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WALTHER RATHENAU

A PIONEER OF THE PLANNED ECONOMY¹

By W. O. HENDERSON

THE planned economy and arrangements for social welfare in many capitalist societies to-day owe their origin to ideas emanating from very different sources. While socialists have played a leading rôle in recasting the capitalist economies of Britain, Australia, New Zealand and the Scandinavian countries, parallel changes in Germany and the United States perhaps owe more to planners who have had little sympathy with socialist ideas.

Few outside the socialist camp contributed more towards the theory of the capitalist economy than did Walther Rathenau, whose books and pamphlets were widely read between 1917 and 1920.² And during the first World War Rathenau made a significant contribution to the practice of national economic planning by organizing the German raw materials department.

Rathenau, however, is no longer remembered as the exponent of the revolutionary ideas expressed in *Zur Mechanik des Geistes* and *Von kommenden Dingen*. He is remembered as head of the Allgemeine Elektrizitäts Gesellschaft (the A.E.G.),³ director of many companies,⁴ prominent

¹ For W. Rathenau's works see E. Gottlieb, *W. Rathenau Bibliographie* (Schriften der W. Rathenau Stiftung, 1929, III). Rathenau's major works were: *Zur Kritik der Zeit* (1912); *Zur Mechanik des Geistes* (1913); *Von kommenden Dingen* (1917: translation, *In Days to Come*, 1921). His shorter writings may be divided into three groups: (i) before 1914: 'Die neue Ära' (*Hannoverscher Courier*, 12 Feb. 1907); 'Über Englands gegenwärtige Lage' (memorandum to Bülow of 1908), *Staat und Judentum* (1911); (ii) 1914-18: 'Deutschlands Rohstoffversorgung' (lecture to the *Deutsche Gesellschaft*, 20 Dec. 1915); *Probleme der Friedenswirtschaft* (1917); *Die neue Wirtschaft* (1917); 'Ein dunkler Tag' (*Vossische Zeitung*, 7 Oct. 1918); (iii) 1919-22: *An Deutschlands Jugend* (1919); *Kritik der dreifachen Revolution* (1919); *Die neue Gesellschaft* (1919: translation, *The New Society*, 1921).

A selection of W. Rathenau's works (*Gesammelte Schriften*) appeared in 1918, and a supplementary volume in 1929. There are also collections of his speeches (*Gesammelte Reden*, 1924) and letters (*Briefe*, 2 vols. 1926; new edn. with supplement, 1927; also *Politische Briefe*, 1929).

See also the following biographies: H. Brinckmeyer, *Die Rathenaus* (1922); G. von Schmoller, *W. Rathenau und H. Preuss...* (1922); M. Scheler, E. Hermann and A. Baumgarten, *W. Rathenau* (1922); L. Brentano, *W. Rathenau und sein Verdienst um Deutschland* (1922); 'Walther Rathenau' (special number of *Das Tagebuch*, 16 June 1923); *Zum Gedächtnis an W. Rathenau* (A.E.G., printed privately); K. Sternberg, *W. Rathenau, der Kopf* (1924); H. F. Simon, *Aus W. Rathenau's Leben* (1924); Edda Federn-Kohlhaas, *W. Rathenau, sein Leben und Wirken* (1927); Count Harry Kessler, *W. Rathenau, sein Leben und sein Werk* (1928; English translation, 1929); Gerhart Hauptmann, A. Brecht and E. Redtslob, *Gedenken an W. Rathenau* (1928); Kurt Riezer, 'W. Rathenau' (*Deutsches Biographisches Jahrbuch*, IV, year 1922 (1929)); A. Kerr, *W. Rathenau* (1935); P. J. Bouman, *Jaurès, Wilson, Rathenau* (Amsterdam, 1936); R. Thiel, *Die Generation ohne Männer*.

² When 60,000 copies of *Von kommenden Dingen* (Feb. 1917-June 1918) and 30,000 copies of *Die neue Wirtschaft* (Jan. 1918) were being sold Rathenau was 'the most widely read and the most passionately discussed German author' (Harry Kessler, *W. Rathenau...* (Berlin, 1928), p. 231). See Gustav von Schmoller's review of *Von kommenden Dingen* in *Schmoller's Jahrbuch* (1917), xli.

³ In 1899-1902 Rathenau was head of the A.E.G. department responsible for constructing power-stations. After an interval devoted to banking and to an African tour he returned to the A.E.G., and became its chairman on his father's death (1915).

⁴ Rathenau was one of 'the 300 men, each knowing all the others, who together control the economic destiny of the Continent'. This sentence—which appeared in an article by Rathenau in the *Neue Freie Presse* (Vienna) on 25 Dec. 1909—was quoted by Rathenau's critics in such a way as to suggest that Rathenau approved of an arrangement whereby a small number of great

banker,¹ and founder of the War Raw Materials department; as the exponent of a new reparations policy which led to the Wiesbaden agreement with Loucheur in October 1921;² and as the man who brought Soviet Russia and Germany together by the Rapallo Treaty of April 1922.

The true significance of Rathenau's career, however, lay neither in his business nor in his political achievements. He did not found the A.E.G.—that was his father's work³—and as a company director and banker he was no more powerful than a dozen others. His opportunities as a statesman were limited, since he held ministerial office for only about twelve months.

It was natural that a solid banker like Carl Fürstenberg should regard Rathenau as a brilliant industrialist 'whose writings were by no means his greatest achievement'.⁴ Many contemporaries agreed. But some of Rathenau's writings had a profound influence at the end of the first World War. To-day a later generation—which can study his ideas in the light of recent developments—may regard Rathenau primarily as the brilliant critic of early twentieth-century capitalism, and as a far-seeing reformer who would have recast capitalist society without introducing socialism.

Rathenau's theories on the planned economy earned him much abuse from both Socialists and those who wanted to leave things as they were.⁵ He realized that he aroused opposition by championing new ideas rather too soon for the average man to understand them.⁶ Events have shown that Rathenau's prophecies were often right, and that many of his unorthodox proposals were not so impracticable as they at first appeared. Indeed, the revolutionary ideas of one generation often became the platitudes of the next.

One reason why Rathenau was distrusted was because of his astonishing versatility. In an age which respected the specialist, it was hardly surprising that some should regard Rathenau as jack of all trades and master of none. He was a company director and a banker; a research physicist and a philosopher; an accomplished orator and artist; a writer and a statesman. Some contemporaries did not withhold their admiration for the versatility of Rathenau's genius. The poet Fritz von Unruh wrote:

'Statesman', says one; 'Philosopher' a second;
Third calls thee 'Friend'; 'Maecenas' says another.
The world of business claims thee; yet who knows whence
these opposites derive? At what deep fount
Thy many-gifted soul finds sustenance?

industrialists and bankers dominated Europe's economic life. Actually—as Rathenau remarked in a letter of 3 March 1921 (*Briefe*, II, 332–3)—the article condemned 'economic plutocracy'. The least scrupulous of Rathenau's enemies pretended that Rathenau had said that 300 Jews controlled the world.

¹ Rathenau served with the *Berliner Handels-Gesellschaft* from 1 July 1902 to 1 July 1907. At that time this bank was the sixth largest in Germany: see Dr Rieser, *Die deutschen Grossbanken*... (Jena, 1910), pp. 483 and 498, and Hans Fürstenberg (editor), *Carl Fürstenberg: Die Lebensgeschichte, eines deutschen Bankiers 1870–1914* (Berlin, 1918).

² For Rathenau's reparations 'policy of fulfilment' see Dr Reichert, *Rathenau's Reparationspolitik* (1922), G. A. Neumann, *Rathenau's Reparationspolitik* (1936) and H. F. Simon, *Reparation und Wiederaufbau* (1925).

³ For W. Rathenau's father (Emil), see biographies by F. Pinner (1918), Alois Riedler (1916), A. Fuerst (1915) and H. Brinckmeyer (1922).

⁴ Hans Fürstenberg (editor), op. cit. p. 380.

⁵ For criticisms of W. Rathenau see W. Lambach, *Diktator Rathenau* (1920) and Roderick-Stoltheim, *Anti-Rathenau* (1922).

⁶ W. Rathenau to H. Schubert, 9 Dec. 1918 in *Briefe*, II, 80.

But there were others who mistrusted a man who excelled in so many spheres. Rathenau admitted that he was popularly regarded as 'a dilettante in sixteen fields of activity and a company director in his spare time'.¹

The contradictions between Rathenau's unconventional views and his business triumphs alienated some whom he hoped to influence. Rathenau's critics declared that only a charlatan could enjoy great wealth while preaching 'the nationalization of industrial monopolies, the abolition of the right to dispose of one's property by will, the imposition of heavy taxes to abolish great wealth, the freeing of the workers and the establishment of a classless society'.² Rathenau failed to answer such attacks effectively. Few believed him when he claimed to enjoy only a modest middle-class standard of comfort in his luxurious villa at Berlin-Grünwald, or when he said that he had purchased a royal country house (Schloss Freienwalde) merely to preserve it for posterity.

Since he was an extreme individualist, Rathenau failed to make his mark as a party leader or founder of a school of thought. Before 1914, he tried to secure nomination as a Reichstag candidate for Frankfurt on Oder but his Jewish origin and unusual views prevented his name from going forward. In the autumn of 1918 he tried to form a political group (the *Demokratischer Volksbund*) but this failed completely—as did his attempt to represent Liegnitz in the Weimar National Assembly. He usually intervened in politics on his own responsibility, acting as a prominent industrialist and not as a party leader.³

The difficulty that Rathenau sometimes experienced in working with others hampered a brilliant career. His differences with his father caused him to embark upon a banking career (1902).⁴ His missions to Africa with Dr Dernburg were followed by a rift between the two men.⁵ Rathenau first made his mark as a writer in *Zukunft*, but he quarrelled with its editor (Maximilian Harden) and the two were never reconciled.⁶ Rathenau was one of the first to recognize Ludendorff's merits and to press for his promotion,⁷ but again a difference of opinion led to bitter enmity.⁸

The inconsistency between Rathenau's social doctrines and his way of life was equalled only by the inconsistencies between his political writings and his

¹ W. Rathenau to Kroepelin, 20 Jan. 1912 in *Briefe* (1927), I, 89. Carl Fürstenberg wrote in his memoirs (p. 380): 'In Germany, a country of specialists, it was this man's versatility that damned him most of all. The industrialists regarded him as only half a writer and the literary world saw in him only half a director of companies and banks.'

² Harry Kessler, op. cit. p. 145. For Rathenau's own summary of what his critics were saying about him see op. cit. pp. 147–8.

³ For example: Rathenau's proposal (1911) to stop international arms rivalry by limiting expenditure on armaments according to the size of a country's population—such expenditure to be supervised by an international financial council (*Gesammelte Schriften* (1918), I, 173 ff.); his interview with Scheuch which led to the establishment of the war raw materials department (ibid. v, 23 ff.); his letter to Ludendorff of 16 Sept. 1916, advocating the transfer of Belgian civilian workers to western Germany—a proposal which he had previously opposed (W. M. Knight-Patterson, *Germany from Defeat to Conquest* (1945), p. 79); his abortive attempt to persuade Ludendorff in 1917 that the submarine campaign had failed (H. Kessler, op. cit. pp. 53–4); his appeal for continued resistance to the Allies (*Vossische Zeitung*, 7 Oct. 1918); and his open letter to Colonel House in Dec. 1918 (H. Kessler, op. cit. pp. 281–2).

⁴ H. Fürstenberg (editor), *Carl Fürstenberg...* (1931), p. 378.

⁵ Ibid. p. 471.

⁶ Ibid. pp. 380–1 and H. Kessler, op. cit. p. 158.

⁷ 'I got to know Ludendorff in Kovno at the end of 1915. I felt that he was the man to lead us, if not to victory, at least to an honourable peace and from that day onward I was one of those who did all in their power to smooth his path to the Supreme Command' (W. Rathenau in the *Berliner Zeitung*, 23 Nov. 1919; see also H. Kessler, op. cit. p. 252 and W. M. Knight-Patterson, op. cit. p. 293).

⁸ K. Kessler, op. cit. pp. 287–8.

political acts. Between 1907 and 1914, while criticizing the policy of the administration, he remained in close touch with the Kaiser and with official circles in Berlin and twice accompanied the Colonial Minister on government missions to Africa.¹

When the Weimar Republic was established Rathenau remained a lone political figure.² He had offended the socialists as much as the right-wing politicians. He failed to enter the National Assembly and when he was nominated to the first Nationalization Commission (*Sozialisierungskommission*) strong opposition led to the withdrawal of his name.³ At a time when his economic theories were widely discussed he could not dissuade Wissell and von Möllendorff⁴ from trying to rush through schemes for a bureaucratic planned economy.⁵ Rathenau realized that these plans would fail—and the Government did reject them in July 1919—and that their premature introduction would prejudice their chances of being revived later.⁶

Both the Kaiser's Government and the Republic used Rathenau's services—but only in grave emergencies when his unique gifts could not be overlooked. In August 1914 he was called upon to stave off a threatened shortage of raw materials, but no sooner had he devised the necessary machinery than his opponents placed difficulties in his way and he resigned. In 1921–2, when Germany's fortunes were at their lowest ebb for a century, he shouldered the thankless duties of Minister for Reconstruction (May–November 1921) and Foreign Minister (February–June 1922).

Another reason why Rathenau's proposals were misunderstood was that in his longer works his style was singularly obscure. Among his letters are replies from Rathenau to correspondents who had complained that they could not follow what he had written.⁷ Rathenau's speeches, pamphlets and newspaper articles however, were much more lucid.⁸ In his longer works Rathenau's proposals were buried under philosophical and sociological disquisitions.

¹ That Rathenau took these visits seriously—and not, as Kessler suggests, merely as an 'agreeable vacation' (p. 139)—may be seen from his memorandum of 15 Nov. 1907, to Dr Dernburg on the opening up of German East Africa. The memorandum was printed in Rathenau's *Reflexionen* (Leipzig, 1908), pp. 143–98.

² Rathenau's opinion of political changes in Germany in 1918–19 was: 'We have now a Republic in Germany; no one seriously desired it. We have at last established parliamentarianism; no one wanted it. We have set up a kind of socialism; no one believed in it' (*The New Society*, p. 11).

³ See Rathenau's letter to Fritz Ebert, 16 Dec. 1918, protesting against the withdrawal of his name (*Briefe*, II, 87–9).

⁴ Wissell and von Möllendorff were, respectively, secretary and under-secretary of state for economic affairs. Both resigned in July 1919. For Wissell's views see his *Praktische Wirtschaftspolitik* (1919). Von Möllendorff had been an engineer with the A.E.G. and had served in the war raw materials department. For his views see *Deutsche Gemeinwirtschaft* (1916) and *Konservativer Sozialismus* (1932). For Rathenau's high opinion of von Möllendorff's abilities see his letter to Dr E. Schairer, 21 Sept. 1917 (*Briefe*, I, 318–19).

⁵ See *Denkschrift des Reichswirtschaftsministeriums vom 7 Mai, 1919*.

⁶ Wissell, for his part, declared in a Reichstag debate on 8 Mar. 1919, that Rathenau wanted to turn German industry into 'a huge A.E.G.' and added: 'He wants a strongly controlled economy with a feverishly increased tempo of labour.' For Rathenau's sharp retort see *Zukunft*, 12 Apr. 1919 and H. Kessler, op. cit. pp. 275–6.

⁷ 'Many readers complain that my books are difficult to understand and I must unfortunately believe them' (W. Rathenau to G. Frenssen, *Briefe* (1927), I, 305); see also W. Rathenau to J. Meinel in *Briefe*, I, 264.

⁸ Some of Rathenau's later pamphlets, however, show signs of the rapidity with which they were written. Carl Fürstenberg, in his memoirs (p. 380), wrote: 'Eventually in this last phase of his career, when Rathenau was overburdened with duties of all kinds, he actually dictated a book in one or two nights.'

This explains why Rathenau has been judged largely on his pamphlets of 1918–20 rather than on his earlier books. Rathenau himself complained of this.¹

Rathenau regarded his later pamphlets as tracts for the times. In them he applied to the problem of Germany's post-war reconstruction the principles much more adequately presented in his earlier works. Those who neglect Rathenau's longer works may miss a fundamental aspect of the author's approach to economic problems. Rathenau's proposals were more than schemes for helping Germany out of the difficulties that followed a lost war. His basic ideas had been formed some years before. They aimed at correcting what Rathenau regarded as the essential weakness of capitalism. He believed that industrial societies were lacking in any spiritual or cultural values. He was ever seeking for a solution of the problem of how the masses herded in factories, mines and offices could find a spiritual purpose in life which would give real significance to their economic activities.² Rathenau's preoccupation with this problem explains his opposition to Socialism, which he considered to be as grossly materialistic as the system which it aimed at overthrowing.³

Rathenau's Jewish origin was another reason for his failure to secure support for his plans. Anti-semitic feeling was strong in Germany in Rathenau's day. He often complained that he was only 'a second-class citizen'⁴—unable in peacetime to aspire even to the rank of lieutenant in the Prussian army. Yet Rathenau was more Prussian than the Prussians. He claimed: 'My people is the German people, my Fatherland is Germany and my religion is that German faith which is above all religions.'⁵ He rejected the Zionist solution of the Jewish problem.⁶ But few Jews of his standing in public affairs were more critical of the failings of some German members of his race.⁷ And although Rathenau preached acceptance of the Christian virtues to the German workers he himself continued to practise the Jewish faith.

As a Jew, Rathenau could not escape the enmity of the more violent German nationalists. No one did more to discredit Rathenau than Lüdendorff (notoriously anti-semitic in his views), who denounced him before a Reichstag committee of inquiry as being a defeatist during the first World War.⁸ The charge was baseless, but Rathenau's reputation suffered.

¹ Rathenau wrote to Gaston Raphael—who was one of the first to attempt an impartial survey and evaluation of Rathenau's projects—'you have relegated my most important book *Zur Mechanik des Geistes* to the background, while the spotlight has been turned upon my shorter writings, which are devoted to questions of the hour. I take the opposite view. I regard the pamphlets... as applications of a fundamental point of view to specific problems of the day, while I look upon the main work (*Mechanik*) as more important just because its ideas can be applied in so many different ways (*Briefe*, II, 340).

² Emil Ludwig considered that Rathenau's approach to social problems reflected a personal inner conflict. The man who never reconciled his activities as an industrialist and a reformer saw his personal conflict as a miniature reflexion of the problems of his age: see Harry Kessler, *op. cit.* p. 99.

³ Rathenau wrote: 'Socialism will remain only an ephemeral solution so long as it fails either to rise to the level of a spiritual force or to enrich the genius of mankind with new ideals' (*Zur Kritik der Zeit in Gesammelte Schriften* (1918), I, 77).

⁴ See, for example, *Staat und Judentum in Gesammelte Schriften* (1918), I, 189 and letter to Frau von Hindenburg, 12 Dec. 1917 (*Briefe*, I, 338–9).

⁵ W. Rathenau, *An die deutsche Jugend* (1919), p. 19.

⁶ W. Rathenau to Dr Apfel, 16 Nov. 1918 in *Briefe*, II, 76.

⁷ See, for example, Rathenau's article 'Höhere Israel' in *Zukunft*, 1897.

⁸ H. Kessler, *op. cit.* pp. 287–8 and General Ludendorff, *The Nation at War* (English translation 1936), p. 83.

When considering Rathenau's schemes for economic planning¹, it is necessary to appreciate his views on the circumstances that, in his opinion, made reforms essential. Rathenau believed that the unprecedented rise in the world's population in the nineteenth century had inevitably led to a revolution in the means of production. Only a factory system run by competent managers and disciplined workers could have achieved the vastly increased output that had been necessary. Rathenau argued that the new economic system, however successful it might have been in securing greatly expanded industrial production, had also significant drawbacks which required immediate attention.

A fundamental weakness of the machine age was lack of culture and absence of appreciation of spiritual values. Helpless in a world where fierce competition in the factory had replaced neighbourly co-operation on the land, the modern worker could now express himself not as an individual but only as a member of a group such as the State, a Church, a trade union or a club. The worker who performed repetitive duties on a machine—responsible for only a fraction of the finished product—could not use his creative faculties like the craftsman of a former age who derived an artist's satisfaction from his labours. At one time workers had adjusted their lives to changes in the creative forces of nature but now they had to adapt themselves to the requirements of a soulless machine. With no creative urge to work, factory hands were forced to labour by fear of unemployment, while for managers the incentives were ambition, love of power and the excitement of beating a competitor. 'His work may bring happiness but it is no longer the pride of creative work—only the satisfaction of achievement. A problem is solved, a danger averted, a step forward has been gained—and so on to the next problem and the one after.' 'Success lies not in creative expression but in expansion. What brings success is the ability to produce the same goods tenfold, nay a hundred fold, in the shortest possible time and at the lowest possible cost.' The businessman triumphed by skill in the arts of the politician—in 'the ability to discover the aims of a competitor and to use them to further his own ends; to see a situation as a whole; to divine the signs of the times; to negotiate; to make alliances; to isolate a foe and to strike a shrewd blow'.² And the vulgar leisure pursuits of the masses brought them no more true happiness than did the dull routine of their daily tasks.

Rathenau believed that capitalism was doomed.³ This was not because of its injustices—though Rathenau emphasized that poverty among workers and

¹ The following is a selection of books and articles which attempt to give a critical analysis of Rathenau's theories: D. Bischoff, *Gedenken zur 'Neuen Wirtschaft'* (1918); G. Raphael, *W. Rathenau, ses idées et ses projets d'organisation* (1919); B. Rebbelin, *W. Rathenau als Sozialphilosoph* (1919); A. Günther, 'W. Rathenau und die gemeinwirtschaftlichen Theorien der Gegenwart' (in *Weltwirtschaftliches Archiv* (1919), xv, v); R. Schwarz, *Rathenau, Goldscheid, Popper-Lynheus und ihre Systeme...* (1919); H. Wentworth Price, *The Ideal People's State according to Dr Rathenau* (printed privately, 1922); T. Brauer, *Rathenau als Volkswirtschaftler...* (1922); E. Weinberger, *L'Économie sociale de W. Rathenau...* (1924); E. Kirchner, *Rathenau's Sozial- und Wirtschaftspolitik* (1926); E. Fuchs, *Das wirtschaftspolitische System W. Rathenaus* (1926); Imre Révész, *W. Rathenau und sein wirtschaftliches Werk* (1927); P. Eberhard, *Freundschaft im Geist* (1927); L von Wiese, 'W. Rathenau als Schriftsteller' (in *Frankfurter Zeitung*, 2 July, 1928); W. R. Fernholz, *W. Rathenau als Nationalökonom* (1930: useful bibliography on pp. xi–xiii); B. Kretzer, *Staat und Gesellschaft. Wirtschaft und Politik in den Schriften W. Rathenaus...* (1932); C. G. Mohnen, *La sociologie économique de W. Rathenau* (1932).

² W. Rathenau, *Zur Kritik der Zeit* (1912), in *Gesammelte Schriften* (1918), I, 86–7.

³ 'Although the machine age has by no means reached its zenith and may only in future generations complete its task of Europeanizing the whole world—and even then it may not reach its apex—nevertheless even today it carries death in its heart' (W. Rathenau, *Zur Kritik der Zeit* (1912), in *Gesammelte Schriften* (1918), I, 147).

obstacles hindering the advancement of able persons were among the greatest social evils of his day.¹ He believed that the machine age was doomed because both workers and middle classes hungered for a new spiritual purpose in life. In 1912 he declared: 'Our age, lacking in all spiritual values, has yet to plumb the lowest depths, but we can already foresee its end... Its dissolution approaches not because of the sacrifices of noble reformers or by revolt by the lower classes but by the rebirth of society from spiritual suffering.'² Rathenau believed that a divine spark survived even in societies apparently hopelessly degraded by capitalism. In a sense his proposed reforms were expedients designed to prepare the way for a social and economic revolution which he felt to be inevitable.

Another weakness of the machine age, in Rathenau's opinion, was that a few people owned or controlled great wealth and were virtually free to dispose of it as they pleased. It was mainly private persons who decided how wealth was to be used. Untold harm had been done by the unwise use of land, minerals, machinery, buildings, technical skill and labour. Rathenau declared that production and consumption should be controlled by society and not by individuals. To waste coal, for example, was to rob both oneself and posterity. The capital, materials and labour used in building a mansion would be better employed in erecting workers' houses. A private park might produce food for the masses. A luxury yacht was less useful than a tramp steamer. A string of pearls represented wealth that could educate a student.

Rathenau also condemned the waste of manpower. Society in future must abolish drones who lived on inherited incomes. Labour—and capital too—could be saved by reducing excessive competition in the home market.³ The number of commercial travellers, advertising agents and petty retailers should be drastically reduced. In the professions, too, manpower should be used economically. Rathenau criticized a state of affairs which made it possible for some six thousand legal actions to be pending in a German colony which had a white population of only two thousand. These were but a few examples of economic arrangements which were, in Rathenau's opinion, as anarchical as the political régimes of the Middle Ages.⁴

Rathenau assumed that 'economic affairs are no longer the responsibility of the individual but of society'.⁵ Since capital, materials and manpower were all limited, he considered that society should control both industrial output and the consumption of goods. To stop wasteful expenditure Rathenau suggested that half of all incomes (excluding the first £150 a year) should be taken by the State in the form of income tax. Imported luxuries should pay a high import duty while those made at home should pay an equivalent purchase tax. Rathenau desired to reduce by taxation the use of motor cars, mansions, private grounds,

¹ W. Rathenau to Max Lotz, 22 May, 1914 in *Briefe*, I, 147.

² W. Rathenau, *Zur Mechanik des Geistes* (1913), in *Gesammelte Schriften* (1918), II, 334.

³ 'If two manufacturers of pills compete and one spends two million marks a year on advertisements and the other spends one; if one employs fifty commercial travellers and the other a hundred; if one disfigures the German countryside with a thousand posters and the other five hundred; and if all this results in one manufacturer selling at home five million more boxes of pills than the other—that makes the pills no better and the customers no healthier and the German economy no stronger' (W. Rathenau, *Die neue Wirtschaft* (1918), in *Gesammelte Schriften* (1918), V, 248).

⁴ W. Rathenau to Frl A. Sonnenfels, 11 Nov. 1919 in *Briefe*, II, 195.

⁵ W. Rathenau, *Probleme der Friedenswirtschaft* (1916), in *Gesammelte Schriften* (1918), V, 91. Rathenau considered that the depreciation of Germany's currency after the first World War was due to a faulty 'free economy' under which people could buy what they pleased abroad, although such purchases harmed the national economy (Rathenau to L. Groh, 25 Nov. 1919 in *Briefe*, II, 196).

jewellery, servants and so forth (the luxuries of the rich) as well as alcoholic drinks¹ and tobacco (the luxuries of the poor).

Economic waste could also be eliminated by controlling the use of all raw materials (especially coal),² by reducing the number of workers in non-essential occupations, by reducing competition in the home market and by limiting the consumer's choice with regard to the variety of articles offered within a single range of goods. The last suggestion anticipated later schemes for the production of 'utility' goods. Even so, Rathenau could hold out little hope (after the first World War) that anything better than a very modest standard of living could be maintained in Germany. He complained that 'the popular mind has . . . resolved to conceive the future on a basis of domestic prosperity about ten times as great as it can possibly be'...³

Rathenau hoped to achieve his aims partly by direct government controls and partly by heavy taxation to reduce private consumption. The second method would reduce the number of very wealthy persons. Two other means of attaining the same end were put forward by Rathenau. One was to eliminate inherited income by high death duties and by restricting the rights of testators.⁴ The other was to control all monopolies.⁵ Rathenau held that in the machine age only 'monopolies breed wealth: there is no other way of getting rich'.⁶

Rathenau's ideal classless society would begin to emerge as penal taxation reduced the incomes of the wealthy to a level comparable with that of the upper middle classes and as the gap between the manual and blackcoated workers disappeared. As early as 1912 Rathenau noticed that the wages of some skilled German artisans were higher than those of the lower-paid blackcoated workers. Rathenau also considered that a classless society should be fostered by introducing equality in education—instead of having one kind of school for rich children and another for the poor—as well as equality of opportunity so that public and business appointments would be filled by merit and not by favour. Rathenau considered that all young people should serve the State for a year in a civilian capacity⁷ and that professional men and blackcoated workers should devote part of their time to manual labour.

If the State controlled output and consumption it must also supervise foreign trade. Private persons (argued Rathenau) should not decide what should be imported or exported. Certain branches of foreign commerce might harm society, however profitable they might be to individuals. The volume of Germany's foreign commerce would have to be restricted. Even before 1914 Rathenau had realized that the terms of trade were turning against the industrialized European

¹ 'There are parts of Germany where every adult drinks on the average three litres of beer a day. This is not merely an excessive consumption—it represents the loss of countless working hours' (W. Rathenau, *Probleme der Friedenswirtschaft* (1916), in *Gesammelte Schriften* (1918), v, 91).

² W. Rathenau, *Von kommenden Dingen* (1917), in *Gesammelte Schriften* (1918), III, 100. Only ten years later (1927) it was reported that a 15 % saving in fuel consumption had been made in the heavy section of the iron and steel industry as the result of researches by a fuel economy institute (see *Germany*, Admiralty Geographical Handbook, 1944, III, 8).

³ W. Rathenau, *The New Society* (English translation, 1921), pp. 60–1.

⁴ 'The cessation of the workless income will show the downfall of the last of the class monopolies—that of Plutocracy' (W. Rathenau, *The New Society* (1921), p. 9).

⁵ Rathenau included in his definition of monopolies—cartels, syndicates, owners of built-up areas, owners of minerals, railways, waterworks, harbours, etc.

⁶ W. Rathenau, *Von kommenden Dingen* (1917), in *Gesammelte Schriften* (1918), III, 130.

⁷ Eventually the *Arbeitsjahr* (Labour Year) was introduced on a small experimental scale on a voluntary basis by the Weimar Republic and was made compulsory under the National Socialist regime.

countries. He saw that the raw materials and foodstuffs that Germany purchased abroad would become more costly as agrarian countries became industrialized and enjoyed a higher standard of living. The finished goods that Germany exported would not find so ready a market if foreigners imposed higher import duties to protect native industries. If Germany's income from exports declined she would—unless income from investments abroad and from services to foreigners increased—have to reduce her purchases from abroad and it would be for the State to see to it that only essential commodities were imported. It would be folly to pay for luxuries with money needed for essential imports. Native raw materials should be used even if they cost more than foreign commodities. Home-produced substitute synthetic products should replace imported natural products. After the first World War Rathenau argued that Germany should profit from the experience of the blockade to reconstruct her economy on the basis of national self-sufficiency (*Binnenwirtschaft*).

Rathenau painted no clear-cut picture of a planner's paradise where everybody's activities were controlled by the State. As a businessman he opposed bureaucratic schemes to organize human activity like a tidy beehive. He advocated the public control of industry but wished to retain the initiative and freedom associated with private enterprise. He claimed always to have championed 'free self-government' in industry as opposed to 'bureaucratic control'.¹ He envisaged a gradual revolution, with many experiments to find out the best ways of organizing the complicated activities of a modern industrial community.

He held firmly to certain basic principles such as the attainment of social welfare by State action and not by *laissez-faire*; the more equal distribution of wealth; the ideal of the classless society; the elimination of waste; the promotion of efficiency; the establishment of national self-sufficiency; and the revival of a sense of spiritual values in industrial communities.

Rathenau suggested various means to attain these ends. Sometimes state ownership and management might be the best method. Sometimes municipal control might be more desirable.² Where a few concerns dominated an industry it might be best for the Government to secure their amalgamation and to exercise some control over the new national cartel. Sometimes it might be best to establish new nationalized concerns on the lines of the 'State Corporations' of the first World War. When this process was completed only a few economic activities would survive in private hands. Rathenau believed that workers should share in the control of industry through joint-committees of management and men.³ He thus hoped to give all workers—manual, skilled and blackcoated—a feeling of creative satisfaction in the achievements of their factory or office.

During the first World War Rathenau was able to put into practice some of

¹ W. Rathenau to L. Ravené, 2 Oct. 1920 in *Briefe*, II, 267–8.

² Even before the first World War Rathenau in a letter to Dr Rosenthal of 27 Oct. 1913 (in *Briefe*, I, 123–4) praised the 'mixed concern'. He wrote: 'I favour the idea of communal and national ownership of industrial undertakings particularly in the form of so-called "mixed undertakings" which are becoming increasingly popular.' He added that undertakings should not assume this new form until after the first phase of technical and commercial expansion was completed. This would reduce the need for experiments by public bodies.

³ Under the Weimar regime a comprehensive system of works councils was established. See M. Berthelot, *Works Councils in Germany* (I.L.O., Geneva, 1924). After the second World War the idea was revived in Western Germany. See 'New Ideas versus Old in Western Germany' (*The World Today*, Aug. 1950, pp. 331–40) for a discussion of 'joint (management-worker) responsibility' (*Mitbestimmungsrecht*).

his ideas on a planned economy.¹ Shortly after hostilities began he was asked to establish a new department in the Prussian War Ministry to control essential raw materials.² Germany was unprepared for a long war. The blockade cut her off from most overseas sources of supply. Unless drastic action had been taken Germany might have been defeated within a few months.

Rathenau's policy was based upon four principles which were in his opinion 'a decisive step towards State Socialism'.³ First, essential raw materials were brought under state control. Their exchange was no longer left to the free play of economic forces but was subordinated to the public interest. Secondly, stocks of raw materials were built up by purchases from neutral countries and by confiscations in occupied territories. In the early months of the war the Germans overran districts which contained considerable supplies of wool, rubber and nitrates. Thirdly, raw materials which were in short supply were replaced as far as possible by materials (or substitutes) that could be produced in Germany. A striking example of this was the rapid erection of plants to manufacture ammonia as a by-product of coal distillation and also nitrogen extracted from the air by new processes. In this way Germany—hitherto largely dependent upon Chile for nitrates—averted what might have been a catastrophic shortage of high explosives.

To speed up the output and processing of raw materials Rathenau devised a new form of industrial organization. This was the 'War-Corporation' which came—as he put it—midway 'between a joint-stock company . . . and a bureaucratic organization'.⁴ The corporations were owned jointly by the government and the owners of the raw materials which they handled. Three differences between the corporations and joint-stock companies deserve notice. First, each corporation had a planning committee (composed of officials and members of local chambers of commerce) which advised the directors on production targets. Secondly, the appropriate government department could veto decisions of the directors and the planning committee. Thirdly, the corporations were not allowed to distribute profits. The functions of the corporations varied. Some were distributing agencies. They used compulsory powers to collect sequestered raw materials which were then passed on to the factories where they were most needed. Others owned plants and were themselves engaged in manufacturing.

Rathenau had to face numerous difficulties. Many industrialists opposed a system which was entirely alien to traditional ways of doing business. Jealousies between government departments, between federal governments, between the military authorities of occupied territories and authorities at home all caused friction. Above all, the intrusion of a Jewish company director into the Prussian War Ministry caused offence to old-fashioned patriots. By April 1915 Rathenau's position had become so uncomfortable that he resigned. He claimed that he handed over to his successor 'a completed, an efficient and a going concern'. Rathenau hoped that his department would survive in peacetime as a state planning authority—an 'Economic General Staff' he called it. In this he was disappointed but 'Rathenau's creative idea of these war companies became one

¹ W. Rathenau, 'Deutschlands Rohstoffversorgung' (lecture of 20 Dec. 1915) in *Gesammelte Schriften* (1918), v, 25–58 and Otto Goebel, *Deutsche Rohstoffwirtschaft im Weltkrieg* (1930: includes bibliography).

² Nominally there were two joint heads of the department—Rathenau and a retired colonel—but in fact Rathenau was in sole charge. Rathenau's colleagues in the early days of the department included von Möllendorff and Klingenberg (both seconded from the A.E.G.) and Tröger.

³ W. Rathenau, *Gesammelte Schriften* (1918), v, 40.

⁴ *Ibid.* v, 41.

of the important directives for the subsequent development of German State economy. All subsequent efforts of Weimar Germany and... of the Third Reich to develop State economy on non-bureaucratic lines and to create intermediary institutions between private and public business management are to be traced back to Rathenau's organizing genius.¹

In the early years of the Weimar Republic Rathenau's services were used mainly as an expert on reparations and as foreign minister and he had only limited opportunities of influencing the organization of Germany's internal economy. He was, however, a member of the second nationalization commission (1920) which inquired into the future structure of the coalmining industry.² The coalmines were left in private hands but a coal board was established which brought the industry under a measure of public control. Rathenau was also a member of the Federal Economic Council which met for the first time at the end of June 1920.³

Rathenau fell a victim to the wave of political murders that swept over Germany after the first World War. He was assassinated on 24 June 1922 at the age of fifty-five.⁴ The international problems with which he was dealing at the time of his death have passed into oblivion but as long as industrial countries endeavour to plan their economies the influence of Rathenau's ideas will continue to be felt.

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¹ G. Stolper, *German Economy 1870-1940* (1940), pp. 118-19. W. F. Bruck stated that the war corporations 'for the first time united a whole economic system for joint action. They were interesting foundations both from the point of view of war purposes and even more from that of the development of administrative marketing organs in a planned economy' (*Social and Economic History of Germany... 1888-1938* (1938), p. 139).

² H. Kessler, op. cit. pp. 272-3 and 291.

³ There are references to Rathenau's activities on this council in H. Finer, *Representative Government and a Parliament of Industry...* (1923) on pp. 122, 158, 206, 212 and 225. Rathenau hoped that the council would foster a 'revolution in responsibility' and would enable workers to share in the major decisions of economic policy (H. Finer, p. 225 citing Schäffer, *Der vorläufige Reichswirtschaftsrat*, p. 27).

⁴ Lord D'Abernon, *An Ambassador of Peace* (1929), II, 44-9 and 60-1.