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German Agriculture in 1871

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The Conflict between Protection and Free Trade

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Introduction

This study attempts to provide the historical background of the parliamentary struggle between the Junker agrarians and the urban consumer class, which occurred in the Wilhelmian Empire. It will show how the powerful Junker position had originally been created in the past, and how the Junkers derived continuing strength from their ability to forestall the sweeping agricultural reform which would have destroyed the economic foundation of their political power.

The major economic forces in pre-Empire Germany, which played a part in its agricultural development, will be examined: first, the forces that tended to make German agriculture "progressive" after the British model; secondly, the researches stimulating the application of growing scientific knowledge to agriculture; and thirdly, other forces, which later placed the emphasis overwhelmingly on the profit motive, a change which was to have serious consequences for succeeding generations in Germany.

The study will take up the changes in the conditions affecting the farming class in pre-Empire Germany - the rise of transportation, growing mechanization, co-operative associations of various kinds, the migration from country to city, and the effect of these changes on the various sections of the rural population.

The paper will also attempt to show how the interests of the agrarian class in Prussia have been consistently favored since the time of Frederick I; and how this discriminatory policy was carried on in the purely economic sphere in the nineteenth century before the Empire, to the point where "free trade" came to be a sword held against the economic well-being of smaller German states, who were unwilling to follow the ideas that the self-interest of the Prussian Junkers demanded. It will be shown how Prussia used free trade theories to keep Austria out of any German union, political or economic, unless she adopted the free trade policies of Prussia. With or without an Austrian agreement Prussia stood to gain: if the Hapsburg monarchy entered the union, Prussia's free trade area would have been increased substantially; if she decided to stay out, as she did, the union, as it existed, would assure Prussia of unchallenged supremacy over the other German states within the Zollverein.

In the nineteenth century, before the Empire, economic forces affecting the world agriculture caused Prussia to be for free trade, in the original adoption of which the British influence was of considerable importance. The laissez-faire doctrine was not completely persuasive, however, and the political nationalism produced by the Napoleonic period had its impact on the

economic writings of Fichte and others.

Even as the Zollverein movement gained momentum in the 1830s and 40s, the vitality of protectionist thought did not decline, but rose in influence. It was at this time that List, for example, began to publish his important works. But, as Clapham as pointed out, the Junkers were at first opposed to his ideas, for they feared that they would lead to the industrialization of Germany, which would naturally cause a shift in political power to the urban districts. Yet in the 70s they came to champion ideas very much like List's, because by this time only artificial protection could guarantee their economic and political position. And whereas List wanted tariffs only for a temporary period, the Junkers were planning a permanent wall of protection against a fundamental change in world agricultural conditions, far more serious than the temporary decline in prices, which had inspired theorists of protection in the 1820s to advocate high tariffs as a measure of relief.

These are the problems and ideas that I discuss in this study, which is intended to be an account of the forces which had shaped German agriculture before the Empire period. Attention will be given both to practical economic developments and to theoretical currents which were flowing beneath the surface.

Chapter I

Important Developments in Nineteenth Century German Agriculture

Since this study deals with the background of the parliamentary struggle over agricultural protection, which was carried on between the Junker agrarians and the urban consumer group during the Empire of 1871, the position of German agriculture at the opening of that period must be first considered. Questions of this kind must be raised. Who were the dominant and subservient groups in German agriculture in 1871? What changes had taken place recently in German agriculture? What was the effect of these developments on German farm prices, production, and population?

The most important sociological fact about German agriculture in 1871 was, clearly, the predominance of Junker power in the largest and overwhelmingly powerful member of the new federal state. Although everywhere in nineteenth century Europe the power of the feudal class had been broken or curtailed in varying degree, this was hardly the case in Prussia.[1] There successive reform waves had indeed made the lot of the former serf somewhat better, but about the dominance of the Junker class there could be no question.

The power and influence of this class in Prussia

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[1] Alexander Gerschenkron, Bread and Democracy in Germany, (Berkeley and Los Angeles, 1942), p. 21.

goes back to the thirteenth century, when it had originally established itself in Eastern Germany by a combination of crusade and conquest. Wherever the Teutonic knights advanced, they suppressed not only the pagans, but established their domination over the population on whose territory they were encroaching. Wherever these knights went, the independent peasantry disappeared. The way for feudalism was prepared.[2]

To this original area of power, the Junkers, as they came to be called, eventually added more lands. When harsh conditions of existence led to a peasant uprising during the Lutheran Reformation period, the resulting war served as an excuse for the landed class to acquire the lands of the peasants, not only those who had rebelled but also the lands of others.[3] The price revolution of the sixteenth century increased the profitability of their estates; the Thirty Years' War in the seventeenth century gave them still more land and augmented their political power.[4] As a result of these developments, the "putting down" of the peasantry (Bauernlegen, as it was called) had

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2 Veit Valentin, The German People; Their History and Civilization from the Holy Roman Empire to the Third Reich (New York, 1946), p. 57, 119-120.

3 Ernest F. Handerson, Short History of Germany (New York, 1940), pp. 312-320; J. H. Clapham, The Economic Development of France and Germany, 1815-1914 (Cambridge, 1921), p. 56.

4 Gerschenkron, op. cit., pp. 21, 23.

become a steady trend in East Elbian Germany. A similar development took place in the West and in the South, but there it had been limited in scope. Certain states, such as Hanover and Bavaria, expressed official disapproval of Bauernlegen; and in some of the Rhenish ecclesiastical principalities, the strength of the peasants themselves was enough to keep the knightly class from attempting a similar movement.[5]

Eventually a counter movement for emancipation set in, and it was supported, for conflicting reasons, by both important schools of thought, which were at the time fighting for acceptance by the governments of Europe. The Mercantilists favored emancipation because they saw in it a chance for greater home consumption of domestically produced goods; the free traders believed that the expanding production of goods would result from emancipation. But the Junker class, which had the actual control over the peasant class, remained opposed, and was even able to block royal moves in the direction of greater freedom for the peasantry.[6]

Since Prussia was an absolute monarchy, how was it that the privileged Junkers were able to thwart the royal

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[5] Clapham, op. cit., pp. 41-42.

[6] Heinrich Sieveking, Grundzüge der neueren Wirtschafts-geschichte vom 17ten Jahrhundert bis zur Gegenwart (Berlin, 1907), pp. 42-44.

will? Here as in France, with similar privileged groups, "the subtle influence of royal officials and favorites, the inertia of class prejudices, prescriptive rights, historic and provincial differences" barred the execution of the royal will in any particular case.[7] And moreover, as G. S. Ford points out, because Prussia was a military state, drawing on its officers from that very same class of the privileged, the Junkers, a destruction of that class would have meant, in effect, the destruction of Prussia's military machine.

All Prussian rulers since Frederick William I have recognized these problems, but also their limitations in dealing with them. Frederick William I began peasant reform in his territory by decreeing the abolition of serfdom on the royal domains in Prussia, Kammin, and Pomerania. The peasants were given permanent possession of their land with the right of sale; on the other hand they lost their rights to appeal for help to their masters in bad times. Since the peasantry was reluctant to surrender this measure of security, and the lords were opposed to any scheme of land reform, little progress resulted from this initial attempt.[8]

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[7] Guy Stanton Ford, Stein and the Era of Reform in Prussia, 1807-1815 (Princeton, 1922), p. 165.

[8] E. Wolff, Grundriss der preussisch-deutschen Sozial-politischen und volkswirtschaftlichen Geschichte (Berlin, 1904), pp. 64-65.

Frederick the Great had not great success in this field. Although he decreed the extension of his predecessor's edict to the estates of the lords and cities in Pomerania, the resistance of the nobility again wrecked the plan. And his scheme to allow the peasantry of Silesia, Prussia, Ermeland, and Netze to purchase their freedom fell through because of his failure to stipulate the sum required for the transformation.[9] It was not until the military machine, the foundation of which not even Frederick the Great had dared to touch, had been smashed at Jena and Auerstädt, that the emancipation of the peasantry on non-royal estates was begun.

Many factors prompted the proclamation of the so-called "Emancipation Edict" on October 9, 1807. With Prussia under French occupation, Frederick William III realized that as long as the peasantry in Prussia was not freed, it would be difficult to induce them to resist a foreign ruler, who had emancipated the peasants in the neighboring countries he had brought under his control. Furthermore he did not want, at a time when the Prussian estate owners were looking for more agricultural labor, to see peasants attempt mass flight into the adjoining Napoleonic Duchyof Warsaw, where emancipation had just been put into effect.[10]

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[9] Sieveking, op. cit., p. 43.

[10] Ford, op. cit., pp. 200-201; Carl William Hasek, The Introduction of Adam Smith's Doctrines into Germany (New York, 1925), p. 21.

The Prussian edict of October, 1807 was, however, by no means as sweeping as the 1789 decrees in France.[11] Although the Edict of Emancipation transformed all servile peasants into freemen and citizens, abolished all differences between noble and non-noble land, and did away with class distinctions as far as restriction of occupation was concerned, according to a close student of this period of German history, Professor G. S. Ford, the edict was both faulty in construction, dubious in extent, and incomplete in coverage.[12] Not only did it allow for serious misinterpretation by obstructionist officials bent on preventing reforms, but it did not even touch the most vital problems of the peasant: it did not, except for manual services (Handdienste) reduce the labor obligations of the peasant, lessen his money payments or bring him near to ownership of his own little holding, and it made no change at all in the judicial powers of the estate owning nobility.

The later edict of September 14, 1811 provided the first constructive step toward the establishment of the

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[11] The text of the decree is given in John Robert Seeley, Life and Times of Stein (Boston, 1879), pp. 295-297; Clapham, op. cit., p. 37.

[12] Ford, op. cit., p. 205.

peasantry as a free independent landholding group. But this act, together with the "regulatory measure" of May 29, 1816, again so restricted the number of peasants, who were eligible under its clauses, that its overall effects were far from what a cursory reading of its contents would lead one to expect. The nobility was violently opposed even to the act of 1807, and its hostility was still further fanned by the act of 1811. Open reaction against the reform movement was not possible until after the Congress of Vienna, however, but, when it came, the act of 1816 was a clear expression of Junker sentiment, in its clauses which rigidly limited its application.[13]

The rights which the acts of 1807, 1811, and 1816 accorded the peasants were meager enough on the books. But they looked even more meagre in the light of economic difficulties into which the newly freed citizens were plunged. This unfortunate situation resulted mainly from two factors. One was the exploitation by the Junker class of even their most dubious rights in connection with uncertain peasant tenures; the other was the lack of capital, with which the peasant had to face the future. The result was that the peasants were unable to make a living off their little

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13 Ibid., p. 214-215.
In addition to these acts an ordinance of 1810, enacted over Stein's opposition, gave the Junkers complete control over their laborers and servants. It remained the basis of the Prussian law of master and servant throughout the nineteenth century. Clapham, op. cit., p. 205.

holdings, and consequently drifted into the miserable position of the landless agricultural laborer.[14]

The position into which the majority of the peasantry had been put by the effect of these acts was still further aggravated by the economic depression that hit Prussia. The effects of this depression which came shortly after the War of Liberation and followed on the heels of the difficulties imposed by the Continental System, lasted until the close of the 1830s. The fact is that there was no organized body of liberal opinion devoting itself to the improvement of the economic conditions of the peasantry. The political reaction after the Congress of Vienna was now absorbing the attention of the middle class, which was seeking the transformation of the again almost unlimited monarchy into a constitutional government.[15]

This situation began to change after 1830, however, when unrest in the new industrial areas created greater interest in the condition of the poor peasants also. Since greater food production was now required for growing city

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14 G.F. Knapp, Die Bauernbefreiung und der Ursprung der Landarbeiter in den älteren Teilen Preussens (Leipzig, 1887) Vol. I, pp. 205-217. Since at this time the Junker landowners wanted more cheap agricultural labor, this result of the emancipation decrees was very welcome.

15 W.O. Henderson, The Zollverein (Cambridge, 1939), p. 42; Hans von Finckenstein, Die Getreide Wirtschaft Preussens von 1800-1930 (Berlin, 1934), p. 8; Ford, op.cit., p. 218.

populations, a disaffected producing group was a highly undesirable element. Official action was nevertheless very slow. The most King Frederick William IV was willing to do was to sponsor a greater coordination between the ministry of agriculture and the agricultural associations, which in various parts of the state, were trying to make 'life on the land' more agreeable and to increase agricultural production.[16]

Additional action to ease the burdens of the poor peasantry was not taken until after the revolution of 1848. It was then that the final period of peasant reform began in Prussia. Manteuffel, whom Bismarch so despised, was responsible for the law of 1850 which now brought under legal protection those poorest peasants who could not harness a team (who, as the Germans put it, were not spannfähig). All servile dues still existing in Prussia were abolished; all other charges and dues were converted into money rents; and with some vital exceptions the peasant holdings were now declared property in fee simple. By 1871 most of those who could hope to be declared proprietors had been officially designated as such.[17]

But despite improvement, much remained to be done.

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16 Clapham, op. cit., p. 38.

17 Ford, op. cit., pp. 210-217; Clapham, op. cit., p. 196. At the same time the Prussian government also established a bank, whose purpose it was to facilitate the payment of peasants' indemnities.

The agricultural laborer still needed to get a hearing before being emancipated. And Manteuffel's attempt to abolish manorial autonomy had been defeated by the Junkers, and the feudal landholders' judicial rights lasted into the twentieth century.[18]

In the South and West where progress toward peasant emancipation had been more marked before the French Revolution but had slowed down before the turn of the century, reform also stirred anew after 1848. In Württemberg arrangements were made for annual payments by the peasant for land to be assigned to him. In Bavaria, where the problem was more complex, manorial jurisdiction was abolished, the landlords were compensated by the state, and a schedule of payments to the state by the peasant was arranged to complete the transformation to total peasant proprietorship within an eighteen year period. But various obstacles prevented the execution of the laws as planned, and in 1914 Bavaria was still involved in peasant payments.[19]

With the freeing of the peasantry from the direct control of the great estate owners a substantial increase

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[18] Albert C. Grzesinski, Inside Germany (New York, 1939), pp. 112-113.

[19] Clapham, op. cit., pp. 197-198.

in the number of agricultural enterprises was to be expected. Developments in the first six decades of the nineteenth century fulfilled those expectations. Between 1816 and 1858 the total number of farms increased from less than one to slightly more than two millions. At the same time the total area under cultivation increased by 50%. As a result of the great increase in the number of new operative units the average size of the units declined considerably.[20]

The additional land under cultivation was worked with increased efficiency and scientific means as a result of the research which began to be carried on intensively in Germany as early as the turn of the century. This work was carried on by a brilliant group of scientists under the leadership of Albrecht Thaer.[21] These men spread in Germany the knowledge which had already been gathered by advanced agricultural scientists abroad. They translated important British books on the subject. Since Thaer was much impressed with the journal published by the British Board of Agriculture, he decided that a similar paper was needed in Germany. Accordingly in 1799 he founded a

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20 Finckenstein, op. cit., pp. 13-14. But this increase in holdings and land under cultivation was not an unmixed blessing: the irregularity of the harvests on newly cultivated soil contributed materially to the crisis-producing fluctuations of the harvest income in the first half of the century.

21 For a thorough discussion of Thaer and his work see Theodor Freiherr von der Goltz, Geschichte der Deutschen Landwirtschaft (Stuttgart, Berlin, 1903), Vol. II, pp. 3-46.

Quarterly, which he called "Annals of Lower Saxony Agriculture".

Thaer also travelled widely in Germany, to survey conditions and prepare a work on how German agriculture could be improved. He opened an agricultural institute of his own on an estate provided by the Prussian government. He used the estate, known as the famous agricultural experimental station of Möglin, to develop further certain ideas of his about crop rotation. His researches were very successful and even in the period of war between Prussia and Napoleon, Thear was able to publish an important series of books and journals, including the "Principles of Rational Agriculture", his most important work, which appeared between 1809 and 1812. Thaer's work covered such important topics as soil composition and conservation, fertilization, drainage, irrigation, production of animal fodder, and animal husbandry. Though contemporary researches have superseded his teaching in some details, the work of Thaer was long the standard in all these fields.

Thaer was in fact the greatest of nineteenth century German agricultural scientists. But there were other men, who in lesser measure also made significant contributions to the transformation of German agriculture.[22] One of these

[22] For a list and description of these men see Goltz, pp. 46-90.

was Johann Nepomuk Schwerz, who came to a thorough knowledge of agricultural economics by reading the works of such outstanding English writers as Young, Sinclair, and Westen, and the Germans Beckmann, Bergen, and Thaer. He published a number of surveys of French, Belgian, and West German agriculture, and to further his studies the king of Württemberg, in November 1818, opened an Agricultural Research Institute after the Möglin model.[23]

Around 1850, however, this interest in "scientific agriculture" gave way to greater concern with "applied problems". The center of interest shifted to what might be called "commercial agriculture", to exploring ways and means by which the soil could be made to yield more quickly.[24]

Among the scientists who were most prominent in this line of work was Justus Liebig (1803-1873). His special interest was the chemical aspect of agriculture. Liebig's preoccupation was the care of the soil, and his great fear was that Germany's soil would become as depleted as that of Southern Europe. He was not able to persuade everyone, however, to accept his ideas. Goltz believed that, while Liebig's work was important in pointing out the need for mineral replenishment of the soil, he was mistaken in

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[23] Goltz, op. cit., pp. 46-48.

[24] Ibid., pp. 278-300.

thinking that greater demands on the soil reduced its fertility. Was not the German soil's almost inexhaustable vitality shown, Goltz asked, by increased yield from year to year? Goltz's limitations may, however, be shown by his statement that Liebig's greatest error was to treat soil chemistry and conservation as being the most important aspects of agricultural production, whereas in reality "everyone knew" that agriculture was merely a way in which a good many people made their living. Goltz even believed that if more of Liebig's ideas had been put into effect real harm would have been done to German agriculture.[25] But today, Germany honors Justus Liebig as one of its soundest agricultural scientists.[26]

The individual studies of Liebig and other important scientists now began to be augmented by organized research and study carried on at agricultural institutes and experimental stations. While the old research institutes were gradually disappearing - Regenswald (1859), Möglin (1862), Waldau (1868), Tharandt (1869) - schools with broader

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[25] Goltz, op. cit.

[26] German Life and Letters (Oxford, Vol. I, No. 2, Jan.,1948), p. 161. Among other men who made contributions of importance were Hermann Hellriegel, Hermann and Heinrich von Nathusius, Heinrich Settegast, Ernst Taschenberg, and Karl August Trommer. For details on the work of these men see Goltz, op. cit.

curriculum and better facilities arose. Agricultural institutes were founded at the University of Halle (1863), Leipzig (1869) and later at Königsberg and Breslau. These new schools were conducted on the highest scientific plane, and the tracts of the leading professors directed against each other showed often, in their violence of argument and contradiction, the passion and interest which were attached to this subject.[27]

The practical results of these scientific developments were bound to be substantial. Thaer's work, in the beginning of the century, had induced a turn away from the three field system and village commons to a system of modern crop rotation, with clover or grasses on the fallow and roots as a field crop. Other improvements had been introduced all along the line: deep ploughing and improved farm tools after the British model, stall feeding of cattle after the Flemish fashion, merino sheep introduced into Eastern Germany for the development of the wool industry; intensive cultivation of oil seeds, linseed, and hemp. Agricultural producers were increasing their efficiency by close attention to agricultural bookkeeping, a device developed by German agricultural scientists before it came into use in England.[28]

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[27] Goltz, op. cit., pp. 316-323.

[28] F. von Mitschke-Collande, Der praktische Merinozüchter (Berlin, 1883), pp. 409-434.

New crops had also been introduced and had stimulated production. The sugar beet, whose possibilities were first made clear by a German chemist, became one of the chief crops after the Napoleonic wars, and so did the potato which was considered "excellent both in peace and war for making Prussians who could work and fight". The potato was also employed for spirit making, and by 1831 of the 23,000 distilleries in Prussia between one-half and two-thirds were using potatoes.[29]

Though the new "commercial agriculture" after 1850 produced no such sweeping changes as the earlier abolition of the three field system, there came to be a more scientifically adjusted balance between different crops, between feed raising and production for human consumption, between arable and grazing lands. Serious attention was paid to irrigation and drainage.[30]

But the most important step forward was the application of new artificial fertilizer of all kinds. In cattle breeding there were changes, too. The raising and breeding of animals, and the financial usefulness of animal husbandry was thoroughly studied. Many attempts were made at cross breeding, though often with unsatisfactory results.

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29 Clapham, op. cit., p. 51.

30 Goltz, op. cit., pp. 327-329, 330-332.

However, scientific theories and the results of practical experiments continued to be watched eagerly.[31]

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What was the effect of these developments on the movement of prices? In general there was an upward movement, though there was a drop in the wool price, induced by the successful transplantation of German merino sheep to South Africa, Australia, and South America; and although the upward trend did not always apply to all important commodities in one period.

The upward movement is illustrated by the following table.[32]

	Mark per pound			per hundred weight	
	Butter	Beef	Pork	Rye	Potatoes
1841-50	0,60	0,28	0,37	6,13	1,70
1851-60	0,73	0,35	0,46	8,02	2,37
1861-70	0,89	0,43	0,52	7,73	2,24

Though gross receipts obviously increased, so did production costs. The considerable increase in gross receipts could not have been achieved without heavy investment in new and expensive tools and machines, without additional employment of skilled agricultural labor, without application of scientific fertilizer. It is impossible to conceive of the substantial increases in net income, without the large increase in gross receipts made possible by

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31 Ibid., pp. 332-337.

32 Goltz, op. cit., pp. 334, 345.

mechanical and other advances. The economist Backhaus cites the following figures on what he states is a representative estate:[33]

Average in Marks

	Gross receipts	Production costs	Net receipts
1850-1859	62,629,41	34,260,84	28,252,95
1860-1869	94,268,10	61,127,64	33,160,46

So we see that while there was an increase of one-third in gross receipts this was matched by nearly doubled production costs, leaving an increase in the net income of only 16 per cent.

But besides mechanization and the application of scientific processes, there were other progressive forces at work. Among these were the rise of communications (transport), and the growth of agricultural associations.

The improvement in communications, which took place after the Napoleonic wars, was striking. Prussia, which had lagged behind Bavaria in roadbuilding before 1800, acquired the French constructed roads in the Rhenish and Westphalian provinces in the settlement of 1815, and this acted as a spur for road construction, which in the next decade equalled almost all of the mileage constructed in Prussia's history. In the East, however, and particularly in the muddy Polish lands, road building was slow until about 1845, when a huge program of construction was

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[33] Ibid., p. 348.

undertaken.[34] German railroad mileage was also quite unimpressive until the middle of the century, when a large amount of private led to the construction of the essential main lines.[35] River traffic, although revolutionized by the arrival of the steamboat, developed steadily in Germany only after the 1830s, when disputes over navigation on Germany's "international rivers had been resolved and the obstructive river tolls reduced by the Zollverein.[36]

The rise of better transportation had important effects on German agriculture. First, it meant an end to "rural isolation", and allowed the farming population wider contact with nearby towns and cities, but also with villages, which it had been difficult to reach before. With travel facilitated, a rise in the number of farm exhibitions took place, which further stimulated progress on the land. But the most important effect was in the facilitation of transport of such perishables as milk, fruits, and vegetables to markets.[37]

Another highly important development affecting

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34 Clapham, op. cit., pp. 107-108.

35 Ibid., pp. 339, 345-346.

36 Ibid., pp. 109-110.

37 Goltz, op. cit., pp. 383-384.

German agriculture was that of the cooperative associations. These can be divided into two sections, those that dealt with credit, and those which dealt with various phases of production.[38] The peasant banks were mostly the result of the efforts of one individual, Friedrich Wilhelm Raiffeisen (1818-88), who started his work after the famine of 1846-47, beginning with cooperative bakeries. For a time he developed organizations which functioned mainly as charitable societies, but in 1862 he took over from Schulze-Delitsch, the leader of the urban cooperative movement, the idea of small co-operative societies with unlimited liability, whose members should lend to one another and go surety for one another. This credit movement developed rapidly before 1870, and Germany's role as a pioneer in peasant banking - and co-operative banking generally - must be recognized.[39] Insurance cooperatives had also begun to appear after the middle of the century. Their first coverage, and it proved very substantial, was against fire, storm, and animal disease.[40] To provide some measure of economic support, particularly to the insurance covering death from animal disease, the

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38 Clapham, op. cit., pp. 221.

39 Ibid., pp. 221-222.

40 Goltz, op. cit., pp. 380-381.

North German Confederation on April 7, 1869 enacted the famous law against hoof-and-mouth disease.[41]

Other associations, the total number rose from 313 in 1850 to 865 in 1870, were concerned with general problems of agriculture, a few with special types such as animal husbandry, fruit orchards, garden cultivation.[42] The work of these associations was in part devoted to research and to marketing, and also to providing some of the basic tools of production, which the individual smallholder could not afford, among these being fertilizer, cattle feed, machinery, plow oxen and other animals.[43] And since the laws still regulated a peasant's status by his ability to harness a team, this particular enterprise helped make many peasants spannfähig, and saved them hiring a team at ploughing time, often at ruinous rates.[44]

When the cooperative movement had reached considerable strength and importance in Prussia, it was given legal recognition by an act of March 27, 1867.[45] This put the

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41 Goltz, op. cit., p. 382.

42 Ibid., pp. 370-371.

43 Ibid., pp. 374, 377-380. The cooperatives also provided raw materials and working machinery for those rural artisans, who were at first too poor to buy it themselves, and whose credit was not good enough to allow them to buy it on favorable terms.

44 Clapham, op. cit., pp. 224-225.

45 Goltz, op. cit., p. 377.

associations under some measure of government supervision, and made them the middlemen between state authority and individual landholders. The provincial associations, composed of smaller member associations, were on occasion called upon by the government to provide estimates on estates, for tax and other purposes, and were, in return, allowed to report on the needs of their particular areas. In most places these associations were the one organization where peasant and estate owner met on the same level; teachers, lesser officials in the bureaucracy, and ministers were among others who joined in these associations. After they had been recognized in Prussia they soon spread to other parts of the Reich. Particularly in the West and Southwest did similar cooperatives spring up.[46]

All these factors taken together - increased mechanization, production and income, rise of communications and associations - changed the character of the rural population considerably. One of the most noticeable changes was the higher standard of living now prevalent among most peasant groups, both landholding and non-landholding.

Increased prosperity, Goltz believes, can best be gauged from the condition of the tenant farmers. Despite the rise in the cost of the land they leased, Goltz thinks

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[46] Clapham, op. cit., p. 225.

that the genuine prosperity of its occupants showed that the conditions under which the agricultural entrepreneur worked in this period were quite favorable. And according to Goltz, there were quite a number of tenant farmers who managed to amass considerable wealth over two lease periods, i.e. 36 years.[47]

The smaller landholding peasants also shared in the prevailing favorable conditions. Their increased income was reflected in a desire for added luxuries. The average farmer now wanted to enjoy the privileges of the urban middle class, and desired fancier clothes, food, furnishings, and vacation trips for himself. Although many big estate owners and small landholders lived modestly, there were others who were lavish in their display of wealth, especially when they visited the towns.[48]

The smaller landholding peasant also began to be more interested in education. The more progressive adults attended "Schools of Agriculture", where they studied up-to-date methods. They sent their sons to "Winter Rural Schools", at the time of year when they could most easily be spared from the land. There were also "Adult Finishing Schools", in which a few times a week, and mostly in the

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47 Goltz, op. cit., pp. 349-350.

48 Ibid.

winter, 15-20 year old boys came together for instruction in elementary reading, writing, and figures. There they were also taught some botany and basic agricultural science. The "Agricultural Secondary Schools", of which Konrad Michelson founded the first at Hildesheim in 1858, were on the other hand, more "theoretical" in their instruction.[49]

It must be recognized, in any attempt to appraise the position, that there were certain factors of insecurity bound up with the new prosperity. With the sharp increase in farm income there had also been a sharp rise in the cost of farm land,which after a time exceeded all reasonable return. Nevertheless there were many men, who at this time purchased farms with the hope of providing a secure economic future for their descendents. In some cases, these hopes were shattered during their lifetime; in many more the mortgaging of farm property piled up trouble for the future. With the fringe of the agricultural economy thus in a dubious state of economic soundness, the smallest misfortune threw numbers of farm owners off the land. These small landowners then tended to drift into the rising industrial urban districts.[50]

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[49] Goltz, op. cit.

[50] Ibid., There is little evidence that the social boundary between the large estate owners and the smaller landholders was materially reduced. The estate owners continued to serve as model producers for the peasantry, who still sent their young cattle to the estate owners' yards to be fattened,and who still learned from the seed experiments conducted on the estate lands. In the growing class of professional agricultural bureaucrats, however, many peasants and even former agricultural laborers found a niche.

A still more ominous development for German agriculture, and this was particularly true of the East Elbian areas, was the steady movement of population, which set in among landless laborers after the 1840s. Although growing facilities for education, and an increase in money income made life somewhat easier for the average agricultural laborer, his position generally remained a depressed one.

The migration away from the land began in Mecklenburg and Pomerania, in those districts where the large estates were still in overwhelming majority. Before the 1860s much of this migration was directed overseas, but in the decade before the foundation of the Empire, the growing industrialization and urbanization in the West began to attract not only landless laborers but also many small landholders.[51]

In many cases the younger members of smallholders families migrated to the towns, and the land then reverted to the large surrounding estates after the older owners' deaths. Reasons for the migration of a substantial section of the rural population were not lacking. They had many grievances and difficulties. By contrast, the growing cities and towns offered, at least in appearance, a greater amount of freedom, variety, entertainment, possibilities for further education,

51.The migration of landless laborers or small landholders was at this time, not a very serious problem in former Polish lands. In these the peasants had been treated well by the German government, in the hope of winning their allegiance. When,during the Empire,failure was acknowledged in this direction a ruthless campaign against the Polish peasantry was undertaken.

and the hope of advancing, by hard work, into the next higher social stratum. While they remained on the land, very few peasants could look for similar improvement.[52]

In 1871 one can say, then, that German agriculture presented a number of strange paradoxes. Despite the completion of legal emancipation, the Junker class was still dominant over the mass of the agricultural community. Although German agriculture enjoyed, as a whole, unprecedented prosperity distribution was uneven. This produced in the Junkers a lack of incentive and a more careless attitude toward efficiency and continued application of scientific methods calculated to produce long term beneficial effects. And since a part of the small holding peasantry began to leave the land, the ability of those who remained to defend their interests against the Junkers was seriously reduced.[53]

Elsewhere in Europe, during the nineteenth century, growing industrialization had decreased the power wielded by the landed class. In Germany, the Junkers saw only a relatively small decline in their income. The political and social influence which they had exercised in the Prussian government, they were able, through the constitution of the Empire, to extend to the whole new federal state. In 1871 it was clear that whatever the Junkers desired out of self-interest would sooner or later become the official program of the new German state.

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[52] Goltz, op. cit., p. 365.

[53] Ibid., pp. 351, 353. The creation of more small holdings was believed to be the remedy for the migration of the landless laborers. But although the problem was much discussed, and the Prussian government seemed favorably disposed, the Junkers were able to block parliamentary action.

Chapter II

The Free Trade Movement in Germany, 1797-1871

In 1879 when the Reichstag was debating the re-introduction of protective tariffs, both on agricultural and industrial products, one of the most often repeated arguments in favor of such a move was that it constituted merely "a return to traditional German practices".[1] Speakers for protection cited the mercantilist policies of Frederick the Great as the foundation of this "tradition", which, they insisted had never been abandoned.[2] Bismarck, who wanted the tariff primarily for revenue rather than for protection, had the votes to pass the proposed legislation.[3] The "tradition" argument did not have to be persuasive. But was it even historically correct?

W. H. Dawson, an English authority on German history, found this argument grounded on fact. In his Protection in Germany he said: "It is not strictly accurate to speak of the German Customs Tariff (of 1879) as a Protectionist departure...Protection was the German tradition...Free trade when it gained expression, was a plain infraction of that tradition".[4] He confirmed this interpretation later in what has come to be a standard work on modern German history - The German Empire, 1867-1914 - "The introduction of protective legislation in 1879 was in reality the revival of a

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[1] Stenographische Berichte, Verhandlungen des Reichstages, Vol. 53, p. 1361.

[2] Ibid., Vol. 53, p. 1391.

[3] W. H. Dawson, Protection in Germany (London, 1904), p. 6.

[4] W. H. Dawson, The German Empire, 1867-1914 (London, 1919), Vol. 2, pp. 24-25.

national tradition". Again, "this tradition was based on the example of Prussia, where the protection of trade, both industrial and agricultural, had been the careful aim of the public policy since the time of Frederick the Great."[5]

Actually Dawson's own work is filled with evidence which controverts his argument. For Dawson tells the story of the successive abandonment of protection and promotion of freer trade, commencing with the reign of Frederick William II (1786-1797) - "which saw the abandonment by the Crown of the ardent and unwearying solicitude for the nation's economic welfare, which was so important a feature of the earlier strong, if arbitrary rule".[6] This trend, he says, continued until "when the Empire was established in 1871 ... little was wanting to complete the transition to freedom of trade".[7]

Where then is the "national tradition of protection" to be found? The attempt will be made in this study to demonstrate that there was no such thing. For granting that Frederick William II's reign saw a departure from the protectionist heritage of Frederick the Great, that leaves only the interval from 1797 to 1879 as the time when the policies of Frederick the Great could have grown into a national tradition. But in this period nothing of this sort occurred.

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[5] W. H. Dawson, Protection in Germany (London, 1904), p. 6.

[6] Ibid., p. 2.

[7] Ibid., p. 5.

For the reign of Frederick William III (1797-1940) saw instead the Napoleonic wars followed by the liberal reforms of Stein and Hardenberg, and the creation of the Zollverein. Indeed, this was a period when the trend was toward a liberal tradition of free trade.[8]

It is impossible to say, on the basis of his Protection in Germany alone, what persuaded Dawson to make the sweeping statement about the German protectionist tradition. From the eight brief pages that are, in this book, devoted to the Zollverein, one is driven to the conclusion that Dawson had not gone thoroughly into the actual records of the association. What he presents is not an accurate picture which takes account of all the evidence.[9]

The question of Germany's true traditions in the restriction of trade obviously call for further study. Since Dawson published his accounts, several investigations of this problem have been made. From these works, and especially from the work of W. O. Henderson, the conclusion must be drawn that German protectionism declined sharply, in practice,

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[8] Percy Ashley, Modern Tariff History: Germany, United States, France (London, 1904), p. 4.

[9] The fact must be noted here that although Ashley published his Modern Tariff History in 1904, with several chapters on the Zollverein and the German protectionist tradition, Dawson takes no note of it in The German Empire. Ashley refutes Dawson's thesis that the 1879 tariff was "a return to the protectionist tradition". See Ashley, op. cit., p. 53.

after the Napoleonic era, and that Prussia often led her Zollverein associates in the adoption of lower tariff rates.[10] The refutation of Dawson's earlier misconception will here be carried through the most significant phases of tariff reform between 1797 and 1871.

About Frederick the Great's policies before this period and the reasons for them, there is no argument: his was an orthodox mercantilist state - compounded of the desire for Prussian economic welfare and the memory of the critical days of the Thirty Years' War, when "the entire economic life of the nation (Prussia) was disordered and paralyzed,"[11] when "abroad as at home the fruits of generations of effort (had been) sacrificed".[12]

His mercantilist practices in the field of agriculture are only slightly less well known than corresponding measures in the fields of commerce and industry, while he believed that there should be no blending of town and country, he

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10 The best work on the Zollverein, and German tariff policies during the nineteenth century in general, is W. O. Henderson, The Zollverein (Cambridge, 1939). I have made extensive use of this book in this chapter because it has more recent, and more complete data, than other works on the same subject. Of the several German books on this subject the most readable is Alfred Zimmermann, Die Handelspolitik des deutschen Reiche vom Frankfurter Frieden bis zur Gegenwart (Berlin, 1901). Werner Sombart, Die deutsche Volkswirtschaft im Neunzehnten Jahrhundert, (Berlin, 1905); Dr. Theodor Freiherr von der Goltz, Geschichte der deutschen Landwirtschaft (Stuttgart und Berlin, 1903); A. Sartorius von Waltershausen, Deutsche Wirtschaftsgeschichte, 1815-1914 (Jena, 1923) are standard works on 19th century German agricultural history.

11 Dawson, Protection in Germany, p. 2.

12 Ibid., p. 3.

supported agriculture "in every suitable way".[13] In addition to certain policies regarding the treatment of the peasantry and plans for colonization, the most paternalistic ideas of Frederick the Great about agriculture emerge most clearly from his attitude toward the wheat imports. Despite all appearances, the Frederician policies of plenty and prosperity for Prussia, at least as far as food was concerned, rested on the continued weakness of Poland. The annexation of Polish grain producing lands in the partitions of 1793 and 1795 changed the character of the Prussian agricultural economy considerably. From then on the emphasis was on the export of bread grains, principally to England. And for more than a half-century, therefore, the Eastern grain producers were opposed to any high tariff policies that might hamper their export trade.[14]

These mercantilist policies conducted by Frederick the Great were compliantly supported by the Junkers. However, during the reign of his successors they were in a position to make felt their desire for the elimination of restrictions on trade. Though Junker pressure can not always be documented,

13. Ibid., p. 5.
For more details on Frederick the Great's mercantilism and agricultural policies, see Pierre Gaxotte, Frederick the Great (New Haven, 1942), particularly the chapter "Fredericus Rex".

14. Heinrich Sieveking, Grundzüge der neueren Wirtschaftsgeschichte, vom 17ten Jahrhundert bis zur Gegenwart (Leipzig, Berlin, 1923) pp. 23-24.

since it is manifest that in the movement for free trade the Junker interests were served, it is the purpose of this chapter to trace this movement.

During the reign of Frederick William II war threatened Prussia, but did not break out until 1806, when Frederick William III had succeeded to the throne. But Prussia's defeat at Jena and Auerstädt was far more than merely a military setback for an important European power, for it produced in its wake reforms as vital as any which Europe had seen in as short a period of time. Of the emancipation of the serfs mention has been made, as of the whole land reform problem; but in the realm of economic policy the Prussian state also undertook sweeping changes from traditional ways.

The abolition through the Emancipation Edict of 1807 of the old prohibitions on trade in land was certain to affect Prussian tariffs. For now a new class of agricultural operators emerged, who wanted to produce and sell what and as they pleased; Stein's curbs on monopolies in certain lines of production also contributed to the destruction of the existing tariff structure.[15] Hardenberg continued Stein's reforms in the same line, with important acts in October and November of 1810, and September of 1811.

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15 John Robert Seeley, Life and Times of Stein, or Germany and Prussia in the Napoleonic Age (Boston, 1879) Vol. I.

But the Emancipation Edict and subsequent acts were not the first measures Stein had employed to foster freer trade in Prussia. During his long career in the Prussian administration, two things influenced him strongly in his sustained moves toward this goal. First of all, it was clear that one of the most pressing requirements was an enlargement of revenue. This, as Stein had gathered from Adam Smith, could most easily be accomplished by allowing the producers and merchants free rein and then collecting taxes on their profits. Stein had accordingly abolished all provincial trade restrictions within Cleves-Mark, of which he became a higher official after 1787. Nine years later Stein swept away the remains of feudalism in this province, the internal tolls and tariffs, collected by private persons and corporations. And these and similar additional improvements had made Cleves-Mark a prosperous area.[16]

A comparison between Stein's work here and Turgot's in Limousin has been suggested. Whether Stein was fully conscious of the significance of Turgot's reform seems doubtful. But Seeley believes that Stein "before he became a follower of Adam Smith, looked up to Turgot as his master."[17]

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16 Guy Stanton Ford, Stein and the Era of Reform in Prussia, 1807-1815 (Princeton, 1922), pp. 33-41.

17 Seeley, op. cit., pp. 99-100.

It was not surprising that there was a hostile feeling toward Stein in the Prussian bureaucracy, and it was steps such as Stein had taken in Cleves-Mark that caused Frederick William III to distrust him.[18]

Like Turgot, who was called to the French finance ministry in time of crisis, Stein was called in 1804, at a highly critical moment for Prussia. At the end of his thirteenth year of service, his predecessor Struensee was in the habit of answering his critics: "Why should I puzzle my head with new arrangements when the King is satisfied?" But in 1798 even the King had suggested the lifting of trade restrictions which were so cumbersome as to result in a sharp reduction in the interchange of goods between the various parts of the kingdom, with injurious effects on the Prussian economy as a whole.

When Stein took over the Ministry of Finance he found a complicated system of multiple tariffs in operation. These included (1) Binnenzölle, or internal tariffs, within some of the provincial boundaries, whose collection was the prerogative of districts, towns, or feudal lords, who claimed an inheritance of medieval rights; (2) Landzölle, the provincial tolls collected at each frontier; (3) Grenzzölle, the state tariff collected at the Prussian frontiers.

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[18] Ford, op. cit., pp. 52-54.

These hampering barriers, added to Stein's economic philosophy and previous experience, induced him to issue on December 26, 1805 the decree which did more than anything else to free trade from its previous restrictions. Through this decree, both provincial and internal taxes in the central provinces were abolished and a general reform for Prussian tariffs as a whole was promised.[19] Unfortunately, Stein did not stay in the ministry long enough to see this second project of his completed. It remained for Hardenberg, Maassen, and Motz to bring that work to fruition.

The reforms that were thus carried through in Prussia were of great significance. But their full value could only make itself felt through adoption of similar tariff reforms in the other Germanies. Measures of this kind called for cooperation among all the members of the German Confederation, an extraordinarily difficult thing to attain, under existing conditions. As it was, the Confederation's inability to bring about cooperation in economic matters was paralleled by its inability to do anything to bring the German states together politically.

Within the German Confederation, that "embodiment of chaos", as Dawson has termed it,[20] not only was "every state fighting its neighbors with duties of every kind, but within

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19 Dawson, Protection in Germany, p. 12.

20 Ibid., p. 17.

its own borders an ill-conceived system of excises and dues made the interchange of commodities as difficult as possible."[21] Germany, after 1815, was so disrupted not only in production but in distribution that Voltaire's prediction of a state condemned to eternal poverty seemed to be borne out.

The demand for a coordinated attack on economic distress was widespread in Germany, in the years following the Napoleonic wars. Stein had already urged in 1814, before the Congress of Vienna, a measure of economic unification through the abolition of all internal dues and prohibitions.[22] Indeed the statesmen assembled had at Vienna recognized the need for facilitating trade in Germany. But with the remainder of a federal constitution drawn to accentuate rather than minimize internal discord and weakness, it was probably inevitable that the article (#19), which reserved to the Federal Diet the power to regulate interstate commerce and navigation should remain a dead letter.[23] Austria must bear the chief burden of responsibility for this continued state of affairs in the Confederation. But the extent of Austrian obstruction became obvious only as she repeatedly blocked in the Federal Diet all action looking toward economic unity...[24]

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[21] Dawson has fittingly styled these trade obstructions "fiscal monstrosities".

[22] Henderson, op. cit., p. 24.

[23] Text in E. Hertslet, The Map of Europe by Treaty (London, Vol. I. No. 26

[24] Zimmermann, op. cit., p. 3.

The attempts to set up a system of freer trade began soon after 1815. In 1817 when Germany and Austria were both suffering from depression, Württemberg asked the Federal Diet to call for the removal of export restrictions in grain.[25] But when, in the meetings of the commission appointed by the Diet to look into this situation, Bavaria proposed that the non-German members of the Confederation ought also to be included in the proposed arrangement, Austria's hostility blocked the move. In 1818 Württemberg again brought up the question once more without success.[26]

Several months later, however, a development took place in Prussia, which was destined to have a tremendous effect not only on that state, but on the members of the Confederation. On May 26, 1818 the new Prussian Tariff Law was proclaimed. The genesis of this law lay in the economic ideas of Stein and Hardenberg. It was the successor of a plan proposed by von Bülow in January, 1817, and rejected as technically unworkable by Frederick William III's Council of State in March 1817.[27]

While the new tariff was the expression of the change in Prussian economic thinking, its passage was encouraged by the desperate economic conditions in which Prussia found

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25 Adolf Beer, Die Östereichische Handelspolitik im Neunzehnten Jahrhundert (Berlin, 1891), p. 54.

26 Henderson, op. cit., p. 26.

27 Dawson, Protection in Germany, p. 14.

herself. The state of affairs in Prussia was a far cry from the comparatively easy days she had enjoyed from 1795 to 1806. A decade of war, the Continental system, foreign occupation, and attendant difficulties had reduced Prussia to a poor, weak, debt-ridden state. And the tariff walls created by almost all other European states made it impossible for her to reconstruct her pre-war trade situation.[28] The movement of agricultural products as grain and timber was hampered by the economic nationalism abroad, and the English corn laws were a serious barrier to Prussian exports.[29] And as the Eastern provinces of Prussia were hurt by the tariffs of England, Austria, and Russia, so the Western provinces' trade was seriously reduced by the tariffs of France and the Netherlands.[30]

To these difficulties the British now contributed by undertaking to "dump" cheap goods, which had not been exportable during the period of the Continental system. When the prohibition on the export of British goods was lifted by the various German states in 1813, the devastating influx

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28 Henderson, op. cit., pp. 33-35.

29 Ibid., p. 32.

30 Ibid., p. 33.

began.[31] A little later English goods arrived in better quality, but as cheap as before, due to the employment of efficient machinery in British production. As a result, the Prussian government was flooded with petitions from the various producing interests, which asked for relief from this overwhelming flood of imports. But the efforts of the Prussian government to remedy the situation by fostering greater productive efficiency at home, and by negotiating reciprocal trade agreements with such countries as Belgium and Russia came to nothing.[32]

A reform of her own tariff system was therefore the only recourse. The traditional move would have been to revive the old mercantilist policies, as Prussia's neighbors had done. But this course was not adopted. The protectionist tradition established by Frederick the Great, even as modified by more recent downward revisions such as those contained in the act of 1810, was now abandoned. That Prussia was no longer strong enough to embark on such tariff wars as she had waged with Austria and Saxony between 1775 and 1786 was only one, though an important reason for the new economic policy. She now felt it incumbent upon her to seek the friendship of Britain and Russia.[33]

31 Henderson, op. cit., p. 31.

32 Wilhelm Treue, Wirtschaf tszustände und Wirtschaftspolitik in Preussen, 1815-1825 (Berlin, 1937), p. 64.

33 Henderson, op. cit., p. 37.

The new tariff act was also designed to put an end to smuggling and to fill the need for revenue, which the state could obtain with least difficulty from customs receipts. But the most important reason, perhaps, for the change was that the new Prussian officials, both those involved in the execution of the Stein-Hardenberg reforms and those in policy-making positions, were strongly influenced by late 18th century economic thought. At the universities of Göttingen, Halle, and Königsberg, where many of the new Prussian state officials had been educated, the English liberal ideas on production and trade were being taught. The students they turned out showed the influence of these teachings.[34]

The new tariff legislation was designed to accomplish two ends: the continuation of the work begun under the act of 1810 in reducing Prussian internal tariffs; the creation of a revenue tariff which would not precipitate a wave of reprisal tariffs from other states.[35]

Many difficulties and complications attended the drafting and passage of the act of 1818. Without the help of Karl Georg Maassen, an official of the Ministry of Finance and member of the committee appointed by the Council of State to examine the new act, and Johann Gottfried Hoffmann,

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34. Carl William Hasek, The Introduction of Adam Smith's Doctrines into Germany (New York, 1925.

35 Henderson, op. cit., p. 38. The levying of transit duties was proposed in view of Prussia's location on important trade routes, and the therefore likely profitable returns.

an eminent statistician and another member of the committee, the act might never have been passed at all. As it was, the proposals to lift excise taxes on internally produced goods were stricken out, and in protest against what amounted to only a piecemeal adoption of his program Buelow, the Minister of Finance who had presented the first draft, chose to resign.[36]

Three principal objections had been mobilized against the proposed reforms. Humboldt, speaking for the liberal elements in Prussia, argued that such acts as tariff laws could only be legalized by a popularly elected assembly. The particularists objected to what they termed "a curtailment of local rights" in the proposed centralization of the tariff administration. The protectionists claimed that the new duties were too low. All these objections were made while the tariff was being debated in preparation for enactment. After its proclamation, criticism deepened in scope and weight. In fact, the Prussian tariff law of 1818 had a more unfavorable reception from the other German states than any similar previous act.

To understand this disappointment of the other German states, one must examine some of the provisions of the new law. It continued the work of Stein and Hardenberg by wiping out completely all internal dues, and export and import prohibitions.

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[36] Henderson, op. cit., p. 39.

However, both the "free list", and the number of articles whose import duties were reduced, were sharply increased in accordance with the trend established by the law of 1810. All raw materials could now be imported free of duty, and a 10% to 20% duty was placed on manufactured goods and "colonial produce". But on foreign goods destined for direct consumption, both the import duty and an additional "consumption duty" were to be levied.[37] One completely new feature was the institution of a "specific" tax on the weight and quantity of the article, instead of on its actual (or estimated) value. This provision had the simplicity that an ad valorem tariff could not have; but it also made the import of cheaper goods immeasurably more difficult, while doing exactly the opposite for better quality goods.[38]

Although both the "specific" tax and the consumption tax caused some complaints by other German states, it was the institution of transit duties - consisting of import, and in some cases, export duties - that made for the considerable non-Prussian opposition to the act. Though the average rate in question was not large, it afforded an additional generous increment for the Prussian treasury,

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37 W. von Eisenhart Rothe and A. Ritthaler, Vorgeschichte und Begründung des Zollvereins, 1815-1834 (Berlin, 1934), Vol. I.

38 Henderson, op. cit., p. 41. The "specific" type of tax had the approval of List, Ashley, pp. 5-6.

and corresponding expense for non-Prussian merchants, who sometimes had to pay additional rates for certain types of goods on certain routes.[39]

Although these latter objections to the tariff came mainly from foreign countries, who feared the tariff's effect on their exports, the non-Prussian German states were most seriously affected by the transit duties, and it was from the non-Prussian German states that the loudest and most sustained protests came. Some of these protesting states felt that their markets were in jeopardy; others feared that they could no longer use Prussia as a transit route; a number believed that the new act might retard any speedy development of a real German economic association.[40]

The tariff act of 1818 has been called "immeasurably the wisest and most scientific then existing among the great powers."[41] Yet it was not long before its opponents began to take measures to curb its effects. The first striking development resulting from the new law was a request by Baden to the Federal Diet to help in bringing about the abolition of the new Prussian duties, and to assist in the creation of a German customs union.[42] This protest was based

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[39] Henderson, op. cit., p. 40.

[40] Ibid., p. 42.

[41] J. H. Clapham, The Economic Development of France and Germany, 1815-1914 (Cambridge, 1921), p. 97.

[42] Ashley, op. cit., pp. 7-8; Henderson, op. cit., pp. 26-27.

on the results of an inquiry conducted by Carl Friedrich Nebinius, an official of the Baden government, into the effects of incessant economic war which was being carried on by the members of the German Confederation. The study showed that although the tariffs being levied by foreign countries were serious enough, it was the trade restrictions imposed by the German states on one another which were the chief barrier to healthy commercial relations. Nebinius recommended a league of German states to bind themselves to common protective measures against foreign products, but to maintain "complete freedom of trade between each other. But when this proposal was presented to the Diet it made no headway, nor did similar proposals. It was clear that the Diet of the German Confederation was too divided to take any action to implement article nineteen.

Baden, which had the keenest interest in freer trade, brought the problem up again at the Carlsbad Conference in August 1819. But at that conference Metternich was too busy trying to prepare measures to stamp out political liberalism to concern himself with the Baden proposal. It was decided to defer the matter to a forthcoming Council of Prime Ministers in Vienna.[43]

But before this meeting had a chance to consider the "Baden plan" for a voluntary and cooperative association, another type of tariff arrangement had been launched.[44] On

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[43] Henderson, op. cit., pp. 27-28.

[44] Ibid., p. 45.

October 25 the enclave of Schwarzburg-Sondershausen surrendered its economic sovereignty to Prussia. Due to vigorous enforcement of the 1818 tariff, Schwarzburg-Sondershausen could no longer maintain its independence. Accordingly an agreement was arranged providing for the extension of the Prussian tariff rates to the enclave's frontiers. Revenue received under the new duties was to be divided between the partners on a population basis, and the customs houses were to be under Prussian control.[45] This type of arrangement was certainly most distasteful to the other enclaves, but in the years that followed they had little choice but to make similar agreements.

Now that a large free trade area was opening up in the North, the problem of an all-German customs union was more pressing. But the conferences held at Vienna between November 1819 and May 1820 only served to point up the difficulties that would have to be overcome before a system of customs unity could be established in Germany.[46] The greatest obstacle to progress was the condition of the Hapsburg economy: it was both backward in economic development and plagued by internal trade barriers. As a result, the Hapsburg Empire shrank from making arrangements for freer trade, and

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45 Ashley, op. cit., p. 6.

46 Henderson, op. cit., p. 44; Ashley, op. cit., p. 6.

refused even to agree to freer trade in bread grains.[47]

The Vienna conferences thus definitely put an end to the hopes of those, who wished for an early all-German customs union, agreed to voluntarily by all members of the Confederation.[48] As time went on, the necessity for such an organization increased, but its erection was long delayed. When it finally came, it came on a political basis, and with political consequences that were far from being desired by those who had blocked an all-German customs union in 1820.

Since it was obvious for a time at least that there was to be no all-German customs association, work on a northern union was now resumed by Prussia. One of the effects of this move was the formation of a similar organization in the South, to be followed later yet by a third "middle-German customs association". These, then, were the moves preliminary to the signing of the Zollverein almost a decade and a half later.

Even though the unity movement in the north drove the Southern and Southwestern states to parallel measures, the latter had characteristic difficulties in agreeing among themselves. Baden, Hesse-Darmstadt, and Nassau proposed to abolish their frontier customs entirely and to fill their treasuries from small levies on what they hoped would be

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47 Henderson, op. cit., pp. 28-29.

48 Ashley, op. cit., pp. 8-13.

a large volume of through-traffic. Bavaria and Württemberg, however, were not interested in complete free trade and suggested instead a system not unlike that organized by Prussia.[49]

A conference of all Southern and Southwestern states to consider the whole problem was called for May 19, 1820 at Darmstadt. But after three years of wrangling the meeting finally broke up, because of disagreements between the larger and smaller state members of the conference over administrative details. As Treitschke wrote later: this three year meeting "offered foreign countries a new and pitiable picture of German confusion, and of the triumph of petty particularist interests over the common good".[50]

The failure of the conference was the signal for tariff war between its recent members. But since none of them was economically strong enough to continue on this path for long, some sort of compromise agreement between the states was only a matter of time. Baden and Hesse-Darmstadt first signed an agreement for a mutual reduction of duties, and then Bavaria and Württemberg came to an understanding in October of 1824.[51] When, however, Baden and Hesse-Darmstadt

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49 Henderson, op. cit., pp. 59-73.

50 Heinrich von Treitschke, Deutsche Geschichte im neunzehnten Jahrhundert (Berlin, 1890), Vol. III, p. 626.

51 Ashley, op. cit., p. 9.

joined in inviting Bavaria and Württemberg to a new conference on the question of a Southern customs union, the results were no better than before. The convention which met at Stuttgart in February, 1825, ultimately broke up over the same questions as the Darmstadt meeting.[52]

Had other factors not been involved, this breakdown might well have been final. But the accession of Ludwig I in Bavaria, and the institution there of some of his protectionist ideas, by putting fresh preasure on Bavaria's neighbors, once more forced Baden to consider an agreement. After a year's delay, a treaty was finally signed. Except for slightly higher duties on "colonial produce" the tariff rates of the new association were about the same as those in Prussia.[53] Despite all appearances, however, this customs union between Baden and Bavaria was weak, both for territorial and administrative reasons, and when Hesse-Darmstadt joined the Prussian customs union in 1828, the possibilities of development for the Baden-Bavarian association were still further limited.

The Hesse-Darmstadt agreement with Prussia had an additional significance. For Prussia had now for the first time signed an agreement with another state, the terms of which were not overwhelmingly favorable to herself. This

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52 Henderson, op. cit., p. 62.

53 Ibid., p. 63.

change had been the result of wide-spread criticism of its agreement with Schwarzburg-Sondershausen and succeeding pacts with other enclaves, and also because of Prussia's failure to find after a time any more states willing to sign on her terms.[54] Motz, the Prussian negotiator, realized that he was not getting a bargain. But the extension of Prussian prestige in North Germany and the prevention of a South-Central customs union were important considerations, and Motz believed that they might well result from such a treaty with Hesse-Darmstadt. The terms of the agreement called for the maintenance of separate customs administrations and small duties on a few items shipped from one state to the other. Darmstadt was also to approve of all changes in the tariff rates, although, by secret agreement, she waived this right in the case of goods imported through customs houses in the Eastern provinces. A mutually satisfactory and equitable distribution of revenue was provided for.[55]

The agreement "fell into the diplomatic world like a bombshell."[56] What would be its effect on those German states not bound to either customs association? The natural thing for them to do would have been to unite at once in an association of their own. But in the Middle German area,

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54 Henderson, op. cit., p. 90.

55 Eisenhart Rothe and Ritthaler, Vol. III, pp. 501-507.

56 Henderson, op. cit., p. 64.

Obviously the Middle German Commercial Union could not long survive the pressures which would be brought to bear upon it. When Prussia by a series of skillful diplomatic agreements, managed to ward off any possible obstructions that the M.G.C.U. might try to erect between its eastern and western provinces, the end of the new organization was in sight.[59] The formal collapse awaited only the arrangement of agreeable terms between Prussia and a number of strategically located members of the Middle German Commercial Union.

Agreement was hastened by the revolution of 1830, which was encouraged by the continued economic dislocation and depression, which was the aftermath of the Napoleonic wars.[60] The new governments had strong compulsions for dealing realistically with the economic problems that faced them.

The first move came when in February 1831, Saxe-Weimar agreed to join the Prussian customs union. The second when in August 1831 Hesse Cassel joined on substantially the same terms as those accorded Hesse Darmstadt. This last addition to the Prussian customs area was of great strategic significance. Where before the M.G.C.U. had threatened to split the Prussian union in two, the reverse was now actually true. Hanover was now cut off from the Thuringian states and Saxony, but her appeals to the Diet for "redress" were in vain.[61]

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[59] Henderson, op. cit., pp. 70-71.

[60] H. von Treitschke, op. cit. Vol. III, 661-681.

[61] Henderson, op. cit., pp. 81-83.

there was a special problem that kept these states divided, and prevented the creation of a strong union. Hanover, Oldenburg, and Brunswick were so located on the North-South trade routes that, in view of their being predominantly agricultural states, it was desirable for them to maintain an open way between the North Sea ports and the great markets of Frankfurt/a. M. and Leipzig. The Thuringian states, however, being located on some of these routes, were determined to continue "cashing in" on their strategic advantage. Saxony, on the other hand, with a growing industry, was afraid of losing free trade routes to her markets.[57]

In view of these differences, it was perhaps surprising that a treaty was arranged by the interested Middle German states after brief negotiations. But no real customs union worthy of the name had been established, for the new Middle German Commercial Union was a weak organization which allowed its members to pursue their own policies. Its only real purpose was to restrain the northern and southern customs unions from spreading still further, and to keep the North-South trade routes free of obstructive duties.[58]

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[57] Henderson, op. cit., pp. 64-65.

[58] Ibid., pp. 68-69.
The members were Hanover, Saxony, Hesse-Cassel, Nassau, Brunswick, Oldenburg, Frankfurt-am-Main, Bremen, the Saxon duchies, the Reuss principalities, Hesse-Homburg, Schwarzburg-Rudolfstadt, and the Upper Lordship of Schwarzburg-Sondershausen.

The imminent collapse of the Middle German Commercial Union now forced Saxony to reconsider her economic position. For she could not stand alone, surrounded at least in part by the Prussian customs union. Negotiations began in March of 1831 but eventually broke down. The Prussian-Bavarian treaty of 1833, however, made a reopening of these negotiations a pressing matter for Saxony. Finally in March of that year, Saxony was admitted to the northern union on the same terms as Hesse and Bavaria. Saxony "assumed" the Prussian tariff, and was to be compensated in proportion to her population.[62] The majority of the M.G.C.U. now followed quickly: in May the "Customs and Commercial Union of the Thuringian States" was admitted,[63] and in 1836 Oldenburg became a member also.[64] Schaumburg-Lippe joined in 1838, and now only Hanover and Brunswick, of the M.G.C.U. were outside the Prussian union. They were positive in their determination to remain independent, and for this purpose had joined in a Tax Union (Steuer-Verein) on May 1, 1834.[65]

The Saxon decision to join the Prussian customs

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62 Henderson, op. cit., p. 124.

63 Ibid., p. 87.

64 Ibid., p. 124.

65 This Tax Union was a real customs association, providing for a joint tariff and administration. Regular excise taxes were placed on spirits (Branntwein), and, for the first five years, on beer. The actual tariff, both on manufactured goods and raw materials from tropical countries, was lower than the Prussian, and consequently there was a higher consumption of foreign products in the Tax Union area than in the states affiliated with the Prussian customs union.

union had been attributable,in part, to the agreement established between the Southern and Northern customs unions. This agreement was not a formal merging of the two associations but a more limited commercial treaty. However, its signature on May 27, 1829 was significant, since it provided for virtual free trade between the two trading blocks. All other trade restrictions, which hampered the flow of goods between the North and South, were abolished.[66]

But Prussia was still not satisfied. She looked for still closer economic cooperation between the signatories. Motz, the Prussian Foreign Minister, said in a note to the Prussian embassies: "An attempt has been made to remove as far as trade and commerce are concerned, the frontiers dividing the various states from each other. In so far as this object has not been completely attained by the present treaty, efforts will be made to approach ever more closely to it at the annual conferences which it has been agreed to hold".[67]

The first of these trade conferences met in December 1831, but adjourned after a six months session without much success. At the next meeting, which took place in January 1833, an important step was taken. For on March 22 of that year

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66 Eisenhart Rothe and A. Ritthaler, op. cit., Vol. III, pp. 501-507.

67 Ibid., Vol. II, p. 555.

the document which, with the adherence of Saxony and the Thuringian states created the Zollverein, was signed.[68]

The initial members of the new association were Prussia, Hesse-Darmstadt, Hesse-Cassel, Bavaria, and Württemberg. In essence the treaty, creating the new union, repeated the terms of the previous agreements between Prussia and Hesse-Darmstadt, and Hesse-Cassel. Customs revenue was to be distributed on a population basis, but Prussia was to be accorded a special annual compensation of 100,000 thaler ($60,000) for handing over the revenues of the Vistula and Oder river tolls to the treasury of the Customs Union. Bavaria and Württemberg were given permission to make trade agreements of their own, but these were not to discriminate against the other members of the Zollverein. Prussia was given exclusive right to negotiate with Russia and the part of Poland under Russian control. The business of the Union was to be conducted under rules to be prepared by an annual Congress. This Congress was to operate under the liberum veto.[69]

Dispite the significance of this forward move, the reception accorded the Zollverein agreement was far from good. Ludwig I, king of Bavaria, resented the provisional introduction of the Prussian customs

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[68] Henderson, op. cit., p. 92.

[69] Ibid., pp. 92-93.

system into Bavaria, and refused to ratify the treaty until the obnoxious clause was removed.[70] There was a bitter debate in the Württemberg Landtag, before that body agreed to ratify. But we have conflicting testimony from a contemporary, who wrote about "how joyfully the opening of the year 1834 was welcomed by the trading world. Long trains of waggons stood on the high roads, which till then had been cut up by tax barriers. At the stroke of midnight, every turnpike was thrown open, and amid cheers the waggons hastened over the boundaries, which they could thenceforth cross in perfect freedom.[71] Everyone felt that a great object had been attained.

This, however, has not been the view of all recent German economists, some of whom, like Sartorius von Waltershausen have denounced the Zollverein as a serious blunder. One infers from his statement that the Zollverein "served to delay the coming of Germany's economic maturity" his conviction that it served mainly to increase the agricultural prosperity of the country.[72] That, as has been shown, was certainly the case.

Even at the time of its creation the Zollverein's friends had to admit that its structure was far from complete.

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[70] Henderson, op. cit., p. 93.

[71] Ibid., p. 94.

[72] Waltershausen, op. cit., pp. 82-84.

Although its frontier included 162,870 square miles and 23-1/2 million people, it was geographically incomplete in several respects: in the North, the Tax Union and the Hanse towns continued outside the Zollverein, and in the South the new union faced an aloof and hostile Austria. Even within the new Zollverein all trade obstruction were not yet eliminated, and state monopolies and differences in internal excise taxation continued to block the path that led toward a genuinely unified economic system.

Two main problems faced the Zollverein in the coming years. One consisted of attraction of those bordering states which were not yet members; the other was the setting of tariff rates that would be most beneficial for the associated states.

Extension of the Zollverein proceded at a steady pace after 1835. In that year Baden, driven to join by economic necessity,but opposed by Prussia on the ground of some of her political institutions, was admitted, and Nassau also joined in 1835.[73] Frankfurt/a.M. entered in 1836/the Southwestern Customs came to an end.[74] By 1841 Waldeck, Pyrmonnt, and Lippe-Detmold had been admitted to the Zollverein, and the entrance of part of the state of Brunswick in that year further reduced the strength of the Tax Union.[75]

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[73] Ashley, op. cit., p. 14.

[74] Ibid., p. 15.

[75] Henderson, op. cit., pp. 215-216.

In 1842 Luxemburg and Schaumburg came in.[76] Hanover, after winning several important concessions from Prussia, entered the Zollverein in 1851.[77]

The inclusion of these northwestern states increased the strength of the free trade elements in the Zollverein. The representatives from these states spoke generally for agricultural and commercial interests, and were proponents of laissez-faire.[78] The north-east continued to be a predominantly agricultural section, with strong export interests, and hence free trade desires. Even in the southwest where List's ideas of industrial protection were well received, there was also a strong agrarian movement, which battled vigorously against restrictions of competition.[79] Most of all, Prussia favored freer trade and she did everything possible to advance its fortunes in the negotiations with foreign countries, which she was carrying on for the Zollverein.[80]

The first trade treaties, which the Zollverein concluded with foreign powers were all unfavorable. The 1844

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[76] Henderson, op. cit., p. 152.

[77] Ibid., pp. 215-216.

[78] Clapham, op. cit., p. 315.

[79] Ashley, op. cit., pp. 15-16; Henderson, op. cit., p. 120.

[80] Henderson, op. cit., pp. 156-157.

agreement with Belgium was one of these, and the Zollverein denounced it in 1850.[81] Although the delay in the abolition of the English corn laws evoked much criticism at Zollverein Congresses, and in the German protectionist press, their repeal led, after July of 1849, to much more satisfactory relations between England and the Zollverein.[82] With France and Russia, however, the Zollverein had little luck in getting agreement on tariff reductions. For this situation Russian mercantilist policies were mostly responsible; and even after a treaty had been signed between Russia and the Zollverein in 1844, and a somewhat lower tariff introduced in Russia in 1850, with the customs boundary between Russia and Russian-Poland abolished, trade between the Zollverein and Russia remained at a very low level.[83]

With Austria the Zollverein had problems of a slightly different kind. Prussia realized that Austria, with her economic backwardness and political looseness of structure, could not make the proper tariff adjustments necessary for admission to the Zollverein. But when Austria

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81 Henderson, op. cit., pp. 161-166.

82 Ibid., pp. 170-174.

83 Henderson, op. cit., pp. 174-176.
This may have had a temporarily beneficial result on German agricultural prices, since in the 1860's, when Russian grain could enter duty free, German grain prices declined.

attempted, after 1841, to enact tariff reforms, they spurred Prussia on to press for still lower Zollverein tariffs, which Austria could certainly not meet. Prussia, for obvious reasons, did not want Austria's political influence extended from the German Confederation to the Zollverein.[84]

In November 1848, with the appointment of Karl Ludwig von Bruck as Austrain Minister of Commerce, tariff reform in the Hapsburg Empire entered on a new phase. He had been a member of the Committee on Economic Affairs in the Frankfurt Assembly, and this experience had added incentive to his plan for a Middle European Customs Union, consisting of the Zollverein and the Hapsburg Empire.[85] Bruck was a believer in free trade, and his motives may not have been dangerous to the interests of Prussia, but nevertheless Prussia regarded his proposal with suspicion.

This feeling was voiced by Rudolf von Delbrück, who replied to Bruck in the official Preussischer Anzeiger. Delbrück wrote of Prussia's willingness to negotiate with Austria on such problems as prevention of smuggling, but declared also that as long as Austria maintained restrictive practices as her tobacco monopoly, it would be impossible for her to gain admission to the Zollverein.[86]

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84 Henderson, op. cit., p. 176.

85 Ibid., pp. 196-203.

86 Ibid., p. 205.

Even after Olmütz, in the 1850's, Austria was unable to bring Prussia to see her point of view. While Baumgartner, Bruck's successor in the Ministry of Commerce at Vienna, kept looking for a way to reopen discussions, Delbrück made the necessary concessions to Hanover, and thus got that state to join the Zollverein. This put a definite end to Austrian chances of needling her way into the Customs Union.[87]

Armed with the new treaty, Prussia now risked the break-up of the Zollverein by denouncing the old arrangement in a note to the other signatories in November, 1851. This gave Vienna renewed hope; she invited all German states to a conference on a commercial treaty and Austro-German customs union, based on a newly proclaimed downward revision of the Austrian tariff. But Prussia boycotted the meeting, merely offering to negotiate with Austria for a commercial treaty after the Zollverein treaties had been renewed. Austrian hopes were shattered by the death of Schwarzenburg.[88]

A convention to renegotiate the Zollverein agreement met at Berlin in April, 1852. But after five months it broke up - a failure, and Prussia announced that she would

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87 Henderson, op. cit. pp. 213-216. The concessions to Hanover were important: her share of the Zollverein customs revenue was fixed at 75 per cent more than she would have secured on the basis of her population. On the renewal of the Zollverein in 1854 the duties on coffee, tea, tobacco, syrup, cognac and wines were to be reduced, the import duty on beet sugar raised.

88 Henderson, op. cit., pp. 216-219.

from then on proceed on the basis of separate arrangements. Bruck saw this as another chance for an agreement with Prussia, and at his instigation talks were reopened with Prussia in December. This time Austria was successful in obtaining a commercial treaty.

The treaty, signed on February 19, 1853, was one of the most important in German tariff history. With few exceptions, it ended all import bans between the Hapsburg Empire and Prussia; no import duties were to be charged on certain raw materials and semi-manufactured articles; future tariff concessions to a third state were to be passed on to the other contracting party. In all, the reduction in the import duties amounted to about twenty-five per cent ad valorem. Commissions were to discuss additional lowering of trade restrictions, and in 1860 an Austro-Zollverein Customs Union was to be discussed.[89] Prussia treated the agreement as a victory for her diplomacy. She had again defeated Austria's attempts to enter the Zollverein, and could continue her efforts to lower Zollverein tariffs further, and in other ways take measures designed to help the Hapsburg Monarchy out.[90]

In April the Zollverein agreement was finally renewed,

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89 Henderson, op. cit., pp. 223-224.

90 Ashley, however, believes that the treaty was a "compromise favorable to Austria".

but for the next seven years no new tariff schedules were put into effect, since at all Congresses of the Zollverein differences between free traders and protectionists forestalled agreement. Despite the fact that more liberal trade policies now prevailed in England and Holland, and that the economic difficulties of the early 1840's, coupled with the depression of 1849-50, posed new needs, the Zollverein was too divided to take any action.[91]

As 1860 approached, Austria was faced by even greater obstacles than before, in her attempt at a customs agreement with the Zollverein. As Austria's failure to recover from the depression of the 1840's made her more desperate, Prussia became more interested in Austria's continued exclusion. And the recovery of German agriculture, largely quieted those who had once used the depression as an excuse for advocating protection. The free trade ideas of Prussia were more than ever also the ideas of a majority of states in the Zollverein. Neither Prussia nor the other Zollverein members were opposed to a monetary union, with Austria. Such an agreement was signed in 1857, but von Bruck failed in his efforts to follow up this accord with successful negotiations for a customs union.[92]

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91 Henderson, op. cit., pp. 235-237.

92 Ibid., pp. 246-255.

The panic of 1857 having been relieved by a revival of prosperity in Germany, the 1860's saw a renewal of agitation for still greater reduction in customs and duties. "The Free Traders" now urged the abolition of internal dues, levied within the Zollverein to protect local monopolies and excises; the abolition of all transit dues on railways, rivers and roads. Finally, they demanded that all transit import duties be still further reduced or abolished altogether.[93] Steady progress was made, in the next years, toward these goals.

The next greatest and final stroke in the tariff reduction phase of the Zollverein was the signing of the Franco-Prussian Commercial Treaty of 1862.[94] For Napoleon III it was an extension of his free trade principles to a large area, following his achievement of the so-called Cobden Treaty with England in 1860. For Prussia it meant not only receiving tariff treatment equal to that accorded England, with a resulting increase in exports, as well as a club in the forthcoming renegotiation of the Zollverein, in which Prussia was seeking important changes including abolition of the liberum veto, but a proper excuse not to renew the 1853 commercial agreement with Austria.

Austria realized this and attempted to influence the

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93 Henderson, op. cit., pp. 264-267.

94 Ibid., pp. 274-278.

Zollverein states against ratifying the new agreement.[95] But the Prussian foreign minister rebuked her, and soon after being called to the Chancellorship, Bismarck announced that he would insist upon the incorporation of the new agreement into the Zollverein, and that all states which refused to ratify the agreement would be excluded from the Zollverein after 1866.[96] When Prussia and the Hapsburg Empire became embroiled over the Schleswig-Holstein question, Austria's influence over the wavering members of the Zollverein vanished, and the customs union was renewed on May 16, 1865 for an additional twelve years.[97] Austria and the Zollverein signed another commercial agreement on April 11, 1865, but despite its statement in the preamble that it was "to prepare the way for a general German customs union", Austria thereby lost some advantages which Schwarzenberg and Bruck had gained.[98]

Prussia now looked toward her final objective in the Zollverein: the achievement of a position that would enable her to impose her policies on the other members. But since the Zollverein had twice refused to abolish the liberum veto, which was the stumbling block in Prussia's path, the latter needed "exceptional circumstances" to accomplish her plan.

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95 Henderson, op. cit., p. 279.

96 Bismarck, Gesammelte Werke (ed. Meinecke and others) (Berlin, 1927), Vol. IV, pp. 12-17.

97 Henderson, op. cit., pp. 297-299.

98 Ibid., p. 300.

These "exceptional circumstances" were provided by the "Seven-Weeks-War" with Austria.

The Treaty of Prague, which Austria signed in August, was the foundation for the coming Prussian moves. By this treaty, Austria had to agree to withdraw from the German Confederation, and Prussia was left with a free hand north of the river Main. In that area, Prussia now established the type of political association she desired. In the North German Confederation the power to regulate tariffs was vested in the central legislature, but in that body there were few arguments about trade barriers after 1867, since after the Austro-Prussian War most members of the Confederation had reduced their duties to almost nothing.[99]

There were negotiations with the South about "a new Zollverein", since apparently everyone agreed that the war of 1866 had ended the old. Prussia now demanded that the former legislative arrangements be replaced by a Customs Council and a Customs Parliament, in which decisions would be taken by majority vote. After a brief display of particularism,[99] the South agreed to the new association.

The chief difference between the "old" and "new" Zollvereins was in the greater centralization which was

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[99] Henderson, op. cit., pp. 313-314.

achieved in the 1867 Customs Union; and this newly created power was vested in the hands of Prussia, which now became the chief bargaining agent for the Customs Union. But from the first, the meetings of the Customs Parliament were anything but amiable. Irked by Prussian tactics, the "strict constructionists" among the Southern delegates put up every possible obstacle in the path they thought Prussia was pursuing, the road to a full political union.[100]

Yet acrimonious debates did not stop the Customs Parliament from ratifying such agreements as Prussia had negotiated. Among these was another treaty with the Dual Monarchy, under the terms of which that country's tariff was to be cut to 20% ad valorem by 1870. The Zollverein, which had no agricultural duties to reduce, made concessions in rates on iron and wines. The second and third sessions of the Zollverein Customs Parliament reduced tariffs on coffee and sugar. Internal free-trade in wine, tobacco, and salt were also established.[101] The overall tariff reduction picture during the period between 1868 and 1870 was one of reform "in accordance with the free trade doctrines of the day".[102]

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100 op. cit., Henderson, pp. 315-322. Of the southern delegates 50 out of 85 were opposed to an extension of the Zollverein into the political field.

101 Ibid., pp. 323-325.

102 Ibid., pp. 326-327.

When the Franco-Prussian war of 1870 transformed the North German Confederation into the Empire, the new state was virtually a complete free trade area, both internally and for foreign trade. In 1871 Germany had then not only agricultural prosperity but at least a half century's background in the development of freer trade.

These two developments which moved parallel to each other during the period under examination served each other to the extent that each advanced the interest of the agricultural community.

Chapter III

Protectionist Currents in the Pre-Empire Period

Although, as has been shown, German agriculture experienced a period of genuine prosperity before the Empire, the vitality of protectionist thought increased at the same time as the free trade movement was reaching its goal. An attempt will be made in this chapter to explain this paradox: first, the introduction of free trade theories will be examined, with attention to those factors which from the beginning tended to weaken the strength of this movement; second, attention will be focused on the forces that produced the new school of protectionist thinkers, and on the works of these men.

German economic thought, at the time when the free trade or Physiocratic doctrines were first brought into contact with it at the end of the reign of Frederick the Great was almost completely cameralist. Cameralism, which has been called the German version of Mercantilism, first appeared after the Thirty Years War, when Seckendorff in his The German Princely State (1655) summed up the needs of the Holy Roman Empire. Since there really was no effective government for Germany as a whole, his economic policy would, he argued, have to be carried through on a state by state basis. Seckendorff and all the other Mercantilists regarded the power and welfare of the state as the prime source of

the well-being of society. These cameralists did not limit their thought to financial matters, but dealt with all facets of economics.[1]

Dr. Johann Joachim Bechers, writing in 1667, stated precisely the paternalistic attitude characteristic of German economic thought: "The three productive classes, merchants, handicraftsmen, and peasants, should be guided by one head official, to the end that they might cooperate, and so cause the community to grow by advancing its business." And he goes on to state by way of example that while agriculture must be rigorously protected from foreign competition, all internal trade restrictions must be reduced in order to bring the agricultural price level as low as consistent with sound economic principle.[2] Other cameralists showed interest in the agricultural population. Justi had a real interest in agriculture, and devoted a section of his Political Economy, or A Systematic Treatise on All Economic and Cameral Sciences (1755) to conditions of the peasantry. Like Vauban, an important French mercantilist, Justi urged an amelioration of the agricultural laborer's position (classing all peasants as agricultural laborers). He favored the reduction of their burdens, emphasizing their importance

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1 J. W. Horrocks, A Short History of Mercantilism (London, 1924), p. 142.

2 Johann Joachim Bechers, Politischer Discurs, von den eigentlichen Ursachen des Auf und Abnehmen der Stadt, Lander, und Republicken, in Specie, wie ein Land volkreich und nahrhafft zu machen. (Frankfurt, 1759, 6th edition), p. 99.

as one of the chief creators of wealth.[3] Generally, the German cameralists paid more attention to internal economy than did the English and French mercantilists.

Frederick the Great was himself a practical exponent of this theory. While he was, of course, interested in promoting Prussia's commercial interests, he did not slight agriculture. He not only brought large numbers of Huguenot peasants into Prussia, but introduced there the silkworm and potato -- the latter against severe opposition -- and planted thousands of mulberry trees. And he attempted, as has been pointed out, to give the peasantry a measure of state protection (Bauernschutz).[4]

The military and feudal state of Prussia crumbled in the Napoleonic wars. The cameralist state, at the same time, underwent important changes. The influence of "classical economic thought" now began to make itself felt in Germany: first through the dissemination of the ideas themselves, by translation and teaching; later through legislation. What impact the strength of the new English ideas had is difficult to evaluate. But that their introduction was hastened by the French Revolution can scarcely be doubted.

The earliest mention that Smith's Wealth of the Nation

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[3] Johann Heinrich Gottlow von Justi, Staatswirtschaft, oder systematische Abhandlung aller Oekonomischen und Cameralwissenschaften, die zur Regierung eines Landes erfordert werden (Leipzig, 1839), 2nd ed., Vol. I, pp. 152-155.

[4] Supra, p. 8.

(published in 1776) received in Germany was a review of German translation which appeared in 1777. The writer, J. G. H. Feder, a professor of philosophy at the liberally minded University of Göttingen, thought that it was "a classic; very estimable both for its thorough, not too limited, often far-sighted political philosophy, and for the numerous, frequently discursive historical notes." But in the chapter-by-chapter analysis there was also this pungent criticism: "The inferior goods and deceptions which result from too great competition, since customers can be obtained only through low prices and easy credit; the ruin of many who under such freedom chose attractive but unprofitable trades; and the result that many an able man, especially if he is likewise honest, is forced under through excessive competition, appear to be evils that outweigh any benefits of such complete freedom."[5]

There were other scattered reviews, but until 1794 the work had little further attention. In that year there was another translation, this time by Christian Garve, which elicitated this comment from the Göttingische gelehrte Anzeigen:[6]

> Smith's principles must be more widely disseminated, and if they are false, they must be thoroughly refuted; this has as yet not occurred, and has not even been attempted here. He has yet had no influence whatever on the economic doctrine in our country.

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[5] Göttingische gelehrte Anzeigen, March 10, 1777, p. 234.

[6] Carl William Hasek, The Introduction of Adam Smith's Doctrines into Germany (New York, 1925), p. 64.

But although in 1793 the publisher of the first translation had complained of the slow rise in sales, Garve's translation received a second impression in 1796, and there was a second edition in 1799, followed by a third in 1810 -- both evidence of growing interest.

Garve was one of the important pioneers in introducing Germany to classical economic thought. Besides he was an original thinker himself. Among his essays there is one in which he combined the influence of the new economic ideas with his own particular brand of liberalism. "On the Character of the Peasants and their Relation to the Gentry and to the Government" is an appeal to the gentry for the reform of agricultural conditions.[7]

Georg Sartorius was a more determined follower of Smith. He published several volumes of commentary on Smith's work. But he found fault with many of Smith's theories, especially those relating to value and its unchanging measure, and critized the free use of industry and capital.[8] And although he also opposed Smith's views on what constituted productive and unproductive labor, and on taxes, he was certain that Smith was right in his ideas on the effects of trade and in his examination of the Mercantilist system.[9]

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[7] Ibid., p. 71.

[8] In the Napoleonic period "industry" was the term used to signify "occupation".

[9] Hasek, op. cit., p. 78.

It was men like Garve and Sartorius[10] who helped spread the ideas of the Physiocrats in Germany in the period of the French Revolution.[11] At the University of Göttingen, where both Stein and Hardenberg had studied, they introduced such notions as the abolition of all duties on restrictions on agricultural production, freeing commerce and industry from all bonds. They also advocated the lifting of all guild restrictions and export prohibitions; the free movement of population, and unlimited freedom of commerce and occupation. Too, the Physiocrats urged long term leases to replace short term contracts, large agricultural enterprises instead of small ones, the transformation of the unfree peasant into the free agricultural laborer, the substitution for miscellaneous obligations of a single tax on land.[12]

Just when and how Stein and Hardenberg adopted the new theories is not clear. But without doubt, these theories were behind the reforms that are associated with their names.

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10 There were other men, too, like August Ferdinand Lueder and Christian Jacob Kraus, who helped considerably in introducing the new ideas in Germany.

11 Adolf Beer, Die Geschichte des Welthandels (Vienna, 1864), p. 49.

12 Since Göttingen was under the control of the ruler of Hanover the liberal influence of English thought there was understandably powerful.

Stein and Hardenberg's part in "peasant emancipation" has been treated previously.[13] But they were also responsible, in the acts that affected the personal rights of the former serfs, for important changes in the whole Prussian agricultural economy, changes which not only fitted it into the pattern required by pure Physiocratic doctrine, but which were highly desired by the Junkers.[14]

The Junkers derived important advantages from the new legislation. With the abolition of restrictions on production, the way was now open for them to apply Thaer's theories of rational agriculture, and the end of export restrictions cleared the way for them to make increased profit by selling their bigger crops on the English market. But most important for long range German agricultural development was the dropping of the traditional, if not wholly effective, policy of Bauernschutz (protection of the peasant). With the dropping of this policy, the newly freed peasant was left fumbling about helplessly in the waters of economic competition, from which the Junker landholder was only willing to rescue him at the cost of other

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13 For a pertinent discussion of this aspect of "peasant emancipation", see John Robert Seeley, The Life and Times of Stein or Germany and Prussia in the Napoleonic Age (Boston, 1879), pp. 287-305.

14 Supra, p. 10-11.

kinds of infringements on his personal liberties.[15] In addition the landholders were now able to engage in those handicrafts and light industries from which they had been debarred by the strict cameralism of the earlier Prussian rulers.

But there was in this school of economic thought one factor which was regarded by the Junkers as damaging to their interests. In Germany political liberty even for the middle class, and a tolerant attitude toward individualism, was something out of the question in the period after the 1815 settlement, and from this poimt of view the intellectual implications of the new school of economics were not acceptable to the German reactionaries.[16]

Before 1815 this hostility was covered rather than overt. But when it came into the open, this reaction was a part of the later Romantic movement which in Germany was anti-individualistic. This movement, as Othmar Spann defined it, was essentially aimed at the organization of society into a universal state in which the interests of conflicting groups would be arbitrarily combined for "the national welfare".

The pioneers of <u>laissez faire</u> had sometimes been

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[15] With a large demand for agricultural products the Junkers were only too happy to "recapture" their former serfs, after the latter has found economic misery awaiting them following their emancipation. The Junkers employed these peasants as agricultural labor under conditions which kept them under complete control.

[16] It was also true that the peasantry objected to the new economic doctrines because of their own hard economic experiences after emancipation. Peasant resistance based on the experience of their fellows was responsible for the slow progress of emancipation before 1807.

hesitant in their propagation of the new economic ideas, and had sometimes expressed this feeling in mildly phrased questions. But after 1815 more vigorous attacks were made on Physiocratic principles and the views of Smith. Two new schools of thought now developed, one known as the Nationalist - including Fichte, Müller, List, Baader, and Haller; the other known as the Historical - including Lorenz von Stein, Roscher, Hildebrand, and Knies.[17]

Where the classical economists had emphasized a broad division of labor to be effected by the abolition of trade restrictions, the Nationalists emphasized that all nations could be economically independent, and assign to their several "estates" or classes their respective functions. Foreign trade if fostered and prosperous would upset that balance. The thinkers of the Historical school believed that economic life was not and could not be isolated from political and social life; that economic life is not the same with all men, but varies in different societies and nations under different circumstances and at different times.

The change in German economic thinking appears to have come into the open with Fichte's Der Geschlossene Handelstaat (1800). Although Professor Hertz believes that Fichte was really a disciple of the French Revolution and its

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17 The order in which these authors are discussed in this chapter is chronological rather than in a sequence indicating their relative importance.

ideals, there is little evidence of liberalism in this book. The general Romantic tendency to "hark back to the Middle Ages" is apparent here. In accordance with the framework of the state, Fichte provides for a rigidly planned corporate economy in which uncontrolled individual enterprise is made impossible. This was true not only for men engaged in commercial pursuits, but to agricultural producers as well. The economic basis of the state was to be autarchy in the fullest meaning of the term. And this was to be accomplished not only by strict control over the internal economy, but also over foreign trade. All private foreign commerce was to be abolished, and imports cut to an absolute minimum.[18]

In dedicating the book to the arch conservative Struensee, Fichte said that he believed his book to be a "mere school exercise" which would be forgotten and gain no followers.[19] But he was wrong. Nine years later Adam Müller struck another violent blow against liberal economic thought. It was with Müller that the reactionary, universalist, catholic philosophy became a part of German economic and political thought. Müller was a fierce critic of the theory of natural right and of Smith's individualist conception of

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[18] Frederick Hertz, Nationality in History and Politics; A Study of the Psychology and Sociology of National Sentiment and Character (New York, 1944), p. 336.

[19] Rohan D'O. Butler, The Roots of National Socialism 1783-1933 (London, 1941), pp. 37-40.

economics - the "doctrine, as he called it, of the radical decomposition, dissolution and dismemberment of the State and of the political economy." He thought the notion of absolute private property and Smith's idea of pure income and man's freedom to choose his own occupation disastrous.[20]

Müller objected to the glorification of competition as a creative force in economic life. He denounced the "freedom of industry" as "a general unregulated activity" in which "one wave of diligence swallows up another instead of there being steady work".[21] There is no separate occupation in bourgeois society for whose sake a man should forget his own self.[22] The value of production is its meaning in the State, and its contribution towards the invigoration of the States by a process of enlarging its powers in relation to the life of the individual.[23]

He rejected free trade and returned to the theories of the mercantilists and cameralists. Since a focal point of view of his philosophy was anti-cosmopolitanism and advocacy of a nationalism in economics, he held that

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20 Adam Müller, Elemente der Staatskunst (Berlin, 1922), Vol. II, p. 121.

21 Adam Müller, Gesammelte Schriften (Munich, 1839), Vol. I, p. 298.

22 Adam Müller, Versuche einer neuen Theorie des Geldes mit besonderer Rücksicht auf Grossbritannien (Jena,1922), 2nd ed., p. 107.

23 Ibid., p. 59.

opposition between countries was not only inevitable but desirable. He favored protection of those national products whose output "stimulated national feeling and gave national character to the wealth of a people."[24]

Othmar Spann, who patterned his own economic philosophy after Müller's, considers the latter "actually the greatest political economist of his own day," whose influence on List and the whole historical school has hardly been realized, although at the same time he admitted that "romanticist economics did not undergo any considerable evolution and failed to exercise notable influence, chiefly because (in the field of applied economics) it inclined towards an extremist and reactionary absolutism."[25] While Spann was certainly correct in his analysis of the economics of the Romantic school and its durability, his estimate of its influence does not stand up.

Friedrich List, the next chronologically important member of the Nationalist school, like Müller pointed out that the economic policy of the nation should be directed not only to the production of wealth, but to the creation of many-sided productive activities, and to the harmony and balance of the three branches of national economic action - agriculture, manufacture, commerce. In this last

[24] Lewis H. Haney, History of Economic Thought (New York, 1936), p. 408.

[25] Othmar Spann, The History of Economics (New York, 1930), pp. 168-169.

idea one can see traces of Fichte's work. The latter proposed as the most important government task of the self-contained state the maintenance of the balance between the producers of food and raw materials, and the producers of manufactured goods and the merchants, which required a distribution of privilege and influence among all these groups.[26]

List stressed the interdependence of agriculture and large scale industry. He used for his own purposes Thunen's idea[27] that productivity of agriculture increased as nearby markets became available. List favored the erection of tariff protection for industry, which having outgrown its "infant" stages would, when the tariffs were finally dropped, produce more cheaply instead of more expensively. To give industry time to "grow" and to establish itself firmly in the nation's economy, List advocated what he called "educational" tariffs. But when industry had reached a state of maturity this protection would be cast off and the "natural ultimate ideal" - free trade -- substituted.[28]

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[26] Percy Ashley, Modern Tariff History (London,1904), pp. 65-66.

[27] Thünen's work has not been mentioned before in this chapter for, although his work is of the utmost importance to German economic and more specifically agricultural history, his ideas are almost impossible to classify. In his Der Isolierte Staat he proposed a system of agricultural production based upon location in relation to market (certain crops because of freight costs being thought best for either far or near location to market). He was on the whole a strong believer in free trade, thinking that tariffs would prause damage not only to the industrial but also to the producer of raw materials. Later Thunen's ideas underwent some modification, but it is impossible to measure the change in his thinking without intensive exposition.

[28] Haney, op. cit., p. 415.

List always maintained that the flowering of one branch of the economy also required that of other branches. Circumstances demanded that agriculture grant industry time for development through protective tariffs. "Peace between town and country" was List's constant cry.[29]

At first List opposed the customs union movement because as a South German he disapproved of the exclusion of Austria, but later, a mission to the Hapsburg court having broken down, he supported the Zollverein, believing that it was a true and, in the event, the only possible step toward genuine economic progress in Germany, as he saw it.

Franz von Baader was another member of the Nationalist school who, according to Spann, established an economic doctrine which ranks in importance with Müller's. But Baader took his stand, independently of Müller, "upon a genuinely organic conception of economic life", refuting "the atomistic and individualist economics of Adam Smith".[30] His doctrine was naturally opposed to freedom of occupation at home and free trade in foreign commerce.[31] What he proposed

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29 Adolf Damaschke, Geschichte der Nationalökonomie (Jena, 1912), pp. 371, 378.

30 Johannes Sauter, Baaders Schriften zur Gesellschafts-philosophie (Jena, 1925), pp. 790-838.

31 Ibid., p. 851.

was rather close to the corporate state ideas of contemporary Fascism.

Carl Ludwig von Haller, who is usually considered with Adam Müller as the principal theoretical exponent of romantic reaction, espoused a "patrimonial theory of the state", which rejected the whole teaching of natural law. As a contemporary analyst has summed up Haller's ideas on government, "Instead of basing the powers of the rulers upon rights which they are supposed to have received from their subjects," Haller asked, "may they not be much more simply and more satisfyingly regarded as proceeding from their own 'natural and acquired rights".[32]

It was men such as Fichte, List, Baader, and Haller who used the post-Napoleonic depression as one excuse for backing a return to tariffs. List, for instance, never conceived of the Zollverein being an association for promoting free trade with other nations but, more narrowly, as a device for freer internal trade. But with the revival of the Prussian economy after 1830 these voices were gradually stilled. Although the politically reactionary governments which the Romantic economists backed had returned to power, they did not adopt the restrictive economic proposals laid down by the theorists as part of their integrated politico-economic design.

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[32] Butler, op. cit., p. 94.

But protectionist thought was not permanently dead. In the middle of the century it enjoyed a renaissance. This period of German economic thought is generally associated with the historical school, and is of considerable importance. Müller and List had already made limited use of historical comparison, but their work was not completely acceptable, not only because their knowledge was regarded as incomplete, but because some of their ideas were regarded as purely "partisan" by the men who came to make up the historical school. Now, under the stimulus of a new interest in comparative economics, and a reaction against the metaphysical idealism of early nineteenth century German philosophy, especially that of Hegel, the traditional ideas of nationality, morality, and paternalism, were combined in new "scientific methods".

Much food for thought is contained in possible speculation about the relationship between the Nationalist and Historical Schools. No close student of German economic affairs, as far as can be ascertained, has ever concerned himself with the relationship between the two schools, nor is it within the scope of this chapter to do so. But two similarities are easily found: both Nationalist and Historical schools were based, in some measure, on German romanticism and contained elements of the traditional German philosophy of paternalism. But what one finds only in the Historical school is a monotony of texture which

tends to dull the substantive ideas that are contained within it.

Lorenz von Stein[33], Wilhelm Roscher[34], Bruno Hildebrand[35], and Karl Knies[36], the most important members of the first Historical school were agreed that Smith was mistaken in his belief in general economic laws. His "general principles" they considered incomplete abstractions. They thought that Smith had, like the Physiocrats and Mercantilists before him, erred in attempting to build a theory applicable to all times and places. Knies, who was the most thorough of the members of this school, showed in detail how various historical circumstances gave rise to various kinds of economic thought.

What was the practical influence of the national and historical schools of economic thought on German agricultural politics during the nineteenth century before the Empire? Any answer is extremely difficult to sustain or contradict by evidence. The most important reason for this is that most of these writers, influenced by List, interested themselves not in the agricultural but the

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33 Lorenz von Stein's chief works are Der Sozialismus und Kommunismus des heutigen Frankreichs; Lehrbuch der National Ökonomie.

34 The principal ideas of Roscher's economic theory are expressed in his Vorrede zu Grundriss zu Vorlesungen über die Staatswissenchart nach geschichtlicher Methode.

35 Hildebrand's ideas are contained in his Die National-Ökonomie der Gegenwart und Zukunft.

36 Knies's most important work is Die Politische Ökonomie vom Standpunkt der geschichtlichen Methode.

commercial and industrial development of Germany. In none of the main works of the writers under examination here is even one chapter in any one of them devoted to the question of agricultural protection.

What these writers did succeed in doing was to stir up sentiment for industrial protection, particularly on the part of the metal producers. These, together with other industrial and commercial groups, organized into two of the important economic associations before the Empire. One of these was the General German Union for the protection of Home Industries which favored, for example, the Austro-Prussian customs union proposed by Bruck in 1849.[37] Another was the German Industrial Union, which was formed in October 1861 at the time when France and Prussia were negotiating for a customs treaty. Their protectionist sentiment plus an important pro-protectionist resolution passed about the same time by the traditionally free trade Congress of German economists[38] was one powerful argument used by Prussia in preventing a too complete immediate reduction of duties, which would not be ratified by the industrial and commercial interests among the Southern and Western members of the Zollverein.[39]

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37 Friedrich Lenz, Friedrich List, Der Mann und das Werk (Berlin, 1936), pp. 422-426.

38 W.O. Henderson, The Zollverein (Cambridge, 1939).

39 Ibid., p. 282.

A conflict between the more protectionist inclined Southern and Western states and agricultural (and free-trade minded) Prussia can be watched at many of the Zollverein congresses. Hence, although there was a steady downward revision of the Zollverein custom rates, it was slow in coming. What, of course, the more southern and western states wanted was the "educational tariffs" suggested by List.

What the protectionist thinkers provided was the theoretical foundation for the Junkers' agrarian battle for protection during the period of the Empire. As long as they could "cash in on the English market" and there was no American or Russian competition to disturb their markets, they displayed little outward interest in the economic views of the Romantic reactionaries. But when, after 1873, depression and world conditions created serious difficulties and compulsions for them, the Junkers began to turn to protectionist thought. In so doing they found ready to hand that ideology which had been developing in Germany from the turn of the century on, despite the prosperity which had been general since the 1830s - an ideology that had grown through the connected and disparate contributions of the different economic schools which have been touched upon in this chapter.

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