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THE CONCEPT OF ECONOMIC DEMOCRACY WITHIN THE GERMAN SOCIALIST TRADE UNIONS DURING THE WEIMAR REPUBLIC: THE EMERGENCE OF AN ALTERNATIVE ROUTE TO SOCIALISM*

JOHN A. MOSES

The programme of Economic Democracy (Wirtschaftsdemokratie) as evolved by the German Free (Socialist) Trade Unions (ADGB) during the nineteen-twenties¹ has attracted the attention of historians at the present time not only because of the on-going trade union struggle

* Paper delivered at the biennial conference of the *Australasian Association for European History* held at Lincoln College, University of Adelaide, 3-5 June 1977. While this paper focuses exclusively on the history of the Free (socialist) Trade Unions which re-constituted themselves in 1919 as the *Allgemeiner Deutscher Gewerkschaftsbund* (ADGB) or General German Trade Union Federation, attention is drawn to the existence of the other 'directions' of trade unionism at that time by quoting their membership statistics from 1919 until 1932. These are from G. Beier's calculation in K. D. Erdmann, *Die Zeit Weltkriege*, Stuttgart, 1976, p. 830, augmented by those found in Hans-Gerd Schumann, *Nationalismus und Gewerkschaftsbewegung*, Hannover & Frankfurt, 1958, pp. 163-65, as well as Robert Goetz, *Les Syndicats Ouvriers Allemands après la Guerre*, Paris, 1934, Annex II, III and IV. (Attention is drawn to the fact that some discrepancies exist among the various sources in yearbooks and handbooks since there can be no certainty whether the figures given represent, for example, the highest membership each year or simply the average for the whole year, or even the number at the year's end.)

| | Free Trade Unions ADGB | Christian Unions DGB | Hirsch-Duncker Unions (Liberal) | Communist & Syndicalist | Company Unions |
|------------------------|---------------------------------|-------------------------------|------------------------------------|----------------------------|-------------------|
| 1919 | 6,058,748 | 1,432,136 | 451,831 | | 150,000 |
| 1920 | 8,490,478 | 1,690,782 | 487,998 | | 190,000 |
| 1921 | 8,125,522 | 1,563,790 | 524,944 | | 297,000 |
| 1922 | 8,451,468 | 1,631,776 | 523,866 | | |
| 1923 | 7,646,044 | 1,449,963 | 479,031 | | |
| 1924 | 4,999,993 | 1,042,393 | 410,576 | 247,000 | |
| 1925 | 4,502,991 | 1,012,398 | 430,587 | 246,000 | 188,000 |
| 1926 | 4,310,062 | 972,303 | 439,804 | 64,000 | |
| 1927 | 4,482,779 | 1,074,526 | 455,772 | 63,000 | |
| 1928 | 5,015,084 | 1,170,279 | 470,510 | 73,000 | |
| 1929 | 5,296,357 | 1,252,167 | 488,843 | 55,000 | |
| 1930 | 5,220,018 | 1,273,096 | 498,730 | 71,000 | |
| 1931 | 4,798,548 | 1,190,023 | 477,546 | 35,000 | 123,000 |
| 1932 | 3,932,947 | 1,100,000 | 450,000 | | |
| Decline Phase I | 1920/26 4,180,416 = 49.2% | 1920/26 718,479 = 42.5% | 1921/24 114,368 = 21.8% | | |
| Decline Phase II | 1929/32 1,363,410 = 25.7% | 1930/32 173,096 = 13.6% | 1930/32 48,730 = 9.8% | | |

1. The idea of Economic Democracy within the German labour movement can be seen to have roots going back to various sources. The work of Sidney and Beatrice Webb was known to Eduard Bernstein, the famous German revisionist, as well as to Carl Legien, the chairman of the socialist unions from 1890 to 1920. See the latter's highly favourable review of the Webb's *Industrial Democracy* in *Correspondenzblatt*, the union organ, 7, 111, 1898, entitled "Theorie und Praxis der englischen Gewerkvereine". Even Lenin's *State and Revolution* with its underpinning of the councils idea—though hostile to so-called 'trade unionism'—contributed to the German idea of Economic Democracy. A further source that is specifically German would be the practice of forming industrial alliances from the representatives of labour and management in various sectors of the economy and at national level to plan economic strategy. All these strands appear to be woven together in trade union thought during the Weimar Republic.

in the Federal Republic of Germany to extend the principle of worker co-determination in industry, the roots of which are to be found in the Weimar Republic, but also because of the additional interest in German trade union behaviour during the period of the Nazi Party's dramatic rise and seizure of power.²

It is, however, not the purpose of this paper to argue for any direct causal connection between Economic Democracy and the Nazi success in the way in which Marxists do by asserting that Economic Democracy was a form of "social fascism" and as such aided and abetted the triumph of National Socialism; rather, the intention is to trace the evolution of Economic Democracy and to draw attention to the fact that after 1928 when the final programme was enunciated, the majority of German industrialists became so alarmed at the aims of organised labour that they began to cast about for a state system that would reduce labour influence on both the economy and government. The effects of the Great Depression after 1929 accelerated this process so that gradually, heavy industry in particular, came to see the Nazi Party as offering the system most accommodating to their political and economic aims. As Michael Schneider has documented, the enunciation of the trade union goal of economic democracy caused industry in general to embark on a course, for which many industrialists were ideologically predisposed, that led to the establishment of a fascist dictatorship in Germany.³

In order to appreciate the German socialist trade unions' behaviour during the Weimar Republic and the evolution of the programme of Economic Democracy as their official policy goal—and thereby to understand the hostility of both the Communists and the Right towards them—it will be necessary to recall the key stages in their struggle for existence from 1890. These not only formed the preconditions for the formulation of the programme but also illustrate the unique characteristic of German socialist trade unionism.⁴

2. For a discussion of divergent assessments of the behaviour of the German socialist trade unions at the time of the Nazi seizure of power, see *Gewerkschaftliche Monatshefte*, 26 (7), 1975. This issue of the present German trade union federation's (DGB) main theoretical journal contains articles from authors of both critical and more apologetic tendency, and is significant in that it constitutes the first attempt by the DGB to gain historical clarity concerning this vexed question.
3. Michael Schneider, *Unternehmer und Demokratie*, Bonn-Bad Godesberg, 1975, pp. 90-92 and 178-182. Schneider's work traces the stages of the evolution of industrialists' hostility to the Weimar state as the despised 'trade union state', and notes on p. 182: 'Even if only a minority of industrialists actively supported the Nazis, the plans that were evolved by the leading industrialists' bodies foresaw the regimenting of the working class by imposing limitations on trade union rights and the elimination of the parliamentary system. In this way the policies of the industrialists contributed to the establishment of a fascist dictatorship. . . . The dissolution of the trade unions on 2 May 1933 was the consequence of this policy'. The accelerating effect of 'Economic Democracy' is dealt with specifically by H. A. Winkler, 'Unternehmer und Wirtschaftsdemokratie in der Weimarer Republik', *Politische Vierteljahresschrift*, Sonderheft, 2, 1970, pp. 308-322. See also Schneider's extensive bibliography for an exhaustive list of works in both English and German concerning the relationship of big business and National Socialism in Germany.
4. Gerhard Beier, *Grundzüge einer Theorie der gewerkschaftlichen Entwicklung*, Kronberg/Taunus, 1976, p. 15 (Typewritten manuscript). Dr. Beier, who is perhaps the leading authority on the history of trade unionism in the Federal Republic, kindly made available this material in which he distinguishes two main functions of trade unions. These are: (a) To improve conditions for the working class within the existing capitalist system which in practice means pursuing improvements in wages and conditions, in short social policy. (b) To remove the class structure altogether which means in practice the abolition of the commodity character of labour, the maintenance of labour productivity, the establishment of human dignity in the process of production, society and the state, in short the emancipation of labour, the rationalisation of production, factory and extra-factory worker co-determination, economic democracy and socialism. Clearly the German Free Trade Unions combined both these functions with different emphases at the various stages of their history.

I

First, the Free Trade Unions since the lapse of Bismarck's anti-socialist law in 1890 had gradually evolved a highly centralised and energetic national leadership which enjoyed a long period of continuity under the chairmanship of Carl Legien, 1890-1920. Secondly, this leadership had early emancipated itself from the ideological tutelage of the Social Democratic Party (SPD), and while at times proclaiming that unions and party were one, and promising consultation with the party on issues of mutual concern, the union leaders pursued an increasingly independent line. Thirdly, the thrust of union policy was decidedly anti-revolutionary. That is to say, while the Wilhelmine State was regarded with extreme hostility, it was considered to be quite unassailable by traditional revolutionary means. Virtually a military state, the highly bureaucratised German Empire was prepared to deal forcibly if necessary with the labour movement at the first sign of conspiratorial opposition.⁵ Following from this analysis the unions as well as the SPD were constrained to influence the state as far as possible by solely legal means to amend legislation to afford greater justice and social protection to the working class.

Fourthly, although the First World War occasioned a fateful split in the SPD, the outbreak of hostilities was seized upon by the unions' leaders as an opportunity to make themselves indispensable to the state in the expectation that its former suspicion and harshness towards organised labour would be replaced by toleration and acceptance. This indeed occurred, and through a series of war-time legislative measures, the unions won significant concessions from the Wilhelmine State, particularly with an expanded right of association, the installation of works' councils in factories and the institutionalisation of arbitration.⁶

Fifthly and finally, it was the unions' determination to see these war-time concessions carried over into peace-time and given even wider application. It is essential to appreciate that the union leaders with few exceptions, as was the case with the industrialists, expected the victory of German arms right up to the very last months of the war. This meant that no change in long-established practice was envisaged after the war. The policy of steady organisational expansion with the aim of extracting concessions from both management and government was to be continued. The advent of simultaneous military collapse and revolution occasioned, however, no adjustment to this line because, as the unions saw the alternative, the German economy would be faced with ruin if socialisation of industry had been precipitately introduced. This unexpected situation of economic and administrative chaos was not regarded by the

5. Organised labour in Wilhelmine Germany had always a healthy respect for the efficiency of the army and the police as a means of suppressing proletarian political movements. Engels himself had pointed out the futility of provoking a head-on collision with the 'military state' already before the turn of the century. By 1913/14 it was well appreciated in labour ranks that both the army and police had stepped up their contingency plans to cope with any possible outbreaks of public disorder. See Dieter Groh, *Negative Integration und revolutionärer Attentismus*, Frankfurt, 1973, p. 532 f. On the influence of Engels' views about not provoking the state to suppress organised labour, see Hans-Josef Steinberg, 'Friedrich Engels' revolutionäre Strategie nach dem Fall des Sozialistengesetzes', in *Friedrich Engels 1820-1970*, edited by Hans Pelger, Hannover, 1971, pp. 115-126.
6. For an evaluation of the socialist trade union leadership during the First World War and indications of the relevant source material, see John A. Moses, 'Bureaucrats and Patriots—The German Socialist Trade Union Leadership for Sarajevo to Versailles, 1914-1919', *Labour History*, Canberra, No. 30, May 1976, pp. 1-21.

socialist unions as a particularly opportune time to press for long-standing socialist goals. On the contrary, the union leadership sought to institutionalise a policy of co-operation with industry to rescue the economy and to ward off the worst effects of unemployment during the critical demobilisation period, a policy in the form of the famous November Agreement that was even confirmed by the provisional revolutionary government of the six commissars of the people.⁷

II

That was the situation in 1918-19. It is now generally recognised that the union policy to steer a conservative course through the tumultuous weeks of the German Revolution contributed greatly to 'setting the points' for the emergence of a parliamentary system to succeed the former Reich constitution rather than a soviet model.⁸ The union leaders' opposition to revolutionary activity, especially the councils' movement was, of course, due in part to the fear of what they termed 'Russian conditions' arising in Germany with an accompanying loss of economic viability and industrial competitiveness internationally. The union concern to maintain productivity made them close allies of industrial management throughout the foundation years of the Republic and consequently earned them the bitter enmity of the Communists and the more radical left. However, the famous November (1918) Stinnes-Legien agreement between industry and unions, which resulted in the *Zentralarbeitsgemeinschaft* (ZAG) or joint industrial alliance, was a temporising arrangement for both parties but particularly so for industry which had naturally preferred to recognise the relatively moderate union demands rather than face the risk of complete expropriation. But while the industrialists were clearly opportunist with regard to their co-operation with the unions, the latter already in the foundation period looked upon the ZAG as an important step towards socialism because it began the democratisation of the economy by breaking the absolutism of management.⁹

7. Hans-Hermann Hartwich, *Arbeitsmarkt, Verbände und Staat 1918-1933*, Berlin, 1967, pp. 3-5. The Council of the People's Commissars recognised and endorsed the formal co-operation between industry and unions (although it conflicted with their declared socialist aims) by publishing the November Agreement which nominated the trade unions, including the Christian and Liberal unions, as the proper representatives of Labour. The agreement was published in the *Reichsanzeiger* and the *Preussischer Staatsanzeiger* (18. XI. 1918) with the recommendation that all government works, federal, state and municipal, acknowledge it. For an analysis of the background to the November Agreement, particularly from the management side, see the following articles by Gerald D. Feldman: 'German Business between War and Revolution: The Origins of the Stinnes Legien Agreement' in *Entstehung und Wandel der modernen Gesellschaft*, edited by Gerhard A. Ritter, Berlin 1970; 'The Origins of the Stinnes-Legien Agreement: A Documentation', *Internationale Wissenschaftliche Korrespondenz*, 19/20 Dez., 1973, pp. 45-103; 'Economic and Social Problems of the German Demobilization, 1918-19', *Journal of Modern History*, Vol. 47, (1), 1975, pp. 1-47.
8. Cf. Hartwich, *Arbeitsmarkt* . . . , pp. 7-11, and Karl-Dietrich Bracher, *Die Auflösung der Weimarer Republik* (4th ed.), Villigen, 1955, pp. 21-27.
9. See the debate on the November Agreement and the ZAG during the first post-war congress of the socialist unions in *Protokoll der Verhandlungen des zehnten Kongresses der Gewerkschaften Deutschlands abgehalten zu Nürnberg vom 30. June bis 5. Juli 1919* (cited Prot. Nbg. 1919), pp. 453-493, where the main argument in favour of upholding the agreement was the principle of worker parity with management. Against this the more radical Left saw the ZAG as a betrayal of socialist goals. In any case, it was confirmed by 420 votes to 181 (p. 502). Chairman Carl Legien had privately confided to the industrialist leader, Walther Rathenau, that he did not feel that the agreement with the capitalists had compromised the unions in any way, rather that he saw in the ZAG a step towards socialism. See *Protokoll der Konferenz der Vertreter*

Indeed, after the outcome of the January 1919 national elections to the constituent National Assembly had indicated that the German people did not yet want socialism, it became more imperative than ever to oblige management to keep to existing extra-governmental agreements. Further, because the SPD failed to win an absolute majority in the National Assembly it became critically important for the unions via their parliamentary friends to exert all the influence they could muster to see that the constitution being forged contained provisions favourable for the continued pursuit of socialism on a democratic basis.¹⁰

The union leaders were nothing if not realistic, always soberly assessing what a given situation might be expected to yield. That the election results made the implementation of a socialist programme illusory was recognised in a long debate on the issue at the first post-war trade union congress in June-July 1919 at Nuremberg.¹¹ But, significantly, also at that congress were promulgated the 'Guidelines for the Future Efficacy of the Trade Unions'—a programmatic statement of trade union will as it had crystallised throughout the preceding six months. These guidelines form a key document in the evolution of modern German trade unionism. In the first place they are a defiant justification for past policies and achievements, secondly they are a vigorous confrontation of the challenge from the extreme left, and thirdly a declaration to capital how relationships with organised labour were to be regulated in future. In short, the guidelines contained the union attitude to the revolution, the councils' movement, to socialism and to the state; in fact the trade union self-understanding at a turning point in German history. Leitmotiv of the guidelines was the assertion of trade union indispensability in the economic process regardless of what kind of government was in power, and as a complement to this the unions proclaimed the goal of worker co-determination from the factory

der Verbandsvorstände 3. XII. 1918, ADGB Restaken, August Bebel Archiv, Historische Kommission zu Berlin NB1/0011. The majority of union leaders shared the view that the ZAG would educate the industrialists towards accepting eventual socialism. Cf. Gerald Feldman, 'Die Freien Gewerkschaften und die Zentralarbeitsgemeinschaft 1918-1924', in *Vom Sozialistengesetz zur Mitbestimmung*, edited by H. O. Vetter, Köln, 1975, pp. 241-2. Feldman has based his conclusions on the same sources quoted above.

10. For the influence of the German democratic left on the formulation of the Weimar constitution see Heinrich Potthoff, 'Das Weimarer Verfassungswerk und die deutsche Linke', *Archiv für Sozialgeschichte*, XII, 1972, pp. 433-483. In particular was this influence reflected in paragraph 165 which reveals the will of the trade unions to institutionalise co-determination. It states in the first part: 'Labourers and employees are called upon to take part on equal terms and together with the employers in regulating conditions of work and wages and also in the general economic development of productive forces. The organizations on both sides and agreements between them shall be recognized . . .'. See Herbert Kraus, *The Crisis of German Democracy. A Study of the Spirit of the Weimar Constitution*, Princeton, 1932, p. 231. A translation of the text of the constitution is to be found in the appendix. For an analysis of the constitutional position of the trade unions in Weimar, see Franz Neumann, 'Die Stellung der Gewerkschaften im Verfassungssystem', *Arbeitsrecht und Volkstum*, XV, 1933, pp. 108-112, and Nathan Reich, *Labour Relations in Industrial Germany—An Experiment in Industrial Democracy 1918-1933*, New York, 1938.
11. See *Prot. Nbg 1919*, pp. 523-561. Here the reasons for *not* proceeding to demand socialisation were discussed. No formal vote was taken and no dissenting voice was registered.

floor up to the highest level of national economic planning.¹² The immediate implementation of these 'Guidelines' would have realised at a stroke the union concept of a *soziale Republik* or a *sozialer Volksstaat* whereby the old German Junker-industrialist ridden monarchy would have been transformed into a new state in which the workers had achieved at long last their rightful position. Herein, the affinity of the German proletariat for the 'Nation' and a yearning for a collective identity gained clear expression.

The prospects at the time for the ultimate realisation of this goal did not seem unreasonable. The ZAG to all appearances would go on functioning. It had virtually institutionalised the principle of co-determination; furthermore, the unions had sustained themselves against the challenge of the councils' movement to render them redundant, and beyond this they were being accorded a special position within the economic process by virtue of the earlier mentioned constitutional provisions, especially article 165. It was therefore the union determination to build on this basis of what they regarded as truly revolutionary achievements to transform Germany into a real industrial democracy.¹³

This aim presumed both a stable economy and a political constellation which would breathe life into the bare bones of the constitutional provisions for future social-political development. However, as is well known, neither of these two pre-conditions were ever adequately fulfilled in the Weimar Republic. Firstly, the electorate never at any stage rewarded the Social Democrats and indirectly their trade union supporters by returning the SPD with an absolute majority to the Reichstag, although until the rise of the Nazi Party, the SPD consistently remained the largest single party of the Republic. Secondly, the German economy, having emerged from the war already in a highly inflationary condition, was faced with series of crises, the solutions to which were either beyond the wit of the politicians to devise, or the crises were exploited by the opponents of the unions to weaken and discredit them.¹⁴

The task of confronting these crises involved the unions in a costly war of attrition with the Right which is reflected in a fluctuating and overall declining membership throughout the Weimar period.¹⁵ Their struggle to sustain a viable national economy went thus unrecognised by wide sections of labour itself. In this context it must be recalled that the

12. The 'Guidelines' were approved by a 'large majority', and a separate item dealing with the specific tasks of factory councils was accepted with 407 to 192 votes. See *Prot. Nbg 1919*, p. 500. The crucial paragraph of the 'Guidelines' is as follows: Section (7) The right of co-determination of the workers has to be implemented in the process of production beginning at the individual factory level up to the highest level of central economic organisation. Within the factories, freely elected workers' representatives (factory councils) are to be set up which, in co-operation with the trade unions, and based on their power, have to introduce industrial democracy together with management. The basis of industrial democracy is the collective agreement with legal force. The functions of factory councils, their rights and obligations are to be laid down in the collective agreements on the basis of minimal legal regulations. (*Prot. Nbg 1919*), p. 58.

13. See footnote No 10 for text of paragraph 165 of the Weimar Constitution.

14. On the origins and effects of the 'great inflation' in Germany, see Peter Czada, 'Ursachen und Folgen der grossen Inflation' in *Finanz und Wirtschaftspolitische Fragen der Zwischenkriegszeit*, Berlin, 1970. For literature on the attitudes of management and the Right to trade union economic ideas see B. J. Wendt, 'Mitbestimmung . . .': as well as Michael Schneider, *Unternehmer und Demokratie . . .*; also by the same author, *Das Arbeitsbeschaffungsprogramm des ADGB—Zur gewerkschaftliche Politik in der Endphase der Weimarer Republik*, Bonn-Bad Godesberg, 1975.

15. See membership statistics, footnote No 1.

patriotic attitude of the German socialist trade union leadership which had been publicly proclaimed on 4 August 1914 arose from the sober recognition that worker welfare remained dependent upon the overall economic stability of the nation. When that stability had been threatened again by revolution and sudden demobilisation in 1918-19 the same sober calculation was made. This basic attitude prevailed throughout the Weimar period. It was evidenced early in the union attitude towards the reparations system of the peace treaty in which the unions saw a blatant attempt by western capitalism to eliminate German industrial competition and thereby to reduce the German proletariat to a slave-like status.¹⁶ Further, unions' behaviour at the time of the Ruhr occupation in 1923 testifies to their determination to resist what they interpreted as the Allied policy of enslavement.¹⁷ Indeed, all through the life of the Republic, the unions saw themselves as not only the champions of political and economic democracy but also as the guardians of the national economy.¹⁸ However, in none of these respects were the unions correctly understood by their traditionally more 'national' opponents, the captains of industry.

III

The first practical expression of the union concern for constitutional and economic stability was made at the time of the Kapp Putsch (March 1920) when a highly successful general strike was staged against a Rightist takeover precisely to defend the new constitution and its social-political provisions. This event indicates quite graphically the union awareness of the link between the national constitution, economic stability and social policy. The successful defence against the internal enemy of the Right in the general strike against the Kapp Putsch was paralleled by the spirited union opposition to the foreign attack on the nation's economy and sovereignty by the Franco-Belgian occupation of the Ruhr in 1923. However, the adverse effect of these events upon the overall economy paradoxically led to the dissolution of the ZAG in 1924, and with it the collapse of the established principles of co-operation and consultation between capital and labour in Germany.

The reasons for this are complex, but the chief factor was the insistence of capital on pursuing its own economic policies with regard to reparations and inflation. This led to the breaking of existing agreements with the unions, especially that of the eight-hour day. In short, the employers were adopting their pre-war 'master-in-the-house' mentality which was opposed to the recognition of the existence of trade unions. It was against this background of deterioration of labour-capital re-

16. Moses, 'Bureaucrats and Patriots . . .', pp. 19-21.

17. The most comprehensive study of the German unions' resistance to the Ruhr invasion is by Lothar Erdmann, *Die Gewerkschaften im Ruhrkampf*, Berlin, 1924. This was commissioned by the ADGB to set the record straight by stressing that the unions' passive resistance was motivated by a sense of duty to stand up for the unity of Germany, the freedom of labour and the right of self-determination of the German economy (Foreword).

18. For one of the many examples of trade union expressions of responsibility for the national economy, see the speech of Professor Hermberg at the 1925 trade union congress at Breslau where he stated that the trade unions were the only organisation within the national economic structure whose own interests coincided with those of the entire community. By contrast, capital with its tyranny over the economy sought only its own sectional advantage. *Protokoll der Verhandlungen des zwölften Kongresses der Gewerkschaften Deutschlands abgehalten zu Breslau vom 31 August bis 4. September 1925*, p. 201 (cited *Prot. Breslau 1925*).

lations—indeed a virtual return to the polarised pre-war situation—that the unions began to reassess their position within the new state and to evolve a programme which would translate the precepts of the 1919 guidelines into reality. For this reason the 1925 trade union congress met at Breslau under the slogan ‘Democratization of the Economy’. The sense of urgency that something new needed to be worked out was expressed by one of the leading spokesmen of the General German Trade Union Federation, Fritz Tarnow, when he proclaimed:

Each of us knows on looking at the development of the last years that something of the spirit in the German labour movement has broken. An illusion has burst. That which we believed for decades—at least in the masses—namely that on the day we wrested political power it would be child’s play to realize the final goals of our movement, has not been fulfilled. . . . It is already necessary to ask ourselves whether this situation must remain, whether we cannot introduce into our labour movement and particularly into our trade union movement an ideology in which the masses can believe, an ideal! . . . We need in the trade union movement not a sun in the firmament but rather a goal that can be realized on earth, the attainment of which we come closer to all the time so that everyone can see: the time will come when things are different, we advance closer and closer towards the goal. That is the enormous recruiting power that lies in the idea, namely that we can reach step by step the final goal, the transformation of the economy and therewith of society in the day to day struggle.²⁰

Economic Democracy was seen as the necessary means of translating into the economic sphere what had already been attained in the political. However, all the 1925 Congress managed to achieve was the stimulation of a lively discussion within the ranks of labour as to what ‘Economic Democracy’ really meant. It was one thing to point to the injustices of the capitalist system on the one hand and the utopianism of the proffered Communist alternative on the other; it was now necessary to achieve complete clarity about a realistic ‘third way’.

The union point of departure was that the existing system of industrial production which in any case hampered the full development of the personality had begun to take on particularly evil traits similar to the American Taylor system resulting in the dehumanisation of labour.²¹ Equally unattractive were the prospects offered by an immediate Communist solution. There had to be a ‘third way’ that led to the achievement of true socialism without abandoning the style of class struggle that

19. Wendt, ‘Mitbestimmung . . .’, pp. 41-43. By 1924 the industrialists (*das Unternehmertum*) by exploiting the still unresolved reparations problem as the reason for the absence of sufficient capital, were demanding the ‘depoliticizing of the economy’ and the withdrawal of state-financed social services. Their argument was that as sole guarantors of German credibility internationally, conditions must be created to improve productivity. In order to achieve this a deflationary wages policy as well as an increase in the length of the working day would have to be introduced. This meant in practice a unilateral repudiation of the agreements with the unions in the ZAG and a campaign to revive company or ‘yellow’ unions which would not be bound in tariff agreements. In this way the nation-wide unions could have been eliminated from all industrial negotiation. The unions for their part were most apprehensive that the ‘social achievements’ of 1918/19 would now be jeopardised. Having been hard hit by the inflation, both in terms of membership decline and shrinkage of funds, the unions had no leverage to compel the industrialists to uphold existing agreements.

20. *Prot. Breslau 1925*, p. 231.

21. *Ibid.*, p. 203.

the unions had established. This 'third way' was to emerge organically out of some forty years of German trade union practice over which period the concept had dominated that the trade union struggle was the highest form of class struggle. The union leadership relying on the 1919 guidelines and the constitutional provisions concerning economic life, understood Economic Democracy to be the participation of workers on a parity basis in the capitalist economy. The legal machinery to bring this about could be set up on the basis of paragraph 165 of the constitution.²²

However, as indicated, the mere proclamation of the goal did not achieve anything of itself. It seemed first of all to create more intellectual confusion than clarity. There was, for instance, much speculation around the question whether or not Economic Democracy was the end goal or merely the transition phase between capitalism and socialism. It was argued, for example, that mere co-determination would only mean a democratisation of the economic decision-making process and could not, therefore, be regarded as the end goal. On the other hand it was pointed out that Economic Democracy thus understood and implemented in the present would pave the way for socialisation, the true end goal.²³

IV

Theodor Leipart, the chairman of the socialist unions, in an attempt to clarify the concept, advanced the discussion by observing that the economy was no longer a private affair of the entrepreneurs but concerned the whole nation. Economic Democracy for the unions, then, was the struggle against the sole domination over the economy by the entrepreneurs in the capitalist system.²⁴ But neither was 'Shop' or 'Works' democracy to be confused with Economic Democracy. The latter was a much wider concept whereby the entire economy was to be transformed, as the state had been, to become subject to the will of the majority.²⁵ And to achieve this situation, the union leader named three pre-conditions that would have to be fulfilled: First, there would have to be the necessary legislation; secondly, any new law would depend on sufficient political and trade union power to break that of capital;

22. L. Erdman, 'Zu den Richtlinien für die künftige Wirksamkeit Gewerkschaften', *Die Arbeit*, Heft 7, 1925, pp. 393-394. It should be stressed also that the Weimar Constitution was highly prized by the unions as the framework for the improvement of *Sozialpolitik* or social policy, a central component of which was *Arbeitsrecht* or the industrial code. An improved industrial code was regarded as an essential pre-condition for the ultimate achievement of Economic Democracy. Starting with the 'revolutionary decrees' on the introduction of the eight-hour day (23. XI. 1918) and the legal recognition of tariff agreements, worker committees and arbitration (23. XII. 1918), the constitution itself with its section on basic rights, especially those affecting economic life and social conditions (articles 156-165), there followed a series of legislative measures which were regarded by the unions as positive steps on the way towards Economic Democracy. These were: (1) The Factory Councils Act 4. II. 1920; (2) The regulation on the formation of the provisional national economic council, 19. IV. 1920; (3) The arbitration order of the federal emergency powers law allowing for compulsory arbitration by the state, 30. X. 1923; (4) Regulation governing the length of the working day with the fixing of the eight-hour day allowing for supplementary agreements on hours worked within the framework of tariff agreements; (5) Law concerning labour exchange and unemployment insurance, 1. X. 1927. (See Wedt, 'Mitbestimmung . . .', p. 33.)
23. See the analysis of this discussion in Johannes Herzig, *Die Stellung der deutschen Arbeitergewerkschaften zum Problem der Wirtschaftsdemokratie*, Jena, 1933, pp. 14-32.
24. Theodor Leipart, *Auf dem Wege zur Wirtschaftsdemokratie*, Berlin, 1927, p. 9.
25. *Ibid.*

thirdly, the educational level of the union leadership would have to be raised to meet the demands that participation in economic management would inevitably bring. Indeed, the demand for democracy in both the political and economic spheres presumed the willingness on the part of workers to accept obligations and responsibilities as well as rights. This would require the equipping of individuals with skills to assume these obligations.²⁶

For Leipart, then, Economic Democracy was a practical goal to be reached by traditional trade union methods with the aid of the state, always providing that both the SPD and the union base was broad enough to supply the necessary parliamentary and industrial negotiating power. But such public statements from the highest union level failed to remove the widespread speculation. It was with the aim of achieving this that the Frankfurt publicist, Fritz Naphtali, was nominated by the ADGB in 1928 to chair a committee with the task of furnishing the final definition of the concept of Economic Democracy in the German context.²⁷

Naphtali and his anonymous team emerged as skilful revisionists who did not believe that the transformation of capitalism to socialism would be achieved, as the Communists taught, by means of a catastrophic political revolution, the advent of which was to be patiently awaited. Having observed that before capitalism was broken it could indeed be quite severely bent, Naphtali's team proceeded to fit their scheme into both the framework of Marxist theory and the stream of trade union practice. In endorsing the 'Naphtali' concept, the trade union congress of 1928 at Hamburg affirmed:

The trade unions recognise in socialism, as the Nuremberg Congress of 1919 has already declared, the higher form of economic organization over the capitalist economy. The democratization of the economy leads to socialism.²⁸

And in Naphtali's own words at the Hamburg congress:

We raise the demand for the democratization of the economy on the basis of political democracy. We summon all with this demand to the unrelenting and intensified struggle for the emancipation and unfolding of the cultural potential of the working class for the struggle for the realization of socialism.²⁹

Naphtali was fully clear that the concept of Economic Democracy did not replace socialisation, but rather augmented it. Economic Democracy in his view revealed a particular aspect of the new order to be striven for. This was the manner of transforming the style of economic leadership. In place of the autocracy of a minority of capitalists there would emerge the democracy of the totality of the work force. But Naphtali was under no illusions that complete economic democracy could only be achieved after socialisation. Still he maintained that the struggle to limit autocratic economic management would take place simultaneously or even in advance of the process of the transformation of property relationships.

26. *Ibid.*, p. 18.

27. Fritz Naphtali (ed.), *Wirtschaftsdemokratie, Ihr Wesen, Weg und Ziel*, Frankfurt, 1966 (new edition), p. 19.

28. Fritz Naphtali, 'Debatten zur Wirtschaftsdemokratie', *Die Gesellschaft*, Vol. 6 (1), 1929, pp. 213-214.

29. *Ibid.* See also *Protokoll der Verhandlungen des 13. Kongresses der Gewerkschaften Deutschlands abgehalten zu Hamburg vom 7. bis 9. September*, p. 190.

This was crucial because by means of the successful struggle against the autocracy of economic management, the paths to ultimate socialism were being clearly shown. The need for concrete examples of ways which led to the transformation of the economic system would thus be fulfilled. As it was the labour movement did not yet have sufficient power to achieve its end goal. On the other hand it had accumulated too much power simply to stand still and patiently await the distant goal to materialise sometime in the remote future. But in the present situation labour had sufficient power to involve itself in the daily struggle to push through new forms of economic management. It was out of this situation that the need arose to speak of the democratisation of the economy as a particular aspect of the development towards socialism. While the socialisation of property was the essence of socialism, argued Naphtali, the replacement of the power relationships of the classes by a democracy of the producers (*der Schaffenden*) was also a component of socialism.

The democratization of the economy already before the abolition of the capitalism order of property will become at the same time a period of preparation, of schooling for the changed functions of the work force in economic management when complete economic democracy is achieved.³⁰

Naphtali earnestly believed that by educating the work force to demand participation in economic management that they would be all the better prepared for socialism when it came, indeed were in the process of hastening its advent. As stated earlier, the programme formulated by Naphtali really evolved quite rationally from the previous decades of trade union struggle. It bore all the characteristics of the pre-1914 union stance despite its sophisticated revisionist facade. It was still understood as the class struggle adapted to the new constitutional and economic order of Weimar. This is evident from a consideration of the twelve *Guidelines for Action of the Trade Unions in the Present* which were presented to the Hamburg congress of 1928.

The content of the new Guidelines (especially Nos 5, 6 and 7) indicated an acute awareness of the need to bring to bear union power at those points in the economic structure which would have most effect, and also of the need to establish by law both the means of exerting power on industry as well as on the educational system in order to create the pre-conditions for the ultimate realisation of the overall goal.³¹

V

There is, of course, no means of testing how the programme would have worked since no sooner was it published, and bringing forth the

30. *Ibid.*, p. 215.

31. The key ones are: (5) The introduction of parity representation of workers in all corporations to which economic-political planning or functions have been delegated by the state or municipality, and the wider inclusion of organised economic forces in economic policy. (6) Establishment of governmental offices for the control of all monopoly-like entrepreneurial organisations or businesses to include the co-operation of trade unions with powers to proof and influence prices. Legal representation of trade unions in the management of monopoly-like entrepreneurial organisations. (7) Reform of the existing self-administering bodies in the mining industry with regard to their composition by creating a real parity of workers and by developing the scope of activity of these bodies subject to the acknowledgement of the final authority of the state to preserve the interests of the whole community. The furthering of the grouping of industries into self-administrative bodies in suitable areas.

first waves of reaction from the capitalist camp, than the advent of the world economic crisis made the entire concept illusory. Any hope of stabilising the economy and achieving a parliamentary constellation sympathetic to Economic Democracy evaporated. But the failure of Economic Democracy to take hold in Germany was not solely due to the impact of the depression; this only made it easier for industrialists to campaign for its rejection. Indeed, any solutions to the nation's economic ills emanating from the democratic Left were uncompromisingly rejected by the Right.³²

Whereas in the turbulence of the November Revolution and the foundation years of the Republic the industrialists had been willing to co-operate with the unions, they had done so with the aim of self-preservation, and, to make matters easier at the time, the unions had not insisted on socialisation. However, now the idea of Economic Democracy went a great deal further; its declared end-goal of socialisation rendered it immediately suspect and evoked voluble criticism from industry. Economic Democracy aimed at usurping the power of capital and radically changing the social and economic structure. And because industry had never really accepted the Republic in any case, the emergence of a new ideology which would augment the parliamentary system with worker participation in the economy startled the industrialists even more. Economic Democracy became a programme to be blocked at all costs. Given the deeply rooted preference of industrialists for governments of an authoritarian-conservative character, it is not surprising that National Socialism—its shortlived labour wing notwithstanding—presented itself as the political system most likely to provide for the economic needs of German industry.³³

For this the framers of Economic Democracy were not prepared. The history of the four-and-a-half years from the 1928 trade union congress when Economic Democracy was adopted as the official goal of the movement, and the Nazi seizure of power, reveals a glaring omission in trade union thinking. There was never any effective consideration in trade union circles, until the eleventh hour, of what measures to adopt if the essential pre-condition for Economic Democracy, namely political democracy, was threatened, thus preventing all hope of a special trans-

32. Schneider, *Unternehmer und Demokratie* . . . passim. For example, the industrialists came to vilify the Weimar Republic as a 'trade union state' (*Gewerkschaftsstaat*), meaning that the trade union monopolistic control of labour gave the unions an unjustified influence on politics. The other aspect of this was the assumption that the state social service system, which the industrialists regarded as excessively expensive, was instigated at trade union pressure (p. 168). On this subject see Helga Timm, *Die Deutsche Sozialpolitik und der Bruch der Grossen Koalition im März 1930*, Düsseldorf, 1952, pp. 64-70. Social policy was only acceptable to the industrialists as long as it did not (a) serve as a bridge to socialism and (b) incur excessive public expenditure. Beyond this the ADGB plan to ride out the depression by proffering a programme of creating credit for public works to absorb the mass of unemployed and thereby to boost the economy was also met with scepticism, even from within the ranks of the SPD. See Schneider, *Das Arbeitsbeschaffungsprogramm* . . . , p. 167.
33. Winkler, 'Unternehmer und Wirtschaftsdemokratie . . .' who states on p. 311, 'In the course of the worsening depression, in "the crisis of the party state" and the transition to the system of presidential cabinets (March 1930) the attitude of the industrialists (*Unternehmer*) became politicized: the rejection of Economic Democracy transformed into the attempt to a more or less extensive dismantling of political democracy'. Cf. T. W. Mason, *Arbeiterklasse und Volksgemeinschaft*, Opladen, 1975, p. 28, where he relates that during the depression, the power of the industrialists was systematically directed against the unions who could not defend themselves in that social and economic situation. Their only recourse was in the political sphere, and here they were out-manoeuvred by the Right.

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formation in the interests of the working class.³⁴ It is a curious phenomenon indeed, that whereas the 'Naphtali programme' reveals the trade union awareness of the need to exert pressure at the centres as well as peripheries of economic power, there was no provision made for action in the form of a general strike to defend formal democracy. The unions' naive faith in the constitution of Weimar reaped its reward with their total destruction at the hands of the SS on 2 May 1933.³⁵

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34. *Ibid.*

35. Mason, *Arbeiterklasse* . . . , p. 23.