The First Socialization Debate of 1918: Was the Socialization Commission Doomed to Failure Right from the Start?

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1 Some Historical Background

World War I ended on November 11, 1918 when in the woods of Compiègne, 60 km northeast of Paris, the representatives of Germany and the allies signed the armistice agreement with hardly acceptable conditions for Germany. Nearly 6 million men and women lost their lives during the war, some 1.8 million in Germany alone. With the onset of winter in 1917 the supply situation of the German population also deteriorated. Although insurance legislation between 1883 and 1889 had enacted various measures for the protection of the working population in the form of health, accident, disability and old-age insurance, German social policy until the end of the First World War was primarily based on the concept of state care. Nor should one forget that this legislation had been introduced by Bismarck to protect the country from revolutionary turmoil. Anyway, by 1918 the available instruments could contribute little to the solution of current problems. The political system had been destabilized, and with the proclamation of the German republic on November 9 of that year the German Empire was transformed from a monarchy into a parliamentary democracy with a liberal constitution.

Hundreds of thousands, primarily workers, gathered to demonstrate in German cities on this November 9, especially in the capital, where they were accompanied by soldiers still stationed in Berlin. The demonstrators expressed their desire for peace, for a break with the authoritarian monarchical state, and for a comprehensive reorganization of political life. To reassure the rebelling masses the German Chancellor, Prince Max von Baden, declared—without any authorization—the abdication of the (predictably unwilling) emperor and in an unconstitutional act handed over

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the German chancellorship to Friedrich Ebert, the leader of the so-called Majority Social Democratic Party (MSPD), the strongest German parliamentary group in the Reichstag. In order to prevent the proclamation of the German Empire as the "Free Socialist Republic of Germany"—a turn of events planned for 4 p.m. by the Spartacist leader and member of the Independent Social Democratic Party (USPD), Karl Liebknecht (see e.g. Breitman 1981, pp. 24–25)—Ebert's party colleague, Secretary of State Philipp Scheidemann (also a member of the executive board of MSPD), proclaimed the republic at 2 p.m.[1]

Chancellor Ebert sought vigorously to promote peaceful political reconstruction. Until then, there had been hardly any bloodshed, and he wanted at all costs to avoid the horror scenarios of the civil war that had accompanied the Russian Revolution. His wartime experience had convinced him (and others) of the need for liberal political actors, civil servants and economic experts in the private sector: these were, he considered, essential to any post-war regime concerned with peace and economic reconstruction. In view of the imminently revolutionary situation, Ebert, as head of Majority Social Democrats, decided to enter into negotiations with the independent branch about the formation of a purely socialist "government of the German *Reich*" with the participation of civil departmental ministers. For this to happen, the USPD had to make concessions in their desire for the immediate establishment of a *soviet* council-style dictatorship of the proletariat, as opposed to the MSPD program for a democratic constitutional state. Against this background a new provisional government, the so-called "Council of People's Deputies"[2] was constituted on November 10, 1918 (Breitmann 1981, 22, 25; Feldman 1993, 104–105; Huber 1978, 709–719).

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[1]The legality of the Social Democratic takeover was doubtful because the emperor had failed to authorize it.

The Social Democratic Party consisted of two distinct elements, the Majority Social Democratic Party of Germany (MSPD), which sought to support and reform the state, and the (left-wing) independent part (USPD), which regarded the majority party as "traitors to socialism" (Huber 1978, p. 711). The USPD split off from the original SPD because of its revolutionary intentions and merged later with the German Communist Party (KPD). They had tried in vain to move Germany in the direction of a *soviet* or "council" system, in line with the communist concept of the dictatorship of the proletariat.

[2]Between November 10, 1918 and February 11, 1919, in the transition from the German Empire (*Reich*) to the Republic of Weimar, highest governmental power was exercised by the Council of People's Deputies, a revolutionary organ formed of both Majority and Independent Social Democrats that supervised the actual cabinet. Members of the Council were Friedrich Ebert, Philipp Scheidemann and Otto Landsberg of the MSPD, and Hugo Haase, Emil Barth and Wilhelm Dittmann of the USPD. The latter group left the Council on December 29, 1918; they were replaced by two Majority Social Democrats, Gustav Noske and Rudolf Wissell. After this date the Council described itself as the "government of the *Reich*." Throughout these upheavals Friedrich Ebert, leader of the Majority Social Democrats, continued as Council chairman to support speedy elections for a constituent National Assembly to give Germany a democratically legitimated government. The Council ended the First World War by signing the armistice agreement of November 11, 1918, and introduced votes for women and the electoral system of proportional representation. Elections for the National Assembly took place on January 19, 1919. The task of the Council ended with the assumption of office by Scheidemann's cabinet on February 13, 1919.

The decision on the type of state the German Empire would in future take was postponed for a National Assembly to be elected democratically on January 19, 1919. On that date the Council of People's Deputies was duly replaced by an assembly directed by Friedrich Ebert as president of the *Reich* and Philipp Scheidemann as prime minister.

2 Development Toward a Social State

In November 1918 the Council of People's Deputies enacted what it termed a purely socialist program. But this was nothing more than an extension of reforms promised—but not implemented—by the government of Prince Max von Baden a month earlier, together with some further long-awaited measures. Indeed many of its measures sought to relativize "pure" socialist demands (Breitmann 1981, 26):

- suspension of the state of emergency
- establishment of the right of assembly and association
- abolition of censorship
- guarantee of freedom of speech, freedom of the press, and freedom of religion
- amnesty for past political offenses
- a number of measures returning workers to their more favorable prewar status in contractual employment
- official ratification of the Stinnes-Legien Agreement (essentially consisting of the establishment of an eight-hour day in most industries)
- the introduction of equal, direct and universal suffrage for all citizens over the age of twenty, and the use of proportional representation in all elections.

The most important agreement between employers and employees concerned the Central Labor Association established by the Stinnes-Legien Agreement (official name: "Statutes for the Labor Association of the Industrial and Commercial Employers and Employees of Germany"[3]), passed on November 15, 1918. This collective agreement, a contract between the employer's associations and the trade unions, owed its name to its two leading signatories, the Ruhr Area industrialist, Hugo Stinnes, and the chairman of the General Commission of the Trade Unions, Carl Legien. Its fundamental idea was that of collaboration in the sense of the interaction of everyone involved in the labor process. Already introduced in single wage agreements during the war, this should now be extended to the whole of economic life. The employers granted recognition of the major union federations[4] and accepted the principle of mandatory collective bargaining and wage contracts, as well as termination of

[3]Satzung für die Arbeitsgemeinschaft der industriellen und gewerblichen Arbeitgeber und Arbeitnehmer Deutschlands.

[4]Article 1 of the agreement stated: "The trade unions are recognized as appointed representatives of the workforce".

employer support for so-called "yellow" unions,[5] and the agreement at the same time established worker committees to represent the interests of the labor unions in all plants with more than fifty workers, and a standard eight-hour day without any reduction in pay (see e.g. Feldman 1993, 107; Schneider 1987, 290; Winkler 2014, 383). The negotiations themselves represented an improvement in the former tense relationship between employees and employers.

Several reform steps had been enacted even before the Council of Deputies took office. In October 1918 the Ministry of Labor was founded with a remit covering different aspects of social policy from housing legislation and settlement issues through welfare policy (previously under the Ministry of the Interior). Housing legislation—comprising the Rent (or Tenant Protection) Act, the Housing Shortage Act, and the Lease Protection Order—was passed on the principle that property entails responsibility to protect citizens from arbitrariness in the allocation of apartments and exploitation by landlords. Social insurance legislation protected in a rudimentary way against inability to work on account of illness, accident, age, or disability, as worker protection laws had done against risks to health and life in the workplace since 1890. Nevertheless, one cannot yet speak here of adequate or appropriate coverage—or, indeed, even of organized perception—of employee interests (Brauns 1929, 1–2).

A remarkable aspect of these events is that where an imperative need for solutions existed there was considerable rapprochement between employers and employees. On the governmental level the prevailing disastrous social and economic situation in Germany required immediate action. So it is hardly surprising that calls for the socialization of central economic sectors were also listened to. This placed the current de facto government, the Council of People's Deputies headed by the social democrats, in a dilemma. On the one hand, the nationalization of industry was considered a solution for class exploitation in general and for a betterment of the situation of the workers in pursuit of a more just and humane society. Moreover, many workers held high expectations of current socialization tendencies with the SPD at the helm. Yet, on the other hand, many leaders of the SPD and unions, like Friedrich Ebert and Carl Legien, were convinced that a socialist economy could only succeed through a long, slow process of evolution, not revolution. They considered good relations between workers and employers crucial. In this setting, the many measures and activities undertaken to improve relations between workers and employers, such as the Stinnes-Legien Agreement, indicated a political will to avoid radical upheaval in ownership structures, which would only exacerbate an already difficult economic situation.

In sum, those in governmental power promoted structural change from the German Empire to a broadly socialist state, but rejected radical overthrow of the existing system of the sort envisaged by the supporters of *soviets* (councils), with the abolition of private property etc. However—and this makes it rather complicated—they at the same time feared the accusation that they had betrayed socialist principles.

[5] Business-friendly, strike-hostile labor associations supported by the employers.

3 The First Socialization Commission

However, the Council of People's Deputies decided on November 18, 1918 in principle to immediately socialize all eligible branches of industry. For this purpose—after rejecting a proposal of the left-leaning council member Emil Barth on November 15 to nationalize mining and other industries—the majority social democrats determined that, before taking this step, a commission of well-known economists, together with representatives of the employees and employers, was to be appointed to draw up concrete measures (Winkler 1993, 46–47). This was the birth hour of the First Socialization Commission, which met for the first time on December 5, 1918. Its members were the national economists Carl Ballod (Berlin), Emil Lederer (Heidelberg), Joseph Schumpeter (Graz), and Robert Wilbrandt (Tübingen), with (among others) Ernst Francke from the Association for Social Reform and Theodor Vogelstein, director of the of the War Metal Procurement Company. The industrialist Walther Rathenau was proposed for membership but rejected because of resistance from the USPD. The trade unions were represented by Otto Hué, a member of the Prussian House of Representatives, PauI Umbreit, member of the executive board of the General Federation of German Trade Unions, the MSPD by Heinrich Cunow, and the USPD by Rudolf Hilferding. The Commission was directed by Karl Kautsky, an important historian and theorist of Marxism, as well as a leading theorist of social democracy; its secretary general was the economist and social scientist Eduard Heimann (Behrend 1998, 21–22; Sozialisierungskommission 1919).

The task of the Commission was primarily the preparation of reports and outline legislation for the socialization of coal mining, the municipalization of certain facilities, and the nationalization of fishing and insurance. It was unanimously accepted that the present economic situation, let alone any further decline in supply for the population, could not be accepted. Even representatives of the left like Hilferding considered the time not yet ripe—with the exception of some key industries, especially mining—for general nationalization of German industry and the turning over of property to the state. The Commission's initial findings on the principles of socialization were already published on January 7, 1919, but it's most important publication, released on February 15, 1919, was a temporary report on the socialization of coal mining, the most crucial sector of the economy because of its extraordinary significance for the energy supply to industry and the population as a whole.

Popular expectations of socialization were already relativized in the work program of the Socialization Commission, published on December 11, 1918 in the *Deutscher Reichs- und Preußischer Staatsanzeiger* (German *Reich* and Prussian Government Gazette), which specified the revival of production as a prerequisite of economic reorganization. There would be no intervention in export industry, foreign trade or credit banks. Only where capitalist-monopolistic power conditions had prevailed, would socialization be considered. All other economic sectors suitable for transformation into a cooperative or municipalized structure would be examined. Previous owners must in all cases be compensated. The success of all socialisation activities would depend on the increase of productivity, guaranteed by best organization of

the firms under the control of experienced technicians and businessmen (Program Socialization Commission 1918, 593–594). One could, then, hardly speak here of an "expropriation of the expropriators."

Karl Kautsky (1854–1938), chairman of the Socialization Commissions (Bundesarchiv, 146-1970-096-11)

What were the facts? A series of strikes had spread over the country at the end of 1918 and beginning of 1919, starting out from the Ruhr. Workers—primarily miners—rebelled against the continuation of low wartime wages and demanded more money and shorter working hours: demands that were then partly granted. Further demands were for control of the means of production by the workers and socialization of the mining sector. These conflicts between labor and capital found their counterpart in the political arena, where a proletariat intent on revolution faced a social-democratically led government. The social democratic (SPD) authorities tried to mediate but also to split the proletarian movement. Highlights of the confrontations were the uprisings in Berlin in January and March 1919 and the dismissal of the Munich *Räterepublik* (form of republic governed by *soviets* or councils). Withdrawal of the SPD representatives, special bonuses for strikebreakers, stoppage of food

deliveries to strikers, and use of weapons were means employed to suppress these movements, particularly on the Ruhr.

Within the Socialization Commission Rudolf Hilferding, supported by Karl Kautsky and Robert Wilbrandt among others, urged that Germany's mineral resources be declared state property and the coal-mining and trading sector be nationalized. The Commission intended to bring about changes, but at the same time to return to certain procedures and regulations of the wartime economy. However, it soon discovered that the coercive syndicates created during the war were in a state of dissolution. The Socialization Commission tried in vain to check this development and to retain the coercive prescriptions, or at least to allow changes only with its agreement. The representatives of German industry, however, rejected all suggestion of change in ownership and any hint of nationalization, and forced a postponement of the negotiations on nationalization until January 4, 1919. Nationalization of the coal sector would then be discussed in a very restricted way: only with respect to the regulation and supervision of sales, pricing, and decisions about new pits and mines. Notably, control should be in the hands of the state, not the workers. Further issues for discussion included the codetermination of wages, working hours, and security measures (Behrend 1998, 22–25). The Socialization Commission submitted outline legislation for the municipalization of economic enterprises to the *Reich* Ministry of Economics on March 18, 1919. The proposals were well received in many cities and municipalities, which were in any case interested for fiscal reasons in the transformation of local enterprises into communal property. This would enable them to take over and operate (or lease) transport and utility companies, providers and distributors of food and beverages, housing companies, and labor recruitment agencies etc., as well as other private local service providers. To this end, the cities and municipalities could establish associations and would receive the right to expropriate former owners on payment of compensation (see "Outline for a framework law about the municipalization of economic enterprises" submitted by the Socialization Commission, Berlin 1919, in Behrend 1998, 32–33).

What the Socialization Commission suggested was not simple nationalization of the coal-mining sector, because the objection would have immediately followed that the allied forces would take state property as the basis for reparation payments. The majority of the Commission members (among them Ballod, Cunow, Hilferding, Lederer, Schumpeter, Umbreit and Wilbrandt) thought that neither the restitution of a strictly capitalist mode of production nor compulsory cartelization under the far-reaching control and participation of the state was politically or psychologically possible for post-war Germany, and that the only solution was rigorous socialization, to be carried out by expropriation of all private and state mining enterprises in favor of a single autonomous economic cooperative, the *Deutsche Kohlengemeinschaft* (German Coal Association). This Association would be controlled equally by the management of the firms, their employees, the state, and the purchasers of the coal. The highest organ, the *Reichskohlenrat* (Reich's Coal Council), would consist of 100 representatives of workers, managers, consumers, and the *Reich*, who would appoint a *Reichskohlendirektorium* (Reich's Coal Directorate) in the form of a five-person executive for five years with wide management powers. According to its suggestions

the German coal sector would be divided into 20 districts with a president each (Rößle 1930, 907–908). The Coal Association's remit would extend to the coal trade and the carbonization and extraction of by-products, but not to further chemical processing. Provided that socialization was restricted to the coal-mining sector, previous owners would be compensated. A minority of the Commission (Francke and Vogelstein) wanted to maintain private capital in its function, while allowing the state Coal Council to regulate the enterprises. This suggestion approximated the ideas of the government, but the majority sought more radical economic change. The organizing institution was the Reich's coal council and the single firms were (initially) private enterprises. Since they had to deliver their production to cost prices to the Reich's coal council, they were actually only production points, working for the coal council for wage (Rößle 1930, 909).

4 Obstacles to the Work of the Socialization Commission

Although these and other proposals at most touched upon nationalization, the government considered them overly radical and sought to slow the Socialization Commission down in its ambitions. One reason for this was that an increase in coal output was in any case necessary to supply the population, and a survey in summer 1919 showed that this could only be achieved by raising the number of workers. The problem here was the housing shortage rather than ownership structures. So the *Reich* Ministry of Economics ordered the construction of barracks to provide living space for 65,000 workers by the end of February 1920. Further incentives to increase production were special provision of the miners with food and their preferential treatment in wage negotiations. Involvement of the workers in price-setting for coal products was not seen as a sufficient guarantee against unjustified price increases, because workers were not considered to possess the professional competence needed to stand up to the enterprises in negotiations. In any case—as can readily be seen from the minutes of the Socialization Commission meetings (Verhandlungen 1920)—the *Reich* Ministry of Economics was already the prime opponent of the coal industry (see Hirsch 1920, 1–2). Given the political development toward a social state on the one hand, and the concessions forced from the coal industry on the other, as well as the wartime experiences of miners and other workers, most of them were against a dictatorship of the proletariat anyway. The decision of the Council of People's Deputies to hold elections for the National Assembly in January 1919 points in the same direction—it was a clear signal that Germany should take the future path of a democracy rather than a *soviet*-style council system (Winkler 2014, 386). Moreover, the Socialization Commission—although its majority broadly favored socialization—was unanimously against the council system and voted for the National Assembly (Behrend 1998, 22). The social democrats and unions were also anything but convinced that the time had come for a change in ownership structures; they followed the motto: first reconstruction and then—but only if appropriate—socialization (Winkler 2014, 383–384).

At the elections for the National Assembly in January 1919 the Majority Social Democrats gained 37.9% and the Independent Social Democrats 7.6% of the votes. Of the 421 representatives (37 of whom were women), the Majority Social Democrats received 163 and the Independent Party 22 seats (Osterroth and Schuster 1975, 22). This did not amount to an absolute majority in the National Assembly, and only a coalition with the Center Party and the German Democrats seemed promising (Winkler 2014, 394)—de facto a political shift to the right. The consequences for the Socialization Commission were serious: the *Reich* administration not only put obstacles in the way of the Commission's work—for example by keeping regulation projects secret from them—but even in some cases (notably via the *Reich* Ministry of Economics) polemicized against their outline plans and obstructed publication of their results. The commission was forbidden to participate directly in the legislative process and the announcement of the Coal Report was delayed until it was no longer relevant for the Weimar debate (Behrend 1998, 32). Officials from the *Reich* Ministry of Economics attended the confidential meetings of the Commission and recorded and passed on the results. Undersecretary Dr. August Müller, whose task it was to support the Commission, hindered its work massively by reducing the allocation of rooms, funds and assistants. Although himself a social democrat, he was a professed opponent of socialization (Preller 1978, 239; Winkler 1993, 47). Thus, the work of the Commission suffered considerably from the interference of a bureaucracy inherited from the time of the Empire. It was also Müller who spread the warning, originally expressed by German Bank director Mankiewicz, that the victorious powers would use German Empire property as a pledge for reparations, in which case nationalization of the coal mines must be classified as simply criminal and the word socialization would in future be no more than a formula for otherwise unjustified wages. The Socialization Commission was even suspected of stirring up strikes and supporting, instead of curbing, socialization moves. In the face of these and similar reproaches the Commission tendered its resignation on February 3, 1919 in a letter that expressed the not unreasonable complaint that the government had never really thought seriously about socialization at all (Behrend 1998, 26–27; Rößle 1930, 904–905). Although the government made some gestures of appeasement, the Commission resigned on April 7, 1919 in protest against its lack of effective power.

5 Achievements of the Commission and Its End

In the conflict-ridden time between the threat and realization of its resignation the Commission was, however, anything but idle. It issued a "Temporary Report on the Socialization of Coal-Mining" (February 15, 1919), dealt intensively with questions of municipalization in the towns, and recommended the take-over by the Empire of cutters leased by the navy during the war to create a state fishing fleet. The Commission supported suggestions by the government submitted in the National Assembly to include in the future constitution an article declaring the socialization of natural resources, enterprises and property, the formation of coercive associations and the

regulation of the influence of the workers, consumers and community in the enterprises to be a matter for the people (Behrend 1998, 29). Two socialization laws were presented to the National Assembly on March 4, 1919, the General Framework Law and the Law for the Socialization of Coal Mining. The latter was adopted on March 23, 1919, and with additional implementation details in September (it was in force until 1933); it was followed by the Potash Industry Law and the Law for the Socialization of the Electricity Industry on April 24 and December 31, 1919 respectively (Preller 1978, 241; Rößle 1930, 905). In preparing the Framework Law the members of the Socialization Commission worked in a rather literal fashion, authorizing the *Reich*, for example, to transform economic enterprises into cooperative entities, but only on the vague condition that these enterprises should be "ripe for socialization" and, furthermore, with adequate, legally guaranteed compensation. In terms of their de facto implementation, neither the Framework Law nor the Law for the Socialization of Coal Mining achieved the aims of socialization.

Although the Socialization Commission did not meet with any real official appreciation, it nevertheless had an indirect influence on the work program of the Weimar Constitution, in so far as later laws and parliamentary drafts were inspired by its ideas. Thus the Weimar program established, for example, that the labor force stood under the special protection of the *Reich*, that freedom of association was ensured for everyone, and that all professions, workers and employees could negotiate wages and working conditions with the enterprises on the basis of equal rights (Preller 1978, 242).

Only after the Kapp Putsch—the unsuccessful attempt of March 13, 1920 to overthrow the newly-created Weimar Republic—was the (Second) Socialization Commission reinstated in the form of an agreement between the German government, trade unions and political parties (March 20, 1920).[6] Its Report on the Socialization of Coal Mining, published on September 3, 1920, contained two different suggestions: the first (by Walter Rathenau and Rudolf Wissell) opted in favor of gradual socialization without antagonizing private working capital, while the second (by Emil Lederer, Rudolf Hilferding and Karl Kautsky) recommended immediate socialization.

[6]The members of the Second Socialization Commission, to the status of July 31, 1920, were: CarI Ballod, Friedrich Baltrusch, managing director of the general association of the Christian trade unions of Germany, Adolf von Batocki, chief president of the province east Prussians, Adolf Braun, member of the German Reichstag, Adolf Cohen, managing director of the central consortium of the industrial and commercial employers and employees of Germany, Rudolf Hilferding, Otto Hué, the architect Heinrich Kaufmann, consortium of free employee associations, Karl Kautsky, Hans Kraemer, member of the central consortium of the industrial and commercial employers and employees of Germany, Robert Kuczynski, director of the statistical office of the city of Schöneberg, EmiI Lederer, Hugo Lindemann, professor at the University of Cologne, Carl Melchior, bank director, Hamburg, Franz Neustedt, secretary of the Hirsch-Dunker trade associations, Walther Rathenau, president of the A.E.G., Carl Friedrich von Siemens, member of the German Reichstag, Paul Umbreit, Theodor Vogelstein, Alfred Weber, professor at the University of Heidelberg, the overman Georg Werner, managing director of the federation of the technical employees and officials, Rudolf Wissell, member of the German Reichstag (Verhandlungen 1920). Schumpeter had to resign from the commission even in March 1919 due to his appointment as Austrian minister of finance. Until its definite dissolution in 1923 the commission had worked out numerous suggestions for the implementation of socialization measures which, however, never had direct political effect.

The question whether German industry was ripe for immediate socialization ended in deadlock. Rathenau, however, presented the most concrete plan for socialization, suggesting an economy built on the basis of solidarity between capital and labor, with both groups equally represented in industrial concerns and corporate bodies. Both groups allowed in their concepts for compensation of the owners. Predictably, the Commission reached no consensus. In particular the suggestion of the German industrialist Hugo Stinnes, who wanted to involve the employees in the success of the enterprises by issuing shares, was rejected by the trade unionists, who saw this as a violation of the aims of socialization. The Second Socialization Commission existed until 1923. Its work underlined the limits of socialization as well as the inability and unwillingness of the government to apply socialism even in a reduced measure. The executive committee of the *Reichstag* had ordered the cancellation of the Commission's budget, reasoning that it had been established without a vote of parliament and was therefore incompatible with the parliamentary system (Behrend 1998, 35). Former supporters of socialization called the socialization legislation of 1919 a "half-hearted farce" and mere "socialism on paper" (Moellendorff 1932, 255). In the end, the Commission had no direct impact at all on political developments.

6 Assessment of the Socialization Commission

All in all, measured against its original aims and tasks, the intentions of the Socialization Commission failed in every respect; none of its plans was realized. Alone the idea of equitable treatment of the economic conditions by employers and employees, an idea that had sunk into the minds of German workers during the war and was also expressed in the Central Labor Association of 1918, had contributed to deny any majority to a communist system and a dictatorship of the proletariat. Too many efforts of too many groups had been made during and immediately after the war to find solutions, with the result that the communist system became only one alternative among others.

Even at the end of World War I government, represented by a majority of social democrats, and primarily the MSPD, found itself in a paradoxical situation. Given the de facto situation of the country, it wanted to maintain the fundamental structures and organizations of the old German Empire, with appropriate adjustments of course. For politicians like Ebert and Scheidemann, the assurance of reasonable armistice and peace terms from the West was a patriotic duty, and revolution a circumstance that would gravely complicate this task. They wished to preserve the unity of Germany, to ensure law and order, and to revive the economy, and in pursuit of these goals they sometimes felt themselves the "liquidators of the old regime," as Ebert put it (Winkler 2014, 384). In the face of Germany's post-war economic and societal problems, the socialist vision melted away quite early, at least within the conservative wing of the social democrats, let alone in the conservative parties themselves. In the wake of a terrible war, socialism was seen as impractical or even dangerous, but the incumbent government in any case ran the risk of being blamed for the inevitable

problems of economic reconstruction. It seemed reasonable, then, to establish a framework for the future on the foundation of parliamentary democracy. The decision for democratic rather than interventionist elements was a pragmatic solution in the face of worker interests and the ongoing struggle between the tariff partners. Against this background the supporters of parliamentary democracy decided the initial power struggle—until spring 1919—for themselves. With the increasing stabilization of the Republic, any further moves in the direction of socialization and revolution in any case quickly evaporated (Klemperer 1957, 80). The parliamentary system secured the government in power and laid the foundations for a successful period of social policy.

7 Social Policy in the 1920s—After the Socialization Commission

The main subject of social policy was the core social issue of the uncertainty of employees about their economic security and legal position in society and state. The central attempt to solve these problems through socialism led to the Socialization Commissions, whose focus lay on the socialization of the means of production. But this never took place. Instead, agreement was reached to improve the legal and economic position of employees on the basis of the capitalist order. At heart this was about recognition of the personality of the employee and his or her participation in the regulation of working conditions. To achieve this, trade unions and employers' associations first had to be recognized legally as representing their members, and the way had to be paved for legal regulations about the tariff and agreement system. In addition, works councils, district councils, workers' councils, and economic councils were created, the right of association was determined, and workers' committees, mediation committees, and employment agencies etc. were set up or their activities extended; the regulations on wage agreements of 1918 and the mediation order of 1923 were also supplemented. The eight-hour working day was established in 1918 but later, due to economic crises, partly suspended. The Works Council Act was passed in 1920, the law governing corporate accounting (Balance Sheet Act) in 1921, and in 1922 the law on the appointment of works council members to the supervisory board. The 1923 law governing wages paid to home-workers also assured that group a minimum wage.

The restructuring of labor relations initiated by these measures required a parallel reform of labor jurisdiction, which found expression in the Labor Court Act of 1926. Also worth mentioning is the Miners' Guild Act of 1926, which not only amalgamated health, accident, age and pensions insurances, but also revised board representation between employees and employers from a 50–50 to a 60–40% ratio. All these measures were passed after the failure of the Socialization Commission (Brauns 1929, 4–6). Already a year before, in 1925, the Healthcare Act had brought

health insurance companies and professional associations more closely together to work more effectively. A comprehensive labor-market policy had also been mooted as a significant measure to improve economic security for the general public. This took effect in the establishment of an employment agency to organize job placement on the basis of prior vocational guidance (Employment Agency Act 1922). The Work Placement and Unemployment Insurance Act of 1927 replaced the earlier unemployment benefit. From now on all employees who had made contributions to social insurance for at least half a year were entitled to unemployment benefit for a period of six to twelve months, depending on the individual situation (Brauns 1929, 7–8). The Welfare Order of 1924 covered those whose livelihood was endangered despite the employee security system, and other special provisions were made for hardship among retirees, the war-disabled and war widows and other dependents.

8 Concluding Summary—Why Socialization Couldn't Happen

First and foremost among the many reasons for the frustration of formal socialization plans in post-WW1 Germany was the absence of any clear political majority for comprehensive socialization of the economy. Already at the First General Convention of the Workers' and Soldiers' Councils in December 1918 the proposal to establish the *Rätesystem* (*soviet*/council system) as the constitutional basis of a socialist German republic and to grant the Workers' and Soldiers' Councils the highest legislative and executive power was rejected by 344 votes to 98. Instead, the proposal of the Majority Social Democrats to hold elections in January 1919 for a National Assembly was agreed by 400 votes to 50 (Winkler 1993, 51, 2014, 385). The majority of the population wished for a parliamentary democracy, and for a vast majority of workers (and others) it was unthinkable that a constitutional revolution would bring more rather than less democracy. In a sense this development corresponded with the failure of revolutionary movements everywhere in Europe except Russia, the most important of the non-industrialized European countries. Although the prerequisites for the development of a revolutionary mass movement also existed in Germany, the subjective assessments of the ruling parties and their fear of chaos led them to act carefully and hesitantly (Feldman 1984, 69, 77). Nor were the ruling social democrats completely convinced about socialization. In view of the post-war situation, the chairman of the Socialization Commission, Karl Kautsky—and even some members of the Independent Social Democrats—considered production as such more important than questions about its political structures and methods. Kautsky wanted to wait with socialization until capital could be reinvigorated; and the commonly perceived alternative, the system of Bolshevik Russia, was manifestly to be prevented at all costs (Feldman 1993, 105). Moreover Kautsky, like many supporters of socialization, thought nationalization could only take place when the terms of peace had been

agreed and there was clarity about German reparations at the extent to which the country could dispose of its state property. As the Social Democratic Party deputy Rudolf Wissell put it in an article in the socialist magazine *Vorwärts* of February 2, 1919: "To carry out, or even to demand socialization just now, at the moment of demobilization, would be to turn Germany into a madhouse"[7] (quoted from Behrend 1998, 19–20).

Furthermore, neither the workers' parties nor the trade unions nor the state bureaucracy had adequate trained staff at their disposal to take on the tasks of capitalist businessmen and managers. Most of the old officials of the *Reich* had to remain in office to prevent a collapse of the system, and the involvement of the entrepreneurs and industrialists had to be safeguarded to relaunch economic life (Winkler 2014, 382). Expropriations on a large scale would have inevitably led to the collapse of the national economy. Only in the area of coal mining was the concept of socialization seen as realistic. Here market laws had in any case been suspended by wartime legislation, and the state already possessed entrepreneurial experience as the owner of numerous coal-mines. A political argument in favor of socialization in the coal sector was that the mine owners, the so-called "coal barons," had vigorous opponents not only in the trade unions: they were already well-known from the time of the Empire as obstinate opponents of any and every democratizing tendency. In this light, nationalization would have caused the weakening of a central anti-republican force (Winkler 1993, 47). In connection with this, it is an interesting question why nothing was done against the group of big landowners, the *Junkers* of the eastern provinces, who, alongside heavy industry, had always fought democratization and later contributed more than any other powerful elite to the destruction of the Weimar Republic? The answer is that there was neither any movement of agricultural workers and smallholders in Germany at the time, nor any political party interested in a change of ownership structures in the rural provinces. The social democrats feared that drastic measures could endanger the food supply, and they were anyway only marginally interested in agricultural questions, on the principle that in farming as well as industry big enterprises were more efficient than small—which were hardly granted realistic chances of survival (Winkler 1993, 47–48, 2014, 383).

All in all it can be said that socialization was much discussed but little concretely pursued: the efforts of most Majority Social Democrats were directed toward economic and societal reconstruction rather than nationalization (Schneider 1987, 299). The central tenet of socialization, the abolition of private property, was at most indicated, never initiated. Instead, politicians sought a compromise between socialism and the widespread desire for social reform, and it was this that molded the economic and social policy program of the Weimar Republic (Preller 1978, 241).

What can be learned from the activities of the Socialization Commission is above all that society needs an intervening state without endangering economic performance and social stability—an insight that is still relevant today. It were the governing Majority Social Democrats whose careful and reluctant action impeded the chance

[7] "Eine solche Sozialisierung gerade jetzt, im Moment der Demobilisation durchführen oder auch nur fordern, hieße Deutschland in ein Tollhaus verwandeln".

of revolution: they wanted at all costs to avoid Russian circumstances and the danger of internal chaos and misery, which would have encouraged the Allies to invade Germany and control conditions from the outside. The Majority Social Democrats can hardly be blamed for wanting to provide people with peace, work and bread at almost any price.

In our own age of globally networked capitalism, with its increasing inequalities of distribution, calls for state control and regulation are becoming more audible all the time. But also in view of the currently increasing political polarization toward extremes, the example of the Socialization Commission is valuable as an attempt—the first on German soil and in difficult times—to take the path of parliamentary democracy and to support this by the establishment of suitable economic conditions.

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