such an attempt would inevitably weaken and endanger the idea of national unity. The unity of the Reich, sealed with the blood of our fathers, is the foundation of Germany's rebirth. The realization of the planned-economy idea would, however, threaten the unity of the Reich — the unity so arduously rescued from the ruins of collapse and carried over into the present.

Thus, the idea of a planned economy cannot serve as the starting point of national rebirth. Rather, it is the awakening of consciousness and will — to rouse all forces slumbering within the nation and raise them to mighty achievement.

The prerequisite for this is liberation from political and economic fetters.

Then envy, malice, negligence, and bitterness — these sad despots of our age — will vanish, and patriotic tones will once more thunder in powerful resonance across the land.