

Anti-Fascist Economics

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In Defence of
AFFORDABILITY,
DIGNITY
and DEMOCRACY

Isabella
Weber

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Anti-Fascist Economics

BY ISABELLA WEBER

Anti-Fascist Economics

How China Escaped Shock Therapy

Anti-Fascist Economics

*In Defence of Affordability,
Dignity and Democracy*

ISABELLA WEBER



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To G. and A.

CONTENTS

Introduction xi

PART I: “NEVER AGAIN” IS AN ECONOMICS QUESTION 1

Chapter 1: The Fascist Transformation and Its Alternative	9
Chapter 2: Winning the Peace	37
Chapter 3: The Road Taken	57

PART II: THE RETURN OF THE FASCIST VIRUS 77

Chapter 4: Best of Times, Worst of Times: Some Basic Facts	89
Chapter 5: Austerity, or Waiting for the Storm to Pass	103
Chapter 6: There Was an Alternative, But It Was Not to Be Named	121
Chapter 7: Reckoning Day: Needs Are Not Vibes	152
Chapter 8: Capital Won’t Save Democracy	170

PART III: AN ECONOMY FOR THE DIGNITY OF ALL 217

Chapter 9: Resurrecting Democracy: The Politics of Essentials	223
Chapter 10: Safeguarding the Material Foundations: An Economics of Essentials	234

Acknowledgments 285

Notes 291

Index 355

ANTI-FASCIST ECONOMICS

INTRODUCTION

WHEN YOU FALL, THERE IS this moment just after you slip and before you hit the ground. Those seconds feel like ages. I felt trapped in that slow-motion sensation for months before the U.S. election in 2024.

A few weeks before election night, a journalist visited me in Amherst. He asked when I first became politically engaged. I am from Nuremberg, Germany, and grew up within the medieval city walls. The city was a Nazi war production hub and the site of the Nuremberg rallies, as well as giving its name to the Nazis' race laws. Fire-bombing destroyed the old town almost completely in just one night. Half a century later, when I was a child, there were still empty lots in the inner city where houses once stood, testaments to the horrors of Nazi Germany, which had come to power in the wake of hyperinflation and economic crisis and had left behind civilizational devastation.

Nuremberg was the symbol of the Nazis' myth of a Third Reich. The Große Straße (Great Road) just outside the city still serves as a kilometer-and-a-half-long memorial to that myth, with square granite tiles designed to coordinate the steps of marching Nazis. Grass is growing over it here and there, but the road still points toward the medieval castle. The Nazis chose Nuremberg as the place for their party congress because the emperors of the Holy Roman Empire of the German Na-

tion once convened their Reichstag (Imperial Diet) in the city. Adolf Hitler used Nuremberg to project himself as the rightful successor of the emperor, the leader who would bring Germany back to its alleged past glory, charting a way out of the crisis so that the nation would emerge like a phoenix from the ashes.

In the 1990s, a neo-Nazi movement emerged in Germany. They were fringe and violent and overtly attacked the foundational principle of our democracy: that human dignity is inviolable. Their goal was to restore fascism, and they liked to hold demonstrations in Nuremberg to showcase their allegiance to the historical Nazis and their myth. As a teenager, I could not fathom why the city government was letting neo-Nazis march in the same streets where once the Nazis marched for a Third Reich, and I joined my grandmother in counterprotests. “Never again” was my first political experience.

When I told the journalist this story of my youth in Nuremberg, a story of coming of age with an understanding that anti-fascism was my first civic duty, I realized that this had been the motivation behind my economic work. I had spent years struggling for a serious fight against inflation that aimed to protect people from cost shocks instead of throwing them out of work with interest rate hikes. For quite some time it had been clear to me that inflation would be the decisive issue in bringing Trump back and boosting the extreme right around the world. For years I had watched my fellow economists advocate for the old playbook that ignores the pain their policies inflict on common people, paving the way for the reemergence of fascism.

I saw it coming. But seeing it coming is not enough. Emotional commitments and slogans are not enough. The neoliberal economics of the past decades has failed to protect democracy. The extreme right and fascist forces cannot be fended off by insisting on the procedural

merits of democracy, when these procedures have not delivered for the majority of people. To achieve democracy, we need an economics of “never again.”

The world faces a deep crisis of institutional disintegration. It extends from inflation to an upheaval in the global division of labor and trade wars, from wars of aggression in plain sight, the weaponization of essentials like food and energy, the decay of our human habitat, and the threat of pandemics to a worldwide inequality emergency. It is a global crisis of livelihoods.

The neoliberal economy we inherit can neither resolve the crisis we face nor serve to secure a dignified life for all. Neoliberals promise that letting markets rule is the only socially optimal way of allocating scarce resources. In fact, we are witnessing that when essential goods, from food to energy to medical supplies, are expected to become scarce, allowing spiking prices to allocate them results in the law of the jungle. It is not hyperbole to say that this means choosing death for many. This is the lesson of food and energy crises. Under market rule, those with high purchasing power can maintain their consumption while the rest are priced out to a point where it is no longer possible to make a living.¹

The exclusive reign of markets when essentials are under threat means treating as collateral damage the lives of those who lack the purchasing power to outbid others. A free market does not mean that that freedom is enjoyed by all. A human cannot decide not to eat. A dignified life requires access to healthy nutrition, adequate shelter, transportation, communication, and healthcare. Neoliberals accept the sacrifice of livelihoods in the name of market rule, for instance when unemployment is prescribed as a cure for inflation or when austerity is imposed

on a debt-burdened nation. This casual acceptance of existential pain is precisely what Karl Polanyi, the Austrian émigré scholar who theorized historical fascism as it emerged around him, identified as the “fascist virus” carried by market fundamentalist economics.² This is where neoliberalism becomes incompatible with democracy, which must at a minimum secure the livelihoods of all citizens.

People yearn for anything but the status quo. But neoliberalism would suggest that there is no alternative, that when it comes to the economy—which is the basis of the material well-being of citizens—democratic representatives are incompetent. In a neoliberal world, people are told at the same time that democracy is the highest form of political organization and that when it comes to the economy, to the material foundations of our lives, the best the people’s representatives can do is to subordinate their constituencies to the market. This second statement might sound like an exaggeration. In fact, it is textbook economics. By creating this deadlock between desire for change and inaction, neoliberalism paves the way for the rise of the extreme right. With its insistence on the inability of democratic governments to organize for the common good, neoliberalism deepens the sense of helplessness and chaos that the extreme right thrives on.

After decades of mounting inequality, governments addressed the 2009 financial crisis by bailing out the banks and not the people. This was the first tipping point in the rise of the extreme right. The inflation crisis was the second one. When COVID-19 created an opportunity for corporations to raise prices while deepening the cost of living crisis amid a global pandemic, too many democratic governments watched from the sidelines as the vast majority of economists declared that there was nothing to be done against these price explosions—that this was just the law of the market. Economists like myself, who in-

sisted that it is the responsibility of governments to protect their people against profiteering, even if this means targeted emergency price controls, were ridiculed. The social contract was supposed to be that workers earn a living in return for their labor. Before this bout of inflation, too many workers around the world could barely make a living on their wages. Now workers kept doing their jobs but the prices of essentials—housing, utilities, food, transportation, all the stuff we cannot do without—shot up in ways that pushed them over the brink. Working families around the world could no longer afford the status quo, while corporations reaped record profits. The flip side of the affordability crisis—a crisis of livelihoods, of struggling to make a living—is a profit bonanza. Together they boosted support for the far right globally and ushered Trump back into power. He rode a worldwide wave of discontent and his return emboldened his international allies.

Neoliberalism set out with the promise of preventing the return of fascism. And, for decades, its proponents have equated free markets with freedom, full stop. But they should not be confused. In fact, fascism and neoliberalism share the same foundation of social Darwinism—of constant struggle—as the only form of organizing society and allocating resources.³ In both, there are clear winners and losers as a matter of natural law. This shared foundation is at the core of neoliberalism's failure to fulfill its promise.

The neoliberal worldview treats the laws of the market as though they are laws of nature, but behind the so-called invisible hand hide the strong hands of gigantic corporations. What parades as a rejection of market interventions is simply prioritizing profit interests over the needs of the majority of people. What we like to call market fundamentalism is really profit fundamentalism: The pursuit of profits by capitalist corporations is the supreme organizing principle of provisioning in

our economies. Since the biggest beneficiaries of corporate profits are a tiny number of ultra-rich individuals, this system fuels ever more obscene levels of inequality and ultimately creates an oligarchy incompatible with any serious notion of democracy.

Yet neoliberals present universal competition as the only way to prevent the rule of men over other men. Thus they find themselves in agreement with fascists' rejection of state intervention to protect people from the rule of competition. Fascists want to dismantle the state and replace it with the nation and their chiefdom. Neoliberals want to turn the state into an enforcer of market subordination and otherwise have it stay out of the way. They are not the same, but in both cases, the rich and powerful, the oligarchs, win. Hannah Arendt, the political theorist of totalitarianism, argues that fascism requires individuals to be "atomized," to no longer be connected in social relations among one another but oriented toward the nation and the leader.⁴ Organizing everything through competition is the key to neoliberalism and brings about just this atomization. In the crisis we face, it undermines the ability for collective agency. In our age of overlapping emergencies, neoliberalism reveals itself to be incompatible with democracy and unable to be a bulwark against rising fascist tendencies.

It is hard to define fascism.⁵ And this is not a book about fascism per se, but about how economics can help to fend it off rather than hasten its return. Fascism is a case of "I know it when I see it," as Potter Stewart, U.S. Supreme Court justice, once defined the threshold for obscenity. Unlike other "isms," like socialism, liberalism, and conservatism, fascism does not have a coherent theory, not even a program. Its "economic system does not follow any blueprint, is not based on

any consistent doctrine,” as Franz Neumann observed in his classic 1944 account of National Socialism, *Behemoth*.⁶ This means we cannot study fascism in the ways we study other isms. But there are unifying themes—and an obsession with restoring the dominance of the chosen group by authoritarian and violent means is key.

Fascism claims that people are different by nature. The strong should be allowed to dominate the weak, the rich over everyone else, men over women, members of the chosen race over the rest of humanity, cartels and monopolies over workers and smaller businesses. In the fascist’s world, life is a constant struggle and constantly under threat of being sacrificed. Fascism is usually built on racism and as Martin Luther King observed: “Racism is a philosophy based on a contempt for life.”⁷ Violence is considered a beautiful force that should be exercised without restraint in all walks of life, including the economy, since the struggle must be carried out without distortions. Fascism takes the logic of competition as the only source of human value to its extreme.

Today, the emergencies we are facing seem inescapable, and this sense of apocalypse fuels the rise of what Naomi Klein and Astra Taylor have recently aptly called “end times fascism,”⁸ but the underpinning dynamic of fascism’s rise is not new. A “sense of overwhelming crisis”⁹ has long been identified by fascism scholars as fuel for the appeal of fascism.

As crises abound, economic impacts reach deep into people’s homes. People are afraid of falling victim to market forces beyond their control, and this fear only deepens when neoliberal governments refuse to step in and protect their livelihoods, when those whom they have elected to represent their interests do not stand up for their material concerns. Economic insecurity makes it tempting to find scapegoats. Those whose living standard has stagnated, whose future carries little hope, whose anxieties peak, are told by the fascist prophets that the

problem is the intruders, those who spoil the nation. And victimhood is not limited to the struggle against “the other” within the nation. Fascism also feeds on a dread of the nation’s decline in the world.¹⁰ “When imperial hierarchy collapses,” author of *How Fascism Works* Jason Stanley writes, “hierarchical sentiment in the home country tends to arise as a mechanism to preserve the familiar and comforting illusion of superiority.”¹¹ Today, the rise of China means the collapse of a global hierarchy that dates to the rise of the West. The anxiety over the coming decline and the loss of superiority could not be any greater. Fascist leaders insist that the only way out is to restore the superiority of Western civilization, which means Western powers rule over the rest by all means possible, including violence.

But in fact, for everyone except perhaps for the ultra-rich, end times fascism is a scam, a system that pushes them deeper into the crisis they hoped to escape. The rich and powerful make fanciful plans to create exclusive fortresses for their own survival on the sea, in freedom cities, or even on other planets with AI and robots as their servants, while letting the majority of people burn on an increasingly uninhabitable planet. The goal of end times fascism is not to face up to the full-blown crisis of livelihoods and rescue humanity and the planet that sustains our life but to build firewalls around the chosen people. Far-right governments rule by emergency decrees and ignite more chaos, if it presents an opportunity to demonstrate their power.¹² Undesired populations are left to suffer, starve, and die on a burning planet.

A time of crisis like the one we face is also a crossroads moment, and we do have choices. End times fascism is choosing death. Neoliberalism’s market subordination means tolerating the sacrifice of livelihoods, but there is always another way. We cannot afford to let the dystopia of constant struggle and domination of the chosen few be the only dream for a different future. We need a vision for a real alternative

to the status quo: an agenda for all of humanity instead of natural selection, solidarity instead of imperialism, democratic agency instead of defeatism, universal care instead of universal competition. But we cannot stop at slogans. We need to spell out what economic alternatives to neoliberalism and the slippery slope to fascism can look like and how those alternatives address the crises in concrete ways, speaking to the real challenges people face in the here and now.

An anti-fascist economics has to choose an economy that serves life. As such, it has to start from life's essentials and reclaim, rebuild, and guarantee them. Its goal must be to safeguard the material foundations of a dignified life for all. This is the starting point for any meaningful sense of democracy. It starts with universal affordability, which means everyone is able to make a living. It requires stable provisioning and decent prices of essentials. But this is only one side of the equation. The other is guaranteeing dignified jobs and incomes: fair employment for those who can work and social security for those who cannot. This has only become more urgent in the face of the AI revolution. The two sides taken together are the beginning of an alternative macroeconomic paradigm. If governments have effective levers to stabilize essential prices, this means no longer relying on inducing unemployment and public debt crisis in pursuit of monetary stability when supply shocks hit. An alternative toolbox to respond to inflation makes universal access to jobs with living wages a feasible goal. And new shocks and inflation bouts are sure to come.

If governments reclaim essentials and engage in large-scale public investment, they can contribute to stabilizing the whole economy. Reclaiming the essentials also means preventing windfall profits before they accrue and more foundationally it means not letting the things we cannot do without be held hostage by a handful of corporations. Democracy demands the prevention of obscene wealth and income

inequalities and corporate power. This is why taxing the ultra-rich and anti-trust enforcement are imperative. Anti-fascist economics is about shifting the balance of power in favor of workers and the public. But it is not enough to chase the money once it has been accumulated in fewer and fewer hands or to make sure corporate abuse does not go unpunished. We need to actively re-create what the American institutionalist economist John Kenneth Galbraith once called “countervailing powers.”¹³

Public power over the foundations of life and production is decisive in the crisis of livelihoods we face. It is the only reliable way to work toward resilience when otherwise corporations reap record profits from disasters. A stabilization paradigm resting on essentials makes full employment a real possibility, which together with minimum wages and labor standards can strengthen the power of workers and unions. Power is divided not only between public and private, rich and working people, but also between genders. Large-scale investments in public care provisioning can create meaningful jobs, lift the wage floor in an underpaid and undervalued sector, and strengthen the position of women when patriarchy has become fashionable again.

Securing livelihoods in our time of climate disasters cannot rely on cementing the fossil fuel foundations that have led us into the crisis. The sectors that are key for affordability are also the ones that need to be greened most urgently, from food to housing, energy, and transportation. This means that the task at hand is to find a transformative stabilization strategy. The goal is to remove the essentials of life and production from the reign of profit fundamentalism, to reorganize them in the interest of universal affordability and to ensure sustainable provisioning within planetary boundaries. Anti-fascist economics is not simply about more state. As libertarians like to point out, fascist states also had a lot of the most brutal capacity. And market subordina-

tion also requires state capacity of a certain type. At its core, it is about the ability of democratic governments to steer, manage, or provision essentials, where the specific mode of governance depends on the nature of the sector at hand. This strategy can be pursued one essential at a time but jointly works to show that there is an alternative to treating people's livelihoods as collateral damage, that democracies can act to universalize economic security and to confront corporate power.

Where the far right revives the imperialist project of military domination, an anti-fascist economics must recognize that affordability, dignity, and democracy require peace and new forms of international economic cooperation. As the Iran war has reminded the world in the most brutal fashion, working toward peace is working toward affordability across the world and igniting and tolerating war is the opposite. We cannot stop fascism by saying we step up to safeguard European or American workers but we do not care about Asian, African, and Latin American livelihoods. We need institutions that can create a win-win for working people in the Global North and development in the South and move beyond the binary of trade wars and free trade.

The idea that we need an anti-fascist economics is not my invention. How our discipline could contribute to "never again" was once a core concern. After World War II, the Universal Declaration of Human Rights in 1948 was part of the world's attempt to ensure "never again." "All human beings are born free and equal in dignity and rights" is the first article. The declaration recognizes that this requires a material foundation: "The economic . . . rights indispensable for [their] dignity" are among the universal human rights. Toward the end of the war, economists fiercely debated what economics would best protect democracy and make "never again" a reality.

In the first part of the book, I show how thinkers from Polanyi and Keynesian socialists to Friedrich von Hayek passionately disagreed over

what it would take for economics to help guarantee “never again.” For various liberals and democratic socialists, markets could be only one tool among many that served human dignity. For Hayek and neoliberals, by contrast, it was about market subordination to prevent the rule of men over other men. This vision ultimately won out, and market subordination has become the common sense of the past decades, but it has failed to live up to its anti-fascist promises. In the second part of the book, I trace the ongoing outbreak of the “fascist virus.” It culminated in the debate over how to handle inflation in the wake of the COVID-19 pandemic. I focus on the United States, since this is where I can tell the story based on my own painful experience as someone who tried to speak up against profit fundamentalism, but found that the alternative I proposed was not to be named. And the United States is also the most consequential case for the threat of global fascism. In the third and final part, I map out my vision for an anti-fascist economics, building on the insights of an earlier generation of economists who thought committing to “never again” was their responsibility. I center on affordability as the precondition for a dignified life and unpack the layers that hold together this core: production and circulation, macroeconomic stability and employment, ecological foundations, and peace and trade.

Erich Fromm, a humanist philosopher, sociologist, and psychoanalyst, who was a member of the Frankfurt School before fleeing Nazi Germany for New York, warned already in the 1970s in an interview on his book *To Have or to Be?*¹⁴ that the world had entered a strange state of collective paralysis.¹⁵ All the data showed that our ecosystems were under severe threat. Continuing on the current path would make a catastrophe inevitable. Yet, no one had the courage to act, to envision

and take the initiative to move toward something new. The situation appeared truly hopeless, but he nevertheless insisted that as long as a small chance of averting the catastrophe remained, one had no choice but to try. When it comes to questions of life and death, one may not give up if a small chance of survival remains, Fromm argued. “Dealing with life is different from dealing with money,” he insisted. “If you are investing money and there is only a 2 percent chance of not losing it, only a madman would invest. But if a person is severely ill and there is only a 2 percent chance of survival, a medic would do all they can to save this person’s life.” It is the same when it comes to the big questions of our social order: “We are dealing with questions of life and death of humanity.” We cannot give up: “Even if the chances are very small, as long as you can believe that something approaching a miracle could happen, as long as you cannot prove that averting catastrophe is impossible—which is basically never the case when we are dealing with living beings—up to this point you have to try.”¹⁶

I have Fromm’s words on my mind as I am writing this book. If we understand economics as the study of the material foundations of society, then economics is key to averting the catastrophes in front of us. If we see our discipline this way, economists have a responsibility to do our part. Obviously, the task is far beyond what any one individual could ever hope to achieve. That’s why I wrote in a post on election night: “Can we now finally have a serious *conversation* about anti-fascist economics?” This book is my attempt to do my part.

PART I

“NEVER AGAIN” IS AN ECONOMICS QUESTION

ONE OF FRANKLIN D. ROOSEVELT'S first acts as president of the United States in 1933 was to take the country off the gold standard.¹ He inherited an economy in free fall: Thousands of banks had collapsed, factories stood empty, and unemployment was at staggering heights. A deflationary spiral seemed to leave no escape from the Great Depression.² Roosevelt knew he needed to spend money to get people jobs, re-create a market for farmers and businesses, and give corporations the confidence to invest, and the gold standard meant that every dollar he spent had to correspond to the gold in the treasury.³

Roosevelt broke with economic orthodoxy to save democracy.⁴ He acted against a united front of economists, bankers, and lobbyists. They insisted that swallowing the bitter pill of unemployment and defending the hard money doctrine was the only way forward. But Roosevelt remained unimpressed: “I took economics courses in college,”

he once said, "and everything I was taught was wrong."⁵ Getting off the gold standard was a necessary step toward ending the Great Depression. It proved to be a cornerstone of the president's fight against fascism abroad and at home. Roosevelt was convinced that economic misery was democracy's greatest vulnerability and that breaking free from subordination to markets was one of its most powerful defenses. This required political courage and the willingness to act against received wisdom and entrenched powers. He practiced an anti-fascist economics.

Roosevelt was not a theorist but he corresponded with famed Cambridge economist John Maynard Keynes on how to save civilization. For Roosevelt and Keynes, economics was concerned with more than the economy. It was the terrain on which democracy would be won or lost. Keynes had prophesied in *The Economic Consequences of the Peace* that the Treaty of Versailles that settled World War I would push Germany into ruin.⁶ Economic insecurity would create the breeding ground for extremism. "Economic privation" proceeds largely unnoticed "until the limit of human endurance is reached," Keynes notes.⁷ At this point, the "power of ideas is sovereign," and the deprived masses listen "to whatever instruction of hope, illusion, or revenge is carried to them in the air."⁸ That instruction might very well take the form of fascist demagoguery—scapegoating outsiders to restore the wounded pride of the "true" people.

Roosevelt knew only too well that fascist thought was in the air in the United States too. The media mogul William Randolph Hearst printed columns by Hitler and Mussolini arguing that fascism was needed to oppose communism, a sentiment widely shared in the American public. The argument was that only a strong authoritarian hand could maintain order and protect property against the threat of

communist revolution; democracy granted too much power to the masses. Hearst's newspapers carried the masthead "America First." Anti-Semitism was rampant. Unambiguous fascists paraded in the uniforms of their European counterparts. Roosevelt knew that allowing economic privation to progress any further risked going down the German road.⁹ The battle against fascism was not only being fought in Europe; it was also being fought at home, in the streets, the press, and the halls of Congress.

To advance democracy the government had to be able to spend money, unencumbered by the gold standard, to put people and resources back to work. This was the mission of Roosevelt's first hundred days in office: to demonstrate that democratic states could act in the interest of the people. Through bold interventions such as the Federal Emergency Relief Act and the Civilian Conservation Corps, the Roosevelt administration directly provided employment for millions of people to produce goods urgently needed by the impoverished masses—food, blankets, shelter—and to build public infrastructure such as bridges and roads that still serve millions of people every day. Roosevelt's agenda centered on the public provisioning of essentials. Public workers spent their paychecks, and their money created demand for private business and jobs.¹⁰

The New Deal was much more than direct employment creation. The National Industrial Recovery Act set wages, empowered workers to unionize, and planned large segments of investment.¹¹ Together these measures amounted to a fundamental reshaping of the economy, shifting power away from capital and toward workers and the state and establishing the principle that the public good, not profits, should set the terms of economic life. In doing so, the New Deal built the federal administrative state—the institutional embodiment of that managed

economy—the remnants of which Trump's Department of Government Efficiency set out to destroy.

Roosevelt broke with the economic orthodoxies that had paved the way for Hitler's rise and that threatened to push America down the same road. In the span of just four years, from 1928 to 1932, votes for the Nazis in the German general election had increased from around 2 percent to 38 percent, making it the largest political party in the Reichstag. Recent research shows that austerity policies were a major cause of this shift.¹² When Heinrich Brüning of the Center Party became chancellor in 1930, Germany's economy was already burdened by high reparation payments under the Treaty of Versailles, global fallout from the 1929 Wall Street crash, and rapidly shrinking export markets as global trade was imploding.¹³ Brüning imposed emergency decrees cutting spending and hiking taxes to balance the budget. He failed to secure support in the Reichstag, but Germany's business elites and orthodox economists cheered him on.¹⁴ Hans Luther, the head of the Reichsbank at the time, was among the stern backers of Brüning. Luther would later title a chapter in his autobiography "Brüning's Policy: There Was No Alternative."¹⁵ The economy declined, unemployment shot up, and living conditions deteriorated.¹⁶ Brüning became known as the "Hunger Chancellor." Across the Atlantic, Herbert Hoover was following a similar script—raising taxes and cutting federal spending in 1932 even as unemployment climbed toward 25 percent. Roosevelt's election charted a way out of this experiment before it could produce a political catastrophe.

Hitler capitalized on Brüning's disastrous economic policies. He fashioned himself as a critic of austerity. In a mass pamphlet Hitler wrote: "Although that was not the intention, this emergency decree will help my party to victory, and therefore put an end to the illu-

sions of the present system.”¹⁷ Meanwhile, at this critical crossroads, the Social Democrats endorsed Brüning’s fiscal onslaught under the leadership of Rudolf Hilferding, a famous Marxist economist. Hilferding believed that the contradictions of capitalism could not be resolved by government spending and supported sticking to the gold standard.¹⁸

There was an alternative to austerity or fascism. Left and center could have taken a different path. They could have backed the so-called Lautenbach Plan to issue several thousands of millions of Reichsmark in credit for public works.¹⁹ They could have thrown their weight behind the Woytinsky Plan, a public employment program that union economists had developed to create one million jobs in public works and revive the economy financed by deficit spending. Spearheaded by Wladimir Woytinsky, a Russian Menshevik in exile, the employment program prefigured a cornerstone of the New Deal two years before Roosevelt gained power.²⁰ In fact, in Sweden a public works program was implemented in 1933, based on the ideas of Gunnar Myrdal.²¹ In Germany, it remained a road not taken. In his memoir, Woytinsky recalls how he thought of Germany when he later marveled at New Deal public works in his American exile: “The government of the Weimar Republic had a chance to stop the tide of the bitter reaction. It could have reversed the deflationary spiral, given work to the unemployed, restored the self-confidence of the people and their faith in the Republic. Instead, it chose to keep the budget balanced . . . until the Republic collapsed.”²²

I write this not as a detached historian but as someone worried that sticking with economic orthodoxy is once more fueling the rise of fascism, as a concerned economist, if you will. While writing this book, I have served on the German government’s expert commission

in charge of reforming the so-called debt brake,²³ a rigid deficit rule recently complemented by an exception for unlimited military spending. Given that spending on everything other than defense and security remains strictly limited, this only compounds the austerity pressures on everything from education to public services, due to the interest payments that will come due on deficit-financed military expenditures. Politically, this is a particularly toxic arrangement. When people see that there is limitless cash for security and the military, but there is no money for the things that make life livable, and when they have to rely on public institutions they find them cash-strapped and dysfunctional, this is a recipe to erode whatever trust in democracy they still have.²⁴

The German economic model is in crisis. Unemployment in the remaining industrial heartlands could soon spike. Key industries like automobile and machinery are losing competitiveness amid the e-vehicle revolution, digitization, AI, and the rise of Chinese companies. The end of imports of Russian gas and a new reliance on American liquefied natural gas (LNG) have eroded the country's energy security. Meanwhile, the Alternative for Germany (AfD) has become the most supported party in federal polls, with more Germans saying they would vote AfD than any other party.²⁵ The AfD is a party suspected to be far-right extremist by the domestic intelligence service for its disregard of human dignity and an ethnic understanding of the German people incompatible with the constitution.²⁶ Yet the question of how to avoid Brüning 2.0 is not part of the commission's mandate.

Preventing the return of fascism is not a consideration in most of today's economic policymaking—not even in Germany, where “Never again is now” is a slogan chanted at mass demonstrations; not even in fiscal policy, where the relationship between support for the extreme

right and austerity is well established in the literature. To chart a different course, we need to revisit the battle of ideas of an earlier generation.

Toward the end of World War II a question of great consequence emerged: What's next? What should the new economic order look like when the Holocaust, the Nazi regime, and the horror of the war are over? Crucially, how could such a new order prevent a return of fascism? Economists of radically different schools of thought competed over visions for this future, laying out plans that could fend off a threat to civilization that had claimed millions of lives. Thinkers from a wide ideological spectrum ranging from socialists to neoliberals were grappling with the question of how economics could help prevent a return of the darkest hour. The question was debated in academic journals, government ministries, international conferences, and the pages of newspapers. The catastrophe of the 1930s had made one thing clear: The old economic order had failed, and whatever replaced it would shape the political fate of democracies for generations to come. Today, most economists are unaware of this history, and the question of how economics can contribute to democracy is at best neglected, at worst seen as too political a territory for a true economist to venture into.

At the crossroads of our day, it is time to revisit this battle of ideas.

Understanding what was lost when the libertarians ultimately won this battle in the decades of neoliberalism is the task of the pages that follow. The project of this book is not to copy-paste old solutions but to recover a way of thinking about economics that took human dignity and the survival of democracy as its starting point, and to ask what that might mean in facing up to the crises of our own time.

CHAPTER 1

THE FASCIST TRANSFORMATION AND ITS ALTERNATIVE

My friends, the world is changing. It's not a question of whether that change will come. It's a question of who will change it.

—Zohran Mamdani, mayor of New York City

IN THE SAME YEAR THAT Friedrich von Hayek published the neoliberal manifesto *The Road to Serfdom* (see chapter 3), the Hungarian-born economic historian and social theorist Karl Polanyi—then teaching at Bennington College after fleeing the rise of fascism in Central Europe—published a counter manifesto of sorts: *The Great Transformation*.¹ Polanyi's central argument was that the attempt to build a self-regulating market economy inevitably destroys the social fabric and natural foundations on which human life depends, provoking a defensive countermovement, of which fascism was the most brutal expression.

In the run-up to the fascism of the 1930s, the “political and the

economic system of the planet disintegrated conjointly," Karl Polanyi observed in *The Great Transformation*.² We are once more witnessing such a disintegration. Institutions that appeared practically unchangeable a few years ago are crumbling. Meanwhile, the human habitat is under threat from the disintegration of our natural environments in ways that would probably have been unimaginable in the 1940s. A crisis of livelihoods is in full swing.

Averting fascism in a crisis of disintegration requires a progressive countermovement, Polanyi argues: freeing labor, land, and money from market imperatives and realizing real democracy and freedom by confronting economic power structures rather than brushing them aside. Polanyi's warning and vision could not be more relevant to the crises of our own day. Polanyi has long been celebrated as the patron saint of the critics of neoliberalism and *The Great Transformation* the bible of many. Yet, Polanyi's analysis of the rise of fascism, his anti-fascist agenda, and his vision for a democratic future received much less attention than his takedown of libertarian economists.³ In fact, Polanyi originally intended to title his book *The Fascist Transformation*.⁴

THE "FASCIST VIRUS"

Polanyi's life was shaped by the forces he set out to analyze. Born in Vienna in 1886 and raised in Budapest, he fled back to Vienna in 1919, critical of the short-lived Soviet Republic yet declared a persona non grata by the right-wing reaction that crushed it.⁵ Vienna remained a red island—a remarkable experiment in municipal socialism—while the federal government grew increasingly hostile to the workers' movement.

Polanyi engaged in fierce intellectual battles with libertarians like Ludwig von Mises who chose to kowtow to monopoly capital and served as economic adviser to the Austro-fascist government of Engelbert Dollfuss.⁶ Five years after Mussolini seized power, Mises wrote that fascism had “saved European civilization” and that “the merit that Fascism has thereby won for itself will live on eternally in history.”⁷ Mises later refashioned himself, warning of a slippery slope into fascism, alleging that the control of just one price, such as that of milk, is enough to start the slide into total planning.⁸ But in a critical moment in Austrian history, Mises was directly involved in waxing such a slippery slope, not with price controls but with libertarian economics.

When Dollfuss suspended the Austrian parliament in 1933, Polanyi and his family fled to London. In lectures for the Workers’ Educational Association, he grappled with the question of how nineteenth-century liberalism could have given rise to fascism. While the 1920s had seen attempts to restore the prewar liberal order, the 1930s brought revolutionary rupture. This was the great transformation Polanyi set out to explain in exile.⁹ His insights can serve as a compass in our fight today against the return of the fascist threat.

Polanyi argues in the 1934 essay “The Essence of Fascism,”¹⁰ under the shadow of the Great Depression, that the ultimate purpose of fascism was to rescue capitalism when an existential crisis renders its alternatives too attractive. Fascism was nothing radically new in the 1930s, in Polanyi’s view, but the most virulent outbreak of an older “antidemocratic virus.”¹¹ At the core of this virus is the gospel of economists that interventions against the law of the market would always backfire. Governments must be prepared to harm their constituents in the name of the rule of the market in this logic—an inherently anti-

democratic stance. The point is not that this kind of market fundamentalism is already fascist, but that it can prepare the grounds for fascism.

In "The Fascist Virus," Polanyi traces the origins of the anti-democratic stance of market fundamentalists to the classical economists of the nineteenth century, like David Ricardo and Thomas Malthus.¹² They argued that "interference with the market was an unnatural act that would work its own defeat."¹³ Any attempt to improve the life of the poor must backfire, in this logic. "Economists were agreed that the whip of hunger was needed to make the wage system workable," writes Polanyi. In this view, "poverty of the masses was a law of nature"¹⁴ and the "laws of the market economy prohibit any intervention in economic life on the part of the working people."¹⁵ What Kalecki describes as "political aspects" (see chapter 2) become nature.

Malthus's target in his time was the so-called perfectibilists, who argued that the fruits of the technological revolution unfolding should be equally distributed to end poverty, disease, and social conflicts.¹⁶ Everyone could enjoy a modest, comfortable standard of living, they insisted, and argued for the public provisioning of social infrastructure, sanitation, housing, and transportation. Who reaps the gains from technological progress is as urgent a question in our age of AI as it was in the nineteenth century. The perfectibilists might be seen as akin to those arguing today that the gains from AI should be democratically owned and broadly shared rather than captured by a handful of tech billionaires. This could make possible a four-day workweek and universal basic services—the public provisioning of essentials (see part III). We have faced the opposite trend: technological progress accelerating inequality. In recent decades, productivity gains have far outpaced the

growth of real wages in OECD countries.¹⁷ In other words, workers are producing more and more goods and services per hour, but their share of the fruits of their labor is falling and that of profits is rising. Exploitation has been creeping up for a while and is bound to skyrocket with AI.

Malthus believed there was no point in aiming for equality. Humans do not have a universal right to survival, let alone to enjoy a dignified life, Malthus held against the perfectibilists. The masses ought to live in fear for their existence. It was the only way to make the laws of the market work. Surplus populations had to die to restore an equilibrium between scarce resources and hungry stomachs. Famine, in this way of seeing the world, is not something to be fought but a necessary cleansing mechanism.¹⁸ The political consequences of this anti-egalitarian mindset were spelled out by conservative thinkers like Edmund Burke and Thomas Macaulay. Giving the masses the right to vote and gain power over the state in a democracy would be granting a “deceptive privilege” and “applying ruinous remedies to their economic ills,” Polanyi recounts.¹⁹ Periodic “unemployment and destitution” can only be “overcome by a self-acting mechanism” that allows no interference.²⁰ If the poor gain “the power to meddle, they will do so,”²¹ since unlike the economists and the educated professional classes they do not understand that they are only making things worse for themselves.

The Malthusian economics can lead us straight to the social Darwinist logic of some people or races being fitter than others, a core element of fascism.²² Nature’s limited endowments should not be wasted on inferior populations. Surplus populations must be eradicated in spontaneous or planned ways.

Both Malthus and Darwin took inspiration from a pamphlet against

the English poor laws that argued aid to the poor just generates more poverty.²³ The pamphlet uses a parable of an island of dogs and goats that helps us see the relation among Malthusianism, market fundamentalism, and eugenics more clearly.²⁴ Spanish colonizers left a bunch of goats on an island off the coast of Chile so that they would have meat in case they had to stop in the future, the story goes. The goats multiplied but instead fed Englishmen intruding on Spanish trade. So the Spanish brought a dog and a bitch to the island to keep the goats in check and limit the food supply of the English. A new balance between predators and prey was restored. The pamphlet concludes: "The weakest of both species were among the first to pay the debt of nature; the most active and vigorous preserved their lives."²⁵ Those who die are inferior and deserve to die is the lesson. And this applies not only to goats and dogs but also to humans. If the state intervenes and gives poor relief to such inferior excess populations, it disturbs the natural balance and sustains those who are not meant to live. As for the rest of the masses, hunger serves to "tame the fiercest animals, it will teach decency and civility, obedience and subjection, to the most brutish, the most obstinate, and the most perverse."²⁶ They are not citizens; they are subjects to be tamed like beasts.

The Malthusian logic did not remain a theoretical proposition. It was put in practice under colonial rule. When El Niño weather patterns caused massive crop failures across the globe in the late nineteenth century, colonial administrators refused to provide famine relief since this would be a disturbance on the path to population equilibrium. The result was what eminent historian Mike Davis has called "Late Victorian Holocausts." "Millions died, not outside the 'modern world system,' but in the very process of being forcibly incorporated into its economic and political structures. They died in the golden age

of Liberal Capitalism; indeed, many were murdered . . . by the theological application of the sacred principles of Smith, Bentham, and Mill,” Davis finds.²⁷

In nineteenth-century England the part that was often muted by later market fundamentalists was made explicit: A country with universal suffrage will end up in ruin, and civilization can be rescued only by dictatorship. Freedom was reduced to market freedom. Polanyi observes: “There was not a militant liberal who did not express his conviction that popular democracy was a danger to capitalism.”²⁸

Already in the nineteenth century “the inherent logic of fascism” to fend off the masses in the name of protecting capitalism was articulated, according to Polanyi.²⁹ The Whig politician Lord Macaulay provides a clear statement in his 1857 letter to America: At the point when the distressed masses had taken over government “either some Caesar or Napoleon will seize the reins of government with a strong hand; or your republic will be as fearfully plundered and laid waste by barbarians in the twentieth century as the Roman Empire was in the fifth.”³⁰ In Polanyi’s interpretation, it foreshadows the idea that: “Fascism alone can save capitalism, once the fatal mistake has been committed of enfranchising the working people.”³¹

The virus is the latent willingness to give up on democracy when this becomes necessary to prevent interventions in the market system on behalf of the majority. Democracy is nice to have, but preventing market interventions trumps it. Fascism is the outbreak of the virus’s most brutal variant. But “anti-fascism is grounded on the conviction that mankind will never allow itself to be destroyed by that virus,” Polanyi writes.³² This is why an anti-fascist economics has to be one that serves the life and dignity of all.

The conviction that democracy and laissez-faire capitalism were