Making of Modern Europe: State, Economy and Empire

Module 5
German Industrialisation: Its problems

Script

The history of the course of German industrialisation is considerably different from that of Britain or France, and far more complicated. In the 18th century, when Britain and France were established hegemonic forces in global commerce, the German speaking lands lay divided into more than three hundred odd principalities, duchies, city-states, bishoprics, etc. These ranged between large states like Austria, Prussia, Saxony, Bavaria on the one hand and free port-cities like Hamburg, Bremen, Rostock, etc. Formerly integral to the Holy Roman Empire, these regions began to trek their own trajectories suited to their geographical and socio-economic character upon becoming effectively independent after the treaty of Westphalia in 1648. In the agrarian economies to the east of the river Elbe, serfdom was considered pivotal to the process of production in the large land estates owned by feudal lords. Accordingly, in the lands east of Elbe in the 17th century, before the rule of Fredericks I and II, industrial production was limited almost completely to the personal requirements of the landlords and the serfs, not for the market. In the lands west of Elbe, agriculture was carried out by free peasantry, but owing to the populous character of the region the average size of agricultural holdings tended to be quite small. Hence agriculturists here, as in Britain and France, would frequently look towards proto-industrial production to supplement their income. Besides, in the lands adjoining Alps in the south and the North Sea in the north animal husbandry was an important secondary occupation.

Owing to the nature of socio-economic diversity, no single integrated market managed to emerge in the German speaking lands. From as early as the 16^{th} century, the states east of Elbe used to export grains to Western Europe, receiving in return manufactured goods from the west. Antwerp and later Amsterdam were the principal centres of this trade. The economies of northern Germany adjacent to the North Sea had commercial ties principally with other states of the Baltic and the North Sea, especially England. For the lands on the Rhine, the natural hinterland for their industrial products happened to be the provinces of northern France. The preferred market for the animal husbandry, agricultural and industrial goods raised in the region adjacent to the Alps happened to be the Habsburg Empire.

The socio-economic and economic diversity of the German lands became even more pronounced because of the existence of over three hundred separate states and principalities. A small state generally fails to attain economic self-sufficiency, which propels the small states towards trade in necessities. The small German speaking states and principalities were no exceptions to this. But despite the inherent significance of commerce in the German lands, some obstacles prevented commerce from flourishing and generating levels of prosperity that could have been attained. Each German state had its own currency, commercial and civil law, customs, etc, which made it considerably difficult to trade.

As merchandise passed from one state to another, the customs duties tended to push the prices upwards. In course of transportation of the merchandise, the greater the number of states the commodity passed through, the greater the price tended to become as customs or transit duties had to be paid to all the concerned states.

Besides, where there were no navigable rivers like the Rhine or the Danube, the comparatively higher cost of surface transport had also to be factored in. Hence at any place in Germany, local manufactures or products tended to be considerably cheaper than merchandise imported from other states whose prices were higher on account of the customs and transit duties paid. This in turn killed any urge to long-distance trade. Consequently, the wealth that characterised Dutch, French and British ports in the 18^{th} century on account of their overseas commerce was seldom found in the German states.

In this background of a fragmented market, industrial development took place in the German lands in the 18th century with state patronage. The finest exemplar of this tradition was Prussia under Frederick the Great. In the second half of the 18th century, the kingdom of Prussia, curved out of a cluster of duchies, adopted a policy of aggrandisement. This policy of aggrandisement was inextricably linked with the economy – just as Prussian aggrandisement was geared towards annexing economically significant regions, similarly Prussian ability to embark on such annexationist policy was stimulated by Prussia's growing economic power. Frederick was probably the first statesman to undertake state initiatives in economic development. The iron industry that emerged in the mineral rich Silesia soon became the most modern iron industry in the European mainland, courtesy the patronage it received from the Prussian state on account of addressing the demands for weaponry generated by the state. State subsidy, monopoly rights, customs relief and other such privileges allowed the Silesian iron enterprise of Malapane Hütte to install the first coal blast furnace on European mainland in 1756. By arranging the capital required to import the blast furnace from England, and by bringing along with it a British entrepreneur like John Wilkinson, Malapane Hütte became technologically at par with any leading British enterprise. Apart from commercial privileges, state guidance in import of technology, capital investment and even industrial operations proved decisive in consolidating the scattered mineral resources of Silesia and laying the foundations of a modern iron industry. The total mineral production of Silesia grew five times over during 1780-1800. Simultaneously, the other Silesian industry to enjoy state patronage, textile industry, managed to overcome its principal obstacle of labour shortage, when the Prussian state encouraged weavers from many parts of Europe to settle down in Silesia by promising them a weaver's loom each.

Because such state initiatives were not a part of the normal economic activities, the features of modernity visible in such industrial ventures – viz. production in a factory instead of the cottage of the artisan, reliance on machineries, etc – did not proliferate outside the confines of such enterprises. Organised primarily to address demands generated by the state, and operating under state control, these ventures frequently had no contact whatsoever with the open market.

This meant that the ordinary limitations posed by the fragmented character of the German market had no bearing on these industrial ventures nourished by state patronage. Given the relentless growth in state demand, the limited size of the market and its attendant difficulties of capital mobilisation and limitations on technological innovations could be overcome with reasonable ease. But the development of such modern industrial system had no impact on the economies of the adjacent German speaking lands. There developed neither any competition nor collaboration between the iron industry of the proto-industrial ventures of Rhineland and that of Silesia.

In fact there were a number of occasions when possibilities of competition had emerged for the industry in Silesia within Prussia itself, but in each of such occasions the Prussian state intervened to close down all competing ventures.

Towards the close of the 18th century, the German lands outside Prussia saw a temporary field of economic transformation emerge around a series of wars. During the American War of Independence of the 1770s, and afterwards during the French revolutionary wars of the 1790s, the industrial belt along the river Rhine, and the industries of Saxony and Westphalia benefited immensely. In 1792, when the French wars with the coalition of European powers resulted in French occupation of the western bank of the Rhine, the numerous customs frontiers were brought down. With the subsequent political ascendancy of revolutionary France, those sections of German industry which developed under the French ambit began to prosper. In Saxony, the scale of economic transformation was no less than what was going on in Silesia. In 1800, only 20% of the people remained fully dependent on agriculture as Saxon proto-industrial activity developed exponentially. As early as the

1790s, although lagging way behind British textile industry in terms of capital investment and technology, Saxon textile sector posed a stiff competition to the British which helped Saxon textile sector establish domination over European hosiery market even before the coming of Napoleon.

This mode of industrial development was simultaneously reinforced and hampered by Napoleon. In the 1790s, the portion of Rhineland that had come under French occupation had seen the abolition of inter-state customs duties, which in turn generated synergy in the region’s economy. The Napoleonic wars saw the further strengthening of this trend. By the 1801 treaty of Luneville, Austria had to give up its remaining claims over the Holy Roman Empire. To perpetuate the erosion of the Habsburg strength, Napoleon further encouraged states on the east bank of Rhine, like Bavaria, Baden, Württemberg, Nassau, Berg and other small states to annex several small states, principalities, duchies and city-states. The resultant political settlement in 1803 dissolved over a few hundred small states.

Napoleon completed the process of reducing the number of states in the German lands by dissolving the Holy Roman Empire and clubbing together several large and small states adjoining the Rhine to form the Confederation of the Rhine. The number of states in the German states thus came down from over 300 to about 39. The reorganisation of the German speaking states helped expand the commercial horizons substantially, helping the industrial regions of Rhine, Saxony and Westphalia flourish and prosper.

After the fall of Napoleon, many changes wrought by him on the map of Europe were reversed, but the dissolution of Holy Roman Empire was acknowledged by the Vienna Congress. In terms of economics, this considerably reduced the significance of the impediment of limited market size in the German lands.

The Napoleonic era had a different significance for German industry. When in 1806 Napoleon launched the Continental System, he intended to have French industry substitute the British in the European market. But on account of its own intrinsic weakness, French industry failed to establish any hegemonic position on the European market. During this time, freed of the daunting prospect of British competition courtesy the Continental System, and freed of the restrictions of the medieval gild system by French reforms, the Rhenish textile industry grew exponentially. The industrial ventures of Julich, Krefeld, Aachen, Berg and those on the banks of Wupper became very significant within a very short time, catering to the demands of 30 million consumers of France and the German lands.

In 1799 the predominantly agricultural regions of Roehr and by 1815 become industrial conurbations able to employ as many as 65,000 people. Aachen imported the technology prevalent in British textile industry in 1807; the first steam powered spinning machine was installed in 1812. In 1807, woollen textile factories increased five times in number, primarily on account of being able to dominate the Spanish and the Russian markets courtesy the Continental System. Similar developments helped double the population of the adjoining towns of Jülich and Krefeld.

There was another indirect impact of the Napoleonic era that promoted indistrialisation in the German lands. After a series of decisive defeats at the hands of the Napoleonic forces, a large section of the German aristocracy began to believe that they needed to mobilise a citizens' army or a citizen militia to effectively confront the French citizens' army. The German ruling classes also came around to the view that the socially progressive reforms carried out by the revolutionary and Napoleonic regimes had struck a resonance among the German people. Lest the people began to collaborate with Napoleon on that account, the German ruling elite embarked on pre-emptive reforms of the state-system in the German lands. Chief among such pre-emptive reforms was the extinction of whatever vestiges of serfdom existed in any of the

German states. The state that exemplified this propensity was Prussia. During the ministerial tenures of the Prussian ministers Stein, Herdenberg and Humboldt massive restricting of the state system was undertaken. By means of four legislations passed in 1807, 1811, 1816 and 1821, not only was the labour-force tied to agricultural land released (allowing them to participate in the industrial sector), but the dismantling of the gild system also allowed the import of new technology for the industrial sector.

There were, however, some problems of Napoleonic rule in general and the Continental System in particular. Aachen, Julich, Krefeld and other such centres of textile production relied heavily on technology imported from Britain. When the blockade began in 1806, while the Rhenish industrial sector could capture a large segment of the industrial market, the rate of importation of technology began to slow down. Besides, on account of the ravages of the continental warfare, uncertainties in the market, political instability, made investment risky, hence there was little incentive for indigenous technological innovations as well. Thus the spate of industrial activity generated by the French intervention in German lands during the revolutionary and Napoleonic eras remained as limited in their impact as was the state-sponsored industrialisation in Silesia. In the larger economic arena, it barely caused a ripple.

The significance of the problems become clear for the period following 1815. After the end of the Continental System and of the warfare that characterised life in West and Central Europe for over two decades and a half, British industry resumed its stranglehold over the European market. The capital that was required to compete with the cheaper and better products of British industry was largely limited to the industrial regions of Saxony and the Rhine, but even for those industries the resources were not adequate to dominate even the market of the German speaking lands, let alone the market of the whole of Europe.

Thus till as late as the first third of the 19th century, modern industries in Rhineland, Saxony or the state-sponsored industrial conurbation of Silesia, managed to stand out within a picture of general backwardness of the German lands. Historians speak of this as the phenomenon of 'enclaved modernity.'