

National Socialism on the one side, and Communism on the other”⁷ (emphasis in the original).

The ‘Reform’ debate in 1931

The first, groundbreaking discussions among the various Reformers over the solution to the economic crisis, took place in 1931; by 1932, on the other hand, after the official number of unemployed had risen to above 6 million, you could find job-creation programs on every park bench. Proposals ranged from the demand to bar all foreigners from working in Germany, all the way to the German Communist Party’s glorious demand that job-creation measures be financed by eliminating all expenditures on national defense and local law enforcement.

But in 1931, the debate was still restricted to a relatively small circle. Woytinsky had kicked off the debate in July, with his above-cited article. In September 1931, the List Soci-

ety held a secret conference on reviving the economy, attended by 30 high-ranking economic experts of various persuasions, including Reichsbank President Hans Luther and SPD economist Rudolf Hilferding. Before this assemblage, Wilhelm Lautenbach, government director in the Economics Ministry under Chancellor Brüning, presented his memorandum on “Opportunities to Revive the Economy through Investment and Credit Expansion.”⁸ At the meeting, this illustrious group rejected Lautenbach’s 1.5 billion reichsmark job-creation program, which was to be financed by notes which the Reichsbank would re-discount; but, many of the participants would change their minds about it later on.

In his memorandum, Lautenbach first described the nega-

8. Memorandum by Wilhelm Lautenbach, “Möglichkeiten einer Konjunkturbelebung durch Investition und Kreditausweitung,” in Knut Borchert, Otto Schötz (eds.), *Wirtschaftspolitik in der Krise: Die Geheimkonferenz der Friedrich-List-Gesellschaft vom September 1931*, Baden-Baden: 1991, pp. 307-325.

7. *Die Arbeit*, No. 6, 1931, pp. 413-440.

Wladimir Woytinsky, revolutionary

It is not an easy task to describe in a few words the fast-changing life of Wladimir Saweljewitsch Woytinsky (Nov. 12, 1885–June 11, 1960). His father was a professor of mathematics in St. Petersburg, Russia, and his family of Jewish origin.



As a 17-year-old high-school student, he wrote his first book on economics, which was decidedly non-Marxist in orientation, and which dealt more with the determination of market prices. Without mentioning his age, the young author sent his manuscript off to a highly regarded professor of economics, who liked it so much that he wrote his own preface and had the book printed.

While a student in 1905, Woytinsky joined the socialist movement, and actively participated in the first Russian revolution against the degenerate tsarist feudal regime. He became chairman of the student council, and, later,

president of the St. Petersburg Council of Unemployed People. It was during this time, that Count Sergei Witte, an enthusiastic advocate of the ideas of Friedrich List, and a major force behind Russia’s industrial and infrastructural development, succeeded in pushing through the adoption of the “October Manifesto”—a constitution of sorts, which held out the prospect of a constitutional monarchy, more rights for the parliament, etc. In his autobiography, *Stormy Passage*, Woytinsky admits that he was extremely skeptical about this manifesto, and considered Witte to be an opponent who had sided with the existing regime. But he also reports that as president of the unemployed council, he succeeded in negotiating an arrangement with Witte’s people, for putting a great number of unemployed people back to work on public infrastructure projects (e.g., bridge building) at a satisfactory wage. All that, however, ended with the crushing of the revolution and Witte’s dismissal.

In 1908, Woytinsky was arrested and condemned to four years of hard labor and lifelong exile in Siberia, because of his membership in the Social Democratic Labor Party. In 1912 he was released from prison, and, together with a friend, undertook a voyage of discovery through sparsely settled Siberia. It was during this period of exile, that he met his future wife, Emma, whom he married in 1917. The October Revolution ended his exile, and the young married couple returned to St. Petersburg.

Woytinsky supported the toppling of the feudal regime, but wanted to see it replaced by a democratic, parliamentary system, as the Menshevik Tseretelli was demanding. And so, in 1917, things came not only to a break with Lenin, but Woytinsky organized part of the Army to put

tive effects of the deflationary policy currently being followed by the government of which he himself was a part:

“The tightening of credit causes huge new capital losses for firms in trade and industry, renders them impotent and uncreditworthy, forces them into further cuts in production and layoffs on the most drastic scale, and, at the same time, results in a worsening of the banks’ position.”

And besides, in a capitalist economy, the most natural way to overcome crises is “not cutbacks, but rather increased output.” In contrast to other states of emergency following destruction by war or earthquake, which pose “concrete production problems” to solve in the process of reconstruction, in today’s market crisis, there is “no such thing as a positive directive, and so no industrialist has any idea what he ought to be producing.

“For, at this very moment, we have the paradoxical situation, that, despite the fact that we have made extraordinary cuts in production, demand is still continually lagging behind supply. And thus, we have chronic production surpluses,

which we don’t know what to do with. The task of finding some way to turn these surpluses into things of value, is the real, and most urgent problem for our economic policy to solve; and, in principle, it is relatively simple to do that: Surpluses of physical goods, unutilized productive plant, and unutilized labor power can be applied toward meeting a new economic need—a need which, from an economic standpoint, represents a capital investment. We can conceive of such tasks, as . . . public works, or works carried out with public backing, which for the economy would mean an increase in our national wealth, and which would have to be done anyway, once normal conditions returned (road construction, desirable improvements and expansion of the railway system, and the like).”

Since “long-term capital is not available either on the foreign or the domestic capital market,” the only remaining option, is to finance such works through the issuance of notes that are discountable by the Reichsbank. Lautenbach proposes a 1.5 billion reichsmark job-creation program: RM 1.2

up armed resistance against Lenin’s Bolshevik coup. After his defeat, he was once again thrown into prison, but after a few months was able to escape, and ended up in Georgia, where he supported the short-lived democratic Georgian government, first as editor of the newspaper *Borba*, then as economic adviser to the Georgian legation in Italy (1919-20), and then as member of the Georgian legation in Paris (1920-21).

The Woytinskys arrived in Berlin in 1922. Wladimir wrote articles for many newspapers on economic subjects. Emma was his scientific partner, and dedicated herself solely to this mission, since she was childless. In 1923, work began on the great statistical almanac *Die Welt der Zahlen (The World of Figures)*, which established Woytinsky’s reputation as an economist to be taken seriously. In 1929, he became head of the statistical department of the General German Trade Union Alliance (ADGB), and thereafter served as a member of the ADGB’s executive board. “Woytinsky remained at his post to the very last day on which the German trade union movement was alive,” wrote Alfred Braunthal (Federation of Free Trade Unions) in 1960. “When the Executive Board of the ADGB decided to accede to the Nazis’ demand that the trade unions participate in the May Day parade [May 1, 1933], Woytinsky was the only member to cast his vote against this decision. The freedom fighter who had been imprisoned by the tsarist regime, who had been imprisoned by the bolshevist regime for the same reasons, who had left his native country because he could not live in servitude, could not accept compromise with Fascism either. On the day he cast his vote against any compromise with the Nazis, he resigned

his office and sought refuge in democratic Switzerland.”¹

After stopovers in Zurich, Paris, and Geneva, where he worked for the International Labor Office (1933-35), he and his wife emigrated to the United States in 1935, where he became a U.S. citizen in 1941.

He had arrived in the America of President Franklin Delano Roosevelt, and was inspired by Roosevelt’s personality, and by the determined, if pragmatic, way the President attacked and solved the problems of the world economic crisis. In his autobiography, the things Woytinsky chooses to report and emphasize concerning FDR, says much about his own attitude.² He quotes the closing words of Roosevelt’s first inaugural address: “The only thing we have to fear is fear itself—nameless, unreasoning, unjustified terror which paralyzes needed effort to convert retreat into advance.” Woytinsky associates this with the following passage from the speech Roosevelt was working on the day he died: “We must go on to do all in our power to conquer the doubt and the fears. . . . The only limit to our realization of tomorrow will be our doubts of today.”

Woytinsky relates an amusing story around the visit of the British royal couple to the United States. The newspapers reported that the President had told the king: “Call me

Continued on page 28

1. Alfred Braunthal, “Adviser of the European Labor Unions,” in Emma S. Woytinsky, *So Much Alive: The Life and Work of W.S. Woytinsky* (New York: Vanguard Press, 1961), pp. 85f.

2. Wladimir Woytinsky, *Stormy Passage: A Personal History Through Two Russian Revolutions to Democracy and Freedom: 1905-1960* (New York: Vanguard Press, 1961), pp. 499ff.

billion for railroad construction, and RM 300 million for road construction. "Rationally and economically," it is "completely unobjectionable" to realize the value of previously unutilized surpluses, "by making them available, along the credit pathway, for the performance of economically reasonable and necessary tasks."

"With such an investment and credit policy, the imbalance between supply and demand on the domestic market will be remedied, and all production will once again be given a direction and a goal. If, however, we fail to institute such a policy, we are headed for inevitable, continued further collapse, and the complete gutting of our national economy, moving into a situation that will force us, in order to avert a domestic catastrophe, into taking on short-term public debt purely for purposes of consumption; whereas today, it is still within our power, to pre-empt this credit for productive purposes, and thereby to bring both our economy and our public finances back into balance."

The actual stimulus-effect would kick in, "at the point

when industries that are put into a particularly favorable situation through their delivery of materials for these public works, would be able to drastically draw down their stockpiles, and would therefore be obliged to produce more than they had been producing before."

The resulting debate also inspired the head of the (partly ADGB-financed) Berlin Institute for Cultural Research, Ernst Wagemann—one of the people whom Woytinsky had had in mind when he described the "meteorological point of view." Up to the autumn of 1931, Wagemann had been at a loss concerning how to change the economic situation, but after this, he began to make proposals similar to those of Woytinsky and Lautenbach, such as the well-known "Wagemann Plan."

Likewise, in the autumn of 1931, the Society for the Study of the Economics of Money and Credit was founded around the industrialists Heinrich Dräger and Wilhelm Grotkopp, the latter of whom can be credited with rescuing the work of the "Reformers" from obscurity, in his 1954 book, *Die große Krise (The Great Crisis)*. The society's ideas found an outlet

Continued from page 27

Franklin; I shall call you George." And that became a very popular saying at the time.

Naturally, Woytinsky also favorably compares Roosevelt's economic policy with the deflationary catastrophe of the Weimar Republic: "Was not FDR building his nation as effectively as Brüning had been destroying the Weimar Republic? Simple people whom we met in all parts of the country called Roosevelt *their* President."

Woytinsky's first job in the United States, was with the Central Statistical Board (1935), followed by positions in various social-policy committees, and then, for many years (1942-47) with the Social Security Board, where he helped build the very system of pension and unemployment insurance that the "Conservative Revolution" wants to take down today. After that, he worked on various scientific projects sponsored by the Rockefeller Foundation, Johns Hopkins University, and the Twentieth Century Fund. Two extended lecture tours took him through the Far East and Ibero-America. He died in Washington, D.C., on June 11, 1960.

Woytinsky's economic ideas

Today, Woytinsky is often lumped in with the "Keynesian" camp. Aside from the fact that this label irritated him personally, it is also simply not true. For one thing, Woytinsky had his own original ideas, and had developed his concept of "active economic policy" years before Keynes's *The General Theory of Employment, Interest, and Money* was published in 1936. Secondly, Keynes's *deficit spending* (increasing the national debt) was funda-

mentally different from Woytinsky's concept of creating additional purchasing power through state credit creation for productive purposes. And thirdly, Woytinsky had never proposed that people should completely unproductively "dig big holes in the ground, and then fill them up again," in order to protect their purchasing power. On the contrary, Woytinsky proposed great infrastructure projects for "the reconstruction of Europe."

Although his educational background included physics, Woytinsky's *métier* was not really the science of physical economy, as Lyndon LaRouche developed it beginning in the 1950s, which investigates the connection between scientific discoveries, their technical application, and increases in living standards and population potential. Nevertheless, in a certain sense, Woytinsky does represent the social side of physical economy, which is vitally interested in furthering the technological development of industry and agriculture, and which considers this to be the indispensable means of achieving better living conditions for the population at large.

On the other hand, Woytinsky probably would not have wanted to be remembered as a "Listian," either, even though he was a member of the Friedrich List Society and, just as List before him, he had pressed for a combination of free entrepreneurial initiative and important supervisory functions being performed by the state on economic policy. Woytinsky also repeatedly emphasized the importance of education and culture for a state's economic health.

Woytinsky was, first and foremost, a "statistician," not the least on the authority of his great seven-volume opus *Die Welt der Zahlen*, which assembled economic and polit-

in Robert Friedländer-Prechtl's journal *Wirtschaftswende* (*Economic Revolution*), which was chiefly funded by Dräger. The journal's philosophy took as its point of departure, strict adherence to requirements of the real economy: "An economy, therefore, never produces money, but always exclusively commodities."⁹ Especially during 1932, numerous variants of Woytinsky's and Lautenbach's proposals were discussed in the pages of *Wirtschaftswende*.

The Woytinsky-Tarnow-Baade plan

The trade-union wing of the Reformers group was led by Woytinsky, Fritz Tarnow, and SPD member of the Reichstag (parliament) Fritz Baade. But Woytinsky was also a member of the List Society, and was later invited to appear as guest speaker before Dräger's study society.

9. Robert Friedländer-Prechtl, "Gereke-Plan," *Wirtschaftswende*, February 1933 supplement (as it went to print, Schleicher was still in the government), p. 12.

Baade was the agricultural policy spokesman for the SPD's parliamentary group. His attitude toward the real economy can be summed up by the fact that he considered it absurd, that "people should starve in front of over-filled granaries."¹⁰ For him, that spoke for the necessity to adopt an "active economic policy."

Fritz Tarnow, who headed the Woodworkers Union, had already independently laid out his own theory of purchasing power in his 1928 book, *Warum arm sein? (Why Be Poor?)*. Tarnow was convinced (in complete agreement with Gottfried Wilhelm Leibniz and Friedrich List) that excessively low wages hurt all of society, whereas realistic wages ensure adequate purchasing power and sales opportunities on the domestic market. Members of the "red trade union opposition" held up Tarnow as an object of ridicule, because he

10. Fritz Baade, "Fighting Depression in Germany," in Emma S. Woytinsky, ed., *So Much Alive: The Life and Work of W.S. Woytinsky* (New York: Vanguard Press, 1961), p. 64.

ical data, explanatory texts, and brief analyses about the most important countries around the globe. In order to assemble it, the two-person team of Wladimir and Emma did the work of an entire army of experts who are usually required to put together such a comprehensive work.

In an article he wrote on "Limits of Mathematics in Statistics,"³ Woytinsky reveals the true secret of successful statistical forecasting: One must start from the correct hypothesis. "Actually, in order to use the consumption function or any other crystal ball in economic forecasting, you must have an opinion on the trend of events. If your opinion is sound, there is a fair chance that you will pick the formula which later will be vindicated; if your judgment is poor, you will gamble on the wrong formula."

Woytinsky's disdain for the "magic of mathematics" goes further still. He believed that it was impossible to find an adequate mathematical representation of anything pertaining to the content of the statistics, the economic world and the world of human relations, because these involve living processes: "Every time we try to measure the phenomena of this world, we discover that, like all living things, they defy precise measurement . . . and yet without quantitative analysis we cannot understand and appraise them. Mathematical devices are necessary in this work, but the mathematical laws which control the Euclidean Universe cannot be extended to human relations. Their quantitative analysis requires more than mathematical skill and familiarity with the field from which the data

3. Wladimir Woytinsky, "Limits of Mathematics in Statistics," *The American Statistician*, Washington, D.C., February 1954.

come. It requires imagination and intuition. Such an analysis is an art more than a science."

Like LaRouche, Woytinsky also never propitiated "authoritative" expert opinions. The experts had all predicted that after the war's conclusion, shutting down the war economy would bring mass unemployment, flagging demand, and declining living standards. Woytinsky was the only one who, long before the war had ended, had forecast an extended postwar economic upswing, because he had seen what economic forces had been set free by Roosevelt's war mobilization and the structural changes associated with his New Deal.

Just think of it: Woytinsky loved his new homeland, and he cherished his fellow Americans for their freedom-loving culture, their vitality, their mental agility, and their willingness to change—the qualities that made it possible for the United States to emerge as the world's leading economic power in the 1950s and 1960s.

It is easy to see that Woytinsky cannot possibly fit in with today's ruling financial elite's agenda of "globalization" and "budget-cutting mania." Both the German government, and the Social Democratic opposition in Bonn, should well heed Woytinsky's warning: "A society that fails to provide normal opportunities for employment for a large proportion of its members has forfeited its right to exist, and even if it still retained that right, it would not have the power to defend itself against disruptive forces within and without."⁴—*Gabriele Liebig*

4. Wladimir Woytinsky, *Three Sources of Unemployment* (Geneva: International Labour Office, 1935).