

# What is Fascism?

As an economic system, fascism is socialism with a capitalist veneer. The word derives from *fasces*, the Roman symbol of collectivism and power: a tied bundle of rods with a protruding ax. In its day (the 1920s and 1930s), fascism was seen as the happy medium between boom-and-bust-prone liberal capitalism, with its alleged class conflict, wasteful competition, and profit-oriented egoism, and revolutionary Marxism, with its violent and socially divisive persecution of the bourgeoisie. Fascism substituted the particularity of nationalism and racialism—“blood and soil”—for the internationalism of both classical liberalism and Marxism.

Where socialism sought totalitarian control of a society’s economic processes through direct state operation of the means of production, fascism sought that control indirectly, through domination of nominally private owners. Where socialism nationalized property explicitly, fascism did so implicitly, by requiring owners to use their property in the “national interest”—that is, as the autocratic authority conceived it. (Nevertheless, a few industries were operated by the state.) Where socialism abolished all market relations outright, fascism left the appearance of market relations while planning all economic activities. Where socialism abolished money and prices, fascism controlled the monetary system and set all prices and wages politically. In doing all this, fascism denatured the marketplace. Entrepreneurship was abolished. State ministries, rather than consumers, determined what was produced and under what conditions.

Fascism is to be distinguished from interventionism, or the mixed economy. Interventionism seeks to guide the market process, not eliminate it, as fascism did. Minimum-wage and antitrust laws, though they regulate the free market, are a far cry from multiyear plans from the Ministry of Economics.

Under fascism, the state, through official cartels, controlled all aspects of manufacturing, commerce, finance, and agriculture. Planning boards set product lines, production levels, prices, wages, working conditions, and the size of firms. Licensing was ubiquitous; no economic activity could be undertaken without government permission. Levels of consumption were dictated by the state, and “excess” incomes had to be surrendered as taxes or “loans.” The consequent burdening of manufacturers gave advantages to foreign firms wishing to export. But since government policy aimed at autarky, or national self-sufficiency, protectionism was necessary: imports were barred or strictly controlled, leaving foreign conquest as the only avenue for access to resources unavailable domestically. Fascism was thus incompatible with peace and the international division of labor—hallmarks of liberalism.

Fascism embodied corporatism, in which political representation was based on trade and

industry rather than on geography. In this, fascism revealed its roots in syndicalism, a form of socialism originating on the left. The government cartelized firms of the same industry, with representatives of labor and management serving on myriad local, regional, and national boards—subject always to the final authority of the dictator's economic plan. Corporatism was intended to avert unsettling divisions within the nation, such as lockouts and union strikes. The price of such forced “harmony” was the loss of the ability to bargain and move about freely.

To maintain high employment and minimize popular discontent, fascist governments also undertook massive public-works projects financed by steep taxes, borrowing, and fiat money creation. While many of these projects were domestic—roads, buildings, stadiums—the largest project of all was militarism, with huge armies and arms production.

The fascist leaders' antagonism to communism has been misinterpreted as an affinity for capitalism. In fact, fascists' anticommunism was motivated by a belief that in the collectivist milieu of early-twentieth-century Europe, communism was its closest rival for people's allegiance. As with communism, under fascism, every citizen was regarded as an employee and tenant of the totalitarian, party-dominated state. Consequently, it was the state's prerogative to use force, or the threat of it, to suppress even peaceful opposition.

If a formal architect of fascism can be identified, it is Benito Mussolini, the onetime Marxist editor who, caught up in nationalist fervor, broke with the left as World War I approached and became Italy's leader in 1922. Mussolini distinguished fascism from liberal capitalism in his 1928 autobiography:

The citizen in the Fascist State is no longer a selfish individual who has the anti-social right of rebelling against any law of the Collectivity. The Fascist State with its corporative conception puts men and their possibilities into productive work and interprets for them the duties they have to fulfill. (p. 280)

Before his foray into imperialism in 1935, Mussolini was often praised by prominent Americans and Britons, including Winston Churchill, for his economic program.

Similarly, Adolf Hitler, whose National Socialist (Nazi) Party adapted fascism to Germany beginning in 1933, said:

*The state should retain supervision and each property owner should consider himself appointed by the state. It is his duty not to use his property against the interests of others among his own people. This is the crucial matter. The Third Reich will always retain its right to control the owners of property. (Barkai 1990, pp. 26–27)*

Both nations exhibited elaborate planning schemes for their economies in order to carry out the state's objectives. Mussolini's corporate state "consider[ed] private initiative in production the most effective instrument to protect national interests" (Basch 1937, p. 97). But the meaning of "initiative" differed significantly from its meaning in a market economy. Labor and management were organized into twenty-two industry and trade "corporations," each with Fascist Party members as senior participants. The corporations were consolidated into a National Council of Corporations; however, the real decisions were made by state agencies such as the Istituto per la Ricostruzione Industriale, which held shares in industrial, agricultural, and real estate enterprises, and the Istituto Mobiliare, which controlled the nation's credit.

Hitler's regime eliminated small corporations and made membership in cartels mandatory. The Reich Economic Chamber was at the top of a complicated bureaucracy comprising nearly two hundred organizations organized along industry, commercial, and craft lines, as well as several national councils. The Labor Front, an extension of the Nazi Party, directed all labor matters, including wages and assignment of workers to particular jobs. Labor conscription was inaugurated in 1938. Two years earlier, Hitler had imposed a four-year plan to shift the nation's economy to a war footing. In Europe during this era, Spain, Portugal, and Greece also instituted fascist economies.

In the United States, beginning in 1933, the constellation of government interventions known as the New Deal had features suggestive of the corporate state. The National Industrial Recovery Act created code authorities and codes of practice that governed all aspects of manufacturing and commerce. The National Labor Relations Act made the federal government the final arbiter in labor issues. The Agricultural Adjustment Act introduced central planning to farming. The object was to reduce competition and output in order to keep prices and incomes of particular groups from falling during the Great Depression.

It is a matter of controversy whether President Franklin Roosevelt's New Deal was directly influenced by fascist economic policies. Mussolini praised the New Deal as "boldly . . . interventionist in the field of economics," and Roosevelt complimented Mussolini for his "honest purpose of restoring Italy" and acknowledged that he kept "in fairly close touch with that admirable Italian gentleman." Also, Hugh Johnson, head of the National Recovery Administration, was known to carry a copy of Raffaello Viglione's pro-Mussolini book, *The Corporate State*, with him, presented a copy to Labor Secretary Frances Perkins, and, on retirement, paid tribute to the Italian dictator.

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## Footnotes

1. "Laws decreed in October 1937 simply dissolved all corporations with a capital under

\$40,000 and forbade the establishment of new ones with a capital less than \$20,000”  
(Shirer 1959, p. 262).