
The controversy over Friedrich Pollock's state capitalism

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Abstract

The critique of capitalism is the bedrock on which rests the reputation of Frankfurt School critical theory. Though critical theory has often been heralded – or criticized and rejected – as a reformulation of Marxian theory for our times, its relation with the critique of political economy, and in particular the economic treatises, has barely been studied. Friedrich Pollock, who was Max Horkheimer's lifelong friend and close associate at the Institute for Social Research, was responsible for all administrative and financial questions, but he wrote few theoretical essays and Wiggershaus calls him 'the last unknown member of the Frankfurt School'. Nevertheless this article asks whether not only has his influence on early critical theory been sorely underestimated, but also his impact on the late philosophies of Horkheimer, Adorno and Marcuse.

Keywords

critical theory, critique of political economy, dialectic of enlightenment, Friedrich Pollock, state capitalism

The reputation of Frankfurt School critical theory rests upon its critique of capitalism. It has often been heralded – or criticized and rejected – as a reformulation of Marxian theory for our times. Yet the relation between critical theory and the critique of political economy has barely been studied, least of all its economic treatises.

Friedrich Pollock, Max Horkheimer's lifelong friend and close associate at the Institute for Social Research,¹ where he was responsible for all administrative and financial

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questions, wrote few theoretical essays and is thus to this day ‘the last unknown member of the Frankfurt School’ (Wiggershaus, 1994).² Nevertheless the question should be posed of whether not only his influence on early critical theory has been sorely underestimated, but also his impact on the late philosophies of Horkheimer, Adorno and Marcuse.³

In Horkheimer’s 1931 inaugural address as professor of social philosophy and director of the Institute for Social Research, he spoke of the role that social philosophy must play and of the challenges facing social research, making it quite clear that his main interest was a theory of society grounded firmly in empirical research. He not only stressed ‘the idea of a continuous, dialectical penetration and development of philosophical theory and specialized scientific praxis’ (Horkheimer, 1993[1931]: 8–9), but also laid out a plan to put this idea into practice:

... to organize investigations stimulated by contemporary philosophical problems in which philosophers, sociologists, economists, historians, and psychologists are brought together in permanent collaboration ... to pursue their larger philosophical questions on the basis of the most precise scientific methods, to revise and refine their questions in the course of their substantive work, and to develop new methods without losing sight of the larger context. (Horkheimer, 1993[1931]: 9)

While Horkheimer explicitly named only social psychology and the works of Erich Fromm as key new realms to be investigated, he also emphasized the importance of economic analyses: ‘For example it is impossible to understand today’s society without studying its leanings towards the systematic regulation of the economy’ (Horkheimer, 1932: iii). Accordingly, he emphasized the importance of Friedrich Pollock’s article ‘*Die gegenwärtige Lage des Kapitalismus und die Aussichten einer planwirtschaftlichen Neuordnung*’ [The Present State of Capitalism and the Prospects of a New Planned Economy].

Horkheimer’s wish for the greater prominence of social psychology is evident in his dissociation from both idealism and a mechanical understanding of Marxism: because ‘consciously or unconsciously, they [idealism and a mechanical understanding of Marxism] presuppose a complete correspondence between ideal and material processes, and neglect or even ignore the complicating role of the psychological links connecting them’ (Horkheimer, 1993[1931]: 11). If one believes that ‘the economy as material being is the only true reality; the psyche of human beings, personality as well as law, art, and philosophy, are to be completely derived from the economy, or are mere reflections of the economy. This would be an abstractly and thus badly understood Marx’ (ibid.: 12). But what is the status of economics, particularly as an independent discipline, in this interdisciplinary theory and research program?

Pollock’s first article in the *Zeitschrift für Sozialforschung* analysed the global depression of 1929 and its effects. He came to the conclusion that despite its unprecedented severity ‘this crisis can be overcome by capitalist means and that “monopoly” capitalism shall continue to exist for a period that we cannot yet calculate’ (Pollock, 1932: 16). Far from heralding the end of capitalism, the capitalist economy is able to manage the crisis through government intervention:

While there are many indications that within this organized capitalism the depressions will be longer, the upturns shorter and sharper and the crisis more devastating than in the period of 'free competition', the 'automatic' collapse of capitalism is not to be expected. On an economic level, there is no ineluctable compulsion to replace it with another economic system. (Pollock, 1932: 16)

Nevertheless he went on to explain how this system could be exchanged for a better one and called for 'the creation of a coherent systematic theory of a planned economy in tune with the current state of socio-economic science' (1932: 22). Within this framework, he laid out the purely economic possibilities of a socialist or a capitalist command economy. A planned economy could be, in his eyes, compatible with private ownership of the means of production as long as by 'planned' the power of disposal is understood. There 'would be no economic difficulties in nominally retaining private property as long as the planning authorities were given power of disposal' (ibid.: 26).

Pollock thus thought a command economy was possible while retaining a capitalist basis – an idea that his colleague at the institute, Henryk Grossmann, in a critique of Rudolf Hilferding, called a 'logical absurdity' and an 'impossibility'.⁴ Pollock for his part believed that a capitalist command economy in the sense of 'Hilferding's cartel economy in which all companies are affiliated, but in principle the private ownership of the means of production is retained' (1932: 18) had realistic economic chances and that some prevailing tendencies were moving in that direction.⁵ Therein lay the entire dilemma of a theory of crisis and planning that took as its starting point the sphere of distribution and did not see the disproportionality between means of production and means of consumption merely as a formal possibility, as did Marx, but as the true cause of existent crises. Concurrently, if consumption and production were permanently balanced, it would have to result in the economic stabilization of capitalism.⁶

Whether the prerequisites for a command economy were given on the political and societal levels was, according to Pollock, another question altogether. Near the end of his article he at least intimated an answer:

A capitalist planned economy cannot be tolerated by the owners of the means of production if for no other reason than that they, as alluded to above, would by needs be stripped of their economic function and become degraded to mere annuitants. However there is yet to be a social order that has managed to remain afloat in which annuities are drawn at society's cost without any clear service in return. (Pollock, 1932: 27)

In his next article on the economic crisis Pollock explicitly retracted these ideas about possible political and social tendencies towards resistance:

Our previously expressed opinion that the degradation of ownership of capital into no more than a profitable title presented a hurdle for a capitalist planned economy (see this journal vol. I, p. 27) can no longer be counted among the serious objections in view of the mechanisms of mass control that have come to light in the interim. (Pollock, 1933: 349, n. 2)⁷

In terms of economics, he continued to believe ‘that it is wrong to predict that capitalism must end in the near future . . . That which is ending is not capitalism, but only its “liberal phase”’ (1933: 350). The intensity and diversity of state intervention and of the economic policy measures taken exhibit a ‘new level of “state capitalist” interference’ (ibid.: 347).

With this he gave his final verdict regarding the hope that the economic crisis might lead to a radical transformation of capitalism. At the same time, he provided the catchword that in the early 1940s would spark a great debate within the institute about ‘state capitalism’.

Tellingly, in the *Zeitschrift für Sozialforschung*, early economic analyses of the 1929 crisis soon made way for economic planning theory as called for by Pollock and practised by his younger colleagues, Kurt Mandelbaum and Gerhard Meyer. The two went on to publish articles and reviews in which they analysed varying concepts and types of planned economies and defended the calculability, systematization and productivity of command economies against liberal critics, in particular Max Weber and Ludwig von Mises. Their aim was to provide ‘a positive image of the socialist vision’ (Mandelbaum and Meyer, 1934: 230) and show the ‘economic possibilities . . . of the classless society with planned social production and distribution’ (ibid.: 261). Economic models therefore took the place of analyses of economic realities. In an extensive foreword, Horkheimer legitimized this approach as it elucidated the necessity of opting for the ‘transformation of the economic structure’ and not just choosing ‘between a liberal economy and the totalitarian state, for the one necessarily leads to the other’ (ibid.: 230).⁸

Economic issues were thus relegated to the background in favor of theories of culture and social psychology as well as critiques of ideology and were not publicly discussed again in the journal until the 1941 debate on state capitalism. At the institute, economics was discussed only in internal seminars in 1936 and 1937.⁹ According to the minutes, these seminars examined the ‘historical model that recognizes the development from the violent plans of the individual to the planlessness of capitalism to general rational planning’ (Horkheimer, 1985a[1931–49]: 401). Also discussed repeatedly was the law of the falling tendency of the rate of profit whereby, interestingly, ‘Pollock stated that it is currently impossible to verify whether or not this law is operational’ (ibid.). Henryk Grossmann on the other hand, who did not participate in that discussion, began his position paper for the seminar on monopoly capitalism (in which Pollock in turn did not take part) with the thesis that ‘in those countries in an advanced stage of capital accumulation there is a surplus of capital made manifest . . . in the decline of the profit rate’ (ibid.: 418). Contrary to the thesis that the average profit rate was no longer a driving force in monopoly capitalism (a theory soon propagated by Pollock as well), Horkheimer is recorded in the minutes as insisting upon the opposite: ‘The trend towards an average profit rate continues in monopoly capitalism’ (ibid.: 430).

While internal discussions were full of controversy over the validity and prognostic value of Marxian economic analyses for current economic trends, publicly a conscious effort was made to emphasize the philosophical character of critical theory (Horkheimer, 1937: 627), which had never been a pure discipline of economics (ibid.: 630; Marcuse, 2009b[1937]: 631). Critical theory, a term coined at that time, understood itself explicitly as ‘the dialectical critique of political economy’ (Horkheimer, 2002[1937]: 261, n. 1;

1937: 625). The answer ‘to the question of what this theory does more than classical economics’ was given by Marcuse: ‘the critique of political economy criticizes the entirety of being in society’ (Marcuse, 2009b[1937]: 638).

The failure of the revolutionary workers’ movement against fascism did not mean that Marxian theory had failed and newer economic tendencies did not discredit its validity as an economic theory:

The setback came at a stage when the economic conditions for change were given. The new social condition, expressed by authoritarian states, can be seamlessly integrated into and understood and predicted using the theory’s concepts. It was not a failure of economic concepts that precipitated the new emphasis upon the theory’s claims. (2009b[1937]: 638)

Friedrich Pollock forced the Institute for Social Research to delineate the relation between Marxian critiques of political economy and the economic theory in which the institute was engaged. This was the context in which he put forth the thesis that contemporary economic developments leveled every contradiction on whose theoretical intensification all hopes for radical transformation had been hung, from Marx to critical theory.¹⁰

Pollock’s article ‘State Capitalism’ drew – as Horkheimer declared in his introduction – ‘a picture of an authoritarian society that might embrace the earth . . . Its challenging thesis is that such a society can endure for a long and terrifying period’ (Horkheimer, 1941: 198). And in fact, Pollock’s answer to the question: ‘Are there . . . no economic limitations at all to the existence and expansion of state capitalism?’ (Pollock, 1941: 216) was: No. While he did note – as a quasi-warning to himself not to make a premature diagnosis – that the liberal market economy had also understood itself as an economic system that would reign forever,¹¹ he did not revise his answer, even when taking into account the falling tendency of the rate of profit in the footnote that followed:

Forewarned as we are, we are unable to discover any inherent economic forces, ‘economic laws’ of the old or a new type, which could prevent the functioning of state capitalism. (Pollock, 1941: 217)

Here Pollock systematized the theories he had proposed in earlier articles analysing capitalist state interventions meant to end the depression (Pollock, 1932, 1933) and developed them into a general theory of state capitalism, which he then attempted to apply to the economic structure of National Socialism (Pollock, 1942).

The ‘new order’, he analysed, differed from private capitalism in three ways. First, the market had been abandoned as a regulator between production and consumption. In this way, capitalism became less prone to crisis, which Pollock had already in earlier articles linked to the disproportion between production and consumption. Second, the state had taken over the functions of steering the market and controlling labor, production and distribution by direct interference, increasing production to meet consumer needs. Third, the state became a tool of a new group of rulers, comprised of – in the totalitarian form of state capitalism – representatives of big industry, top-level government bureaucrats and the military. This group – which in the case of democracies was at least under parliamentary control – ruled directly over the population.

Pollock's theory of capitalism did not claim to be original. He freely admitted that it was merely a summation and systematization of a discussion held across emigrant communities, from Trotsky to Hilferding, about the quality of the new authoritarian state and about planned state interventions.¹² The focus was not, as in later so-called theories of totalitarianism, on political structural homologies, but on the ways in which different political systems, such as Hitler's National Socialism, Roosevelt's New Deal and Stalin's state socialism, were faced with similar problems due to economic difficulties that all seemed to call for analogous political and administrative solutions.

Rudolf Hilferding, 'the arch-prophet of the whole heresy' (Korsch, 1942: 47), saw in National Socialism the actualization of his idea of the capitalist general cartel, a theory he had developed before the First World War in *Finance Capital*. In his 1940 essay 'State Capitalism or Totalitarian State Economy', which played a decisive role in the discussion, Hilferding stressed that in contemporary totalitarian states, state planning replaced self-regulating market mechanisms, use-value was produced in lieu of exchange-value, the primacy of politics toppled the primacy of the economy and the power motive took precedence over the profit motive:

A state economy, however, eliminates precisely the autonomy of economic laws. It represents not a market but a consumers' economy. It is no longer price, but rather a state planning commission that now determines what is produced and how. Formally, prices and wages still exist, but their function is no longer the same; they no longer determine the process of production which is now controlled by a central power that fixes prices and wages. (Hilferding, 1962[1940]: 334)

This classification of a new order through a series of juxtapositions accentuated the historical importance of this development and the insistence on the totalitarian character emphasized the dwindling historical hope: 'History . . . has taught us that "administering of things" despite Engels' expectations may turn into unlimited "administering of people"' (1962[1940]: 339). Thus even a Social Democratic economist, from a completely different starting point, arrived by means of the theory of state capitalism at conclusions similar to those later formulated by Horkheimer and Adorno in *Dialectic of Enlightenment* using ideas based on Pollock's work.

Opinions on the content and import of Pollock's theory of state capitalism were by no means unanimous at the Institute for Social Research – quite the contrary.¹³ Already the draft of Pollock's essay on state capitalism had been subject to significant internal criticism, reflected in the following correspondence. In a letter to Horkheimer, Adorno repudiated Pollock's 'undialectical claim that a non-antagonistic economy could be possible within an antagonistic society' (in Horkheimer, 1996[1941–8]: 55). Horkheimer too, in a letter to Pollock written on 30 May 1942, expressed concern about Pollock's conception of the permanent political stabilization of fascism: 'One challenging hurdle shall be to avoid the false impression of sympathy for the "totalitarian answer"' (ibid.: 46). In a later letter, he urged Pollock to do everything to 'avoid the misunderstanding of all too much affinity with state capitalism' and to ensure 'that the complexity and ambiguity of the phenomenon is more obvious . . . so that it all appears a little less rigidly administrative' (ibid.).

Franz Neumann, Pollock's harshest critic at the institute, opened his comprehensive study *Behemoth* with a fierce critique of the thesis of state capitalism:

There is an increasing tendency to deny the capitalistic character of National Socialism.¹⁴ It is called a system of brown bolshevism, of state capitalism, of bureaucratic collectivism, of the rule of a managerial bureaucracy. (Neumann, 1972[1942/1944]: 222)

In a long letter to Horkheimer dated 23 July 1941, Neumann objected to Pollock's essay's complete contradiction of the institute's previously held beliefs and stated that publication could only hurt its reputation:

In summary I would like to remark that the essay clearly comprises a departure from Marxism. Further, the essay imparts a sense of complete powerlessness. State capitalism, as conceived by Pollock, could last a millennium. (Horkheimer, 1996[1941–8]: 107)¹⁵

Neumann saw the main methodological weaknesses in the problematic process of abstracting from tendencies within capitalist reality to construct an ideal type¹⁶ of a new system that would no longer be capitalism without delivering any empirical proof of this transition. Neumann, who would later use a wide range of empirical material to dispute this theory in part two of *Behemoth* (Neumann, 1972[1942/1944]: 221 ff.), had previously expressed this criticism to Pollock in person and to Horkheimer in writing:

Ideal types are abstract deductions from reality. They are constructed by ignoring irrelevant elements and emphasizing relevant elements of a certain reality . . . Pollock's ideal type in contrast implies a jump from one reality (capitalism) to another reality which is no longer capitalism. (Horkheimer, 1996[1941–8]: 104)¹⁷

Horkheimer, in his answer of 2 August 1941, defended Pollock's concept:

Ideal types should, in my opinion, fulfil precisely the function they accomplish in the essay. In truth, they are constructed by means of the abstraction and enhancement of certain elements of reality; but they are also a reply to reality. They are utopias, beautiful and ugly, against which reality is measured. (Horkheimer, 1996[1941–8]: 115 f.)

While this attempt to salvage Pollock's theory is hardly what Weber had in mind (and reveals the problematic status Horkheimer accorded to economic research at his own institute), it also shows that Horkheimer had another reason for wanting to hold onto the negative model of an ugly utopia.

Neumann had criticized Pollock's concept of state capitalism and the 'complete hopelessness' it expressed. In an undated comment, Horkheimer in turn critiqued the optimism of Neumann's *Behemoth*:

If there exists any real theoretical difference between us it pertains to the optimism which you show not only with regard to the question of better administration but also to some deeper lying issues of society itself, such as the inherent and insoluble antagonism of state capitalism and also to some anthropological issues, e.g. such as . . . the impossibility of a

long term existence of the 'split personality' as promoted by the mechanism of National Socialism. (Horkheimer, 1985b[1942]: 146)

Horkheimer refers to his own article 'The End of Reason', which was his rebuttal to the optimistic hope that fascism would not be able to stabilize itself long-term. In it, he described the long historical process of the reciprocal relationship between the rise of reason and the suppression of drives as the price for the constitution of individuality: 'The collapse of reason and the collapse of individuality are one and the same' (Horkheimer, 1942: 376). Fascism was thus able to manipulate the conditions prepared by the basic mechanisms of bourgeois society.¹⁸

Although Horkheimer thus critiqued Pollock's concept of state capitalism as undialectical and immovable, he was adamant about the pessimistic conviction of the perpetuation of this new order. Accordingly, in his foreword to Pollock's article, he emphasized the fact that economic problems posed no threat to state capitalism:

The article attempts to destroy the wishful idea that fascism must eventually disintegrate through disharmonies of supply and demand, budget deficiencies, or unemployment. (Horkheimer, 1941: 198)

While one should not succumb to optimistic notions that state capitalism might collapse under the weight of internal problems, neither should one jump to the conclusion that it could easily become stable and that – as Horkheimer warned at the end of his article 'The Authoritarian State' – the only 'appropriate form of activity appears to be the extension of state capitalism' and there is nothing to do 'but to follow the *Weltgeist* on the path it has chosen' (Horkheimer, 1973[1940/1942]: 20).

In a letter to Horkheimer dated 8 June 1941, Adorno expressed similar worries. He felt it was extremely important to hold on to Pollock's pessimistic vision of perpetual power, but found his undialectical presentation problematic:

The concept is correct in its pessimism, i.e. the idea that the chances of perpetuation of the ruling system in its current political form are greater than those of getting out of it. Optimism is misplaced, also about the alternative: what is being perpetuated does not seem to me a relatively more stable and in some senses even more rational situation than a constant series of catastrophes, chaos and horror for an indeterminably long period and with it a returning opportunity to escape. (Horkheimer, 1996[1941–8]: 54)

However, Adorno, in his own contribution to the state capitalism issue, took over Pollock's theory of state capitalism completely uncritically in his discussion of Spengler's pessimism, contrasting it with Spengler's paradoxical prognosis of 'decline' and a 'lack of history':

This paradoxical prognosis is clearly paralleled by the tendency of present economy to eliminate the market and the dynamics of competition. This tendency is directed towards static conditions which no longer know of crises in the strictly economic sense of the term. The labor of others is appropriated, without any intermediary processes, by those in

command of the means of production, and the life of those who do the work is maintained planfully from above. (Adorno, 1941: 310)

However, one issue barely touched upon in *The Decline of the West* and formulated here by Adorno as a precursor to his reflections in *Dialectic of Enlightenment* was that ‘the relation between man and nature, which engenders the tendency of man to dominate nature, reproduces itself in man’s domination of other men’ (Adorno, 1941: 320 f.). Therefore any outspoken optimism about the possibility of slowing the decline of culture was completely misguided: ‘Instead, we should become aware of the element of barbarism inherent in culture itself’ (ibid.: 325).

Finding a way out of this deeply rooted and almost total regimentation of all areas of life was then only a vague utopian vision. Yet it could be found, as Adorno for the first time intimated at the end of this essay – and this idea would become central to his work – in the sanctuary of art, that last refuge of social contradictions from where they might release their explosive power:

Where there are no longer ‘political problems’ in the traditional sense, and perhaps not even irrational ‘economy’, culture might cease to be the harmless façade which Spengler moves to demolish, unless its decline can be secured in time. Culture may then explode the contradictions that have apparently been overcome by the regimentation of economic life. (Adorno, 1941: 316)¹⁹

The influence of the theory of state capitalism on Horkheimer can be seen most clearly in his essay ‘The Authoritarian State’. One of Horkheimer’s most radical essays – alongside ‘The Jews and Europe’²⁰ (1939) and ‘The End of Reason’ (1942) – ‘The Authoritarian State’ was written in 1940 and published in 1942 as part of the institute’s collection of essays in memory of Walter Benjamin. Originally, it was even to be entitled ‘State Capitalism’.²¹ But Adorno, unhappy with the first draft of Pollock’s state capitalism essay, wrote to Horkheimer on 8 June 1941 and proposed rewriting it to better match ‘The Authoritarian State’ and publishing the article in the institute’s issue on state capitalism under the names of both Pollock and Horkheimer (in Horkheimer, 1996[1941–8]: 55) – an indication that Adorno believed both essays to be fundamentally compatible.

Horkheimer began his essay in complete agreement with Pollock’s economic analysis and, like Pollock, emphasized the novel character of state capitalism:

In the transition from monopoly to state capitalism, the last stage offered by bourgeois society is ‘the appropriation of the large productive and commercial organisms, first by joint-stock companies, later by trusts and then by the state’. *State capitalism is the authoritarian state of the present.* (Horkheimer, 1973[1940/1942]: 4)²²

But while Engels – whom Horkheimer cited above – was thinking of the economic necessity and political evidence of the transition to socialism, Horkheimer saw only the long-term stabilization of state capitalism: ‘State capitalism does away with the market and hypostatizes the crisis for the duration of eternal Germany’ (1973[1940/1942]: 4).

Moreover, the trend towards the ‘planned economy’ of state capitalism as a ‘period with its own social structure’ was a global phenomenon (ibid.: 5). While Horkheimer nevertheless aimed at transcending state capitalism, Pollock saw no alternative – or only that of the democratic over the authoritarian form. The focus on the transition from the economic to the political sphere merely hypostatized the surface and hid the essential. Politics had taken over the role of the market in obfuscating the true relations of power. Theorists of state capitalism, who prefer to ‘see the economic veil of government rather than the blatant circumstances of exploitation’ (Horkheimer, 1985a[1931–49]: 316) succumbed not only to the illusion of the state as a causal agent instead of an executive body,²³ but also to the temptation of believing that replacing an authoritarian form of government with a democratic form was the sole historical alternative. Horkheimer’s bitter comment – ‘Instead of the present anti-Semitic, relentless and aggressive form of state capitalism, there are still dreams of a state capitalism which would, with the grace of the older world powers, rule the people’ (Horkheimer, 1973[1940/1942]: 17) – should most certainly be interpreted as a critique of Pollock’s concept of state capitalism.

The theory of state capitalism, which maintains that the primacy of the economy has transitioned into the primacy of the state, so that social control takes place directly rather than indirectly through the market, implied a new theory of rule that Horkheimer and Adorno did not always make explicit. Their focus on the transition of competitive capitalism to monopoly capitalism and from the latter to state capitalism and fascism glossed over the reversal of relations of domination and relations of production. In Adorno’s (at the time unpublished) 1942 essay ‘Reflections of Class Theory’ he wrote:

The laws of exchange have not led to a form of rule that can be regarded as historically adequate for the reproduction of society as a whole at its present stage. Instead it was the old form of rule that had joined the economic apparatus so that, once in possession, it might smash it and thus make its own life easier. By abolishing the classes in this way, class rule comes into its own. (Adorno, 2003[1942]: 100)

History was thus neither the history of class struggle nor the history of monopolies, but ‘in the image of the manifest act of usurpation that is practiced nowadays by the leaders of capital and labor acting in consort, it is the history of gang wars and rackets’ (2003[1942]: 100).

The ‘racket theory’ – although later abandoned – was to be a theory of dominion that fit in with the theory of state capitalism.²⁴ Horkheimer and Adorno defined ‘rackets’ as powerful organized cliques that rivaled one another for power and clientele – not only during the current stage of state capitalism, but also in earlier historical epochs. Horkheimer formulated this idea in one of the (at the time) unpublished ‘Notes and Drafts’ on and for the *Dialectic of Enlightenment*, ‘Die Rackets und der Geist’ [The Rackets and the Spirit]:

To date the racket has put its mark on all social phenomena, it has ruled as the racket of the clergy, of royalty, of the propertied class, of the race, of men, of adults, of the family, of the police, of crime and within these media even in individual rackets against the remaining spheres. (Horkheimer, 1985a[1931–49]: 291)

The promise of protection in exchange for obedience first transformed the many into the clientele of the few and later made most people into the clientele of organized bureaucratic elites who, by monopolizing the means of rule, shared among themselves the added value they had extorted from society. This concept of rackets as a ‘fundamental form of rule’ (Horkheimer, 1985a[1931–49]: 287) was meant both to enable a sociology of historical forms of rule²⁵ and to provide direct empirical evidence for the analysis of contemporary forms of dominion.²⁶ It could be used to describe the bitter power struggles within the Nazi regime itself – between the military, the SA, the SS, various party groups and the state bodies that had been usurped by them, or between monopolized capital groups. It could also be used to describe the way in which mechanisms of dominion acted upon the subjugated and also explicated the struggle between capitalist monopolies, bureaucratic state apparatuses and labor union rackets in their host country of America. In his, again unpublished, 1943 essay ‘On the Sociology of Class Relations’ Horkheimer wrote:

The similarity of modern rackets with history’s most esteemed constructs, for example the hierarchies of the Middle Ages, is apparent. The concept of rackets can apply to both large and small companies: all of them fight for the largest possible share of added value. In this manner, the highest capitalist bodies are similar to small interest groups that operate among the lowest elements of the population. (Horkheimer, 1985a[1931–49]: 102)

But Horkheimer’s and Adorno’s explication of the racket theory remained unpublished. Only rudimentary traces of racket theory and its political counterpart, the theory of state capitalism, could be found in *Dialectic of Enlightenment*, and even these were mostly edited out of the original manuscript before it was published as a book, but they provide the background for their analysis.²⁷

Nevertheless, they [the theory of state capitalism and the theory of rackets, M.G.] provide the background of social theory against which the scientific, moral, cultural, and psychological phenomena of the self-destruction of enlightenment were interpreted. (Schmid Noerr, 2002[1987]: 237)

The theory of total domination presented by Horkheimer and Adorno in *Dialectic of Enlightenment* no longer began with an analysis of contemporary society, but that remained its starting and end point. Pollock’s theory of state capitalism was taken as a given, but rarely mentioned directly:

It is no longer the objective laws of the market which govern the actions of industrialists and drive humanity toward catastrophe. Rather, the conscious decisions of the company chairmen execute capitalism’s old law of value, and thus its fate, as resultants no less compulsive than the blindest price mechanisms. (Horkheimer and Adorno, 2002[1947]: 30)

The theory was deemed the point of departure for specific historical developments. The direct rule of state capitalism, which no longer necessitated the indirect route of the market, was not seen as having its historical precedent in rackets, but rather as a

fundamental historical form that had its prototype in the beginnings of the history of humanity:

The enthronement of the means as the end, which in late capitalism is taking on the character of overt madness, is already detectable in the earliest history of subjectivity. (Horkheimer and Adorno, 2002[1947]: 43)

If the early history of the dialectic of Enlightenment lay in the first objectivization, this instrumental primary act then held the key to all of world history and its final result, the total reification of the world, was pre-programmed:

One might say that the collective madness that ranges today, from the concentration camps to the seemingly most harmless mass-culture reactions, was already present in germ in primitive objectivization, in the first man's calculating contemplation of the world as a prey. (Horkheimer, 1947: 176)

Ending the current system of rule, and with it the reification of the human being, thus became impossible and unthinkable. While György Lukács still proffered proletarian class-consciousness as an Archimedean point from which the reified world could be overturned, for Horkheimer and Adorno neither knowledge in itself nor the sociological destiny of its holder held the sparks of liberation. If 'the situation of the proletariat is in this society no guarantee of correct knowledge' (Horkheimer, 2002[1937]: 213), then Lukács' 'historical metaphysics of autonomous class struggle' (Adorno, 1931 in Horkheimer, 1985a[1931–49]: 364) also needed to be thrown overboard. While Lukács still saw the proletariat, and thus emancipation, as 'the identical subject-object of history' (Lukács, 1967: 197),²⁸ for Horkheimer and Adorno it was now clear that 'the entire human being has become at once the subject and the object of repression' (Horkheimer and Adorno, 2002[1947]: 169), making all hopes for liberation futile.

The reification, by virtue of which the power structure, made possible solely by the passivity of the masses, appears to those same masses as an iron reality, has been consolidated to the point where any spontaneity, or even the ability to conceive the true state of affairs, has necessarily become an eccentric utopia, an irrelevant sectarianism. Illusion has become so concentrated that to see through it objectively assumes the character of hallucination. (Horkheimer and Adorno, 2002[1947]: 170)

The theory of state capitalism was both theoretical basis of and catalyst for the development of deeper historical and anthropological analysis in *Dialectic of Enlightenment*. Its validity and purview were not limited to the historical period of fascism – just as state capitalism itself was not limited to totalitarian governments. This is exemplified by the fact that the authors first introduced it to a larger public in 1947, after the fall of fascism. What is more, the theory's radical critique of reason and diagnosis of a world under total administration was merely made more specific and systematic in later works – by Horkheimer in *Eclipse of Reason*, Adorno in *Negative Dialectics* and Marcuse in *One-Dimensional Man*.²⁹

If one compares the published 1947 book *Dialectic of Enlightenment* with the mimeographed 'Philosophical Fragments' of 1944, it is clear that significant modifications were made to the text despite the authors' claim that 'The book contains no essential changes to the text completed during the war' (Horkheimer and Adorno, 2002[1947]: xix).

Throughout the work, Marxist terminology was replaced with more general economic or sociological terms and thus defused or seemingly radicalized to fit the more concrete and current situation of fascism: 'monopoly' and 'monopoly capitalism' were consistently replaced by 'trust', 'economic apparatus', 'agencies of mass production', or 'system of modern industry' – accounting for more than half of all changes. 'Relations of production' became 'economic forms', 'class domination' simply 'domination' while the 'capitalist' became an 'entrepreneur', the 'proletarian' a 'worker' and 'exploitation' 'slavery' or 'suffering'.³⁰

This is not only a sign of Horkheimer's and Adorno's well-documented strategy of watering-down the Marxist stance in public, for which reason they often did not publish or reissue certain texts. If the theory of state capitalism claimed that the 'new order' had irrevocably superseded monopoly capitalism,³¹ then erasing the latter from language was at the same time a theoretical recognition of the former. However, it too was in the main linguistically expunged. State capitalism was already the totally administered world, which was not threatened by the end of fascism.³²

The theory of state capitalism was an – albeit controversial – theory to be reckoned with as well as an attempt to analyse contemporary forms of state, particularly National Socialism, and understand the increase of state interventions in the economy (a phenomenon particularly relevant today). But that was not the limit of its influence. It also shifted – albeit unintentionally – the discourse from an economic basis to the study of superstructures and brought political, ideological and social psychological phenomena to the fore.

The main proponents of critical theory used the idea of state capitalism in their move from an initial critique of the economy to a radical critique of reason and society founded on a much deeper anthropological and historical level, enabling them to interpret and analyse previously ignored phenomena of societies. Significantly, it is precisely these analyses that have proven the most enduring and have exhibited greatest connectivity.

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Notes

1. Walter Benjamin, in his 1938 presentation of the institute to a larger public in *Maß und Wert*, the exile journal co-founded by Thomas Mann, wrote succinctly: 'The director of the institute, Max Horkheimer, is a philosopher; and his closest colleague, Friedrich Pollock, an economist' (Benjamin, 1972[1938]: 518). All translations are by Laura Radosh unless otherwise noted.
2. This remains true to this day. Axel Honneth's (2006) immense collection of commentary on key critical theory texts is symptomatic of this disregard. The volume includes Pollock's 1929 *habilitation* thesis on attempts at a planned economy and his 1932 article in the *Zeitschrift für Sozialforschung*, 'Die gegenwärtige Lage des Kapitalismus und die Aussichten einer

- planwirtschaftlichen Neuordnung' [The Present State of Capitalism and the Prospects of a New Planned Economy], but not his articles on the economic crisis (Pollock, 1933) or, more importantly, his central 1941 and 1942 essays on state capitalism.
3. A scattering of newer works on this topic has barely changed the situation. See in particular the thorough analyses by Dahms (2010), Abromeit (2011) and Ten Brink (2013).
 4. According to Henryk Grossman, it was Marx who 'precisely delineated the impossibility of "regulating" production on the basis of the current economic order' (Grossman, 1929: 623). He expanded upon this idea at the end of his book in his critique of Hilferding's 'general cartel' (see *ibid.*: 603–23) and came to the conclusion that 'Hilferding's idea of "regulated production" and an "antagonistic distribution" is simply a logical absurdity' (*ibid.*: 617).
 5. Hilferding's theory of a 'general cartel' anticipated the merging of all cartels into a single group: 'The whole of capitalist production would then be consciously regulated by a single body which would determine the volume of production in all branches of industry... This would be a consciously regulated society, but in an antagonistic form' (Hilferding, 1981[1910]: 234).
 6. Grossman therefore concentrated on the reconstruction of the methodological status of the reproduction schemes in the second volume of *Das Kapital*. For a more in-depth discussion see Gangl (1987: 98–121).
 7. See also Pollock (1933: 350). This reassessment was most likely also a consequence of the disillusioning results of Erich Fromm's (1980[1937]) survey of German workers, which for this reason was not published at the time.
 8. That is the topic of Marcuse's essay in the same journal; see Marcuse (2009a[1934]). In that essay, Marcuse assumed 'some prior knowledge of the economic foundations of this development from liberalist to totalitarian theory' (*ibid.*: 12, with a reference to Pollock, 1933).
 9. Seminar discussions on Marxian methods and their application in analyses of the current crisis (1936) and on monopoly capitalism (1937) are in Horkheimer (1985a[1931–49]: 398–416 and 417–30).
 10. Bertolt Brecht, who participated in the institute's internal discussions in American exile – the inspiration for his unfinished 'tui' novel – noted sarcastically in his journal on 13 August 1942: 'dr. pollock, the economist from the institute for social research (formerly frankfurt, now hollywood), is convinced that capitalism can rid itself of crises simply by means of public works. marx could not predict that governments would one day just build roads' (Brecht, 1996: 252).
 11. Horkheimer, in his essay 'The Authoritarian State', expressed doubts about just that: 'The eternal system of the authoritarian state, though terribly threatening, is no more real than the eternal harmony of the market economy' (Horkheimer, 1973[1940/1942]: 15).
 12. The titles speak for themselves: Ferdinand Fried, *Das Ende des Kapitalismus* [The End of Capitalism] (Jena: 1931); Leo Trotsky, *Die verratene Revolution* [The Revolution Betrayed] (Zurich: 1936); Peter Drucker, *The End of the Economic Man* (New York: 1940); Rudolf Hilferding, 'State Capitalism or Totalitarian State Economy?' (New York: 1962[1940]). Dwight Macdonald, co-editor of *Partisan Review*, referred directly to the latter essay in his 1941 article 'The End of German Capitalism', sparking a heated discussion in his journal (see, for example, James Burnham, 'The Theory of the Managerial Revolution'; Paul Mattick, 'How New is the "New Order" of Fascism?' and 'Fascism Made in U.S.A.' (a critique of Dennis); Lawrence Dennis' reply 'The Dynamics of War and Revolution'; Paul Mattick's rebuttal; and Karl Korsch, 'Lawrence Dennis's "Revolution"' (book review).

13. The most important texts of the published debate have been documented by Dubiel and Söllner (1981).
14. At this point reference is made to Peter Duncker, Frank Munk, James Burnham, Dwight Macdonald, Bruno Rizzi and Pollock's essay 'State Capitalism' (1941).
15. Neumann later wrote in *Behemoth*: 'In our view, these theorists must admit that their system may very well be the millennium' (Neumann, 1972[1942/1944]: 225).
16. Pollock speaks explicitly of a model [*Schema*] in the Weberian sense: 'The term "model" is used here in the sense of Max Weber's "ideal type"' (Pollock, 1941: 200, n. 1).
17. Neumann picked this up again in *Behemoth*: 'Theorists often speak of an ideal type or model, not yet fully realized, but in the process of becoming so' (Neumann, 1972[1942/1944]: 224).
18. See Horkheimer (1985b[1942]: 146). Later, this idea was expressed in *Dialectic of Enlightenment* as follows: 'The hope that the contradictory, disintegrating person could not survive for generations, that the psychological fracture within it must split the system itself, and that human beings might refuse to tolerate the mendacious substitution of the stereotype for the individual – that hope is vain' (Horkheimer and Adorno, 2002[1947]: 126).
19. In the footnote that followed this paragraph, Adorno referred to Pollock's 'State Capitalism' article, which appeared in the same issue. While recent works on Adorno and his critique of political economy put forth the thesis that 'Adorno did not adopt his [Pollock's] position' (Braunstein, 2011: 150), that claim cannot be upheld. Despite all internal criticism, Adorno's public position was always completely in line with Pollock's.
20. This essay also contained Horkheimer's much-cited advice, which he himself did not heed: 'Whoever is not willing to talk about capitalism should also keep quiet about fascism' (Horkheimer, 1989[1939]: 78).
21. See editor's note in Horkheimer (1995[1937–40]: 746).
22. Original emphasis. Horkheimer cites Friedrich Engels, 'Die Entwicklung des Sozialismus von der Utopie zur Wissenschaft', in Karl Marx and Friedrich Engels; *Werke* [Works], vol. 19 (Berlin: Dietz, 1974), pp. 176–228 (p. 228); English-language edn as Friedrich Engels, 'Socialism: Utopian and Scientific', in Karl Marx and Friedrich Engels, *Selected Works*, vol. 3 (Moscow: Progress Publishers, 1970), pp. 95–151.
23. In an uncompleted draft, dated 1942 and related to *Dialectic of Enlightenment*, Horkheimer sharply criticized the illusionary vision of the state held by theorists of state capitalism. This too can be read as a critique of Pollock. See Horkheimer (1985a[1931–49]: 316–18).
24. 'The political and economic basis for a theory of rackets and of state capitalism was developed within the Institute primarily by Horkheimer and Pollock' (Schmid Noerr, 2002[1987]: 236). However, one should also take Adorno's decisive 1942 contribution into account.
25. In a letter dated 20 January 1943, Horkheimer sketched for Grossman his 'attempt to truly concretize class theory' with the goal of showing 'the extent to which class has always been the quintessence of rackets' (Horkheimer, 1996[1941–8]: 398–9).
26. In his letter to Horkheimer dated 7 September 1937, Pollock spoke of the 'gangsters who rule in the countries of the dictators' (Horkheimer, 1995[1937–40]: 231).
27. For this reason it does not seem justified to base on this fact an argument on Pollock's influence on Adorno and Horkheimer, as Deborah Cook did in claiming: 'In fact, there are few passages in *Dialectic of Enlightenment* which confirm the view that Adorno and Horkheimer simply adopt wholesale Pollock's state capitalism thesis – even as an ideal type' (Cook, 1998:

- 18). It seems equally misguided to play Adorno's 'Reflections on Class Theory' against Pollock's 'State Capitalism' (see in particular *ibid.*: 19).
28. Despite severe criticism, Adorno held fast to his central query: 'Thus the question of how the existent can possibly be changed by those who are its very victims, psychologically mutilated by its impact, has very rarely been put except by dialecticians of the Hegelian tradition, such as Georg von Lukacs' (Adorno, 1941: 218).
29. Central motifs of Marcuse's later philosophy were developed early within the Institute for Social Research debates on Pollock's theory of state capitalism. See Gangl (1989).
30. See the footnotes in Horkheimer and Adorno (2002[1947]: 253–76), the article by Willem van Reijen and Jan Bransen (Van Reijen and Bransen, 1987) and the publisher's afterword (Schmid Noerr, 2002[1987]: esp. 237–9).
31. For Pollock, it was a completely new type of society. Just as capitalism replaced feudalism, state capitalism replaced monopoly capitalism: 'My aim is to clarify the new order as a new social and economic system in contrast to monopoly capitalism. To cite the most obvious example, nineteenth century capitalism must certainly be called a new social and economic system when compared with the feudal order that preceded it' (Pollock, 1942: 440).
32. See, for example, Bertolt Brecht's journal entry from 28 July 1943: 'at eisler's i took the opportunity to ask adorno and another tui from the institute for social research what will now become of their economist pollock, who was expecting a century of fascism, believed in the german bourgeoisie's planned economy, etc. they said the fall of mussolini proves nothing' (Brecht, 1996: 290).

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