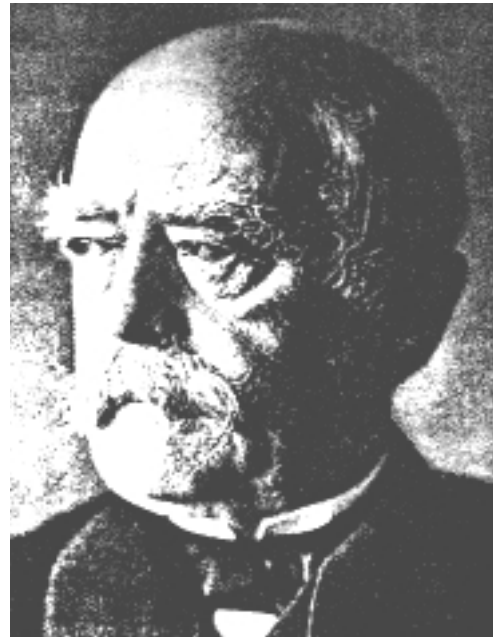


BISMARCK:

THE HARM DONE BY ONE INDIVIDUAL TO THE CAUSE OF INDIVIDUALISM



PAUL MARKS



In 1862, Germany was well on the way to becoming a libertarian area, and this would have lead to a libertarian world.

One man prevented this, and shifted German and world history onto the path of state dominance. That man was Count Otto von Bismarck.

These are extreme claims. But I believe that as I outline the relevant circumstances the reader will see that there is a solid foundation for them.

GERMANY

The revolutions of 1848 had swept away the Carlsbad decrees of 1819 (and subsequent central interventionism) which outlawed politically incorrect thought from German Universities and mandated strict censorship of the press. With the defeat of the revolutionaries this element of central harrying of thought through the Austrian influenced Diet of the German Confederation was not restored.¹

Indeed, the defeat of the revolutionaries was vital. Whatever their virtues most of them were infected by political nationalism, and it is my contention that the absence of a central government was the most import-

ant libertarian factor in Germany. Thanks to the Zollverein, Germany was overwhelmingly the most important free trade area² in the world that did not have a single government. The Zollverein may have nipped in the bud member states adopting universal free trade policies, but it also prevented any member from pursuing long term policies of high taxation, regulation or inflation, for any state that did pursue such policies would simply have seen its productive industry move to other member states. There was no central government to impose 'harmonisation' of regulations or make one member subsidise another. If a member debauched its currency it would suffer the consequences, since there was no single currency.³

To have reimposed tariffs against fellow members would have violated the very spirit of nationalism that protectionists normally use as their excuse, for this would have been to attack fellow Germans! It would also have violated the spirit of economic liberalism,⁴ which was then prevalent in Germany.

LIBERAL PRUSSIA?

Yes, there *was* a liberal Prussia, since the reforms of von Stein and others in the aftermath of Prussia's de-

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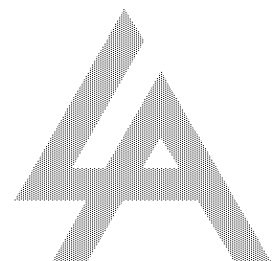
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FOR LIFE, LIBERTY AND PROPERTY



feat by Napoleon. Serfdom, the guild restrictions and internal trade barriers no longer existed. True, the spirit of nationalism and the practical fact that Prussia had twenty eight neighbours worked against trade restrictions, but liberal beliefs also played a role. Prussian civil servants were diligent readers of Adam Smith and believed in free markets and tight control of government spending. There were statist in Germany, but the whole spirit of the age was against them. John Prince-Smith led a vigorous free trade movement. German economics was beginning to combine its traditional opposition to the labour theory of value with a respect for free markets. And such economists as Hermann Heinrich Gossen were producing work that was in some ways the finest in the world.⁵ Even in philosophy the news was good, for whatever we may think of Schopenhauer he believed that the sole function of the state was to prevent aggression against people's persons and possessions.⁶ Even the arch reactionary Karl Ludwig von Haller, who believed in slavery, also thought that taxation was theft.⁷ Wilhelm von Humboldt's minimal state classic on the *Sphere and Duties of Government*⁸ was fully available from 1852, and it greatly influenced John Stuart Mill, whose *On Liberty* of 1859 is a more statist work.

Economic growth was rapid within the Zollverein. True, Prussian iron and steel had the Prussian armed forces as a customer, and there was some interventionism, notably in education and the railways. But like Louis XIV of France and Peter the Great of Russia, Prussian Kings had been trying to stimulate industry for centuries and such attempts had always been economic flops. It was giving private individuals and groups their head that led to Prussia's new success. In short, Bismarck may have been right in claiming that the eyes of Germany were on Prussia's might rather than on her Liberalism, but Prussia's might was based on her Liberalism. Furthermore, as I have said, if Prussia departed from Liberalism there were the other states of the Zollverein where serfdom, guild restrictions and internal barriers had also departed.

Germany was becoming a powerhouse and whatever it did was going to influence the world. Germany's rapid growth, even after the distortions Bismarck set in train, was impressive enough to make Germany the second greatest economy in the world after America by 1914. The language of science before 1914 was arguably German, and German culture and science were of worldwide importance. Had Germany remained on the free market path it would have set a huge libertarian example, just as its move to the path of greater state power set a statist example.

Due to technological and other advances, economic growth was reducing the state's share of output in the 19th century in many countries. (It did not reach its low point in Britain until 1890.) If the *functions* of

the state could have been contained, this trend would have continued, and it would have been strengthened by the free trade movement, whose latest manifestation had been the tariff-reducing Cobden treaty between Britain and Napoleon III's France in 1860. This would have pushed the whole world in a libertarian direction. Human energies would have gone to those areas of greatest liberty of peaceful interaction, thus causing vigorous and creative competition between areas, and strengthening the libertarian elements of each culture.⁹

WHAT DID BISMARCK DO THAT WAS WRONG?

What Bismarck did wrong was that he set a different trend in motion. Germany by 1914 was still predominantly a free enterprise area, by modern standards, but he set the agenda for the 20th century and it was an agenda of state domination and war.

Bismarck was brought to power through the demands of military spending. In 1862, Wilhelm I of Prussia was on the point of abdication after the demand that to approve his increase of taxation he would have to accept parliamentary control of the executive. As a last gambit Wilhelm recalled Bismarck from being ambassador to France and made him Minister President, in other words Prime Minister.

Bismarck's solution was simple. Follow the plan of increasing the army from 500,000 to 750,000. Extend conscription from two to four years. Increase taxation to pay for all this, without conceding any power to the taxpayers in exchange. The liberals talked of revolt and of civil war, but they were bluffing and Bismarck called their bluff.

But Bismarck felt that the liberals were still a threat and he had two policies to counter this. External war, in order to whip up a militaristic spirit in support of the government. And the direct stimulation of statism at home.

EXTERNAL WAR

Bismarck seized on the folly of the Danes, who were making moves towards a new constitution which would have incorporated Schleswig into Denmark. In 1864, in alliance with Austria, Prussia went to war with Denmark on behalf of the German Confederation. The crushing victory that resulted boosted the Prussian government's popularity, and seemed to show that the liberals had been wrong to demand parliamentary control of the executive.

Bismarck then set to work provoking Austria into war by undermining Austrian influence in Schleswig-Holstein. War came in 1866. Austria's position was very bad, for Italy split Austria's strength. Due to Austria's faithlessness during the Crimean war and Bismarck's support for Tzar Alexander's crushing of a Polish re-

volt in 1863, the Austrians knew that Russia would not help them. Von Moltke and his colleagues speedily coordinated large numbers of men, which prevented either the full mobilisation of Austria's German allies or the possible intervention of Napoleon III. Above all the Austrians faced the rapid firing 'Needle Gun', which the Austrian government had rejected in order to protect the Vienna arsenal monopoly armaments works, and which was crucial. Hand to hand - or horseman to horseman or gunner to gunner - the Prussians were no better than the Austrians, and if anything worse. It was in plotting and planning, administration and bureaucracy, that the Prussians excelled. All of which helped to ensure a Prussian victory, and give a further boost to state worship.

The result of the war was the annexation of such Kingdoms as Hanover, and all German states north of the river Main joining the 'North German Confederation'. This 'Confederation' entailed a national budget, with tariff revenue going to the centre, a national currency, central control of army and navy establishments, and of course a central Chancellor - Bismarck.

The next step was to provoke France into war, which Bismarck managed by manipulating a Spanish succession crisis,¹⁰ and that war came in 1870. Again thanks to the organisational ability of men like von Moltke and his general staff (and the incompetence of Napoleon III and the pathetic Marshal Bazaine), Prussia, now leading the full might of north and south Germany, emerged victorious - at the cost of tens of thousands of dead.

Posing as the great saviour of Germany, Bismarck was now able to include the southern German states in his new empire. Petty concessions were made to Wurttemberg, and Bavaria kept control of its armies (apart from in wartime!). Louis II of Bavaria got a large pension. But overall, events were to show that all real power was at the centre.

Whatever Bismarck's personal feelings about, say, Alsace-Lorraine, he had shown the rising generation of Germans that all that mattered was 'blood and iron', and that lies and violence were the correct way of life.

STATISM AT HOME

Starting in 1862, Bismarck had carried out a purge against liberals in the Prussian civil service, and he also censored the press. After 1866 he used large sums stolen from the estates of the blind King of Hanover to bribe journalists and others to support him.

Bismarck undermined the liberals in two other ways. First, he helped to split them between 'progressives', and 'National Liberals' who supported his policy of war. Second, he secretly subsidised Socialists such as Ferdinand Lassalle,¹¹ to win workers away from the liberals, to support the state and to frighten factory

owners with the prospect of revolution, so that they also would support the state.

In 1879 Bismarck took advantage of severe economic problems to break the power of the National Liberals who had supported him. They were denounced in the newspapers as a party of Jews. Although he had no particular dislike for Jews, Bismarck saw no harm in whipping up anti-semitism to discredit the idea of liberty, any more than he saw harm in persecuting the Roman Catholic church (in which many 'liberals' had stupidly supported him) or whipping up militarism - ditto.

Bismarck now proceeded with plans for high tariffs both agricultural (which helped the Junkers) and industrial, to further draw industrialists away from liberalism.

Next came various welfare plans.¹² In 1884, he introduced compulsory sickness 'insurance' ('contributions' from employers and employees), accident 'insurance' ('contributions' from employers only), and, in 1889, old age 'pensions' ('contributions' from employers, employees and general taxation).

These schemes started small. Such things always do. But they grew. The internal policy agenda was set and was followed by Kaiser Wilhelm II after his dismissal of Bismarck in 1890. 'Progressive' income tax (in Prussia) came in 1891. Expansion of the colonies was started by an admittedly reluctant Bismarck in 1884. This was to lead to rivalry with Britain, and to such things as the savage brutality of the Herero Wars in south west Africa of 1904-5. The policy of building a German navy also alarmed Britain, for its only function, given that Germany's colonies were loss makers and most of the ships were short range anyway, was to be a threat to Britain.

Bismarck would probably have thought the Kaiser's policies of provoking Britain and of neglecting Russia stupid. But it was Bismarck who had helped popularize 'blood and iron' and the concentration of power into the hands of one man.

On domestic policy, to give unlimited power to the unions might also have been thought stupid by Bismarck. But by helping to spread the belief that 'Capital' and 'Labour' had different interests, by stirring up 'the masses' against industrialists and making industrialists fear 'the masses', and by making them both look to the state, Bismarck set the scene for the destruction of the rule of law in this area. Germany was copied by many other countries, for example by Britain in 1906, where it was declared that 'picketing' (obstructing the entrance of workers to their place of employment) and contract breaking were to be allowed, indeed that one could not sue a union for any reason whatever, no matter how much violence was used or damage was done.

Similarly Bismarck might have been shocked by the growth of welfare taxation around the world since his day, and the perversion of banking, with the very currency based on nothing but faith in the state. But it was he who initiated these policies, and he was responsible for the resulting intellectual atmosphere. He established the worship of the state and the neglect of mere economics.

The 'Socialists of the Chair', like Gustav von Schmoller, the 'intellectual bodyguard of the House of Hohenzollern', stamped out the teaching of decent economics in German universities, and today in no country on earth is true economics a powerful force in university 'economics' departments.

The mysticism of such as Houston Stewart Chamberlain (so beloved by Wilhelm II) took the place of reason. In Bismarck's day there was anti-semitism and nationalism. In ours: 'anti-racism' and 'internationalism'. In both: the movement 'back to nature' and towards greenery.¹³ Always: the division of people according to race or class, ever more power to the state (or 'society') national or international. And above all: the worship of lies and violence to achieve all objectives - statism leading to war and war leading to more statism. Propaganda and deceit for a 'good cause'. 'Direct action' by activists to build a new state. Or by an existing state to further its policies.

We have a great deal to remember Bismarck for.

THE DIFFERENCE MADE BY ONE MAN

Germany, and with Germany the world, was in the balance when Bismarck came to power. There were strong forces in favour of more state power, but there were strong forces working for greater freedom; it could have gone either way. Bismarck made the vital difference in his time and place.

Individuals make a difference. Just as Ludwig Erhard's great deregulation of 1948 created the German 'economic miracle' (now being undermined by the weight of taxes and high state spending in the Bismarckian tradition), so, without Bismarck, the forces of peaceful competition and cooperation, as opposed to war and government control, would have led to an increasingly libertarian world.

NOTES

1. Neither were other things such as serfdom in Hungary.
2. With the exception of one or two states (including the free port of Hamburg) and of course the areas under Hapsburg rule, the 'Germanness' or otherwise of Bohemia or Austria itself is not being considered here.
3. Gold was developing into a single currency. But for a time, in Hanover for example, silver currency floated freely unfixed in terms of Hanover's gold currency. However the point is that there was no central mint or 'bank' that could impose debauched currency throughout the Zollverein.

4. In continental Europe during the 19th century 'liberal' meant free market. To some extent it still does.
5. *Entwicklung der Geetze des menschlichen Verkehrs* - Development of the laws of interpersonal exchange, 1854.
6. See his "On Law and Politics", in *Essays and Aphorisms*, translated by R. J. Hollingdale, Penguin Books, Harmondsworth, Middlesex, 1970, p. 148; or *The World as Will and Idea*, Vol. III, tenth edition, Routledge, London, 1957, pp. 409-411; or *The World as Will and Representation*, Dover Publications, New York, 1966, Vol. I, pp. 339-347, Vol. II, pp. 594-597.
7. And is attacked for saying this by Hegel in the *Philosophy of Right*.
8. The German title, I am told, is *Ideen zu einem Versuch die Grenzen der Wirksamkeit des Staats zu bestimmen*, now 'available' as J. W. Burrow, *The Limits of State Action*, Cambridge University Press, 1969.
9. Examples of German influence as a statist example are numerous. Public figures in the late 19th and early 20th centuries used Germany as an example of a state dominated railway network (after the early 1880s in Prussia anyway), state 'insurance' schemes or general principles. For example Alfred Marshall on the poor, in *Principles of Economics*, eighth edition, Cambridge, 1920, p. 114: "[They] ... should come under a paternal discipline something like that which prevails in Germany." This meant to Marshall, for instance, control of those '... morally incapable of doing a good day's work' (p. 114), and making sure "... the inside of houses be clean" (p. 718).
10. There was a dispute over who should be King of Spain after the 'Glorious Revolution' of 1868. In June 1870 Wilhelm I persuaded his cousin Leopold von Hohenzollern to withdraw his candidacy. The French demanded that Leopold should promise never to be a candidate in future. Wilhelm met the French ambassador Benedetti at Ems, where Wilhelm was on holiday, politely discussed the problem with the ambassador, and sent Bismarck a telegram describing events. Bismarck edited the telegram to make it appear that the King and the French ambassador had exchanged insults, and he used his influence in the German and French press, aided by the stupidity of the French 'war party' of the Empress Eugenie and her friends, to whip up war hysteria both in France and in Germany. The most detailed book I have encountered on Bismarck's manipulation of the French is James Wycliffe Headlam, *Bismarck and the Foundation of the German Empire*, J. P. Putnam's & Sons, London, 1899, pp. 315-347, especially p. 339 where the actual editing of the telegram is described.
11. As Nietzsche among others knew, the official anti-socialist stance of the state was fundamentally a fraud. Liberalism was the true enemy as, taken to its logical conclusion, it would destroy the state itself. See Nietzsche's "A Glance at the State" in his *Human All Too Human*, 1878, §472, §473.
12. It has been suggested that, because Bismarck does not mention his welfare plans in his autobiography, he did not regard them as important, or that he introduced them only to undermine the Socialists. He was in fact plotting welfare schemes all his adult life. See Lothar Gall, *Bismarck: The White Revolutionary*, translated by J. A. Underwood, Allen & Unwin, London, 1986, Volume I, p. 22. Even Gall is forced to admit that Bismarck "studied with some enthusiasm" the Young Hegelians, most of whom were very keen on statism generally, and welfare statism in particular. In 1862, as soon as he came to power, Bismarck sought out Ferdinand Lassalle, but not to 'educate' himself on the fundamental issue of whether the state has responsibility for the poor. He already believed this. They merely talked tactics. See Alan Palmer, *Bismarck*, Weidenfeld & Nicolson, London, 1976, p. 206.
13. And by stressing the collective or national interest over private interest, Bismarck strengthened the climate which held that for the 'public interest' or 'general welfare' private individuals should not be allowed to sue if the air or water is polluted. The environment is the state's job, and what a job it makes of it!