

The Primacy of Economics versus the Primacy of Politics: Understanding the Ideological Dynamics of the Twentieth Century

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The current economic crisis has once again brought debates about capitalism and globalization to the forefront of the political agenda. Until very recently almost everyone seemed to be convinced that the world was at the dawn of a new era. Yet, the issue at the heart of globalization debates—whether political forces can dominate economic ones or must bow before them—is not new at all. I show that many of the great ideological and political battles of the last century were fought over precisely this ground, and argue that because we have forgotten or misunderstood these earlier debates our current discourse is thin and impoverished. To understand where we are and where we are going, we have to first step back and look closely at where we have been.

The current economic crisis has once again brought debates about capitalism and globalization to the forefront of the political agenda. Until very recently, everyone seemed convinced that thanks to globalization the world was at the dawn of a new era. The spread of markets across the globe and the deepening and quickening of economic interconnections accompanying it was creating a fundamentally new situation for leaders and publics, imposing burdens while constraining choices. You could either opt out of the system and languish, or put on what one observer called neoliberalism's "Golden Straitjacket"—at which point "two things tend to happen: your economy grows and your politics shrinks."¹ Boosters of the new order tout its productivity and efficiency; critics fear its instability and hollowing out of democracy and communal solidarity. What few on either side seem to notice, however, is that the issue at the heart of globalization debates—whether political forces can dominate economic ones or must bow before them—is not new at all, but rather very old. I will show that many of the great ideological and political battles of the last century were

fought over precisely this ground, and argue that because we have forgotten or misunderstood these earlier debates our current discourse is thin and impoverished. To understand where we are and where we are going, accordingly, we have to first step back and look closely at where we have been.

Conventional wisdom about twentieth-century ideologies rests on two simple narratives. One focuses on the struggle for dominance between democracy and its alternatives. Fascism and National Socialism were defeated during World War II, while the Soviet Empire and other authoritarian regimes collapsed at the end of the twentieth century and so now democracy reigns supreme. The other narrative focuses on the competition between free-market capitalism and its rivals. During the first three-quarters of the century free markets were under constant attack from communists and other left-wingers, this story runs, while the last quarter witnessed the rediscovery of the wisdom of market solutions. Both of these narratives obviously contain some truth. The twentieth century did indeed witness a struggle between democracy and its enemies, and the free-market and its alternatives. Yet both only tell part of the story, which is why their common conclusion—neoliberalism as the "end of History"—is unsatisfying and misleading.

What the two conventional narratives fail to mention is that a third struggle was also going on: between those ideologies that believed in the primacy of economics and those that believed in the primacy of politics. Both classical liberalism and orthodox Marxism stress the primacy of

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economics over politics—one emphasizing *laissez-faire*, the other historical materialism—and by the late nineteenth century they both proved unsatisfying to many for that reason. As a result, dissident movements arose on both sides of the spectrum asserting the primacy of politics and the ability of collective action to shape history, and during the interwar years one of the movements would evolve into social democracy and the other would play a critical role in the emergence of fascism and National Socialism.

Looking at events through such a prism casts a number of things into sharp relief, the first of which is that despite a widespread perception that twentieth-century ideological battles played themselves to their natural and perhaps even inevitable end, in fact on a certain level there has been real continuity over time and today's battles over globalization (and its failures) are best viewed as the latest chapter in an ongoing story. Indeed, from the very onset of capitalism there has been a struggle underway between those who believed in the primacy of politics and those who believed in the primacy of economics to define the correct role of states and markets. A second thing that becomes clear when viewing the twentieth century in this way is that one of the century's most important ideologies—social democracy—is often overlooked or misunderstood. Not only has its role in shaping West European history been largely underestimated, its relationship to the other great ideologies of the twentieth century has been for the most part misinterpreted. Although commonly viewed merely as the champion of certain policies or values (e.g., the welfare state, equality, solidarity) or as “bulked up” liberalism or “watered down” Marxism, social democracy represented a much clearer break with, and much more coherent alternative to both liberalism and Marxism than most of its supporters and detractors recognize. In addition, social democracy has a much deeper and closer connection, despite obvious differences (most importantly in its view of democracy), with fascism and National Socialism than most students of the movement have acknowledged.

As we will see, a crucial reason for the rise and success of social democracy as well as of fascism and National Socialism during the late nineteenth and early twentieth centuries was their ability to supply what more economic approaches could not, namely a promise to control but not destroy capitalism and a communitarian vision of society. To put it another way, even though social democracy and fascism/National Socialism diverge dramatically in many crucial respects, they nevertheless share a common pedigree as answers to a yearning left unfulfilled by their economic and un-communitarian predecessors. Some students of fascism have explored this heritage in some detail² but students of social democracy have not.³ In fact, they have for the most part failed to comprehend the movement's true origins and rationale. As a result, a force

that has altered the course of European politics in the past and could do so again in the future remains strangely obscure.

In the following sections I will sketch out a new way of looking at the great ideological battles of the last century or so. I begin by laying out the main tenets of the stripped-down, mechanistic version of orthodox Marxism that came to dominate much of the international socialist movement by the late nineteenth century. I then discuss why this version of Marxism began to run into trouble during the *fin-de-siècle* and the democratic and revolutionary revisionist movements that arose in response to these difficulties. From here I move on to an investigation of the crucial interwar years, showing how the new world created by the First World War and its aftermath helped turn democratic revisionists into social democrats and revolutionary revisionists and “socially” minded nationalists into fascists and national socialists. I then conclude by discussing the implications of the foregoing analysis for our understanding of the relationship among the great ideologies of the twentieth century, the postwar order and some critical problems facing the contemporary world.

Liberalism and Orthodox Marxism

The first modern political and economic ideology was liberalism. Among the many factors shaping liberalism's development was opposition to the power exercised by the Church and absolute monarchs during the eighteenth and much of the nineteenth century. Liberals were therefore suspicious of, if not antagonistic towards, collective political and social authority and instead emphasized individual rights and liberty.⁴ These positions were reinforced by the rise of capitalism. As the industrial revolution spread across Europe during the nineteenth century, liberalism provided both an explanation of and a justification for the transformations the new system brought. Liberalism became associated with the view that if left alone, markets and freely interacting individuals would deliver the greatest good to the greatest number. Thus in the economic, as in the political and social spheres, liberalism proclaimed the best government to be the one that governed the least.⁵ Politics, in other words, was the blind spot of classical liberalism. (Or, as one of the movement's most vehement critics put it, “there is no liberal theory of politics, only a liberal critique of politics.”)⁶ Liberals denigrated, or at best were skeptical of, the state and believed it should interfere as little as possible in the forward march of history. So well did such views fit in with the *Zeitgeist* of the early to mid nineteenth century that the era has often been called “the age of liberalism.”⁷

Yet by the end of the century the bloom was already off the rose. The practical consequences of early capitalism—especially the dramatic inequalities, social dislocation, and atomization it engendered—led to a backlash and a search

for alternatives. The most important and powerful challenge on the left came from Marxism, and during the last decades of the nineteenth century, a stripped-down, mechanistic version of Marxism established itself as the official ideology of much of the international socialist movement. This interpretation of Marxism was primarily the work of Friedrich Engels, Marx's collaborator, and Karl Kautsky, the "pope" of socialism. In simplifying and popularizing Marx's thought for the socialist movement, Engels and Kautsky accentuated and perhaps exaggerated certain elements, most notably an emphasis on the primacy of economics.

The most distinctive aspect of Marx's thought—and the one that lay at the heart of orthodox Marxism—was historical materialism. Marx argued that history was propelled forward by economic development and the class conflict it generated. He thus characterized the ultimate aim of his life's work as "laying bare the economic law of motion of modern society"⁸—showing how economic forces determined the logic and direction of historical evolution. "It is a question of . . . laws," he once put it, "tendencies working with iron necessity towards inevitable results."⁹ Since this view implied that the only thing required to achieve socialism was "calm recognition of the historically inevitable,"¹⁰ Marx's view was profoundly comforting. But it also led him to devote little time to worrying about the actual transition from capitalism to socialism or how socialist parties might encourage or manage it. In Marx's view of history, revolutionaries "did not have to plan ahead or think about how a just society should be organized . . . because they knew the solution was contained in the problem, and would appear in due course through the inevitable process of dialectical transformation. Midwives do not have to design the babies they deliver."¹¹ In this vision of socialism, in other words, politics was at best a secondary activity.

Historical materialism was not the only reason Marx neglected politics. He also believed that until the demise of capitalism, politics would be driven by narrow economic interest and the quest for domination. The state would remain at the service of the dominant (bourgeois) class, he believed, so there was little point in devoting much attention to analyzing its functioning or logic.¹² And since society was neatly dividing into two separate and opposed camps, cooperation with other social and political groups made little long-term sense for workers. Furthermore, with the transition to socialism, politics itself would disappear—as the elimination of classes and economic scarcity created harmonious and prosperous communities with no need for political institutions to suppress and mediate conflict.

Marx held, in short, a "negative" view of politics—he believed that with the achievement of economic abundance, the need for politics would wither away. This conviction was something he shared with his liberal antagonists. As Michael Walzer has written,

it has been the assumption of liberal theorists ever since Hobbes and Locke that once security and welfare were assured, once the utilitarian purposes of politics were achieved, men would turn away from public to private life, to business and family, or to religion and self-cultivation. Indeed, it was this turning away—which might be called legitimate apathy since it rests on the satisfaction of all recognized needs and desires—that would assure the stability of the liberal achievement. Conflict would disappear; the state would become a neutral agency for the administration of security and welfare. This was a liberal even before it was a Marxian vision.¹³

Friedrich Engels, Marx's collaborator and leading apostle, was especially important in promoting a version of Marxism rooted in the primacy of economics and where political activity was secondary or subsidiary.¹⁴ As he once famously put it, revolutions were "not intentionally and capriciously made, but rather have universally been the necessary consequence of conditions completely independent of the will and leadership of individual parties and entire classes."¹⁵ And once revolution occurred, all politics would fade away: "As soon as there is no longer any social class to be held in subjection . . . nothing more remains to be repressed and a special repressive force, a state, is no longer necessary. . . . [Under socialism] state interference in social relations becomes . . . superfluous . . . and the government of persons is replaced by the administration of things. . . . The state is not 'abolished.' *It dies out.*"¹⁶ By the time of his death in 1895, Engels had succeeded in establishing a doctrine firmly grounded in the primacy of economic forces and the concomitant necessity of class struggle as orthodox Marxism.

If Engels was responsible for codifying Marxist orthodoxy, Karl Kautsky was largely responsible for its popularization. After Engels' death, Kautsky became the dominant intellectual of the Second International, and his writings were often the first, and sometimes the only, interpretation of Marx available to an entire generation of socialists in Germany and elsewhere.¹⁷ Kautsky's writings depict a capitalist system characterized by increasing class conflict, recurring crises, and careening towards its own demise. "Irresistible economic forces," he wrote, "lead with the certainty of doom to the shipwreck of capitalist production."¹⁸ The role of socialist parties was thus not to drive the transition to socialism but to help workers understand the nature of capitalist society and prepare them for the inevitable class struggle that would bring it crashing down.¹⁹

By the end of the nineteenth century, however, orthodox Marxism began to run into trouble. To begin with, many of Marx's predictions failed to come true. By the fin-de-siècle, European capitalism had developed renewed vigor after a long depression and bourgeois states had begun undertaking important political, social, and economic reforms. Just as Marxism's failings as a guide to history were becoming clear, moreover, criticism arose within the international socialist movement regarding its inadequacy

as a guide to constructive political action. Parties acting in Marx's name had become important political players in a number of European countries by the end of the nineteenth century, but orthodox Marxism could not furnish them with a strategy for using their power to achieve any practical goals since it considered economic forces rather than political organizations and activity to be the prime mover of history.

A third problem stemmed from the increasing gulf between orthodox Marxism's passive *laissez-faire* economism—its insistence that government policies could not and should not fundamentally change the workings of the market—and the psycho-political needs of mass populations under economic and social stress. This failing it shared with its liberal cousin, and as a result both found themselves under attack during the *fin-de-siècle*. Then, as now, a growing number of voices were heard bemoaning the erosion of traditional values and communities, as well as rising social dislocation, atomization, and fragmentation. As a result, the era witnessed a surge in communitarian and nationalist movements as Europeans groped for ways to reintegrate their societies and restore a sense of purpose to what they saw as a corrupt, amoral, and disenchanting bourgeois world.²⁰

Thus during the *fin-de-siècle* the classic ideologies and movements of the nineteenth century—liberalism and Marxism—found themselves struggling to adapt to changing circumstances. Within both, revisionists arose urging dramatic changes in doctrine and strategy. Out of these revisionisms would grow the great ideologies of the twentieth century.²¹

Revisionism

Given its close association with the modern capitalist order, it is not surprising that the widespread discontent and unease of the *fin-de-siècle* placed liberalism under strain. As one of the great observers of the liberalism of the era, L. T. Hobhouse noted, if “the nineteenth century might be called the age of Liberalism. . . . its close saw the fortunes of that great ideology brought to its lowest ebb. . . . It had the air of a creed that [was] becoming fossilized as an extinct form.”²² In an attempt to stem liberalism's decline, a number of revisionists (often referred to as progressives or “new” liberals, especially in England and the U.S.) began calling for a re-evaluation of the movement's traditional ideology and programs.²³ These revisionists advocated abandoning liberalism's traditional skepticism towards government intervention in the economy and accepting a significant role for the state in protecting citizens and society from the vicissitudes of the market; they essentially wanted to maintain the basic structure of the liberal, capitalist order, but to ameliorate its worst excesses. This movement went furthest and was most successful in England and the U.S. (where well-known figures like L.T.

Hobhouse, John Dewey and Walter Lippman championed the cause) but proved unable, on the continent in particular, to rescue liberalism from the problems it faced during the *fin-de-siècle*. The half-way house positions advocated by revisionist liberals satisfied neither traditional liberals nor the growing chorus of voices on both left and right clamoring for more radical solutions to capitalism's problems. Thus even where revisionist liberals succeeded in effecting important policy changes, liberal parties were rarely able to regain the powerful political positions they had enjoyed during earlier decades.

Just as liberal revisionism arose as an attempt to update liberalism to deal with contemporary problems, so did revisionism within the international socialist movement emerge in response to the inability of orthodox Marxism to respond to many of the challenges facing socialists and their societies during the *fin-de-siècle*. As noted above, as many socialists came to believe that socialism was not going to come about as the inevitable consequence of economic development (as Marx and even more so Engels and many of their influential followers believed), they began to argue that it would have to be achieved as a result of human action. Some revisionists, such as Lenin, felt it could be imposed, and set about to spur history along through the politico-military efforts of a revolutionary vanguard. Others felt that it could be made desirable, and thus emerge through the collective efforts of human beings motivated by a belief in a higher good. Within this latter revisionist camp, two distinct strands of thinking emerged. The first was democratic and epitomized by the work of Eduard Bernstein.

Bernstein's revisionism originated in his growing conviction that historical materialism could no longer provide a good explanation for the dynamics of contemporary capitalism or the transition to socialism.

No one will deny that the most important part in the foundation of Marxism, the basic law so to speak, penetrates the whole system, is the particular *theory of history* known as the materialist conception of history. In principle, Marxism stands or falls with this theory; and insofar as it suffers modification, the relationship of the other parts to each other will be affected. Any investigation into the correctness of Marxism must therefore start with the question of whether or how far this theory is valid.²⁴

Bernstein's observations led him to believe that capitalism was not leading to an increasing concentration of wealth and the immiseration of society.

That the number of property owners increases rather than diminishes is not an invention of bourgeois “harmony economists” but a fact which . . . can now no longer be disputed. But what does this fact signify for the victory of socialism? Why should the achievement of socialism depend on its denial? Well, simply because . . . a plank threatens to break away from the scaffolding if one admits that the social surplus product is appropriated by an increasing instead of a decreasing number of property-owners.²⁵

In short, Bernstein came to believe that capitalism was not producing the class structures or conflict that orthodox Marxism predicted. By the end of the nineteenth century he was arguing that “the intensification of social relations has not in fact occurred as the Manifesto depicts it. It is not only useless but extremely foolish to conceal this fact from ourselves. . . . Everywhere in the more advanced countries we see the class struggle assuming more moderate forms, and our prospects for the future would hold little hope if this were not the case.”²⁶

The flip side of Bernstein’s belief in a moderation of the class struggle was his faith in a potential community of interest between workers and other citizens suffering from the injustices of capitalism. At the turn of the century many in the middle classes and peasantry were feeling economically threatened and politically frustrated. Bernstein saw them as potential allies or even recruits, and urged socialists to ground their appeals in “the feeling of common humanity [and a] recognition of social interdependence.”²⁷

Convinced that capitalism had become increasingly complex and adaptable and was not likely to collapse any time soon Bernstein thus urged his fellow socialists to recognize the folly of believing that “the victory of socialism [depended] on . . . ‘imminent economic necessity.’”²⁸ His loss of faith in economic development leading to the desired socialist outcome led Bernstein, like Lenin, to an appreciation of the potential of political action. Socialism, in Bernstein’s view, would have to emerge from a conscious, collective struggle for a better world. The challenge facing the working class was evolutionary: socialists had to come up with “positive suggestions for reform capable of spurring fundamental change.”²⁹

Bernstein’s revisionism replaced historical materialism with a belief in the primacy of politics—a conviction that individuals, motivated by belief in a better world, could band together and use the power of the democratic state to gradually reshape the world around them. “This new vision [of the transition to socialism] takes place in the daily life of the working class, struggling anew against exploitation. It shows the proletariat growing in numbers and in social power—not merely pushing forward, but upward as well, elevating its economic, ethical, and political standards and becoming increasingly capable of co-governing state and economy. This vision is alive and well among those . . . commonly called ‘revisionists’.”³⁰

Bernstein’s revisionist critique is the most important and well known, but his arguments were echoed by a growing number of dissident socialists across Europe, who shared an emphasis on a political path to socialism and the need for cross-class cooperation. In France, for example, the “moral idealism”³¹ of Jean Jaurès rejected a primarily economic base for socialism and insisted that socialism’s realization depended on human action and the inspiration that would derive from a vision of a better,

more just world. Jaurès also rejected the idea held by most orthodox Marxists that workers “had no fatherland”—that there was an inherent contradiction between patriotism and socialism—and in fact he often portrayed the latter as the final realization of the (universal) values embodied in the French revolution. Concomitantly, Jaurès pressed socialists to recognize the inherent value of democracy and, especially after the Dreyfus affair, the need to cooperate with other democratic and reform minded forces to defend and expand it.³² In addition to Jaurès, other movements on the French left, including the “national socialism” of Alexandre Millerand, independent and possibilist socialists, brought revisionist themes and policies to the heart of the French socialist movement.

In Italy, indigenous critics of Marxism chipped away at the tenets of orthodoxy during the late nineteenth and early twentieth centuries. Italy’s most famous intellectual, Benedetto Croce, published several powerful critiques of Marxism and historical materialism,³³ and inside the socialist movement itself the temptations of political collaboration with bourgeois elites and the government—especially during the Giolittian era (1890–1914)—emboldened a growing number of revisionists and reformists in their critiques of the economic determinism and political passivity of orthodoxy.³⁴ In Austria, meanwhile, many “Austro-Marxists” were developing an “ethical” or “Kantian” revisionism of their own.³⁵ And in Scandinavia, and particularly in Sweden, revisionism was actually gaining the upper hand.³⁶

During the last years of the nineteenth and the first years of the twentieth century revisionism progressed in fits and starts, within and across several countries, and against continued opposition from both orthodox Marxists and theoretical pragmatists (who wanted to pursue reforms without rocking the boat). Although Bernstein and his fellow revisionists insisted that they were merely “revising” or “updating” Marxism, their fiercest critics—the defenders of orthodoxy—saw clearly what the revisionists themselves were loath to admit: that they were arguing for a replacement of Marxism with something entirely different. By abandoning historical materialism and class struggle, they were in fact rejecting Marxism as thoroughly as Marx had rejected liberalism a half century earlier. Kautsky, for example, commented: “[Bernstein] tells us that the number of property-owners, of capitalists, is growing and that the groundwork on which we have based our views is therefore wrong. If that were so, then the time of our victory would not only be long delayed, we would never reach our goal at all.”³⁷ Similarly, Wilhelm Liebknecht, a leader of the German Socialist Party, *Sozialdemokratische Partei Deutschland* (SPD) noted that: “If Bernstein’s arguments [are] correct, we might as well bury our program, our entire history, and the whole of Social Democracy.”³⁸ And Rosa Luxemburg, probably Bernstein’s most vehement and insightful

critic, summed up the heretical implications of his views when she noted that socialism was “scientific” rather than “utopian” because economic developments were leading inevitably to capitalism’s collapse. If, however, “one admits with Bernstein that capitalist development does not move in the direction of its own ruin, then socialism ceases to be an objective necessity and instead becomes a ‘mere ideal.’”³⁹ She was, of course, absolutely right; by rejecting the primacy of economic forces in history and focusing on cross-class cooperation and social solidarity, Bernstein (and other revisionists) were tapping into the spirit of the age and laying the foundations for a true ideological alternative.⁴⁰

In the years leading up to the First World War the democratic revisionist attack continued, rendering orthodox Marxism increasingly beleaguered and the Socialist movement increasingly divided. If this were not enough, orthodox Marxism faced a challenge from yet another corner. During the *fin-de-siècle*, the same forces that had pushed many toward democratic revisionism led others to another form of revisionism, one greatly influenced by the anti-Enlightenment and nationalist backlashes of the era.

These two revisionisms had much in common; where they differed were in their assessments of democracy and liberalism. Whereas Bernstein and other democratic revisionists believed in the transformative powers of a truly democratic state and viewed socialism’s task as completing or fulfilling many of the unrealized promises of liberalism,⁴¹ other revisionists had nothing but disdain for democracy and liberalism. They therefore did not believe that a peaceful, democratic path to socialism was possible; instead, in their view, a better world would only emerge from “active combat which would destroy the existing state of things.”⁴² This strand of revisionism has thus been called “revolutionary”⁴³ and was epitomized by Georges Sorel.

Although largely forgotten today, Sorel was once considered by many to be “the greatest revolutionary in twentieth century political philosophy.”⁴⁴ Sorel began his socialist career as “one of the leading theoreticians of Marxism in France”⁴⁵ but by the end of the nineteenth century he was growing disillusioned with orthodoxy. As with other revisionists, these doubts were rooted in recognition of the gap between Marxism and the demands of contemporary era. Sorel understood that many of Marx’s predictions about capitalism were not coming to pass; as he put it, “experience shows us that the capitalist system is changing rather rapidly before our eyes. Orthodox [Marxists] make extraordinary efforts of imagination in order not to see what is clear to everyone; they have abandoned the terrain of social science to pass into utopia.”⁴⁶ Sorel was impressed by capitalism’s productive power and began limiting his opposition “to the political, intellectual and moral aspects of the liberal and bourgeois system” rather than questioning the basic principles of the capitalism economy.⁴⁷ Also like democratic revisionists, Sorel came to believe

that historical materialism was not only wrong, but was also robbing the socialist movement of its vitality. He thus supported Bernstein in the revisionist controversy and agreed with his conclusion that what was needed was an activist alternative to orthodoxy. However, unlike Bernstein, Sorel had no interest in reform, liberalism, or democracy. Instead, he believed real change would only come with the destruction of the existing order.

At first Sorel believed that this could be achieved by a revitalized workers’ movement, but by the first decade of the twentieth century he had begun to lose faith in the revolutionary potential of the proletariat. The result was that Sorel, like his democratic revisionist counterparts, abandoned an exclusive focus on the working class. But whereas the abandonment of a workers-only strategy led democratic revisionists to cross-class cooperation, it led Sorel to embrace the revolutionary possibilities of another contemporary movement—mass nationalism.

As noted above, during the last decades of the nineteenth century nationalist movements arose across Europe, playing a particularly important role in places like Italy and Germany, which were dealing with the strains generated by late state formation. Many of these movements came to see socialism as a necessary component of their larger political program, but theirs was a socialism divorced from Marxism—based on a deep suspicion of capitalism and liberalism, but vehemently rejecting historical materialism and class struggle. Many in this camp thus came to embrace the term “national socialism” to refer to their movement, thereby indicating their opposition to the reigning liberal capitalist order as well as their belief that a revitalized national state was the best way to combat it.

In Italy, Sorel’s ideas played a key role in midwifing the birth of this “national socialist” movement. Italian nationalists believed that in order to deal with their country’s myriad challenges and problems, Italians needed to be united, and many viewed Sorel as offering ideas that could help achieve this. Enrico Corradini, for example, characterized nationalism and socialism as the “two great facts of the modern world” and as part of his effort to bring them together he came up with the idea of Italy as a “proletarian nation,” substituting conflict between capitalists and the proletariat with the struggle between rich and poor nations. He argued that all domestic groups, but especially workers, had a stake in Italy’s success. For example, at the founding congress of the Italian Nationalist Association in 1910 he argued in his keynote address that “for years and years the socialists . . . have been preaching to the workers that it was in their interest to show solidarity with the workers of . . . China or Paraguay and to dissociate themselves . . . from their employers and the Italian nation. We must drum it into . . . their heads that it is in their best interest to maintain solidarity with their employers . . . and their own country and to hell with solidarity with their comrades in Paraguay or . . . China.” By so doing, he argued,

nationalists would become a force for national unity and rejuvenation—“our national socialism.”⁴⁸

In the following years, others within the nationalist movement continued to develop these themes, while at the same time figures within the socialist movement, particularly on its syndicalist wing were beginning to embrace Sorelian revisionism and exhibit sympathy for the growing nationalist movement. Mussolini was the most well-known of these figures but he was hardly alone. In the years leading up to the First World War, figures on both the revolutionary left and the nationalist right began to recognize important similarities between their movements: both viewed liberalism and capitalism with disdain, yearned for activist solutions to their country’s contemporary problems, and found much to like in Sorel’s revisionism.

In France a merger between nationalism and socialism also occurred during the late nineteenth century, and was helped along by Sorel’s ideas. On the left, a group of syndicalist intellectuals including Hubert Lagardelle and Édouard Berth, disgusted with the passivity of orthodoxy and critical primarily of capitalism’s ethical and social (rather than material) consequences, became acolytes of Sorel. On the right, meanwhile, growing numbers of nationalists were becoming increasingly alarmed by what they saw as the divisive and degenerative trends caused by capitalism. Many were concerned, for example, that capitalism was dividing the nation into “winners” and “losers,” placing self-interest above communal interest, and giving the market and private interests control over France’s destiny. As Maurice Barrès—one of the key figures within the nationalist movement during the late nineteenth century—put it, revitalizing France required reintegrating the “causalities of modern society” back into the national community, solving the “social question,” and supporting some type of socialism.⁴⁹ He called this “new” socialism “socialist nationalism” and himself a “national socialist.”⁵⁰

The most important nationalist organization of the fin-de-siècle, the Action Française, continued to push many of these themes. It held liberal capitalism to blame for the divisions plaguing contemporary France and took an active interest in social questions. In response, Sorel began to show some sympathy for the movement and by 1910 he was openly collaborating with its members. One result was the founding of the Cercle Proudhon, which merged socialist and nationalist themes and denounced democracy and unfettered capitalism. It was, however, more focused on capitalism’s “excesses” and negative social consequences than its inherent nature. For example, Georges Valois, one of the Cercle’s most influenced members, argued that “capitalist principles . . . are pernicious to any human group when applied outside of the [economic] domain.” Because capitalism responds only to material interest and the pursuit of gain, “religious life is diminished, the work-

ing life degraded, the family destroyed, the foreign worker brought in, the natural resources are exploited without restraint, the political institutions are transformed into organs of coercion in order to increase the excessive output of capital. In everything the national interest is gravely compromised.”⁵¹ Cercle supporters and other nationalists argued that a revitalized national state was necessary to take on capitalism and the other “degenerative” forces threatening France.

In Germany, finally, a synthesis between nationalism and socialism also emerged during the fin-de-siècle (although without much influence from Sorel). On the left this was driven by a group of revisionists centered on Joseph Bloch’s *Sozialistische Monatshefte*. A full panoply of revisionist critiques was aired in the *Monatshefte*’s pages, with the determinism and passivity of orthodox Marxism coming for particular disapproval and calls for the SPD to break out of its “proletarian ghetto” a regular theme. In addition, many contributors called for reconciliation between socialism and *Deutschtum* (German-ness) and denounced the liberal “canker.”⁵² Anti-liberalism was a central feature of Bloch’s as well as of the group’s most influential spokesman, Karl Leuthner. Leuthner argued that “there [had] possibly never existed an intellectual current that [was] so bereft of healthy political insight as the Manchester liberal world view”⁵³ and he believed that Germany could only fight liberalism and other dangerous problems if the SPD set out to attract the great masses of Germans and placed the national interest above class interests. On the other half of the political spectrum, prominent nationalists also attacked liberalism and capitalism while calling for a new form of socialism. Werner Sombart, for example, (from whose 1902 book *Der Moderne Kapitalismus* the term capitalism came) blamed his country’s misfortunes—social conflict, materialism, the degradation of national culture—on capitalism (and the Jews who personified and promoted it). Sombart also helped popularize the idea that there was a particularly “German” or “national” form of socialism that had little in common with Marxism, but was instead based on a belief that the economy had to be subordinated to the needs of the *Gemeinschaft*. Over time, he and others began to believe this goal could be achieved without destroying capitalism but rather simply by controlling it and purging its extreme and “Jewish” elements. These sorts of ideas had a profound effect on German political and cultural life and were embedded in a wide range of organizations, from the apolitical *Wandervogel* to the increasingly popular nationalist associations.

Thus by the early twentieth century revisionists on both the left and the right had developed powerful critiques of orthodox Marxism that rejected economic determinism, developed more nuanced views of capitalism, and called for political solutions to contemporary problems. In addition, both groups of revisionists began to move away from

the class struggle and workers-only emphasis of orthodoxy. But whereas democratic revisionists believed that cross-class cooperation and a democratic state could bring about critical transformations in the existing order, many revolutionary revisionists began to see in the mass appeal and strong state focus of nationalism the best path to a better future. Both groups of revisionists had thus made clear breaks with orthodox Marxism and had begun laying the foundations for new ideological alternatives before the outbreak of the First World War. It would, however, take the vast changes unleashed by the war for these alternatives to mature into new ideologies and movements of their own.

Social Democracy, Fascism, and National Socialism

The immense changes wrought by the Great War pushed revisionists to make full and open breaks with historical materialism and other central tenets of orthodox Marxism and embrace a new doctrine rooted in the primacy of politics and communitarianism. With the outbreak of war, many socialists abandoned their suspicions of national states while their parties threw their support behind the states they had hitherto pledged to destroy.⁵⁴ Also important was the democratic wave that spread across much of Europe at the end of the war. After 1918 socialists were confronted with unprecedented opportunities for participation in bourgeois governments. Given a chance to help form or even lead democratic administrations, many were forced to recognize the uncomfortable truth that workers alone could never deliver an electoral majority and that cooperation with non-proletarians was the price of political power. The war also revealed the immense mobilizing power of nationalism and bred a generation that valued community, solidarity, and struggle. Populist right-wing movements across the continent were riding these trends, and many socialists worried that clinging to orthodox Marxism's emphasis on class conflict would prevent them from responding to the needs of ordinary citizens and thus cause them to lose ground to competitors.

In addition, the pivotal position occupied by socialist parties during the interwar years made it increasingly difficult to avoid the question of how political power could contribute to socialist transformation, and the subsequent onset of the Great Depression made preaching submission to economic forces tantamount to political suicide. Indeed, by the early 1930s the protest against liberalism and capitalism that had been growing since the end of the nineteenth century reached fever pitch with the legions of the disaffected ready to be claimed by any political movement willing to press for change. Orthodoxy's emphasis on letting economic forces be the drivers of history meant that here too it ceded ground to activist groups on the right.

As socialist parties stumbled in country after country, a growing number of proto-social democrats became convinced that a whole new vision was necessary for their movement—one that would supplant rather than tinker with orthodoxy—and to develop one they returned to the themes set out by revisionism's pioneers a generation earlier. In the 1920s and 1930s the first task facing these proto-social democrats was to reform, and perhaps transform, capitalism. This led to sustained conflict with orthodox Marxists, however, for achieving such reforms meant finding a way to use political forces to control economic ones—something that both Marxist and liberal orthodoxy refused to countenance. The conflict played itself out most dramatically in Germany, as the SPD leadership backed conservative economic policies and a conservative government during the early 1930s while their supporters and the rest of German society clamored for a more activist response to the catastrophe befalling them.⁵⁵ Many were frustrated with this course and at the party's 1931 congress, union leader Fritz Tarnow summed up the dilemma emanating from the SPD's policies in the following manner:

Are we standing at the sickbed of capitalism not only as doctors who want to heal the patient, but also as prospective heirs who can't wait for the end and would gladly help the process along with a little poison? . . . We are damned, I think, to be doctors who seriously want to cure, and yet we have to maintain the feeling that we are heirs who wish to receive the entire legacy of the capitalist system today rather than tomorrow. This double role, doctor and heir, is a damned difficult task.⁵⁶

Despite the growing recognition that continued inaction was crippling the party as well as the Weimar Republic, the SPD's most important economic theorist, Rudolf Hilferding, as well as most of its top leadership, refused to believe that they could truly make things better. Hilferding claimed that the only solution to the economic crisis was to wait for the business cycle to run its course. In his view, an "offensive economic policy" had no place because the ultimate arbiter of developments was the "logic of capitalism." Not believing that politicians could resolve the Depression on their own, he fought all attempts at an activist, neo-Keynesian course shift.⁵⁷ (Since neo-classical liberalism and orthodox Marxism put their faith in ineluctable economic mechanisms and denigrated political interference in the economy, orthodox Marxists, Hilferding once noted, were the last and best of the classical economists.)⁵⁸

True social democrats were unwilling to accept such passivity and fought for programs that would use the power of the state to tame the capitalist system. Neither hoping for capitalism's demise nor worshipping the market uncritically, they argued that the market's anarchic and destructive powers should be fettered at the same time that its ability to produce unprecedented material bounty was exploited. They thus came to champion a real "third way"

between classical liberalism and Soviet communism based on a belief that political forces must be able to triumph over economic ones.

A key figure in these developments—and a crucial link between the revisionism of Bernstein and the mature social democracy of the post-1945 era—was the Belgian activist Hendrik de Man.⁵⁹ Wartime experiences played a critical role in de Man's ideological and political evolution; by highlighting the tenacity of national feeling, the potential for state control of the economy, and the immense motivating power of idealism, the war, in de Man's own words "shook my Marxist faith to its foundations."⁶⁰ Becoming convinced that saving socialism required a fundamental break with prewar orthodoxy, de Man put forth a new vision of socialism in his writings and Depression-fighting *Plan du Travail*, which combined short-term policies designed to increase demand and credit flows with a long term scheme for the transformation of the economy. In addition to providing an activist strategy for fighting the Depression, the *Plan* gave a generation of socialists (often referred to as *planistes*) a new way of conceptualizing their role in society and the relationship between capitalism and socialism. As with Bernstein, de Man neither believed in nor hoped for capitalism's immediate collapse; instead he argued that a strategy of evolutionary reforms could transform it. In order to begin this transformation de Man urged socialists to recognize that "the essential thing [was] not the taking over of . . . ownership but of control."⁶¹ By capturing the state, social democrats could direct and tame capitalism and insulate citizens from the destructiveness of the market without having to resort to Soviet-style nationalization.

De Man and his *Plan* proved an inspiration to socialists across Europe. In France *planisme* found its champions in Marcel Déat and a group of neo-socialists who broke with the mainstream French socialist party *Section Française de l'Internationale Ouvrière* (SFIO) over the latter's orthodoxy and immobilism. Like de Man, Déat recognized that "in the present historical phase forms of society appear possible which are not yet socialist but which are no longer capitalist." The question socialists had to answer, therefore, was "are we going to allow these experiments to be carried out without us?"⁶² Déat's answer was "no," and he urged his colleagues to focus on gaining political power so that they could begin "transforming the world in which they lived."⁶³ In Germany, *planistes* could be found among the generation of young socialists who came of age during the First World War and saw in state intervention the basis for a long called-for offensive strategy. One of the most prominent members of this group, for example, Carlo Mierendorff, argued that such policies would finally provide the SPD with a "concrete socialist vision," a way of showing German citizens that it could actively work to improve their lives.⁶⁴

Planisme wasn't the only activist economic strategy championed by social democrats during the interwar years. Some

found in proto-Keynesian policies the perfect tool for combating the Depression and starting the process of social transformation. For example, in Germany it was not Mierendorff's *planisme* but actually the proto-Keynesian WTB plan (championed by Wladimir Woytinsky, a Russian émigré who became head of the main labor union's statistical bureau; Fritz Tarnow; and Fritz Baade, a SPD member of parliament) that emerged as the main alternative to the reigning orthodoxy. Woytinsky argued that the time had come for the SPD to surrender its faith in historical development, "to stop lulling the masses with *sozialistische Zukunftsmusik*" (socialist future music) and the "mystical powers of the market."⁶⁵ By using the levers of political power to help improve the lives of the masses, by helping to tame the anarchy of the market, and by showing the way to a more organized and just economy, the WTB plan could finally provide the labor movement with a foundation upon which to build a new economic and social order.⁶⁶

Regardless of the specific policies they advocated, one thing that joined all of the budding interwar social democrats was a rejection of the passivity and economic determinism of orthodox Marxism and a belief in using states to tame capitalism. In order to do this, however—and finally relegate historical materialism to the dustbin of history—they had to win majority support for their programs. Hence, during the interwar years many returned to the themes of cross-class cooperation that Bernstein and other revisionists had preached a generation earlier. Furthermore, in an era of dislocation and disorientation, these social democrats realized that appeals to the "people," "the community," and the common good were much more attractive than the class struggle perspective of orthodox Marxism or the individualism of classical liberalism, and so they often embraced a communitarian, corporatist, or even nationalist approach.

Here again de Man was a key figure. Like Bernstein and others, he believed that the class struggle perspective of Marx and Engels had been invalidated by changing economic and social conditions, and by the '20s he saw that a purely proletarian focus would doom social democrats to minority status. "Even from the narrow viewpoint of the conquest of power . . . it is becoming more and more urgent to enlarge the sphere of influence of our movement of ideas, by showing that socialism is something other than the collective egoism of a given class."⁶⁷ Furthermore, de Man did not believe in inevitable conflicts of interest. Especially since the war, he argued, there had arisen "a national community of interest between certain groups of workers and employers, or between the working class and the employing class as a whole" as well as between workers and intellectuals.⁶⁸ As a result, the time had come to replace existing conflictual relationships and institutions with cooperative and corporatist ones. In order to do this, however, socialists needed to design their policies and appeals with cross-class alliances and solidarity in mind.

His *Plan du Travail*, for example, was explicitly formulated to “appeal . . . not only to the working class but also to all classes of the population suffering from the present economic distress and to all men of good will.”⁶⁹

Comparable visions gained adherents across the continent. In France, Déat drew on the legacy of both Bernstein and Jaurès in developing his cross-class, corporatist and *patrie*-centered *socialisme communautaire*. In Germany, the *planistes* around Mierendorff also supported cross-class and corporatist appeals while many of the supporters of the WTB plan became vigorous advocates of a *Volkspartei* strategy. It was in Scandinavia, however, and particularly in Sweden, that the new approach was embraced wholeheartedly by a unified party. This is why one must turn to Sweden to observe the full dimensions, and potential, of the new and truly social democratic alternative.

During the interwar years the Swedish social democratic party, the SAP, developed a new view of its role in society as well as of the relationship between politics and economics. Especially after the First World War, an increasing number of party members began arguing that the market’s productive powers could be harnessed while its destructive potential was controlled. The key figure in this development, Nils Karleby, insisted that “improvements in the efficiency of economic activity have always been, and should continue to be, the only means . . . of improving society’s welfare.”⁷⁰ He argued further that capitalism or bourgeois property relations should be viewed as a bundle of rights. If ownership was only the conglomeration of a number of individual rights then the rights could be separated from one another and gradually made subject to societal influence. Hence “all social reforms . . . resulting in an increase of societal and a decrease in private control over property [represent a stage] in social transformation. . . . [Furthermore] social policies are, in fact, an overstepping of the boundaries of capitalism . . . an actual shift in the position of workers in society and the production process. *This is the original (and uniquely) social democratic view.*”⁷¹

Such views laid the groundwork for the SAP’s championing of a proto-Keynesian program during the Depression, and the selling of this program to the electorate by stressing its activism and commitment to the common good. For example, during the 1932 election campaign a leading party paper proclaimed, “humanity carries its destiny in its own hands. . . . Where the bourgeoisie preach laxity and submission to . . . fate, we appeal to people’s desire for creativity . . . conscious that we both can and will succeed in shaping a social system in which the fruits of labor will go to the benefit of those who are willing to . . . participate in the common task.”⁷² Similarly, at the party’s 1932 congress Rickard Sandler, a leading party activist, urged his colleagues to recognize that socialists had to “abandon the view that we or our children will enjoy some kind of ‘freebie’ socialism that . . . ‘developments’ will place

in our hands.” The only way society would move towards socialism he argued, was if the party used all its power to push it along this path.⁷³

While the SAP was trumpeting its willingness to use political power to shape market developments, its leader Per Albin Hansson was popularizing his theme of Sweden as the “*Folkhemmet*” or “people’s home.” He declared that “the basis of the home is community and togetherness” and stressed that social democracy sought to “break down the barriers that . . . separate citizens.”⁷⁴ As a result of these policies and appeals, while in countries such as Germany and Italy it was the populist right that appeared politically dynamic and championed communal solidarity, in Sweden it was the social democrats who became known as the party with exciting plans for taming capitalism and helping the “little people.”

By the mid 1930s, therefore, the democratic strand of revisionism had blossomed into a powerful political movement all its own. In contrast to orthodox Marxism’s and classical liberalism’s laissez-faire approach, social democracy proclaimed the primacy of politics and a willingness to use the state to control, or at least direct, the market. In addition, in contrast to orthodox Marxism’s focus on the proletariat and classical liberalism’s focus on the individual, social democracy appealed to the ordinary, or “little” people, the “community,” and the collective good. These principles found expression in the advocacy of Keynesianism and state intervention in the economy, cross-class alliances and communitarian appeals. The former gave social democrats a theoretical rationale for using political power to influence the development of the capitalist system, while the latter embodied the norms of national solidarity and cooperation that lay at the heart of their world view. By the end of the 1930s all of the components of what would come to be known as the postwar social democratic compromise had already been developed, although it was only in Sweden that they were fully implemented.

On the right, meanwhile, the changes unleashed by the First World War gave nationalism a mass base and renewed vitality and this helped convince some revolutionary revisionists to make a final break with their erstwhile socialist colleagues and join up with the rising fascist and National Socialist movements.⁷⁵ The most well-known and consequential example of this was in Italy. In 1919 Mussolini joined with several like-minded colleagues to form a new political movement, the *Fasci di Combattimento*, which brought together nationalist and socialist themes. Its first program was strongly anti-capitalist, calling for an eight-hour day, minimum wages, the participation of workers’ representatives in industrial management, progressive taxes on capital, and the confiscation of all uncultivated land. Initially the movement met with little success but the growing chaos that began to engulf Italy (and the existing socialist movement) in 1920 handed the Fascists a golden opportunity. The Fascists asserted that only they could

restore order to the country and they used their militias to calm the countryside and provided jobs and other resources to supporters. They also revamped their program to appear to a wider range of Italians, toning down some of the radicalism of the 1919 program and stressing communitarian and nationalist themes. With regard to capitalism, the movement presented a mixed message, promising to protect private property and promote growth, but insisting that the state had the right to oversee the economy and that development had to occur in a way that was not socially destabilizing. This combination proved very attractive and by 1922 Mussolini was in power.

Once in control, Mussolini gradually consolidated his power and by the mid-1920s began actively reshaping socioeconomic relations. The state was placed at the center of Fascism's transformative vision, viewed as an entity that stood above the interests of individuals and groups. As Mussolini put it, for Fascists "everything is in the State, and nothing human or spiritual exists, much less has value, outside the State."⁷⁶ Fascists thus claimed that the state had the right and duty to intervene in almost any aspect of socioeconomic life. As another leading Fascist put it, "there cannot be any single economic interests which are above the general economic interests of the State, no individual, economic initiatives which do not fall under the supervision and regulation of the State"⁷⁷ None of this meant that Fascists rejected capitalism or private property. Rather it meant that Fascists aimed to create a system that could ensure economic growth at the same time that the state made sure that the nation's "needs" and "goals" were not threatened by unregulated markets and "selfish" capitalists. In order to achieve this new political economy, the fascist state undertook a wide range of measures, including developing corporatist structures; setting up parastatal institutions like the Italian Credit Institute (*Instituto Mobiliare Italiano*) and the Italian Financial Society (*Societa Finanziaria Italiana*), which helped control the credit supply, and the Institute for Industrial Reconstruction (IRI), which ended up controlling a significant chunk of the Italian industrial sector; essentially taking over agricultural production; and setting up a wide range of social service programs including health insurance, old age and disability pensions, paid national holidays, family/maternity benefits, and others. In short, there is no doubt that Fascism reshaped the relationship among state, economy, and society in fundamental and long-lasting ways. The cumulative result of the Fascist regime's efforts led some observers to assert that by the outbreak of the Second World War the Italian state had "a control over the economy that was unequalled outside the Soviet Union."⁷⁸ And although there is little doubt that this new system was inequitable (with workers suffering much greater losses than business) the changes were, on the whole, popular. Indeed many seem to have believed that the Fascism's insistence on the primacy of politics—its willingness to assert the power of

the state vis-à-vis the market—represented a real solution to the problems of the modern liberal capitalist order.⁷⁹

A similar dynamic unfolded in Germany. In 1920 one of the myriad of nationalist groups that sprung on the heels of the German defeat, the German Workers' Party, changed its name to the National Socialist German Workers' Party (NSDAP) and published a program that mixed nationalist, socialist, and anti-Semitic themes. In addition to calling for "the union of all Germans in a greater Germany" and promising to combat "the Jewish-materialist spirit," the program included many planks designed to help the party fight Marxism (and the SPD), in part by appropriating some of its main themes, particularly its critique of capitalism. It argued "that the state be obligated first of all to ensure the gainful employment and the livelihood of the citizens" and demanded the confiscation of war profits, the nationalization of trusts, profit sharing, and land reform. It pledged that if the National Socialists came to power, the "ruthless competition" and egoism of capitalism would be replaced with a new system whose basic principle was that "public interest comes before self-interest."⁸⁰ As in Italy, the party did not do very well initially but was revitalized by the Weimar Republic's growing difficulties and the mainstream parties' inability to attract increasingly alienated and disillusioned middle-class and rural groups. The NSDAP shifted to trying to attract the broad range of Germans fed up with the Republic and the existing parties by focusing more on nationalist themes, law and order, and anti-Marxism. It did not, however, eliminate its critiques of liberal capitalism, although they did shift in tone. The Nazis invoked the difference between "rapacious" (*raffendes*) and "creative" (*schaffendes*) capital, the former associated with finance, commerce, and Jews, the latter with industry, production, and German values. In addition, when the Depression hit, the party offered an activist Depression-fighting strategy, promising to solve the problem of unemployment, and to use the state to prevent such tragedies in the future. Such promises contributed to the Nazi election victory in 1932.

Once Hitler came to power the Nazis set to work immediately reorganizing the economy and society. The regime made full employment a central goal and undertook a variety of other measures to jump-start the economy, including exerting greater control over the banking system and credit flows and giving subsidies and tax relief to businesses to encourage production and hiring.⁸¹ In addition to the specific measures undertaken to fight the Depression and unemployment, the Nazi regime expanded its control over the economy in other ways, always with an eye to the primacy of politics. Although Hitler never took the radical anti-capitalist stances of some others in his movement, he was fully committed to the old national socialist formula *Gemeinnutz geht vor Eigennutz*—national interest above private interest. Like the budding social democrats, Hitler and the Nazis operated on the

belief that to achieve their goals “the essential thing was not the taking over ownership, but that of control.” Destruction of the capitalist system and the elimination of private property would not only hinder production and create a political backlash, but were also unnecessary, since control could be exerted in other ways. Businessmen (with the obvious exception of Jews and other “undesirables”) were thus allowed to retain their enterprises and much of their profits, but almost all their other activities “were fettered (*gebunden*) or at least directed (*gelenkt*) by state agencies”⁸²—through extensive regulation, wage and price controls, the preferential awarding of contracts, and the management of credit and investment funds. The result was that although business, and especially big business, probably benefited more than any other group from the Nazi regime, these benefits were accompanied by a dramatic loss of autonomy. Thus, by the end of the 1930s, the state’s role in the economy had expanded dramatically; controls and regulations touched every sphere of economic life, public spending as a share of GNP had grown spectacularly (from 17 percent of GNP in 1932 to 33 percent in 1938),⁸³ and the government essentially controlled the provision of credit. Indeed, as many observers have noted, although the German economy remained at least nominally capitalist and private property was never fundamentally threatened, “the scope and depth of state intervention in Nazi Germany had no peacetime precedent or parallel in any capitalist economy, Fascist Italy included.”⁸⁴

In the final analysis, there is little doubt that the Nazi boast that the year “1933 was revolutionary and opened a new epoch in German history” was accurate.⁸⁵ In addition to instituting a regime of unprecedented violence and barbarity, the Nazis managed to reshape the relationship between the state, society, and the economy in Germany in fundamental ways. Most obviously, they instituted a “genuine revolution”⁸⁶ in economic affairs, rejecting both laissez-faire liberalism and Soviet Communism. Instead, the Nazi system was predicated on a belief in the primacy of politics—an insistence that the state and its leader had the right, indeed the duty, to intervene in all spheres of life, including the economy. And intervene the Nazis did, exerting their dominance over socioeconomic actors and the direction and nature of economic development through a myriad of indirect measures (and the constant, if often implicit, threat of force).

The consequences of these changes were profound. The Nazis’ seeming success in overcoming the depression, their insistence that capitalism and capitalists had to serve the “national interest,” and their constant assertion that class cleavages, conflicts, and hierarchies had no role to play in a true *Volksgemeinschaft* played a critical role in stabilizing and legitimizing the regime during the 1930s. Hitler enjoyed genuine popular support in Germany because for most Germans national socialism was associated first and foremost not with racism, violence, and tyranny but with

an improved life, national pride, and a sense of community: “economic leveling and social mobility domestically, collective and palpable prosperity for the *Herrenfolk* at the cost of the so-called *Minderwertiger*, this was the simple and popular magic formula of the National Socialist state.”⁸⁷ Many believed, in short, that the Third Reich might actually have found solutions to many of modernity’s contemporary problems—a claim that by the 1930s most of the mainstream left could not longer make.

Conclusions

Although obviously differing in critical ways, fascism, National Socialism, and social democracy had important similarities that have not been fully appreciated. They both embraced the primacy of politics and touted their ability to reshape society. They both appealed to communal solidarity and the collective good. And they both adopted a middle ground with regard to capitalism—neither hoping for its demise like Marxists nor worshipping it uncritically like many liberals, but seeking a “third way” based on the belief that the state could and should control markets without destroying them. Once in power the parallels continued with the Italian Fascists and German National Socialists being even more vociferous than the Swedish social democrats in their insistence that it was the state’s right and duty to control capitalism.

If social democrats, fascists, and National Socialists were joined by their belief in the primacy of politics, where they differed was in their views of how this should be carried out. For social democrats the primacy of politics meant using a democratic state to institutionalize policies that would protect society from capitalism’s harshest effects and promote the well-being and security of its weakest and most vulnerable members in particular. For fascists and National Socialists, the primacy of politics meant using a tyrannical state to control markets, ostensibly for the good of society, but really in order to ensure the hegemony of the state (or the party). However critical these differences turned out to be, it also important to recognize that shared commitments to the primacy of politics fundamentally differentiated social democrats, fascists, and National Socialists from liberals and orthodox Marxists.

Once one recognizes the similarities among social democracy, fascism, and National Socialism, and the ways these movements represented a rejection of *both* Marxism and liberalism, it becomes easy to understand not only why they were both able to exert such a hold over European publics during the interwar years, but also how so many prominent intellectuals and activists (e.g., Mussolini, de Man, Dèat) could make the seemingly irrational journey from (revisionist) left to (fascist or national socialist) right during the period.

Fascism and National Socialism, of course, went down in flames during World War II, at which point social

democracy went on to its period of greatest success. In the decades after 1945 the basic principles and policies championed by social democrats became accepted across the political spectrum as the most logical way of running modern political economies and formed the foundation of the postwar order. Although European states obviously varied greatly in the particularities of their postwar political economies, across the continent a dramatic revision in the relationship among states, markets, and society occurred between the pre- and post-World War II eras. After 1945 unchecked markets were viewed as dangerous; societal interests were viewed as trumping private prerogatives; and states were seen as having the right, indeed the duty, to intervene in the economy and society to protect a “common” or “public” interest. During the postwar era, in other words, states became generally understood to be the guardian of society rather than the economy and economic imperatives were often forced to take a back seat to social ones. This was a far cry from both what orthodox Marxists and communists had wanted (namely, the elimination of markets and private enterprise) and from what liberals had long advocated (namely, as free a reign for markets as possible).⁸⁸ What it most closely corresponded to was the mixture of economic policies championed by social democrats, fascists, and National Socialists together with the commitment to democracy that social democrats displayed but that fascists and National Socialists decidedly did not. In addition, therefore, to being seen as a distinctive ideology and movement all its own, rather than merely as the champion of certain policies or values (e.g., the welfare state, equality, solidarity) or as “bulked up” liberalism or “watered down” Marxism, social democracy should thus also be seen as the most successful ideology and movement of the twentieth century. Its principles and policies under-girded the most prosperous and harmonious period in European history by reconciling things that had hitherto seemed incompatible: capitalism, democracy, and social stability.

The notion that the key to the postwar order was its ability to reconcile capitalism, democracy, and social stability is not new. What was once nearly a truism, however, has been forgotten as the old battles between markets and states, economics and politics, have faded into history. By the beginning of the twenty-first century both the supporters and detractors of globalization had become convinced that we were living in a new era, characterized by the spread of markets to all corners of the globe and ever greater sectors of society—a trend that was viewed as inevitable and inexorable. Once again, a “belief in the historical inevitability [and] primacy of” economic forces ha[d] become fashionable.⁸⁹

Defenders of the new order pointed to the very real economic benefits capitalism brings and the poor economic track record of non-market based approaches. What globalization’s boosters failed to understand is that such economic thinking misses the point. Even in the context of

the current economic crisis, the real issue is not merely whether uncontrolled markets threaten growth, but rather the deleterious political and social consequences they also bring in their wake. For example, many contemporary observers voice concern about the market’s ability to “define the limits of politics”⁹⁰ and worry that states are forced to limit the range of policies they can consider and to apply economic and efficiency criteria to an ever-wider range of concerns. The result of all this, they fear, is an undermining of states’ legitimacy and authority.⁹¹ Similarly, critics bemoan the glorification of self-interest and unalloyed individualism and the decline in social cohesion and traditional values that unfettered capitalism can cause. Many believe that these trends, along with globalization’s tendency to uproot “activities and relations from local origins and cultures,”⁹² and insistence that all countries to follow “a single set of rules . . . ignoring all differences in society, culture and temperament,”⁹³ lies behind the growing right-wing populism and xenophobia plaguing parts of Europe (and the rest of the world).⁹⁴

Such concerns burst into public consciousness with so much fanfare recently that many people think the current situation is unprecedented. Yet as we have seen such debates and problems are actually quite old. They have, in fact, been defining features of capitalist societies in general and continental West European societies in particular since the start of the industrial revolution.

The best discussion of this remains Karl Polanyi’s *The Great Transformation*. Polanyi famously noted that a tragic irony underlay the transition to capitalism: “At the heart of the Industrial Revolution of the eighteenth century there was an almost miraculous improvement in the tools of production, which was accompanied by a catastrophic dislocation in the lives of the common people” and the organization of human communities.⁹⁵ Polanyi argued that these dislocations were so radical and destabilizing that they prompted an almost immediate backlash: an effort to limit the reach of markets and protect society from their destabilizing consequences. Thus began what Polanyi called a “double movement,” a battle between opposing principles that would shape modern life from that point forward:

The one was the principle of economic liberalism, aiming at the establishment of a self-regulating market, relying on the support of the trading classes, and using largely laissez-faire and free trade as its methods; the other was the principle of social protection aiming at the conservation of man and nature as well as productive organization, relying on the varying support of those most immediately affected by the deleterious action of the market . . . and using protective legislation, restrictive associations, and other instruments of intervention as its methods.⁹⁶

As we have seen, this dialectic came to a head in the 1920s and 1930s. With economic collapse and social chaos threatening much of Europe, publics began to renew their demands for the stability, community, and social protection that liberal capitalism seemed unable to provide. At

this point fascism and National Socialism charged onto the stage, offering a way out of the downward spiral, a new vision of society in which states put markets in their place and fought the atomization, dislocation, and discord that liberalism and capitalism had generated. For many fascism and National Socialism thus represented “real but barbaric solution[s]” to the contradictions and problems of market society.⁹⁷ The fascist cure, of course, was worse than the original disease, and Europeans emerging from the tragedy of the interwar years and the Second World War confronted the challenge of creating a world in which the market’s reach and excesses could be controlled and people’s longing for social solidarity could be satisfied—without the sacrifice of democracy and the trampling of freedom that fascism and Nazism brought in their wake. This was the historical and ideological role fulfilled by social democracy.

True social democrats, in other words, recognized what Karl Polanyi captured so brilliantly, namely that although capitalism had unleashed hitherto unimagined productive powers, some sort of shelter had to be erected so that societies and individuals could weather the gales of economic, social, and political change constantly howling around them. The movement’s rise and success during the twentieth century was due to this insight and the concomitant ability to provide what those movements based on a belief in the primacy of economics could not. Today it is unclear whether social democrats can recapture this role.

Despite the fact that we are probably once again living through another cycle of Polanyi’s double movement—with a swing away from economic liberalism and towards social protectionism—the social democratic movement in much of Europe is merely a shadow of its former self. Closely linked with a particular set of welfare and economic policies designed for mid-century conditions,⁹⁸ it was largely caught off guard when conditions began to change in the 1970s and these policies began working less well. Yet as we have seen these policies, though crucial achievements were only means to larger ends and so jettisoning those that are no longer efficacious represents no real threat to the movement. To the extent that capitalism has changed, so too must social democracy’s approach to managing it. Indeed, the basic framework for a social democratic approach to contemporary problems is to be found in the movement’s own traditions. Social democrats need to remember that their movement has always been characterized by a willingness to use markets to drive growth, the state to protect citizens from the market’s downsides, and a commitment to serving the entire community. The whole point of social democracy is that economic development should not be viewed in isolation as the sole criterion of socio-political value. Social democrats believe that decisions about economic policy must be judged not exclusively on growth rates (although they prefer high ones, *ceteris paribus*) but also on the basis of how growth affects

other goals—such as social solidarity, social stability, environmental protection, and the maintenance of a well-functioning economy. Thus in line with the movement’s history, social democrats should reject both the globophilia of neo-liberalism and the globophobia of parts of the current left. They should strive to promote what some have called “progressive globalization,”⁹⁹ which basically means harnessing the productive potential of markets while managing the process so that it works to the benefit of all. Today, as during the postwar period, there is much evidence that there is no contradiction between these goals as many of the countries that have done best in recent years are precisely those that have remained the most social democratic. For example, Sweden and the other Scandinavian countries have consistently outscored other European countries and often even the United States in competitiveness and quality of life rankings. As more and more people across the globe embrace the view that economic growth must be balanced against other goals, the attractiveness of social democracy should be in the ascendant—but only if the movement can use its traditional principles to come up with fresh policies that address age-old problems like anomie, commodification, societal disruption, etc. in new and effective ways.

Alongside reiterating their commitment to the primacy of politics, social democrats must also reiterate their commitment to communitarianism. As this article has argued, social democracy emerged partly in response to liberalism’s obsession with individualism and orthodox Marxism’s obsession with class conflict. What people in capitalist societies really wanted, its founders recognized, was to be addressed as part of some overarching political community; only such an appeal could begin to restore the sense of *Gemeinschaft* that had been lost with the transition to capitalism. Also important was that both a strong, interventionist state and generous, universalistic welfare policies depend on the support of a citizenry driven by a high degree of fellow feeling and a sense of shared purpose.

In an increasingly diverse Europe, basing a call for social solidarity on shared ethnic or religious background is no longer a viable or attractive strategy. Social democracy’s refashioned communitarian appeal will therefore have to be built upon more inclusive grounds—namely, shared values and responsibilities. Social democrats must make clear, in other words, that since twenty-first century citizenship cannot be built on some fellowship of blood, it must be based upon the acceptance of certain rules and norms.

The communitarian “leg” of social democracy has proven at least as difficult for the contemporary left come to terms with as its economic one. However, the fact is that if you want an order based on social solidarity and the priority of social goods over individual interests, a strong sense of fellow feeling is required to get that order into place and keep it politically sustainable. And so long as nation-states remain the basic form of political organization in the world, such

fellow feeling will have to be fostered within national borders. Social democrats who don't accept and deal with this will just end up ceding ground politically to the radical right and various populists, who will step in to supply the communitarian cravings that publics continue to display.

This is obviously risky territory to tread on, since as this article has reviewed, the dark side of communitarianism is very dark indeed. Social democrats should not peddle "fascism lite" nor accept nativism or prejudice. But ignoring the desire for some sort of community in a world where long-standing political, social, and cultural traditions are being constantly questioned, is a recipe for disaster.

How to generate strong and emotionally satisfying communities in increasingly diverse societies is a major challenge. One practical implication is that the multiculturalism in vogue throughout much of the contemporary left ("everyone has their own values and all are equally valid") is therefore as much a threat to social democracy as is globalization. Social democrats need to deal forthrightly with the social and cultural divisions currently roiling Europe, for example, and insist that all members of society adhere to certain common principles, even as they push for better integration of immigrants into the societies around them. If they don't, history and Polanyi both teach us that it is very likely that some other, less progressive, movement with a commitment to integration, likely will.

Notes

- 1 Friedman 1999, 87.
- 2 Sternhell 1986; Sternhell 1994; Gregor 1968; Gregor 1979; Gregor 1999.
- 3 But see Kloppenber 1986.
- 4 Arblaster 1984; de Ruggiero 1959; Manent 1995.
- 5 Barry 1986.
- 6 Schmitt 1976, 70.
- 7 Hobhouse 1964, 110.
- 8 Marx in Tucker 1978, 297.
- 9 Ibid, 296.
- 10 Nisbet 1953, 5.
- 11 Nagel 2000, 6.
- 12 Bobbio 1987, 61; Carnoy 1984, 47; Tucker 1970.
- 13 Walzer 1970, 389; Schwartz 1995.
- 14 Although he occasionally bemoaned the vulgarization of Marxism that occurred after Marx's death and (in private) expressed his displeasure with those who put forward overly dogmatic interpretations of the master's teachings, it was through Engels' writings that Marxism "came to mean . . . a materialist evolutionism. . . . [where] historical evolution is an aspect of general (natural) evolution, and basically subject to the same 'laws'"; Lichtheim 1961, 245–6; Colletti 1972, 64. At Marx's funeral, Engels indicated where he believed Marx's true legacy lay by characterizing his friend as the Darwin of socialism—the man

- who "discovered the laws of development of human history"; Engels in Tucker 1970, 681.
- 15 Engels in Cohen 1968, 125.
 - 16 Ibid., 139.
 - 17 Gilcher-Hotley 1986; Matthias 1957; Salvadori 1979; Steenson 1978.
 - 18 Kautsky 1910, 119.
 - 19 Hence Kautsky's famous characterization of the German socialist party as "a revolutionary party, but not a revolution-making one. We know that our goal can only be achieved through a revolution [and] we also know how little it is within our power to make this revolution, as little as it is possible for our opponents to hinder it. . . . [T]he revolution can not be arbitrarily made by us . . . and we are just as incapable of saying when and under what conditions and in what form it would appear"; Kautsky 1920, 47.
 - 20 Hughes 2000; Nisbet 1953, 1966.
 - 21 This argument may have some relevance for debates about path dependence and historical institutionalism. What we see in the case of twentieth-century ideologies is that their development was shaped by an interplay between ideational and material forces. The origins of social democracy lie in both the gaps in orthodox Marxist thought and the changing material circumstances that enabled them to be recognized. Ideologies did not immediately get jettisoned when external conditions changed, but they did come under increasing pressure. As conditions continued to create incentives for individuals and groups to rethink their ideas and commitments, more and more did so, but many did not. As we will see, many remained committed to orthodox Marxism and other "irrational" ideas long after we can now in retrospect say that it made sense to do so; Pierson 2004; Streeck and Thelen 2005; Steinmo, Thelen and Longstreth 1992.
 - 22 Hobhouse 1964, 110.
 - 23 Kloppenber 1986; Arblaster 1984; Seidman 1983.
 - 24 Bernstein 1993, 12.
 - 25 Ibid., 200–1.
 - 26 Bernstein in Steger 1997, 152.
 - 27 Ibid. 152.
 - 28 Bernstein 1993, 200.
 - 29 Bernstein in Tudor and Tudor 1988, 61, 74.
 - 30 Ibid., 79.
 - 31 Lichtheim 1961.
 - 32 Despite these similarities, many, including Jaurès, hesitated to fully support Bernstein during the revisionist controversy due largely to their desire to avoid further splits in the French and international socialist movements.
 - 33 Piccone 1983; Bellamy 1987; Jacobitti 1975.
 - 34 Horowitz 1963; Di Scala 1996.
 - 35 Bottomore and Goode 1978; Leser 1974.
 - 36 Berman 1998, 2006.

- 37 SPD 1978, 128.
 38 SPD 1978, 134–5.
 39 Luxemburg 1996, 12, 8.
 40 The revisionist conflict was particularly heated in Germany because the SPD saw itself as the standard-bearer of orthodox Marxism and so threats to this doctrine threatened the party's identity and sense of mission within the international socialist movement. For a discussion of why the SPD's relationship to orthodox Marxism developed in this manner see Berman 1998 and 2006.
 41 Bernstein 1993; Gay 1952.
 42 Sorel 1950, 50.
 43 Sternhell 1986, 1994.
 44 Barth 1959, 10.
 45 Jennings 1985, 38.
 46 Sorel in Stanley 1987, 135.
 47 Sternhell 1994, 90.
 48 Corradini in Lyttleton 1973, 146–8; Weber 1965.
 49 Curtis 1959; Putnam 1954.
 50 Anderson 1977, 107; Sternhell 1986, 326.
 51 Mazgaj 1976, 438.
 52 Ibid.
 53 Fletcher 1984, 83.
 54 Even the German SPD, the International's largest party and the standard-bearer of Marxist orthodoxy, pledged itself to the defense of the *Vaterland* and quickly voted to authorize war credits. In France, the Socialists not only joined with other groups in a *union sacrée* to defend the *patrie* but, putting aside years of controversy, also sent two of their most prominent members—Jules Guesde and Marcel Sembet—to join the government.
 55 Berman 1998.
 56 SPD 1931, 45–6.
 57 Schneider 1975; Bombach et al. 1976.
 58 Gates 1970, 78.
 59 Dodge 1966, 1979.
 60 De Man 1928, 12.
 61 Dodge 1966, 139.
 62 White 1992, 87.
 63 Goodman 1973.
 64 White 1992; Wohl 1979.
 65 Woytinsky 1932, 439.
 66 Berman 1998; Schneider 1975; Woytinsky 1961.
 67 De Man in Dodge 1966, 170.
 68 De Man 1928.
 69 De Man in Dodge 1966, 291.
 70 Karleby 1976, 145.
 71 Karleby 1976, 85, 83.
 72 *Social-Demokraten*, September 15, 1932.
 73 SAP 1932, 429.
 74 Hansson in Berkling 1982, 227–230.
 75 For example, both de Man and Dèat, having lost faith in the SFIO and the mainstream socialist movement more generally, and being convinced that liberal democracy was doomed, began to look sympathetically on the communitarianism and anti-capitalism of the Nazis and Fascists. When the Nazis rolled over Europe many of these types made their peace with the devil.
 76 Mussolini in Griffin 1995, 65.
 77 Mario Palmierio in Cohen 1968, 381.
 78 Clark 1984, 271; Sarti 1974; Whittan 1995.
 79 Berman 2006.
 80 Noakes and Pridham 1994, 14–16.
 81 Mason 1993; Barkai 1990; Guillebaud 1971, Overy 1994; Silverman 1998.
 82 Barkai 1990, 3.
 83 For comparison the comparable figures for Great Britain and the U.S. were 23 percent and 10 percent respectively.
 84 Barkai 1990, 3.
 85 Stachura 1983, 6.
 86 Ibid., 10, 18; Stolper 1967, 129.
 87 Aly 2005.
 88 One way to think about what this essay is trying to do, therefore, is to see it as providing the intellectual “back story” to the varieties of capitalism debate; see Hall and Soskice 2001.
 89 Bourdieu 1996, 1998.
 90 Boyer and Drache 1996, 1.
 91 Ohmae 1995.
 92 Gray 2000, 57.
 93 Luttwark 2000, 27–28.
 94 Ibid., 104; Ignatieff 1996; Burbach, Nunez, and Kagarlitsky 1997.
 95 Polanyi 1957, 33.
 96 Ibid., 132.
 97 Ibid., 237.
 98 Esping-Andersen 1999.
 99 Jacobs, Lent, and Watkins 2003.

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