



How Dictators Come To Power In A Democracy

Jim Powell, February 5, 2013

Consider Germany, one of the most paradoxical and dramatic cases.

During the late 19th century, it was widely considered to have the best educational system in the world. If any educational system could inoculate people from barbarism, surely Germany would have led the way. It had early childhood education — kindergarten. Secondary schools emphasized cultural training. Germans developed modern research universities. Germans were especially distinguished for their achievements in science — just think of Karl Benz who invented the gasoline-powered automobile, Rudolf Diesel who invented the compression-ignition engine, Heinrich Hertz who proved the existence of electromagnetic waves, Wilhelm Conrad Röntgen who invented x-rays, Friedrich August Kekulé who developed the theory of chemical structure, Paul Ehrlich who produced the first medicinal treatment for syphilis and, of course, theoretical physicist Albert Einstein. It's no wonder so many American scholars went to German universities for their degrees during the 19th century.

After World War I, German university enrollment soared. By 1931, it reached 120,000 versus a maximum of 73,000 before the war. Government provided full scholarships for poor students with ability. As one chronicler reported, a scholarship student “pays no fees at the university, his textbooks are free, and on most purchases which he makes, for clothing, medical treatment, transportation and tickets to theaters and concerts, he receives substantial reductions in price, and a student may get wholesome food sufficient to keep body and soul together.”

While there was some German anti-Semitic agitation during the late 19th century, Germany didn't seem the most likely place for it to flourish. Russia, after all, had pogroms — anti-Jewish rioting and persecution — for decades. Russia's Bolshevik regime dedicated itself to hatred — Karl Marx's hatred for the “bourgeoisie” whom he blamed for society's ills. Lenin and his successor Stalin pushed that philosophy farther, exterminating the so-called “rich” who came to include peasants with one cow.

Why, then, did the highly educated Germans embrace a lunatic like Adolf Hitler? The short answer is that bad policies caused economic, military and political crises — chow time for tyrants. German circumstances changed for the worse, and when people become angry enough or desperate enough, sometimes they'll support crazies who would never attract a crowd in normal circumstances.

Like the other belligerents, Germans had entered World War I with the expectation that they would win and recoup their war costs by making the losers pay. The German government led their people to believe they were winning, so everybody was shocked when the truth came out. Then U.S. President Woodrow Wilson gave a speech outlining his high-minded "14 Points," leading the Germans to expect a peace negotiation. But the British and the French – America's principal allies — were determined to avenge their losses, and vindictive terms were forced on the Germans. They felt betrayed and humiliated. Germany's principal military commanders realized that whoever signed the armistice would be hated, so they resigned and let a civilian official sign it (he was subsequently assassinated). As a result, the Weimar republic, Germany's fragile democracy, was immediately discredited.

Hitler was among those agitating against the Weimar government. He joined the German Workers' Party that, in February 1920, became the National Socialist German Workers' Party (NSDAP) – later shortened to Nazi. It offered a witches' brew of nationalism, socialism, anti-Semitism and anti-capitalism. The German historian Oswald Spengler influenced early Nazis with his idea of "Prussian socialism."

Hitler's main talent seemed to be as a speech maker, so he began giving speeches that appealed to Germans embittered and disillusioned by the outcome of the war. He denounced Jews, capitalists and other alleged villains, vowing to rebuild German greatness.

Historian Ian Kershaw observed that "Without a lost war, revolution, and a pervasive sense of national humiliation, Hitler would have remained a nobody."

Then came the inflation crisis. Victorious Allies demanded that Germany pay steep reparations, apparently without giving much thought about how the Germans would get the money for that. Trade restrictions made it harder for German companies to earn money through exports. European tariffs generally tripled and were as much as 800% higher than prewar levels.

The German government defaulted on its reparations agreement. Determined to extract reparations from the Germans, in January 1923 the French sent troops into the Ruhr where much of German industry was located. The German government responded by subsidizing those who pursued passive resistance against the French. Consequently, German budget deficits soared.

By itself, reparations would have been daunting, but Germany also had a financially stressed-out welfare state. Almost 90 percent of German government spending went for a big bureaucracy, social programs, money-losing nationalized businesses and other subsidies — a portfolio of obligations uncomfortably familiar to us. The German government subsidized municipalities, much as U.S. states are begging the federal government for bailouts now. Germany had a troubled government-run pension system like our Social Security. The German government provided health insurance for millions of people. There were German government programs for 1.5 million disabled veterans. The government lavished subsidies on the arts. There were government-run theaters and opera houses. Government-owned railroads lost money. The German government even operated factories producing margarine and sausages, which lost money.

The German central bank began printing stupendous quantities of paper money to pay for all this. At the peak of the inflation in late 1923, only 1.3 percent of German government spending was covered by tax revenue. The result was that in less than five years prices soared 100 billion-fold.

Inflation harmed everybody to one degree or another. Many bank deposits were devalued to nothing. Historian Gerald D. Feldman reported that gangs of unemployed coal miners plundered the countryside, because farmers refused to trade their produce for worthless paper money. The government enacted rent controls that limited the ability of landlords to recover their costs and discouraged developers from building more apartments. So cities borrowed from foreign lenders to build housing that lost money. Libraries and museums couldn't maintain their collections because of inflation. Much scientific research became financially impossible, too.

Historian Konrad Heiden reported, "On Friday afternoons in 1923, long lines of manual and white-collar workers waited outside the pay-windows of German factories, department stores, banks and offices. Each received a bag full of paper notes. According to the figures inscribed on them, the paper notes amounted to seven hundred thousand or five hundred million, or three hundred and eighty billion, or eighteen trillion marks — the figures rose from month to month, then from week to week, finally from day to day. People dashed to the nearest food stores where lines had already formed. When they reached the stores, a pound of sugar, for example, might have been obtainable for two million marks; but by the time they came to the counter all they could get for two million marks was a half-pound. Everybody scrambled for things that would keep until the next pay-day."

People employed in the private sector were enraged when unionized government employees — who carried out the government's disastrous economic policies — succeeded in having their salaries pre-paid, so they could convert the currency into goods before the currency depreciated further. The

publication Soziale Praxis reported: "It seems significant to us that public opinion is now gradually turning against the civil service to an extent that gives great concern. How much hostility is daily directed against that portion of the employed German people with civil service status is shown by the press and also even by those parties which previously supported the civil service and now press for a reduction of the civil service."

Hitler gave speeches appealing to those he called "starving billionaires" who had billions of paper marks but couldn't afford a loaf of bread. Altogether, during the inflation, Hitler recruited some 50,000 Nazis and became a political force to reckon with. Economist Constantino Bresciani-Turroni called Hitler "the foster child of the inflation."

To be sure, he attempted a coup that failed (November 8, 1923), and he was imprisoned. But he retained his key followers and wrote his venomous memoir Mein Kampf that became the Nazi bible.

During the late 1920s, the German economy began to recover, and there was less interest in the Nazis. In the 1928 Reichstag (legislature) elections, they won only 2.6% of the vote.

If good times had continued, Hitler might have been forgotten. He needed another crisis for a shot at gaining political power.

The crisis came as a succession of misguided policies created obstacles to enterprise and brought on the Great Depression. The government promoted deflation. It fixed prices at above-market levels that discouraged consumers from buying, and it fixed wages at above-market levels that discouraged employers from hiring. Government-sanctioned cartels restricted competition. High taxes made it harder for people to save and invest. High tariffs throttled trade. When German producers were able to export goods, they had difficulty collecting payment because of exchange controls. All these policies made it harder for the economy to grow.

Moreover, German banks were vulnerable, since they hadn't fully recovered from the inflation that had wiped out a substantial portion of their capital and left them dependent on short-term foreign deposits that could be withdrawn.

As the number of unemployed went up, more Germans voted for the Nazis, and the number of Nazi members went up again.

Hitler maintained non-stop agitation for power. He travelled constantly, giving speeches throughout Germany. He wanted his opponents destroyed, so he demonized them. He accused them of being traitors. Two Nazi paramilitary organizations, the S.A. and S.S., launched bloody attacks on his opponents. This attracted more thugs who liked violence and were good at it.

Every night, there were Nazi rallies and marches. Hitler's henchmen promoted him by publishing a Nazi magazine, distributing Nazi records and promoting Nazi movies.

They became the largest political organization in Germany, and by January 30, 1933, with the help of a little blackmail, Hitler emerged as Germany's chancellor – the head of government. He proceeded to consolidate unlimited power before anybody realized what was happening.

We should understand that Hitler didn't take over a small government with an effective separation of enumerated, delegated and limited powers. He took over a large welfare state. It had been created by the autocratic chancellor Otto von Bismarck, it expanded rapidly during World War I and gained total control of the economy. War-related private businesses were turned into government bureaucracies. The government shut down private businesses that officials considered unnecessary. There was forced labor, and nobody could change jobs without government permission. For the first time, this "war socialism" showed the world what a socialist economy would look like, and it became a model for Lenin and other communist theoreticians. The Allies directed the dismantling of the German war machine, but a government-run economy substantially survived.

Although Hitler echoed Soviet-style central economic planning with a Four Year Plan, his method was suffocating regulation rather than outright expropriation. There was nominal private ownership but government control. He dealt with unemployment by introducing forced labor for both men and women. Government control of the economy made it virtually impossible for anyone to seriously threaten his regime. Hitler added secret police, death camps and another war machine.

The German educational system, which had inspired so many American progressives, played a major role in all this. During the previous century, the government gained complete control of schools and universities, and their top priority was teaching obedience. The professorial elite promoted collectivism.

The highest calling was working for the government. In 1919, sociologist Max Weber reported that “The honor of the civil servant is vested in his ability to execute conscientiously the order of superior authorities.”

Lessons for us today:

Bad economic policies and foreign policies can cause crises that have dangerous political consequences.

Politicians commonly demand arbitrary power to deal with a national emergency and restore order, even though underlying problems are commonly caused by bad government policies.

In hard times, many people are often willing to go along with and support terrible things that would be unthinkable in good times.

Those who dismiss the possibility of a dictatorial regime in America need to consider possible developments that could make our circumstances worse and politically more volatile than they are now – like runaway government spending, soaring taxes, more wars, inflation and economic collapse.

Aspiring dictators sometimes give away their intentions by their evident desire to destroy opponents.

There’s no reliable way to prevent bad or incompetent people from gaining power.

A political system with a separation of powers and checks & balances – like the U.S. Constitution – does make it more difficult for one branch of government to dominate the others.

Ultimately, liberty can be protected only if people care enough to fight for it, because everywhere governments push for more power, and they never give it up willingly.

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