

The Bismarckian coalition

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Another important experience of developmental coalitions was the Bismarckian coalition, which supported the German Industrial Revolution in the 19th century (Veblen, 1915). Germany's fast industrialization – which, starting from a condition of economic backwardness, by 1914 had made Germany the world's second-largest industrial power – resulted from a complex process of change. We will highlight some explanatory factors of an economic, political, ideological and military nature.

In 1834, the Zollverein was formed. This was a customs union that eliminated trade barriers among the German states and expanded the market for industrial products. Referring to this phase of national unification and industrialization, Veblen (idem: 70) wrote: “The states that got their material means of life from the industry of the German people drew together into the Customs Union, presently after into the North-German Confederation, and finally into the Empire. The good effects of this move, in the way of heightened efficiency and therefore of material prosperity, are well enough known, and they have been shown with sufficient publicity and commendation by many writers competent to speak of such matters. The most striking item in the reform so wrought is the removal of tariff frontiers and similar interstitial obstacles to trade and communication”. The Zollverein led to prosperity and was an important step towards the unification of Germany which occurred in 1871, because, as well as being an economic alliance between the hitherto politically independent German states, it encouraged business entrepreneurs to provide political support for the formation of this new and powerful nation-state. In both the Zollverein and German unification, the Kingdom of Prussia played a leading political role in transforming the

confederate form of the political superstructure into a federation, and an equally prominent economic role in achieving Germany's industrial revolution.

The wave of revolutions in 1848 Europe threw up popular and liberal demands, including in some German states, like Prussia, where the conservatives successfully resisted. Among them was Otto von Bismarck, then a young Junker political leader. Although the King of Prussia did not implement the promised liberal reforms, the middle classes' desire for national unification, as expressed in 1848, did not disappear. Bismarck orchestrated that unification with political skill and fostered the interests of Prussia. As Veblen (1915: 60) remarked, when Germany so comes into the complex of commercial and industrial Europe in the nineteenth century it is under the lead of the Prussian state, not under that of the south-German or Austrian peoples; and the lead of Prussia is wholly of a political character and is directed to political ends. Prussia contributed nothing else than a political (warlike) force and political ambitions. German cultural elements, other than warlike and political, come from the countries farther to the south and west. But this contribution from the Prussian side has been very consequential.

In view of the strong political power of the large landowners and the labour-repressive agrarian system, Moore Jr. (1966: 433) dubbed the transformation of German agrarian society into an urban and industrial society a "conservative modernization", which was, at first, "unfavourable to the growth of free institutions of the nineteenth-century Western variety".

Nationalism is the ideological source of the nation-state. German nationalism dates back to "*Pan-Germanism*", a movement that aimed to unify in a nation-state the German-speaking peoples of Europe. It emerged in the context of the Napoleonic Wars, during which France invaded the German states in 1806 and established the Confederation of the Rhine. Another important moment in the history of Pan-Germanism was the Revolution of 1848, which enhanced liberal nationalism in various states of the German Confederation, whose strongest members were the Kingdom of Prussia and the Austrian Empire. The Kulturkampf, an anti-Catholic policy implemented by Bismarck from 1872 on, has also been interpreted as an expression of German nationalism.

On the other hand, according to Moore Jr. and Veblen, the political basis of militarism was the feudal nobility, which practised labour-repressive agriculture, and the centralized absolute monarchy under the control of the Hohenzollern dynasty, which traditionally wielded military force. According to Moore Jr. (1966: 436), in Prussia there was “a militarized fusion of Royal bureaucracy and landed aristocracy”. This Prussian militarism was present in the Second Schleswig War (1864), in which Bismarck, then Prime Minister of Prussia, joined Austria in a military alliance against Denmark in a dispute over the two counties of Schleswig and Holstein. After a brief war, Prussia controlled Schleswig and Austria controlled Holstein. In 1866, Prussia took bold military action against the Austrian Empire, which exerted political influence in the southern states of the German Confederation. Bismarck contrived a cunning pretext for war by provoking Austria on the issue of the administration of the two countries acquired in the war against Denmark. Austria responded to the provocation; Bismarck won the war against Prussia’s biggest rival in the German Confederation and was able to proceed to unify the German states under Prussian hegemony and without the Austrians.

The institutional expression of the economic development of Prussia and of the Austro-Prussian War was the dissolution of the German Confederation and the creation of the North German Confederation. The nationalist militarism of Prussia, institutionally supported by the National Liberal Party, the main party of the bourgeoisie, and the Landtag (the representative assembly) of Prussia, managed to complete its goal of unifying the German states, not only those in the north but also those in the south, which after the Austro-Prussian War of 1866 were left in a kind of geopolitical vacuum. This was achieved through the Franco-Prussian War (1870–71), which Bismarck was able to win. Through this war he managed to attract the German states in the south into a military alliance with the North German Confederation against the Second French Empire, thus realizing the political unity of the German states, which supported national unification.

This paper addresses the developmental class coalitions that supported industrialization. Germany's transformation into a modern industrial country was simultaneously progressive and **conservative**. The process of change mobilized

nationalist ideology and relied on shifting coalitions between bureaucratic and political state forces (mainly in the Kingdom of Prussia, and, after 1871, in the German Empire) on the one hand and the agrarian and industrial ruling classes on the other. Since it is impossible to recount here the complete history of coalitions in the 19th century, we refer only to the main structural trend, namely the coalition between business entrepreneurs in the emerging manufacturing industry and agricultural elites, and to one of its historical settings, namely the so-called “iron and rye coalition” (Gerschenkron 1943) which prevailed between 1879 to 1890.

Moore Jr. (1966: 436) identified, in *18th and 19th century Prussia*, a militarized coalition between the royal bureaucracy and the landed aristocracy. Throughout the 19th century, as modernization progressed, "a new and crucial factor is likely to appear in the form of a rough working coalition between influential sectors of the landed upper classes and the emerging commercial and manufacturing interests". This coalition was the strongest structural socio-political trend in German modernization. Engels (1851-52) had already observed it and wrote on the events and developments of the 1848 revolutions in the German states: “the alliance between the bourgeoisie and the supporters of the overturned system was concluded upon the very barricades of Berlin”. Fearing a repetition in the German states of what had happened a few months before in Paris, where in February the monarchy of Louis Philippe was overthrown and in June there was a popular insurrection led by the workers, the bourgeoisie hesitated between committing itself to the aristocracy and joining the movement for radical reform but chose the conservative option.ⁱ

It was Gerschenkron (1943) who analysed in depth one of the main cyclical manifestations on this structural class alliance (the "iron and rye coalition"). Institutionally, the coalition brought together the National Liberal Party and the German Conservative Party, both right-wing parties. He argues that, from 1865 to 1879, agriculture in Germany was largely based on free trade in grain. The Junker farmers, who were still feudal lords, exported their grain, primarily to the London market, and were strenuous opponents of protectionism. In 1873, this fraction of the feudal-capitalist agricultural class strongly opposed protection for

iron production and was victorious in defending free trade in that good. However, with the advent of the Long Depression, which seriously affected several countries around the world between 1873 and 1879, protectionism in Germany gained in strength as it allegedly served the interests of industrialists, landowners and peasants. In 1876 the Central Union of German Industry was founded, dominated by the iron and textile industries, and specifically dedicated to lobbying for protectionism. At that time, the Junkers still advocated free trade. Yet, less than a year later, the Union for Fiscal and Economic Reform, which was not specifically an organization of farmers but had advocated liberal economic reform, joined manufacturing industry in promoting protectionism.

The Junkers' position changed in response to intensifying competition in the grain market in Europe. Before long, the balance of trade in grain in Germany became negative, with imports surpassing exports. At this point the Junkers switched to protectionism. Bismarck played an active role in building the developmental coalition. According to Gerschenkron (1943: 44), Bismarck “was eager to both increase the revenue of the Reich and, at the same time, to form a new Conservative majority in support of his government in order to supplant the majority which had helped to found the German Reich and of which the National Liberal party, the right-wing liberal middle-class group, had been the essential pillar”. The Liberal Party defended economic liberalism during the 19th century but had come to represent the protectionist sentiments of heavy industry. In 1879 the tariff agreement was promulgated, which protected a number of industrial products and grains, especially, in the latter case, rye.

Reviewing the deal in more detail, Gerschenkron (1943: 45) argues that, in fact, the coalition “was essentially a compromise between iron and rye” or, more broadly, a compromise among iron, steel and grain. After all, if protection had involved the whole of agriculture, it would mean pressure from workers to raise industrial wages; and if it had covered the entire manufacturing industry, it would have the effect of raising production costs for farmers. On the other hand, Gerschenkron argues in relation to the coalition “its successful functioning was contingent upon the ability of both groups to impose this policy on the rest of the producers in industry and agriculture”.

With the end of the Long Depression, economic pressures from international competition for consumer markets increased due to the shrinkage of sales of industrial and agricultural products. Under the Leo von Caprivi government (1891-1894), customs tariffs were being reduced and, in turn, gave way to trade agreements. However, by this time the Junkers had converted to protectionism and strongly resisted the new trade policy. But what is important to observe in Gerschenkron's analysis of the iron and rye coalition is that it was a special case, arising in the Long Depression, of the socio-political coalition between manufacturing industry and agriculture, which was the basis of the conservative modernization that followed the Revolution of 1848 in Germany. This developmental coalition was a synthesis between liberalism and conservatism, feudal-capitalist agricultural development and industrial development, authoritarianism and restricted participation, tradition and change. It provided the basis for Germany's emergence as a capitalist power on the political map of Europe.

The historical context of the first decades of the German Empire included Bismarck's political leadership as head of the executive power (he was later followed by other chancellors), the civilian and military bureaucratic elites, the landowning elites and the large industrial businesses. These political forces composed the class coalition between manufacturing industry and agriculture in a broader sense. That alliance, in addition to the economic challenge of developing the country, faced strong opposition from workers through the Social Democratic Party (SDP) and the unions. Bismarck implemented two major policies for the workers: the "anti-socialist laws", which almost turned the SDP into a clandestine organization, and social reforms, which included provision for sick leave (1883), work accident insurance (1884) and old-age pensions (1889). At the time, this was the world's most advanced social legislation and expressed the government's belief that the fight against socialism required not only repressive measures but also concessions to workers, guaranteed by the authority of the state.

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ⁱ Vincent (1967) identifies the same coalition as that formulated by Moore Jr. (1966).