

Competition for Wealth and Power

The Growing Rivalry between Industrial Britain and Industrial Germany 1815-1914*

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*"Where Nations grow richer,
they in Proportion grow more powerful."
D. Defoe, 1728¹*

I. Introduction

In 1815 or 1816, after Napoleon had been defeated, Britain's economy was not only superior to that of France, Russia or Austro-Hungary, but it had regained its world-wide dominance. On the other hand, Germany was not yet existent as a nation or even as a national economy. Just the opposite: the war "drained the country, not only of money, but of men, of food, and of clothing".² The Holy Roman Empire of the German Nation was liquidated by Napoleon in 1806, and the establishment of the German Confederation at the Congress of Vienna did, in fact, reduce the hundreds of sovereign dominions, ecclesiastical territories, principalities and counties, formed since the Thirty

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¹ DANIEL DEFOE, *A Plan of the English Commerce Being a Compleat Prospect of the Trade of this Nation, as well the Home Trade as the Foreign in Three Parts*, Oxford, 1927, p. 39.

² THOMAS C. BANFIELD, *Industry of the Rhine*. Series II. Manufactures: Embracing a View of the Social Condition of the Manufacturing Population of that District, London, 1848, p. 5.

Years War, to thirty nine states. Nevertheless, the members of this Confederation, since 1816 loosely connected through the German Diet in Frankfurt on Main and dominated by the political confrontation between Austria and Prussia, had little in common, so that even slow economic growth seemed unlikely. While the British economy had secured an international network, and was booming, in Germany there were only some economic growth spots here and there. Some figures can clarify this: Germany's population in 1816 was 24.83 million³ compared to the United Kingdom with 19.52 million⁴ in the same year. But in 1817 the output of hard coal in the U.K. was roughly 12.5 times greater than in Germany and in 1850 it was still 7.3 times. Britain's raw cotton consumption in the latter year exceeded that of Germany by nearly 18 times, and in 1871 still by five times. Other indicators, like the output of pig iron or crude steel, show similar differences.⁵ Britain was the workshop of the world,⁶ Germany the anvil on which English politicians and entrepreneurs could hammer. The slightest economic improvement in Germany was regarded with suspicion, and Henry Lord Brougham, later Lord High Chancellor, expressed the opinion before a Committee of the House of Commons "in order, by the glut, to stifle in the cradle those rising manufactures... which the war had forced into existence contrary to the natural course of things".⁷ And in 1828 the Liberal Joseph

³ In relation to the territory of the German Reich in 1816, not the German Confederation. See HUBERT KIESEWETTER, *Industrielle Revolution in Deutschland 1815-1914*, Frankfurt on Main, 1989, p. 123.

⁴ BRIAN R. MITCHELL and PHYLLIS DEANE, *Abstract of British Historical Statistics*, Cambridge, 1962, p. 8. England and Wales 11.20, Scotland 1.96, and Ireland 6.37 million inhabitants.

⁵ See BRIAN R. MITCHELL, *European Historical Statistics 1750-1975*, Second revised edition, London, Basingstoke, 1981, pp. 360 ff.

⁶ JONATHAN D. CHAMBERS, *The Workshop of the World. British Economic History from 1820 to 1880*, London, 1961.

⁷ Speech of HENRY BROUGHAM, Esq. M.P. on Tuesday, 9 April, 1816: in the Committee of the whole House, upon the State of Agricultural Distress. London, 1816, p. 24, where he explicitly names those manufactures in the United States! In his essay "War Measures as Connected with the Balance of Power" Brougham states:

Hume thought it went without saying and reserve that "Continental manufactures might be nipped in the bud".⁸

How was it possible, then, that a deeply divided "Germany," this hodge-podge of states before the founding of the German Reich in 1871, a plethora of kingdoms, duchies and principalities, managed by the early twentieth century to climb up to be the leading economic power in Europe, overtaking Britain in many respects? Were the advantages of economic backwardness⁹ stimuli for rapid economic growth in the second half of the nineteenth century? Was Germany's late nation-building, e.g. her federal structure, responsible for her rise to become a leading economic power? Or was it just a slackening of economic dynamics in the British case? Did Britain suffer

"The war of the enemy against our trade is now the only contest that remains. While our naval superiority lasts, he can never acquire seamen, unless, indeed, we force all neutrals out of the market, and compel him to carry for himself". See works of HENRY LORD BROUGHAM. Vol. VIII: *Dissertations - Historical and Political*, Edinburgh, 1872, p. 203.

⁸ Quoted in FRIEDRICH LIST, *The National System of Political Economy*, New Edition, London, New York, Bombay, 1904, p. 70. In those days Germans were not very highly regarded by their British counterparts. To give only one other example; General Napier, the conqueror of Scinde and the Commander-in-Chief in India, wrote on 8 January 1825: "The Tyrol is all pine; and as to the people of every part of Germany, honour to Caesar for killing so many of them. Stupid, slow, hard animals, they have not even so much tact as to cheat well. We always detected their awkward attempts, except at night, when cold obliged us to submit; for phlegm prevents their feeling cold when a man of another nation would be frozen: you might bury him, before the German would collect ideas enough to say he was cold. Out of these regions we soon descended to Italy, where we found civilized beings, warm weather, and the human face instead of the German visage. But the Germans use their horses well, which is a great merit, and so it ought to be for it is their only one." Quoted in Sir W. NAPIER, *The Life and Opinions of General Sir Charles James Napier*, G.C.B. In Four Volumes - Vol. I, London, 1857, p. 346 f. For a different opinion some years later, see The Pedestrian (JOHN AYTON), *Eight Weeks in Germany: Comprising Narratives, Descriptions, and Directions for Economical Tourists*, Edinburgh, 1842.

⁹ The classical study is ALEXANDER GERSCHENKRON, *Economic Backwardness in Historical Perspective. A Book of Essays*, Cambridge, Mass., 1962; see also HARVEY LEIBENSTEIN, *Economic Backwardness and Economic Growth. Studies in the Theory of Economic Development*, 2nd ed., New York, London, 1960; STEVEN L. BARSBY, *Economic Backwardness and the Characteristics of Development*, in: *The Journal of Economic History*, vol. XIX, 1969, pp. 449-472; HANS W. SINGER, *The Strategy of International Development. Essays in the Economics of Backwardness*, London, 1975.

from a relative decline or retardation rather than failing to adjust to new and long-lasting economic structures? Many unanswered questions must be seen in a comparative framework.

Before I try to give some preliminary explanations, let me first briefly outline some aspects of the historical development of the competition for wealth and power between these two nations. Usually the literature on this subject dates the relative or absolute decline of the British industry, e.g. the tough competition in domestic and foreign markets, anywhere from 1870 to 1914, depending on which branch, sector or aspect is chosen.¹⁰ This is a political fallacy of economists and economic historians, perhaps strengthened by Keynes's dictum: "What an extraordinary episode in the economic progress of man that age was which came to an end in August 1914!",¹¹ which can only superficially be brought in accord with the economic development both of Britain and Germany. The fallacy can partly be explained by the overall importance of the founding of the German Reich in 1871, or the military establishment of the first German nation-state comparable to Britain, as a result of the victory over France.¹² Or, as P. Kennedy puts it, "wealth is

¹⁰ See ANGELIKA BANZE, *Die deutsch-englische Wirtschaftsrivalität. Ein Beitrag zur Geschichte der deutsch-englischen Beziehungen 1897-1907*, Berlin, 1935; *Foreign Competition 1875-1914. Studies in Industrial Enterprise*. Edited by DEREK H. ALDCROFT, London, 1968; MAURICE W. KIRBY, *The Decline of British Economic Power Since 1870*, London, 1981; AARON L. LEVINE, *Industrial Retardation in Britain 1880-1914*, London, 1967; DONALD N. MCCLOSKEY, *Economic Maturity and Entrepreneurial Decline. British Iron and Steel, 1870-1913*, Cambridge, Mass., 1973; KURT MEINE, *England und Deutschland in der Zeit des Übergangs vom Manchestertum zum Imperialismus 1871 bis 1876*, Berlin, 1937; SIDNEY POLLARD, *Britain's Prime and Britain's Decline. The British Economy 1870-1914*, London, 1989; ALAN SKED, *Britain's Decline. Problems and Perspectives*, Oxford, 1987, pp. 13 ff.

¹¹ JOHN MAYNARD KEYNES, *The Economic Consequences of the Peace*, London, 1920, p. 9.

¹² About the early economic development of some German regions see, for example, C.F.W. DIETERICI, *Der Volkswohlstand im Preussischen Staate. In Vergleichen aus den Jahren vor 1806 und von 1828 bis 1832, so wie aus der neuesten Zeit, nach statistischen Ermittlungen und aus dem Gange der Gesetzgebung aus amtlichen Quellen dargestellt*, Berlin, Posen, Bromberg, 1846; KIESEWETTER, *Industrielle Revolution*, pp. 165 ff.

usually needed to underpin military power, and military power is usually needed to acquire and protect wealth".¹³ Secondly, this view has been influenced by the so-called "Great Depression"¹⁴ which was accompanied by falling prices, rising protectionist policies in different countries and a closer integration of the world economy, resulting in declining shares of Britain's production and export levels. Nevertheless, the Anglo-German economic rivalry, which led to the First World War, started much earlier and can be better explained by exploring the underlying principles emerging after 1815.¹⁵ In a neatly balanced European status-quo the continued expansion of British industries was not only viewed with irritation and resentment, but as a threat to Europe's political power structure. Obviously, wealth and power were intertwined, brother and sister, and to gain political strength, which was the overwhelming desire of continental governments during this time, energetic efforts had to be made to "wrest from Britain the secrets of industrial progress".¹⁶

In such an overview it is impossible to give a full picture of the twisted course of economic and political developments, to this web of intrigues and threats, over a time-span of a century.

¹³ PAUL KENNEDY, *The Rise and Fall of Great Powers. Economic Change and Military Conflict from 1500 to 2000*, New York, 1987, p. XVI.

¹⁴ See HANS ROSENBERG, *Große Depression und Bismarckzeit. Wirtschaftsablauf, Gesellschaft und Politik in Mitteleuropa*, Frankfurt am Main, et al., 1976; S.B. SAUL, *The Myth of the Great Depression, 1873-1896*, London, 1969.

¹⁵ I am not dealing here with such well-meaning but untenable assumptions that to refer to Britain and Germany "as hostile trade competitors is a complete falsification of the facts". See J.A. HOBSON, *The German Panic*, London, 1913, p. 26. Opposite views are expressed, for instance, by SPENSER WILKINSON, *The Nation's Awakening. Essays Towards a British Policy*, Westminster, 1896, p. VII who asserts that "Great Britain must be prepared to use her forces for the assertion of her rights". Or "England's geographical position imposes upon her government the obligation to be the champion in Europe" (p. 276), and later by R. BLATCHFORD in *The Daily Mail* on 13 December 1909 that "Germany is deliberately preparing to destroy the British Empire", see ROBERT BLATCHFORD, *England and Germany*, London, 1914, p. 3.

¹⁶ WILLIAM O. HENDERSON, *Britain and Industrial Europe 1750-1870. Studies in British Influence on the Industrial Revolution in Western Europe*, 2nd ed., London, 1965, p. 4.

My intentions are much more modest. Only some small aspects of the British-German competitive relationship are touched upon, leaving out not only the rather harmonious free-trade era of the 1850s and 1860s and of Gladstonian and Cobdenite liberalism, almost completely, but, perhaps more important, also the multitudinous efforts of industrial and political groups and the various Anglo-German friendship committees which tried to ease the conflict and to continue with the prosperous exchange of goods, capital and technical know-how between both countries.¹⁷ The stress laid on rivalry will not underrate the many links existing between these economic powers, just the opposite: it tries to point out with more clarity than has been previously done that the growing wealth of one nation and the relative decline of another must not necessary lead to war, but could be settled, with more rationality, in a competitive struggle for markets. I am all too well aware of the fact that I have left out many influential events and developments of this rivalry, in the vague hope that this abstract picture will nevertheless help to explain certain phenomena and economic paths.

II. Britain's Economic Dominance

For a long time the superiority of Britain's industries was undisputed. The inventive capacities on that island seemed inexhaustible, and this period is still, I think, the greatest achievement of mankind, or, to use Porter's words, "the greatest advances in civilization that can be found recorded in the annals of mankind",¹⁸ saving many nations from the repetitive vicious circle of famines and starvation. The competitive drive of economi-

¹⁷ See, for example, *Deutschland und England in ihren wirtschaftlichen, politischen und kulturellen Beziehungen. Verhandlungen der Deutsch-Englischen Verständigungskonferenz (vom 30. Oktober bis 1. November 1912). Im Auftrage der Vereinigten Komitees herausgegeben von Ernst Sieper*, Munich, Berlin, 1913.

¹⁸ GEORGE R. PORTER, *The Progress of the Nation*, in its Various Social and Economic Relations, from the Beginning of the Nineteenth Century to the Present Time, vol. I, London, 1836, p. 1.

cally adverse strategies between Germany and Britain started soon after nearly all German states had overcome the setbacks in the famine in 1816/17.¹⁹ Therefore the often repeated British *laissez-faire* economic policy, preaching "the causes of eternal peace",²⁰ is a myth. The two nations drifted steadily apart after Prussia introduced on 26 May 1818 customs laws in order to connect the separated eastern and western parts of the Kingdom under a centralised system. This politically and economically urgent measure was wrongly seen in Britain as directed against intrinsic British interests. In the following period the British parliament, pushed forward by Palmerston's determination to retaliate and supported by different industrial groups, tried to undermine the establishment of a German customs union (*Deutscher Zollverein*) which took effect on 1 January 1834. In 1819 Field Marshal Hermann von Boyen wrote in a letter to the Prussian Chancellor Carl A. von Hardenberg: "The West, perhaps already over-supplied with manufactures, sees in England its enemy who has to be fought continuously. The East, against which each year another market for corn is being closed, longs for British manufactured products and others like them in order to get rid of its corn by these purchases".²¹ A similar view was expressed shortly after the establishment of the *Zollverein*, in 1836, by an Englishman who was sent to Germany to inquire into the condition of the German League: "I am perpetually told, that England must reduce her own tariff before she

¹⁹ JOHANN HEINRICH MORITZ POPPE, *Deutschland auf der höchst möglichen Stufe seines Kunstfleisses und seiner Industrie überhaupt*. Vorschläge, Wünsche und Hoffnungen zur Vermehrung des deutschen Wohlstandes, Frankfurt am Main, 1816, p. 8, was convinced that if the different German governments work together "there is no reason to believe why the Germans little by little would soon be as advanced in their industry and wealth in those branches of the economy, where the British are excellent".

²⁰ KENNEDY, *Great Powers*, p. 152.

²¹ QUOTED IN SIDNEY POLLARD, *Industrialization and the European Economy*, in: *The Economics of the Industrial Revolution*. Edited by JOEL MOKYR, London, 1985, p. 170.

can reasonably expect Germany to do so".²² The *Zollverein* was correctly seen as an effective way to foster economic growth within a larger area bound together by a common customs system, even though political particularism and irrational claims to sovereignty by some economically backward and tiny German states led to a fragile balance, which was also jeopardized by Austria's efforts to split the union. In early January 1839 Mr. Paulton gave a speech at the Music Hall in Liverpool where he expressed the view: "The Prussian German league was professedly formed to retaliate upon us our corn law policy, and the American tariff was adopted for the same purpose".²³ Under those impeding circumstances Germany's chance to industrialize on a larger scale, e.g. in certain states or regions which had developed traditional ties with Britain, was to receive as much know-how and technical expertise from the leading industrial nation as possible. As in the late eighteenth century, soon after 1815 a growing stream of Germans — government officials, entrepreneurs and technicians — was sent or travelled to England's and Scotland's industrial regions and factories to learn and to copy the latest technological developments. They also tried to convince English workers or even entrepreneurs to leave their country, and there were many attempts to buy machines or smuggle them to Germany.²⁴

One clarifying example of a competitive climate was Britain's attempt to prevent the technology transfer of tools and

²² See The Substance of a Speech Delivered by the Right Hon. C. POULETT THOMSON, on Mr. Villiers' Motion for Going into a Committee on the Whole House on the Corn Laws, in: *Speeches on the Corn Laws*, Manchester, 1839, p. 11.

²³ MR. PAULTON'S Lectures on the Corn Laws, in: *Speeches on the Corn Laws*, Manchester, 1839, p. 14. And he adds: "The Aristocracy are the priests of this Moloch of monopoly. To destroy their power, we must cut off their supplies. Root up the Corn Laws, and the rotten fabric is without its base", p. 16.

²⁴ ADOLF HELD, *Zwei Bücher zur socialen Geschichte Englands*. Aus dem Nachlass herausgegeben von GEORG FRIEDRICH KNAPP, Leipzig, 1881, p. 520, pretends that there existed an insurance company for compensating the losses if smuggled machines were confiscated.

machinery, while some German states and industrialists spent large sums of money to get access to a potentiality of wealth. Export prohibitions were extensively practised during the mercantilist era by every major state in Europe. In 1782 the Statute Book, evidently for the first time, prohibited the export of engines or machines under severe penalties, but succeeded only partly.²⁵ After 1820 the problem became more urgent due to a rising demand for English models or machinery. The severe punishment inflicted upon labour-recruiting agents as well as upon exports of machinery could not prevent either Englishmen or Germans from offering high wages and rewards to skilled and trained workers to leave the country or from profitably smuggling models, blueprints, tools and machines.²⁶ Therefore, in 1824, a Select Committee on the Export of Tools and Machinery was set up to examine whether or not the laws which prohibited the exportation of machinery were effective, did not hinder the improvement of British manufactures and retarded not only that of other countries, but "preventing foreign nations from becoming our rivals in several branches of manufactures".²⁷ The opinions of the witnesses before that Committee concerning the restoration or abolition of the laws of prohibition were markedly different, but there was a rather universal consensus that, even if European countries were allowed to import English tools and machinery, "the manufacturers of the United Kingdom would for ages continue to retain the superiority they now enjoy".²⁸

²⁵ There was only one solitary exception, namely that of Matthew Boulton of Birmingham in 1799, who was permitted to export machines and send workmen necessary for the erection of a mint in Imperial Russia. See *Report from the Select Committee on the Laws Relating to the Export of Tools and Machinery*, London, 1825, p. 9.

²⁶ HENDERSON, *Britain*, p. 6, reports that a German was fined £ 500 at Lancaster in 1785 and a native of Alsace was sent to prison and fined £ 500 for defying the laws concerning the export of machinery and the emigration of skilled workers.

²⁷ *Report*, p. 9.

²⁸ *Report*, p. 15. And it continues: "The many important facilities for the construction of machines, and the manufacturing of commodities which we possess, are

As a result of its thorough investigation the Committee proposed that further inquiry should take place before a satisfactory decision could be made, but the emigration of skilled workers was allowed in 1825.

Meanwhile some German regions began, with the help of English, Swiss and French workers, entrepreneurs and capital, to start a machine-building industry of their own. By the late 1830s it had spread to many areas and became more sophisticated. In 1840 Germany imported steam engines, tools and machinery from Britain at the value of £ 88,936.²⁹ Another Select Committee was appointed to investigate the need to uphold the prohibition laws, and decided, after questioning many witnesses, that the prohibition was not worth retention. It was now believed to be in the interest of Britain to allow the export of machinery to be as free as possible, and thereby compel the rest of the world to buy machines from the best and cheapest producers. Understandably, the Committee was still influenced by the enormous advantages British manufacturers held in nearly every manufacturing branch over insignificant continental competition since 1815. Many witnesses expressed similar views, obviously not being extremely conversant with recent developments in some parts of Germany. When Lord F. Egerton asked James D. Hume on 3 March 1841: "Are you of the opinion that there is any country in Europe which can, without the assistance of prohibition, by its natural facilities, compete with us in the manufacture of machinery?", his answer was No, because he thought that it would be impossible for them to produce

enjoyed by no other country, nor is it likely that any country can enjoy them to an equal extent for an indefinite period. It is admitted by every one that our skill is unrivalled; the industry and power of our people unequalled; their ingenuity, as displayed in the continual improvement of machinery and production of commodities, without parallel, and apparently without limit". *Ibid.*, p. 16.

²⁹ See *First Report from Select Committee Appointed to Inquire into the Operation of the Existing Laws Affecting the Exportation of Machinery*, London, 1841, p. 257, Appendix, No. 7.

machinery cheap enough to export it.³⁰ Others tended to believe that Belgian and French machine-makers could possibly become minor competitors of Britain to some extent, but "it is very certain that if a man in Prussia, Poland or Spain wants a machine... he will therefore come to England in preference, and we shall certainly have the export trade of machine-making".³¹ Germany in its divided state was clearly not regarded as having the ability to become an emerging competitor either in the near or in the distant future. Was it through lack of foresight or misjudgement that Germany's machine-building industry, which became Britain's toughest competitor during the nineteenth century, was underrated? I do not think so. Britain was still better equipped than any other nation in the world, though Bowring reported to Lord Palmerston in 1840 that "in some respects Germany may boast of superiority to Great Britain in her means for manufactures".³² But there was still no German nation, no recognizable national economy.

Apart from this example, where Germany had first to establish a domestic industry, the problem for German manufactures beyond the middle of the century in competing with their British counterparts was one of prolonged and widening inferiority.

³⁰ *First Report*, p. 12. Question 73. When JAMES G. MARSHALL, a linen manufacturer from Leeds, was asked by the Chairman, MARK PHILIPS, about the competitive strength of other nations, he pointed out that "the more we acquire a correct geological knowledge of other countries, the more questionable does that superiority of England in mineral resources become; and I see nothing in the mere maritime position of England, considered commercially, on which we can place dependence for continued superiority;... the nations on the continent of Europe have been rapidly approaching to an equality with ourselves in all those elements of prosperity; some of the continental states, as Switzerland and Germany, now, perhaps, surpass ourselves in some important circumstances", p. 187, Question 2710. This is the only critical statement I could find in the Report about Britain's superior economic position.

³¹ *First Report*, p. 58. Question 809. Answer by Grenville Withers from Liège.

³² JOHN BOWRING, *Report on the Prussian Commercial Union*. Addressed to the Right Hon. LORD VISCOUNT PALMERSTON, Her Majesty's Secretary of State for Foreign Affairs, London, 1840, p. 55. Sir JOHN CLAPHAM, *An Economic History of Modern Britain. Free Trade and Steel 1850-1886*, Reprinted, Cambridge, 1952, p. 112, believes that before 1851: "Indisputably, Britain still led the world's industrial motion".

Nearly all foreign markets were dominated by Britain's superiority in machine-made finished articles and high-grade goods, which were not only better but also cheaper as a result of higher productivity. Frederick List in his uncompromising style repeatedly accused Britain of suppressing all other nations, and still "these insular monopolists refused the poor Germans what they granted to their Hindoo subjects".³³ When the Poor Law Commissioners in 1841-42 investigated the sanitary conditions of the labouring population in Britain and published a report, used by Frederick Engels³⁴ in 1845 in his condemnation of industrialization, it was decidedly clear and "not a mere illusion of national vanity" that the chief strength and a greater portion of the wealth of the nation was derived from the undisputed fact that "the labouring population of this country is naturally distinguished above others".³⁵ This applied especially to the manufacture of textiles. English cotton, worsted and woollen manufactures could not be produced in any part of Germany at similar quality or prices. Therefore, German producers faced the alternative either to produce extremely inexpensive goods, the best example is perhaps Saxon cotton socks and gloves,³⁶ or to

³³ FREDERICK LIST, *National System of Political Economy*, Philadelphia, 1856, p. 459. In the English edition, 1904, p. 312, a slightly different translation. There is no space here to deal with List's love-hate of Britain.

³⁴ See FREDERICK ENGELS, *The Condition of the Working Class in England*. Translated and edited by W.O. HENDERSON and W.H. CHALONER, Oxford, 1958, pp. 108 ff. There, he says, p. 12, that before industrialization the workers lived a life "indeed idyllic" and "vegetated happily". "The Industrial revolution carried this development to its logical conclusion, turned the workers completely into mere machines and deprived them of the last remnants of independent activity".

³⁵ *Report to Her Majesty's Principal Secretary of State for the Home Department, from the Poor Law Commissioners, on an Inquiry into the Sanitary Condition of the Labouring Population of Great Britain; with Appendices*, London, 1842, p. 186. The English railway workers are characterized as follows: "Skill and personal strength are combined in an unusually high degree in this class of workmen, but the most eminent employers of labour agree that it is the strength of body, combined with strength of will, that gives steadiness and value to the artisan and common English labourer", p. 187.

³⁶ W. HAMISH FRASER, *The Coming of the Mass Market, 1850-1914*, London,

develop other fields of production where Germany could more easily overcome distinct competitive advantages, as was later done by transferring resources to higher-growth sectors like electrical engineering and chemical industries. In spite of these differences in productivity and multiple supply of goods it is misleading to conclude that there was a "virtual absence of effective [German] foreign competition until the 1870s".³⁷

III. Britain's Decline and Germany's Rise

Bismarck's success in founding a Reich between 1866 and 1871 was obviously a precondition of becoming recognised as an industrial rival by British politicians,³⁸ though it was not, as has sometimes been claimed, "the antithesis of British liberalism".³⁹ This view has been strongly influenced by the confusing of Prussia with Germany.⁴⁰ Especially before, but also after, 1871 the economic and political sovereignty of the German states had a great impact on the economic development of each state and on the nation as a whole. One is inclined by the military history of the period to overlook, as many German historians did, that the federal structure of the German Reich outbalanced Prussia's

Basingstoke, 1981, p. 185, who believes that a flooding of the market by these German goods "destroyed the Nottinghamshire cotton hose industry".

³⁷ SIDNEY POLLARD and DAVID W. CROSSLEY, *The Wealth of Britain 1085-1966*, London, 1968, p. 190.

³⁸ See VEIT VALENTIN, *Bismarcks Reichsgründung im Urteil englischer Diplomaten*, Amsterdam, 1937, pp. 247 ff.; PAUL M. KENNEDY, *The Rise of the Anglo-German Antagonism 1860-1914*, London, Atlantic Highlands, N.J., 1989, pp. 22 ff.

³⁹ RAYMOND J. SONTAG, *Germany and England. Background of Conflict 1848-1894*, New York, London, 1938, p. XI.

⁴⁰ PAUL KENNEDY in his celebrated book *The Rise and Fall of Great Powers*, which deals explicitly with the interaction between economics and strategy, does not even mention the economic-political rivalry between Saxony and Prussia, but is biased with a Prussian-dominated view. Even though he "does not deal with small Powers" (p. XXI), in the centuries before the Seven Years War Saxony was the economically strongest power in Germany. See HUBERT KIESEWETTER, *Industrialisierung und Landwirtschaft. Sachsens Stellung im regionalen Industrialisierungsprozess Deutschlands im 19. Jahrhundert*, Cologne, Vienna, 1988, pp. 40 ff.

dominance. To understand Germany's rapid economic growth in its full implications, one has to study, therefore, at least the separate economic paths of the larger German states.⁴¹

There has been wide debate among English and American economic historians about the extent to which as well as the time when Britain's relative decline in total output and labour productivity and in her share in world production and exports set in or, conversely, what was to make the laggard Germany so competitive. Trade statistics for Germany started too late and are rather unreliable to be used for comparison. If we take some other indicators, we can discover a greater awareness of German competitiveness in England as soon as a steadier flow of German manufactured goods arrived in Britain and in her colonies. Certainly, the economic rivalry and growing contempt for each other did not start with the introduction of that "catchword of alarm": *Made in Germany*.⁴² The Merchandise Marks Act of 1887 was certainly an expression of public hostility towards attempts to disguise inferior foreign goods as British. But when Gibbins wrote in 1890 that Germany could only succeed in competing with Britain "by means of underpaid and overworked labour",⁴³ he was lagging some decades behind the economic reality. It seems to be a kind of self-esteem that many British authors in this period believed in Britain's enduring economic superiority over Germany. Take, for example, James Rogers, professor of political economy in the university of Oxford and of economic science and statistics at King's College, London, who thought that for Germans residing temporarily in England

⁴¹ See KIESEWETTER, *Industrielle Revolution*, pp. 25 ff.

⁴² ERNEST E. WILLIAMS, *Made in Germany*, 1896. Edited with an introduction by Austen Albu, Brighton, 1973. Already in 1896 a German translation has been published. Sir JOHN CLAPHAM, *An Economic History of Modern Britain. Machines and National Rivalries (1887-1914). With an Epilogue (1914-1929)*, Reprinted, Cambridge, 1951, p. 38, reports: "German sailors once had the humour to hang the words over the bows of a new Atlantic liner on her first entering Southampton Water".

⁴³ HENRY DE B. GIBBINS, *The Industrial History of England*, Fifteenth edition, London, 1908, p. 217.

it would have been "an exceedingly practical apprenticeship which they can put to good use",⁴⁴ as if Germany in the 1890s still had been in a nascent economic state. And Mulhall declared in 1887: "The progress made by the United Kingdom during the last fifty years is wholly unprecedented in our annals, and has not been *approached* by any other nation of Europe".⁴⁵

Some years earlier, in 1885, a Royal Commission of 23 members was set up to inquire thoroughly into the depression of trade and industry. Although the main report by this Commission indicated some weaknesses within certain branches of the British economy, especially in agriculture, caused by falling prices, foreign competition, cheaper freight rates, superior technical education and "restrictive commercial policy of foreign countries",⁴⁶ it concluded that the commercial depression has not been so widespread as has sometimes been supposed. An independent report arrived at a somewhat different result: "If we do not possess to their full extent the advantages we formerly enjoyed, we have still the same physical and intellectual qualities which gave us so commanding a lead; and we see no reason why, with intelligent care, enterprise, and thoroughness, we should not continue to hold the foremost place wherever we have the opportunity of free and fair competition".⁴⁷ Did tariff legislation do so much to undermine British competitiveness compared to Germany's, as the propaganda of the National Fair Trade League proposed to assume? Let us consider for a mo-

⁴⁴ JAMES E. THOROLD ROGERS, *The Industrial and Commercial History of England* (Lectures Delivered to the University of Oxford), vol. II, 2nd ed., London, 1894, p. 313, where he continues: "To such people England offers many attractions. If they prosper, they have a far wider field than they would have at home, and the opportunities of a far pleasanter life".

⁴⁵ MICHAEL G. MULHALL, *Fifty Years of National Progress 1837-1887*, London, 1887, p. 7. My italics.

⁴⁶ *Reports of the Royal Commission Appointed to Inquire Into the Depression of Trade and Industry*, London, 1887, p. 28. See also *Memorandum on the Statistics of the Foreign Trade of Germany; with Report to the Board of Trade Thereon*, in: *Accounts and Papers*, vol. CVII, London, 1888, pp. 89-120.

⁴⁷ *Reports*, p. 133.

ment the impact of Germany's industrial and agricultural tariffs of 1879. One could argue that they had perhaps more negative than positive effects on productivity gains in German industries and on competitiveness. They raised without doubt prices of agricultural goods within Germany and prolonged a political dominance of the landed gentry, the *Junkers*. On the other hand they could not prevent "Germany from becoming a lopsided industrial country like England".⁴⁸ It is much more correct to say that "the German protectionist policy turned into a policy of economic aggression".⁴⁹ This view was, of course, not shared by a majority of Germans in those days. There was a rather influential group of scholars who warned about taking the British road to industrialization. England, it was argued, had many other sources of wealth beside her industry. "To transplant English industry into Germany, would squeeze our poor Germany under the burden of its mass poverty to death".⁵⁰

In 1896, the same year in which the book by Williams "Made in Germany" was published, Joseph Chamberlain ordered an inquiry into Britain's export trade and the progress of foreign competition within the empire with neither encouraging nor alarming results. Nevertheless, there were few doubts in Britain from the second half of the 1890s onwards that Germany's industrial and commercial achievements had been remarkable during previous decades, but there were also uncertainties whether Britain had lost ground in taking advantage of a prosperous world market or even failed to match the technolo-

⁴⁸ This is a wrong conclusion by CHARLES P. KINDLEBERGER, *Germany's Overtaking of England 1806 to 1914*, in: *Economic Response. Comparative Studies in Trade, Finance, and Growth*, Cambridge, Mass, London, 1978, p. 212, who thinks they did prevent it and that there was "some good in the tariff". See KENNETH D. BARKIN, *The Controversy Over German Industrialization*, Chicago, London, 1970.

⁴⁹ LUJO BRENTANO, *Eine Geschichte der wirtschaftlichen Entwicklung Englands*, vol. III, part 2: *Die Zeit der Befreiung und Neuorganisation. Das britische Weltreich*, Jena, 1929, p. 418.

⁵⁰ PH. GEYER, *Untersuchungen über Quellen und Umfang des allgemeinen Wohlstandes in Deutschland*, in: *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich*, vol. IV, 1880, p. 53.

gical subtlety of her largest competitor in Europe.⁵¹ The trade figures are by no means undisputed for a comparison of competitive advantages,⁵² even though they were used then as they have been in recent years to show that Britain's commercial supremacy up to 1914 was not in danger.⁵³ In an address delivered at the annual general meeting of the Cobden Club in 1890, called "The Triumph of Free Trade", George Webb Medley used a comparative statement in the *Economist* of figures of British and German domestic exports for the period 1879 to 1887 to convince his audience that expressed fears were unfounded, because the percentage increase of British export trade had risen faster than Germany's. He came to the conclusion: "Other nations have either ignored or have fought against economic law, and have tried to escape the penalties of infringement. All in vain".⁵⁴ But Germany was quite ready and determined to infringe British dominance, regardless of traditional "laws."

In retrospect it seems plausible to assume that Britain could have overcome her disadvantages of a less efficient economy by adopting "new techniques or improved methods of production and marketing, the development of new products and an appreciation of the benefits to be derived from scientific research",⁵⁵

⁵¹ See Sir WILLIAM J. ASHLEY, *The Progress of the German Working Classes in the Last Quarter of a Century*, London, 1904; CARL BALLOD, *Deutschlands wirtschaftliche Entwicklung seit 1870*, in: *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich*, vol. XXIV, 1900, pp. 493-516; WILLIAM H. DAWSON, *The Evolution of Modern Germany*, London, 1908; Earl DEAN HOWARD, *The Cause and Extent of the Recent Industrial Progress of Germany*, Boston, New York, 1907.

⁵² S. BERRICK SAUL, "Some thoughts on the papers and discussion on the performance of the late Victorian economy", in: *Essays on a Mature Economy: Britain after 1840*. Edited by D.N. McCLOSKEY, London, 1971, p. 394.

⁵³ WILLIAM H.B. COURT, *A Concise Economic History of Britain. From 1750 to Recent Times*, Cambridge, 1954, p. 328; ALBERT E. MUSSON, *The Growth of British Industry*, London, 1978, p. 155.

⁵⁴ GEORGE W. MEDLEY, *Pamphlets and Addresses*, London, 1899, p. 306.

⁵⁵ DEREK H. ALDCROFT, *Introduction: British Industry and Foreign Competition, 1875-1914*, in: *The Development of British Industry and Foreign Competition 1875-1914*. Edited by D.H. Aldcroft, London, 1968, p. 31.

e.g. taking full advantage of the economies of scale at organizational, entrepreneurial and manufacturing levels. But in the actual economic situation of the second half of the nineteenth century, when Britain enjoyed steady growth rates of exports, the highest percentage of the world's stock of overseas assets and a tight control over a majority of overseas markets in primary products, this would have been rather wishful thinking than sound economic analysis. The "encroachment of German trade upon imperial markets"⁵⁶ was rather low.

It is, I think, more logical to argue that Britain's overseas investments "retarded industrial growth by reinforcing the overcommitment of the economy to the old-established industries".⁵⁷ Modern economists tend to underrate or overlook the retarding strength of traditions. Kindleberger, for example, believes that in the period after 1875 "German imitation of British innovation was rapid, whereas British imitation of Germany was slow".⁵⁸ There were other factors involved, too, in Britain's economic slackening. Concluding his comparative study of English, German and American industrial efficiency, Shadwell says: "England is like a composite photograph, in which two likenesses are blurred into one. It shows traces of American enterprise and of German order, but the enterprise is faded and the order muddled. They combine to a curious travesty in which activity and perseverance assume the expression of ease and in-

⁵⁶ ROSS J.S. HOFFMAN, *Great Britain and the German Trade Rivalry 1875-1914*, New York, 1964, p. 201.

⁵⁷ KIRBY, *British Economy*, p. 16. Tucker argued in the middle of the eighteenth century that short or long distances played a major role. "That the *Flemish, Germans, Swiss, Piedmontise, Italians*, etc. can arrive at most of the Manufacturing Towns in France at a trifling Expense; whereas the long Journey from their own Country, and the Passage over into England, are a very great Discouragement to Foreign Manufacturers to come to settle here". JOSIAH TUCKER, *A Brief Essay on the Advantages and Disadvantages Which respectively attend France and Great Britain, With Regard to Trade. With some Proposals For Removing the Principal Disadvantages of Great Britain. In a New Method. The Second Edition Corrected, With large Additions*, London, 1750, p. 43.

⁵⁸ KINDLEBERGER, *Germany's Overtaking*, p. 226.

dolence. The once enterprising manufacturer has grown slack, he has let the business take care of itself, while he is shooting grouse or yachting in the Mediterranean. That is *his* business. The once unequalled workman has adopted the motto 'Get as much and do as little as possible'; *his* business is football or betting. Each blames the other... Then the manufacturer complains of being handicapped in various ways; and he is justified. He is handicapped by laws and by-laws and obsolete regulations, which have the effect of hindering him in some respect without any set-off in the way of help. And what do all these mean but carelessness and neglect on someone's part?... We are a nation at play. Work is a nuisance, an evil necessity to be shirked and hurried over as quickly and easily as possible in order that we may get away to the real business of life — the golf course, the bridge table, the cricket and football field or some other of the thousand amusements which occupy our minds, and for which no trouble is too great".⁵⁹ Britain's long-term asset until the end of the century can be rather described as an inventive learning-by-doing-attitude, while in imperial Germany scientific experimentation and the drive of integrating joint-stock banks with cartelized industries led to new forms of managerial organisations in different branches. The process of industrial concentration in Germany, the vertical integration of enterprise, was regarded in Britain as unsuitable to her industry, which apparently had a much stronger tradition of *laissez-faire* individualism instead of state regulation and interference in the German case.

IV. Germany's Megalomania

Publicly the sharp competition was most severely felt from the late 1890s when German commercial goods "invaded" the

⁵⁹ ARTHUR SHADWELL, *Industrial Efficiency. A Comparative Study of Industrial Life in England, Germany and America*, vol. II, London, New York, Bombay, 1906, p. 453 ff.

British market. It was obvious, then, that Britain's commercial supremacy or even monopoly was threatened, by the United States as well as Germany. But not many would have admitted to regarding "Germany as a far more formidable competitor than the United States; she has more stability".⁶⁰ And even less could it have been foreseen that it was too late to turn the economic table around within the remaining period up to 1914. Germany was accused of unfair practices, and slogans like the "German Menace", the "German Blight" and the "German Peril" made the rounds. In exchange, England was portrayed as "the great robber-State".⁶¹ But, in fact, English manufactured goods were still excellent in quality. In retrospect, Winston Churchill's triumphant remarks in April 1908 that "it is one of Nature's revenges upon those who seek to violate economic harmonies, that the very period which had been predicted for our downfall and disaster should have witnessed the most surprising manifestation of our industrial productivity",⁶² were only substantiated in the short run. The inroads were made somewhere else. Germans have an adaptable nature, and the "ingenuity" of German traders rested on that characteristic. This was just another form of reducing factor price disadvantages in invading world markets. Though it was not meant to be rhetorical, Bowley asked in 1893 the question why British commercial travellers should not be "as active as the Germans"?⁶³ Some years earlier, in 1886, the Wire Trade Association expressed the opinion that

⁶⁰ *Ibid.*, p. 647.

⁶¹ J.A. CRAMB, *Germany and England*, London, 1914, p. 22. Cramb concentrates on the "Prussian School of History" of HEINRICH VON TREITSCHKE, "an enemy of England" (p. 69), and others. Contrary to what KARLHEINZ SCHÄDLICH, *Politische und ökonomische Aspekte der britisch-deutschen Handelsrivalität am Ende des 19. JAHRHUNDERTS*, in: *Jahrbuch für Geschichte* 15, 1977, p. 76, says, it was the USA which by most of the actual observers was seen as the greatest rival for Britain.

⁶² Quoted in Kennedy, *Anglo-German Antagonism*, p. 301.

⁶³ ARTHUR L. BOWLEY, *A Short Account of England's Foreign Trade in the Nineteenth Century*. Its Economic and Social Results, Second revised edition, London, 1922, p. 128, note 1.

foreigners, especially Germans, boycott goods from Great Britain and "rely on our commercial imbecility".⁶⁴ British manufacturers often believed that the wide ranging variety of goods for the domestic market would equally satisfy foreign buyers. In contrast, the German export trade, in urgent need to capture market shares from Britain, tried to adapt to particular tastes and wants of European and overseas customers. The ability to supply special items, which the British traders had neglected, but foreigners recognized as particularly suitable to their own wishes and needs, became a successful way of gaining a worldwide reputation. This had already been noted by the Commission on trade depression in 1886, which pointed out the especially severe competition in the case of Germany. "In every quarter of the world the perseverance and enterprise of the Germans are making themselves felt. In the actual production of commodities we have now few, if any, advantages over them; and in a knowledge of the markets of the world, a desire to accommodate themselves to local tastes or idiosyncrasies, a determination to obtain a footing wherever they can, and a tenacity in maintaining it, they appear to be gaining ground upon us".⁶⁵ The Japanese of the second half of the twentieth century have not been, by accident, called the Germans of the Far East! Perhaps, Germans were also better linguists and propagandists than their English rivals, but could one argue, as Levy does, that in this behaviour "the practical application of *Geist* is manifest"?⁶⁶ If this argument contains any meaning, will then the competition for economic supremacy, at a certain stage of industrial development, be determined by spiritual eminence? Searle seems to imply this, when he says: "Without an intellec-

⁶⁴ See Replies to the British Chambers of Commerce and Trade Associations to Questions Addressed to them by the Royal Commission on Trade Depression, in: *Reports*, Appendix, p. 7.

⁶⁵ *Reports*, p. 48.

⁶⁶ HERMANN LEVY, *England and Germany. Affinity and Contrast*, Essex, 1949, p. 43.

tual revolution, then, the British would have difficulty in matching the Germans in the practical affairs of life".⁶⁷

Economic competition provokes national emotions, and increasing xenophobia became part of German society. By the turn of the century Germany felt not only economically superior to Britain, but was convinced she could grasp world power. "A glance at our economic development entitles us to hope that it is not the will of Providence that our magnificent German nation will fall back behind other nations or even let it go to the dogs".⁶⁸ No doubt, in the fifteen years before the outbreak of the First World War Germany had taken over a larger share of trade with other *industrializing* countries than Britain. But as early as 1889 the State Secretary of the Reichsamt of the Interior, Karl Heinrich von Boetticher, told German industrialists: "Germany should be the supreme industrial nation in the world".⁶⁹

It was true, as Shadwell had so objectively observed at the beginning of this century, that Germany "built up from comparatively small beginnings a great edifice of manufacturing industry which for variety and quality of output can compete in any market with most of the finest products of Great Britain".⁷⁰ Other English visitors to Germany were spellbound by her visible prosperity, her stupendous growth, her energising power and her vast potentialities.⁷¹ This runs contrary to Wolfgang

⁶⁷ GEOFFREY R. SEARLE, *The Quest for National Efficiency. A Study in British Policy and Political Thought, 1899-1914*, Oxford, 1971, p. 55.

⁶⁸ HUGO VON KNEBEL DOEBERITZ, *Besteht für Deutschland eine amerikanische Gefahr?*, Berlin, 1904, p. 86.

⁶⁹ QUOTED IN HARTMUT KAEUBLE, *Industrielle Interessenpolitik in der Wilhelminischen Gesellschaft. Der Centralverband Deutscher Industrieller 1895-1914*, Berlin, 1967, p. 148.

⁷⁰ SHADWELL, *Industrial Efficiency*, vol. I, p. 15.

⁷¹ AUSTIN HARRISON, *England and Germany*, London, 1907, p. 91. "Taking the last decade as an index, we find a development of a truly prodigious kind: in shipping, national wealth, industry, commerce, population, production, consumption, prosperity - value which every Englishman should not only know, but realise the true significance of".

Mommsen's statement that "Germany's economic performance was by no means as impressive".⁷² Germany's success can partly be explained by the fact that the countries of continental Europe as a whole grew closer together economically, giving Germany an easy access to these markets compared to those of the British Empire. What Kennedy calls a "geopolitical security",⁷³ namely that the insularity of the British Isles gave her as great an advantage as ever, became in economic terms a growing disadvantage. Britain's trade losses in overseas markets like the United States did not result ultimately from tariff protection — after the McKinley and Dingley tariffs of the 1890s the U.S.A. was the most protectionist industrial country in the world and Germany's export shares to the States were, nevertheless, rising — but from her concentration on Empire trade which was firmly held before 1914. Germany, Britain's most serious rival in non-colonial markets, gained from shifts in the commodity and area composition of trade as well as from greater competitive efficiency. Due to internal competition between the larger German states, the industrial structure became much more diversified than in any other comparable industrialized nation. In 1907 Britain still relied heavily on three staple industries: coal mining, iron and steel and textiles which accounted for 46 per cent of the net industrial output and supplied 70 per cent of all exports,⁷⁴ mainly to her colonies. Dawson observed at the same time that "German industrial competition will be stimulated still more by the rapid growth of population and the absence of German colonies suitable for settlement by Europeans".⁷⁵ The terms of trade changed also in favour of Germany's export products, and the spreading of cartels was "a powerful aid in securing the con-

⁷² WOLFGANG J. MOMMSEN, *Britain and Germany 1800 to 1914. Two Developmental Paths Towards Industrial Society*, London, 1986, p. 28.

⁷³ KENNEDY, *Great Powers*, p. 230.

⁷⁴ ALDCROFT, *Introduction*, p. 23.

⁷⁵ WILLIAM H. DAWSON, *The Evolution of Modern Germany*, London, 1908, p. VI.

trol of the home market and, as a consequence, in regulating the export trade".⁷⁶

Did Germany's economic power trigger off the military battle against Russia, France, Britain and ultimately the whole world? I do not intend to broach this question here, and there is no need to retell the military and political rivalry arising from the building of the German fleet.⁷⁷ When Lord Haldane met the German Emperor William II in the autumn of 1906 at Berlin, he told him: "Both countries were increasing in wealth — ours, like Germany, very rapidly — and if Germany built we must build".⁷⁸ Perhaps more important were the large propaganda organizations in the German empire,⁷⁹ the Colonial League (*Kolonialverein*, founded in 1887), the Pan-German League⁸⁰ (*Alldeutscher Verband*, 1891) and the Navy League (*Flottenverein*, 1898) which intensified their enmity against Britain by spreading nationalistic slogans soon after Joseph Chamberlain

⁷⁶ This was the view in: *Report of The Tariff Commission*. Vol. I: The Iron and Steel Trades, London, 1904, para 60. And the witness No. 12 from the tube trade believed: "The foreign competition we feel all over the world, but more especially from America and Germany, who, by their process of dumping, have gradually pushed us out from the markets formerly occupied by Great Britain". *Ibid.*, para 817.

⁷⁷ See VOLKER R. BERGHANN, *Der Tirpitz-Plan. Genesis und Verfall einer innenpolitischen Krisenstrategie unter Wilhelm II.*, Düsseldorf, 1971, pp. 23ff.; WILHELM DEIST, *Flottenpolitik und Flottenpropaganda. Das Nachrichtenbureau des Reichsmarineamtes 1897-1914*, Stuttgart, 1976, pp. 147 ff.; FRITZ FISCHER, *War of Illusions: German Politics from 1911 to 1914*, London, 1975, pp. 57 ff.; HANS HALLMANN, *Der Weg zum deutschen Schlachtfloottenbau*, Stuttgart, 1933, pp. 238 ff.; WALTER HUBATSCH, *Die Ära Tirpitz. Studien zur deutschen Marinepolitik 1890-1918*, Göttingen, Berlin, Frankfurt, 1955, pp. 52 ff.; ECKART KEHR, *Schlachtfloottenbau und Parteipolitik 1894-1901. Versuch eines Querschnitts durch die innenpolitischen, sozialen und ideologischen Voraussetzungen des deutschen Imperialismus*, Berlin, 1930, pp. 72 ff.; KENNEDY, *Anglo-German Antagonism*, pp. 223 ff.; IVO NIKOLAI LAMBI, *The Navy and German Power Politics, 1862-1914*, Boston, 1984, pp. 113 ff.

⁷⁸ VISCOUNT HALDANE, *Before the War*, London, New York, Toronto, Melbourne, 1920, p. 39. "The commercial rivalry between England and Germany was being rendered acute politically by the growth of the German fleet", p. 96.

⁷⁹ For an overview see PAULINE R. ANDERSON, *The Background of Anti-English Feeling in Germany, 1890-1902*, Washington, D.C., 1939, pp. 131 ff.

⁸⁰ See MILDRED S. WERTHEIMER, *The Pan-German League 1890-1914*, New York, 1924, pp. 90ff.; ALFRED KRUCK, *Geschichte des Alldeutschen Verbandes 1890-1939*, Wiesbaden, 1954, pp. 7 ff.

and the English Tariff Reform movement advocated imperial preferences. "Military greatness was readily identified with national riches".⁸¹

I restrict myself to one aspect of this complicated matter. Why did the economic rivalry between Britain and Germany end in a war at a time when Britain had become Germany's best customer? Or why were the advantages of a *Pax Britannica*⁸² not convincing enough to prevent a military confrontation? Ure's formulation of this idea in 1835 is still unsurpassed: "Nations convinced at length that war is always a losing game, have converted their swords and muskets into factory implements, and now contend with each other in the bloodless but still formidable strife of trade. They no longer send troops to fight on distant fields, but fabrics to drive before them those of their old adversaries in arms, and to take possession of a foreign mart. To impair the resources of a rival at home, by underselling his wares abroad, is the new belligerent system, in pursuance of which every nerve and sinew of the people are put upon the strain".⁸³ And Baron Bruno Schröder in Hamburg warned that a war with England "would ruin German trade".⁸⁴ But in German political and military circles economic power did not restrict belligerent adventures. Therefore, I do not believe, as Cunningham did, that Germany's effort to retain military mastery is closely parallel to that of England in the seventeenth century.⁸⁵ Times had changed, and the combination of economic and military power and the desire to use it made the assumption unrealis-

⁸¹ JOHN D.B. MILLER, *Norman Angell and the Futility of War. Peace and the Public Mind*, Basingstoke, London, 1986, p. 26.

⁸² See ALBERT H. IMLAH, *Economic Elements in the Pax Britannica. Studies in British Foreign Trade in the Nineteenth Century*, Cambridge, Mass., 1958.

⁸³ ANDREW URE, *The Philosophy of Manufactures: Or, an Exposition of the Scientific Moral, and Commercial Economy of the Factory System of Great Britain*, London, 1835, p. VII.

⁸⁴ Quoted in KENNEDY, *Anglo-German Antagonism*, p. 305.

⁸⁵ WILLIAM CUNNINGHAM, *The Growth of English Industry and Commerce in Modern Times*. Part II: *Laissez Faire*, Fifth edition, Cambridge, 1912, p. 879.

tic that a war with the weaponry of the second decade of the twentieth century could ever be localized.

After the Anglo-French treaty of 8 April 1904, relations between Britain and Germany steadily worsened, even though in the following ten years several attempts at a political Anglo-German *rapprochement* were made. After the Anglo-Russian *Entente* in August 1907, Germany feared increasingly a policy of encirclement, which foreshadowed the heated Anglo-German "naval race", the Balkan crises and the second Morocco crisis, all occurring within a period of four years.⁸⁶ At a time when Britain kept to a free-trade policy, especially after 1902, an atrocity campaign against England was launched and the German market became more and more closed to English goods, even to those articles where German industries had hardly to fear any competition. In 1900 Anglo-German trade was nearly equal: imports from Germany were £ 31.18 m; exports to Germany £ 38.54 m, while in 1913 Germany exported roughly twice as much to Britain as Britain to Germany: £ 80.41 m: against £ 40.67 m.⁸⁷ This led to a mutual distrust and hatred, and ultimately to a policy of deception (*Rosstäuscherpolitik*); war became almost inevitable, at least in the eyes of German politicians and military leaders. By August 1914 all attempts to mediate, not to participate or to stay neutral were made fruitless by Germany's desire to turn her economic muscle into a fatal stroke.

⁸⁶ See KENNEDY, *Anglo-German Antagonism*, pp. 251 ff.; 441 ff. HANS ZIEGLER, *We Germans and our British Cousins. A German Business Man's Point of View*, Berlin, 1909, p. 6, believed: "Those on the English side who dream of the possibility of inciting other Continental nations against Germany, in order to weaken her, and thus to lessen the keenness of German competition — a policy which to Germans is plausible enough — are gradually coming round to the view that the defeated and down-trodden Germany which Chauvinistic Britons would like to see would in the long run by no means further the material interests of Great Britain and her Colonial Empire". This speech was read to the Nollington Club by *Franz Schneider* and published in the *United Kingdom* by Christophers, London.

⁸⁷ *Statistical Abstract for the United Kingdom in Each of the Last Fifteen Years from 1889 to 1903*, London, 1904, p. 59; and from 1899 to 1913, London, 1914, pp. 547, 555. The figures of British imports from Germany do not include the unknown amount of commerce which was sent through non-German ports.

As Kennedy calmly states: "On the 23rd of the month, some 30,000 British soldiers engaged in battle with about 80,000 Germans in the vicinity of Mons. Well before that date, the Royal Navy had imposed its blockade; a German warship had laid mines in the Thames estuary; British squadrons overseas had chased the *Goeben* and *Breslau* through the Mediterranean, and were hunting for Spee's fleet in the Pacific; and Indian and colonial forces were assembling for their assaults upon the German colonies. Although the conduct of war was still chivalrous and restrained compared with later years, Britons and Germans were now beginning to kill each other in large numbers".⁸⁸ The economic competition for wealth had turned into a bloody fight for political power, and, after a while, German competition in foreign markets had been cut off.⁸⁹ "The organized system of trade rivalry", said Lujo Brentano in 1916, "results in war".⁹⁰

V. Conclusions

Let me briefly summarize some of the main conclusions of this essay.

1. The competition for wealth and power between Britain and Germany started much earlier than is usually assumed. We can trace it back to the period after 1815, although most authors start with the 1870s. As early as 1833 a ship-owner from Newcastle, William Richmond, feared that nothing could prevent the Prussians with their lower wage and freight costs "monopolizing the whole trade of the world".⁹¹

⁸⁸ KENNEDY, *Anglo-German Antagonism*, p. 462.

⁸⁹ See *Final Report of the Committee on Commercial and Industrial Policy after the War*, London, 1918, where a balanced account of the British-German competition before the war is given.

⁹⁰ LUJO BRENTANO, *Über den Wahnsinn der Handelsfeindseligkeit. Vortrag gehalten in Zürich am 13. Juni 1916*, Munich, 1916, p. 29. But he claims also that England "unchained the most terrible war, which the world has ever seen" (p. 18).

⁹¹ *Report from the Select Committee on Manufactures, Commerce, and Shipping*;

2. The belated foundation of the German Reich led foreigners looking at the German economy to overlook the fact that some German states and regions had already after 1815/34 tried vigorously to promote industrialisation, some with remarkable success.⁹² Therefore, only after the economic downturn of the British and German economies in the late 1870s, did men like Odo Russell report that there is "great commercial hostility against England in Germany just now".⁹³

3. Britain's industrial revolution, though envied for its growth and wealth potential, could not be and was not imitated by Germany. The federal structure of this country up to 1914 made it necessary for the tiniest as well as for the larger states to look for economic paths suitable to their traditional economic, social and political peculiarities. Nevertheless, there is "really little mystery about Germany's industrial progress".⁹⁴

4. When German competition was most severely felt, from the 1880s onwards, Britain was a prisoner of her industrial structure and of her empire trade. Then, in the short period to the First World War, the economic tables could not be turned. The early winner became a late loser, and men like J. Chamberlain "demanded either retaliatory measures or a complete overhauling of the national industrial machine".⁹⁵ Well known is also King George V's exclamation: "England, wake up!"

with the Minutes of Evidence, and Appendix and Index, London, 1833, p. 438, Question 7309.

⁹² See KIESEWETTER, *Industrielle Revolution*, pp. 165 ff.

⁹³ Quoted in KENNEDY, *Anglo-German Antagonism*, p. 55.

⁹⁴ DAWSON, *Evolution*, p. Vf. "Science, education, application, and an equal regard for small as for large things — these, in the main, are the causes of Germany's success as a rival in the markets of the world, and, speaking generally, it is safe to say that where the enterprise of other nations has fallen back in these markets it has been owing to deficiency in one or other of these conditions, upon which Germany lays special stress", p. VI.

⁹⁵ BERNADOTTE EVERLY SCHMITZ, *England and Germany 1740-1914*, Princeton, 1916, p. 100.

5. In the race for economic and political supremacy the nation has an advantage which is not burdened by historical fixtures, such as, for example, an Empire. Without foreign political obligations a government can more easily support economic developments which are more profitable for wealth and power, even though, or just for that very reason, "powerful states develop missionary ideas, which support their foreign policy".⁹⁶

6. Even though war was not the unavoidable result of the struggle for wealth and power, Germany was convinced that her economic strength would guarantee a victory. Not many in Germany in 1908 were so far-sighted and peaceful as Schulze-Gaevernitz: "If once Germany and England realize that neither can be annihilated and that third parties will be the only gainers from a war between them, there should be a way of understanding, despite all the jingoes on either side".⁹⁷

In order to understand and explain the different economic and political paths, the change from economic competition to political rivalry, of these two nations during the nineteenth century purely economic factors are not sufficient, we have to take into account social institutions, educational systems and national characteristics as well.

⁹⁶ VALENTIN, *Reichsgründung*, p. 484.

⁹⁷ GERHART VON SCHULZE-GAEVERNITZ, *England und Deutschland. Eine wirtschaftspolitische Studie*, Freiburg i. Br., 1908, p. 44. A similar idea, according to Schulze-Gaevernitz, has been expressed by COUNT BÜLOW to J.L. BASCHFORD in 1904; see p. 58, note 34.

