

Fascism and Monopoly

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Daniel A. Crane

Frederick Paul Furth, Sr., Professor of Law University of Michigan

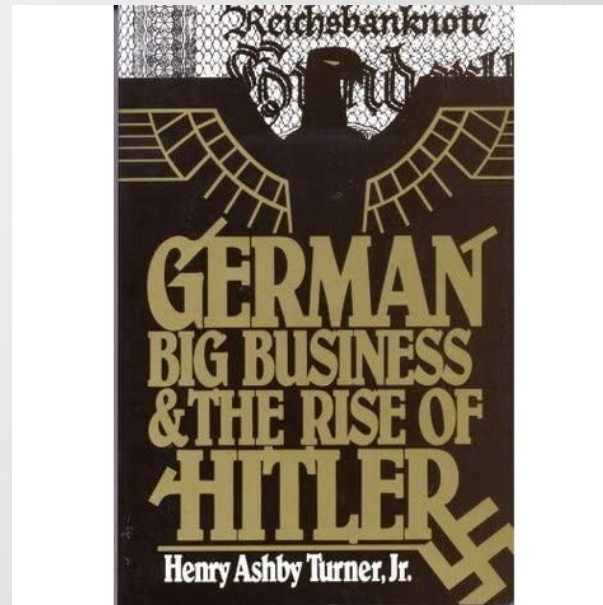
Counsel: Paul, Weiss, Rifkind, Wharton & Garrison LLP

Research questions

[*Fascism and Monopoly*, Mich. L. Rev. 2020

Democratizing by Decartelizing, Tobin Project working paper]

- Did extremely concentrated economic power (monopolies & cartels) in Weimar Germany facilitate rise of Nazism?
 - Contrast debate between Marxist and anti-Marxist historians over “monopoly capitalism” as root cause of Nazism.
 - Focus on **structure as facilitator**, not moral culpability or “root causes.”
- If so, by what mechanisms?
 - Causation vs. correlation.



Sources of evidence

- Archival material from OMGUS Decartelization Branch (1945-1949)
- Business histories of leading German industrial firms
 - IG Farben, Degussa (chemicals, precious metals)
 - Siemens, AEG (electricity)
 - Krupp (armaments)
- General economic and political histories

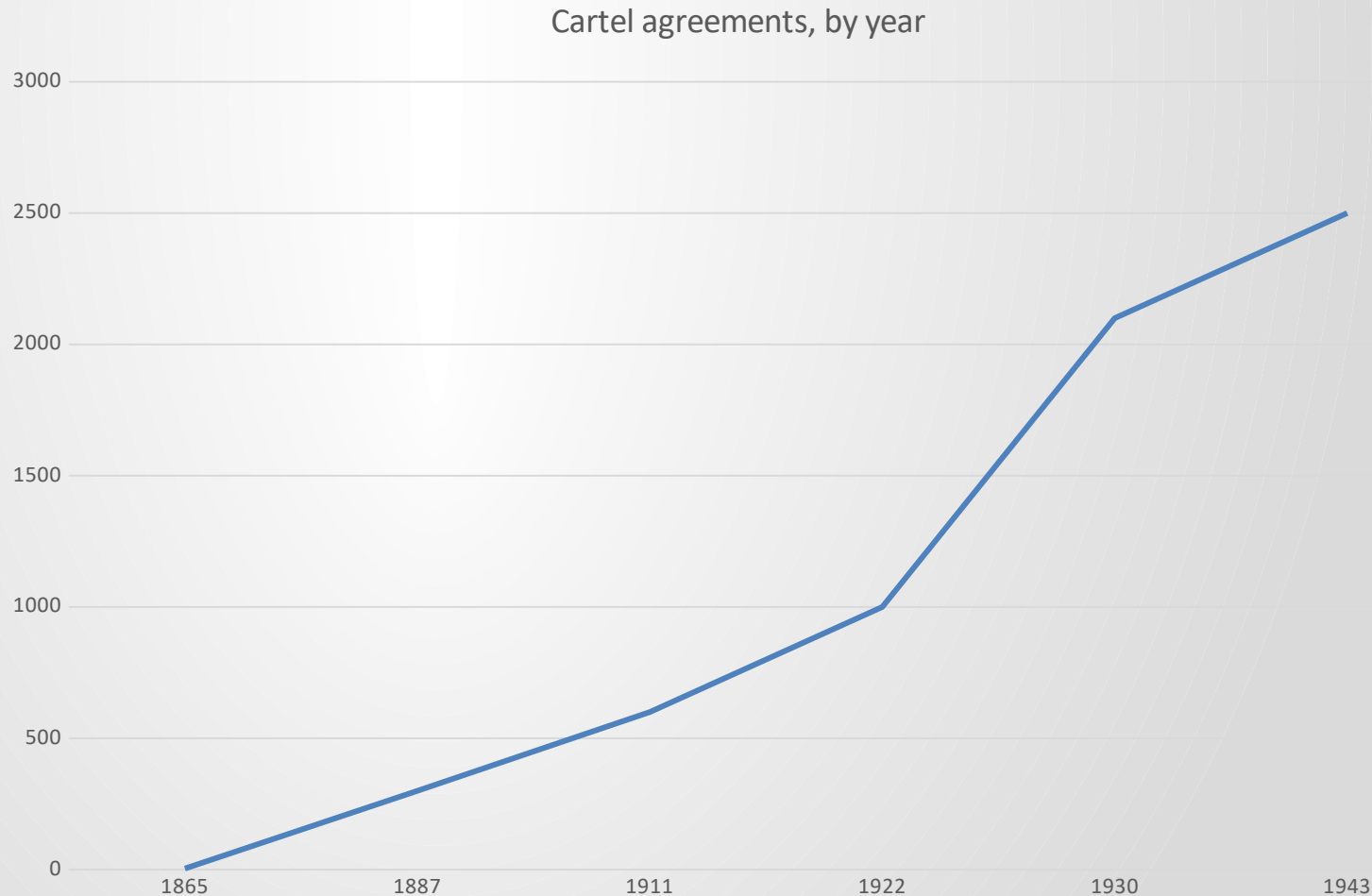


OMGUS Decartelization Branch, Berlin 1946

(credit, Bentley Historical Library, University of Michigan)



Increasing concentration: Bismarck to Weimar Republic



Legal encouragement of cartels and merger to monopoly

- Judicial decisions in 1890s—cartels lawful, maybe even required
- No meaningful constraint on mergers, monopolies
- Example: **IG Farben** (chemicals)
 - Pre-1904: competitive oligopoly
 - 1904: 2 cartels (3 firms, 6 firms)
 - 1925: Merger into single firm
 - 1930: Market division agreement with Standard Oil (buna rubber)
 - 1930s:
 - 100% of synthetic rubber, 100% of lubricating oils, 100% of serums, 90% of plastics, 88% of magnesium, 64% of explosives, and 75% of nitrogen.
 - 1935-36: Organizationally intertwined with Wehrmacht
 - 1938-forward: Economic arm of regime; appropriation of industries in conquered territories; Auschwitz

Mechanisms

- **Faustian bargain**
 - 1933-forward, monopoly rents for regime support
 - Compare Hitler's more precarious grip on government, military, church
- **Organizational structure**
 - U.S. War Dept: Nazis "helpless" w/o firm bureaucratic structure
- **Cartels as devices of regime control**
 - June 1933: mandatory participation
- **National champions/foreign policy**
 - Farben/Standard Oil (buna rubber)
 - Siemens/Bendix (avionics)
 - Siemens/Beryllium Corp. (beryllium)
 - Krupp/GE (carbology)
- **Loss of intra-firm democracy**
 - IG Farben reorganization (1937-38)
 - Lex Krupp (1943)



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