

Bread and Democracy in Germany

By

ALEXANDER GERSCHENKRON

Latifundia perdidere Germaniam

University of California Press

BERKELEY AND LOS ANGELES · 1943

UNIVERSITY OF CALIFORNIA PRESS
BERKELEY AND LOS ANGELES
CALIFORNIA



CAMBRIDGE UNIVERSITY PRESS
LONDON, ENGLAND

COPYRIGHT, 1943, BY
THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

PRINTED IN THE UNITED STATES OF AMERICA
BY THE UNIVERSITY OF CALIFORNIA PRESS

FOREWORD

THE FOLLOWING study by *Alexander Gerschenkron, Lecturer in Economics in the University of California*, is one of a series of research studies conducted under the auspices of the Bureau of Business and Economic Research of the University. The Bureau is under the general direction of a committee consisting at present of the following members of the Departments of Business Administration and Economics: Professors J. B. Condliffe* (chairman), Stuart Daggett, Howard S. Ellis,* E. T. Grether (acting chairman), and Paul S. Taylor.*

The opinions expressed in this study are those of the author.

MALCOLM M. DAVISSON,
Acting Director

* Absent on leave, 1943-44.

PREFACE

THE PRESENT ESSAY is concerned with the problem of the German Junkers in the peace settlement after this war. In the two main parts, "Agricultural Protection in the German Empire" and "Junkers versus Republic," the attempt has been made to trace the policies of the East Elbian aristocracy from the days of the agricultural revolution of the 'seventies to Hitler's advent to power in Germany. The primary purpose of this study is to show, first, how, before 1914, the machinery of Junker protectionism in agriculture, coupled with the Junker philosophy—the true forerunner of the Nazi ideology of our days—delayed the development of democratic institutions in Germany; and second, how the Junkers contrived to escape almost unscathed the German revolution of 1918 and how this fact contributed to the constitutional weakness and subsequent disintegration of the Weimar Republic.

The main conclusion of this analysis is that democratic reconstruction of Germany after the victory of the United Nations and insurance of world peace call for a radical elimination of the Junkers as a social and economic group. The prerequisites for such an elimination and the methods by which it may be achieved are discussed in the last part of this study.

It is the conviction of the writer that to "forget" the Junkers this time would threaten the world with new disasters. This essay does not pretend to enter upon untrodden ground. It has been written as a reminder, a reminder of a record that is black indeed. If it helps a little to prevent a new lapse of memory at a moment when great decisions will be taken and grand policies designed, its purpose will be achieved.

This essay was originally begun as a part of the Trade Regulation Project financed by the Rockefeller Foundation and carried on at the University of California. It developed from a chapter of a larger study on "Evolution of State Trading" in which I have been engaged for the past three years. I wish to express my gratitude to Professor

John B. Condliffe, the director of the Trade Regulation Project. The association with him was a source of steady encouragement and stimulation. I wish likewise to thank for his generous help Professor Howard S. Ellis, acting director of the Bureau of Business and Economic Research of the University of California at the time of the preparation of this study for publication. I am also indebted for helpful comments to the members of the Bureau committee. My colleagues of the Trade Regulation Project, Dr. Albert O. Hirschman and Mr. Alexander Stevenson, suggested many valuable improvements. Needless to add, the responsibility for the book is exclusively my own.

I am under obligation to Mrs. Mary Anne Whipple of the University of California Press, who edited the manuscript in a thorough and understanding way. I wish also to thank Mr. Chris Calsoyas for his help with the preparation of the Bibliography and Index and the adaptation of the maps.

A. G.

Berkeley, October 1, 1943

CONTENTS

Introduction	1
I. Agricultural Protection in the German Empire	19
Junker and Peasant	21
Peasant and Industrial Laborer	28
Labor and Free Trade	33
Readjusted Agricultures	37
The High-cost Area in Germany	42
The "Kanitz Bill" and the Spirit of Junkerdom	51
The Rescue of the Junkers	56
Protection in Agriculture and Democracy	65
Import Certificates	68
Protection at Work	71
The Impasse	81
II. Junkers versus Republic	89
The Dilemma of Expropriation	91
The Resurgence of the Junkers	105
Return to Protection	113
Effects of Protection	121
Labor, Peasantry, and Junkerdom	126
Agricultural Protection in the Depression	133
Peasants, Junkers, and Nazis	145
III. The Battlefields of Peace	165
Revenge or Reason?	167
The Destruction of Junkerdom	173
The Future of the Large Estates	185
The German Peasant Economy: Principles of Adjustment	190
Methods and Instruments	195
Prospects for Reconstruction	216
Publications Used	225
Index	233

ILLUSTRATIONS

Map 1. Distribution of agricultural holdings according to predominating size of farms	22
Map 2. Crop belts in eastern Germany	186
Graph. Parties of the German Reichstag, 1871-1933	<i>facing</i> 148

INTRODUCTION

INTRODUCTION

Our revolution would not have been possible at all if a certain part of the nation had not lived on the land. If we review the revolution soberly we must admit that it would not have been possible to accomplish this revolution from the cities. In the urban communities we could not have reached a position which gave to our policies the weight of legality.¹

ADOLF HITLER

HISTORIANS who at the opening of the twentieth century essayed to summarize political developments in the preceding one hundred and twenty-five years—since the American and French revolutions—usually described a world in which, despite setbacks and detours, there was on the whole a steady trend toward democratic institutions.² Whatever our judgment about the peace treaties which followed the first World War, its outcome ensured defeat of the forces which had so long opposed democracy and parliamentary government. The “secular curve” of democracy seemed to have reached its highest point. This result appeared to be “natural” in terms of the general political philosophy of the nineteenth century, which had been wedded to the idea that the future belonged to democracy. Even the most bitter enemies of democracy, like Prince Metternich, had felt that its ultimate victory might be long delayed but could not be prevented.³

Today the situation is very different. The peace settlement that was to have made the world safe for democracy now seems to most observers to have closed the political era that began with the French and American revolutions. For the first time since the fall of the Bastille democracy faces an irrevocable challenge. If the forces of democracy are defeated in the present war, modern methods of repression are efficient enough to make their revival improbable in any foreseeable period.

¹ *Völkischer Beobachter*, April 6, 1933.

² Cf. E. Driault, and G. Monod, *Evolution du monde moderne, histoire politique et sociale 1815-1911* (Paris, 1911), p. 656; Benedetto Croce, *Storia d'Europa nel secolo decimonono* (Bari, 1932), p. 272: “La società europea andava tutta a democrazia, come si diceva”; Werner Sombart, *Dennoch!* (Jena, 1900), p. 90.

³ Cf. Gustav von Usedom, *Politische Briefe und Charakteristiken aus der deutschen Gegenwart* (Berlin, 1849), pp. 68 ff.; and Heinrich Srbik, *Metternich, Der Staatsmann und der Mensch* (Munich, 1925), II: 299.

But this life-and-death struggle, in which for several anxious years both the fate of existing democracies and the possibility of democratic development in other countries hung on so thin a thread, is only one, although for the moment the most acute, aspect of the problem. A totalitarian defeat will not in itself mean a return to the confident democracy of the past century. The defeat of the totalitarian aggressors is a necessary, but not a sufficient, condition for the establishment of a lasting democracy.

The present war, in fact, is only the culmination of a long process during which belief in the inevitability of democratic evolution has been undermined. The experiences of the years between the World War and the advent of fascism in Germany and Austria played a crucial role in this process of disillusionment.

The generations of the nineteenth century had been reared, consciously or unconsciously, in the spirit of Rousseau's axiom that the "general will" (*la volonté générale*) is inalienable. They knew full well that a democratic form of government might succumb to the onslaught of antidemocratic forces. Every major European capital had witnessed such defeats. In 1848 an army of Russian serfs could be called upon to cross the Carpathian Mountains in order to prepare an untimely end for the young Hungarian democracy. The nineteenth century saw democracy crucified often enough; yet it continued to believe, with unshaken faith, that resurrection was inevitable.⁴ What it could not conceive was that democracy might commit suicide.

The decisive lesson taught by the history of the German Republic after 1918 is that, under certain conditions, a well-established democracy may choose to destroy itself. True, the National Socialist Party never acquired a majority in the democratic Reichstag. It was a rump parliament that granted Hitler full legislative power and thus transformed itself into a gathering of cheering robots, apparently deprived of all faculty for articulate language. These, however,

⁴ In 1852, in the bitterness of exile, Victor Hugo wrote: "However deep the humiliation of this hour, whatever the blows that bludgeon us in the turmoil of events, whatever the seeming desertion and passing lethargy of the public mind, none of us, democrats, will reject this magnificent epoch in which we live, the virile age of mankind. . . . Let us proclaim it aloud in this time of downfall and defeat: this is the greatest of all centuries. . . . This century proclaims the sovereignty of the citizen and the sanctity of life; it crowns the People and consecrates Man." Hugo, *Napoleon le Petit*, Librairie Ollendorff (Paris, 1907), pp. 195-196.

are accidental and unimportant circumstances. The all-important fact is that the Hitler movement in Germany was carried to power on the wave of impressive electoral victories. It is true, as Rauschnig insists, that fascism came to power in Germany by a combination of "conquest of legal power by parliamentary methods and of revolutionary violence by a *coup d'état*." But it is essential to understand that in this combination the former was fundamental and the latter almost fortuitous.

That modern democracies know how to deal with minority movements which aim at a *coup d'état* was proved in 1920 in Germany, in 1929 and 1930 in Austria, and in 1934 in France. But democracy cannot fight its own procedures. It falls when the majority of the population decides against the democratic form of government. The causes may be temporary, but the effects are not. Rejection of democracy may be the result of a temporary combination of special circumstances that produce an antidemocratic psychosis among the populace. The popular mood may pass rapidly, along with the conditions that have occasioned it. But the profound political change which it has caused remains, and remains permanently unless, indeed, it is reversed by the immense effort of global war.

It is for this reason that there is today great uneasiness and skepticism concerning the future of democracy. Such uneasiness goes far beyond natural apprehensions as to the outcome of the war. It is enhanced to some extent by vigorous antidemocratic propaganda, but it does not originate in such propaganda. Postwar reconstruction would not seem such an appalling task, if our political thinking, under the impression of recent history, were not haunted by something in the nature of the old Hellenic idea of a political cycle with autocracy and democracy as the opposite poles.

It is true that in large part the suicide of democracy was a problem of the German-populated territories in Central Europe. Until recently it might be thought of almost exclusively in terms of "immature democracies." But the state of far-reaching disintegration in which the outbreak of the war surprised the Third Republic in France has shown that even a long democratic history does not necessarily immunize a country against becoming a "democracy without democrats."

⁵ Hermann Rauschnig, *Die Revolution des Nihilismus* (Zurich, 1938), p. 19.

The assumption that it is possible for a nation to get, in the shape of laws, something like embodied reason, when it is not pervaded by correlative reasonableness, is improbable *a priori* and disproved *a posteriori*.⁹

Divested from the specific Spencerian identification of democracy and reason, these words carry the simple truth that the most ingenious democratic constitution will prove untenable in the long run unless a correlative belief in democratic principles is shared by a large majority of the population.

Thinking in terms of political trends and cycles is of necessity loose. Attempts to force historical development into the strait jacket of a predetermined regularity are often precarious; and inductive analogies in the field of human history are uncertain. Yet if men are convinced of the presence of such regularities, their belief will justify itself. In the nineteenth century such belief worked to the benefit of democracy. At the present time it seems more likely to work to its detriment. No attempt at a democratic postwar reconstruction can be successful in the long run, unless the social, economic, and political realities of the postwar settlement are such as to uproot the belief in the 'ἀνάγκη' of a Polybian cycle, by which democracy must give way to its opposite.

But what should those realities be? Public discussions on the problems of postwar reconstruction are steadily increasing in scope and intensity. The number of books, pamphlets, articles, and lectures dealing with the postwar world is growing rapidly. "Blueprints for a Utopia," scorns the skeptic who, in nine cases out of ten, only a few months ago still believed in the utopia of isolationism. Surely, after two decades spent in a semicomatose democracies can ill afford to discourage attempts to devise bold and creative policies of democratic reconstruction. If humanity is to be spared the horrors and the frustration of a third world war, then the world which emerges from this war must be so different from the world after 1918 as to appear altogether utopian by comparison.

Yet this does not mean that those who devote their thoughts to the problems of reconstruction can forego the supreme obligation of a painstaking scrutiny of the chains of causation—of what Voltaire once called the "pedigrees of events"—which led to the destruc-

⁹ Herbert Spencer, *The Study of Sociology* (New York, 1875), p. 290.

¹⁰ Ananke = "necessity."

tion of democracy in large parts of Europe and placed it in gravest jeopardy in the rest of the world. We must indeed discuss and plan, but we cannot do so in a vacuum.

The reconstruction of the world will not begin with a *tabula rasa*. Nor will it be possible to ignore the lessons which the history of the past years holds for those who are willing to undertake the troublesome task of asking questions and listening to the answers. The break with the past to be achieved by the reconstruction may be, and should be, a definite one. But it will be so only if the nature of things from which it is desired to break away is understood.

Moreover, reconstruction is not a matter of a few months, least of all of one peace conference. Reconstruction is a historical period. It is an assignment for a generation. In the almost infinite multiplicity of tasks to be performed, time schedules arranged according to the significance and urgency of the problems involved will be necessary. It will be important not only to know what must be done, but also to discern what will call for immediate action and solution, lest the success of the whole work be frustrated.

If in dealing with the future we cannot ignore the past, then it is essential to understand that the conspicuous international economic and political disintegration in the world after 1919 was preceded, paralleled, and conditioned, by equally momentous, although perhaps less obvious, domestic disintegration. In a number of important countries, above all in Germany, this process has resulted in the destruction of democracy and the establishment of fascism. Unfortunately, it is frequently only the international aspect of the problem that attracts attention.

It is generally realized today that "the type of economic [and, it may be added, political] reconstruction attempted after the war of 1914-18 is impractical." That reconstruction "was based primarily upon the principle of self-determination."^b This was a natural outgrowth of the general philosophy of the nineteenth century, a century in which Italy, the Balkan countries, and to a certain extent even Germany fought for and finally gained their national unity under the slogans of democracy. The solution of 1919 was politically an unhappy one, because by that time the identification of nationalism and democracy had become an anachronism.

^b J. B. Condliffe, *The Reconstruction of World Trade* (New York, 1940), p. 363.

History since 1919 has amply demonstrated that an extreme form of nationalism has been the vehicle of deadly attacks on democracy in many countries. It is this rabid nationalism that is the greatest threat to democracy in the present international conflict. Obviously, in order to check such aggressive nationalism for the future some measure of international or interregional limitation of sovereignty is called for. It is therefore very proper that so many plans for post-war reconstruction should be devoted to new forms of international coöperation and to the problem of establishing new and larger political units, federated or centralized blocs of varying size, while the ideal of a world state looms in the distance.

Yet the complexity of the reality must not be overlooked. Even today the relation between nationalism and democracy is far from simple. It should be recalled that a strong spirit of national cohesion is one of the secrets of the admirable force of resistance displayed by England in her hour of peril and isolation; while it was precisely the lack of national unity which proved fatal to the French democracy. Increased emphasis on nationalism has been of late very conspicuous in Russia. Furthermore, the smaller states now smarting under the yoke of national oppression will be more eager than ever after the war to see their national independence fully restored. It will be extremely difficult to resist the claims of these countries to autonomy. The limitation of national sovereignties after the war, therefore, will not prove an easy task. It will be at best a slow and laborious process.

Even in the most favorable circumstances such a limitation of sovereignty would not in itself afford sufficient insurance against a possible recurrence of the democratic disaster. It would be a dangerous illusion to assume that supranational organizations would end or render inoffensive political struggles within the member states of regional or international groupings. If these cannot be controlled, the process of internal political disintegration—a *bellum omnium contra omnes*—will recur within each national state. This, as before, would prepare the soil on which totalitarian dictatorship thrives and would carry in itself the seeds of destruction of democracy. It is still of paramount importance, therefore, that a large majority of the population remain committed to democratic procedures. Their convinced adherence to democracy is the only assurance that the neo-

Polybian cycle, in which democracy is necessarily succeeded by autocracy, will cease to haunt the democratic world.*

It is easy to make some general and rather obvious statements concerning the process of disintegration. Precarious economic conditions which lead to frustration of important and numerically strong groups may be considered the main cause of the disintegration that propelled democracy toward its doom. Under these circumstances a peculiar difficulty of democratic strategy revealed itself, particularly in Germany and Austria. If those who are faithful to the democratic procedure choose to take part in the government, their participation will foster discontent with democracy and become instrumental in strengthening the antidemocratic parties. If, on the other hand, the democratic parties abstain from participation in the government, then they surrender the instruments of power to the enemies of democracy, who generally will not be slow to use them to destroy representative government. In other words, the working of democracy is predicated upon prosperity, and nothing can be more important than to devise economic policies which may ensure a high and stable level of employment, rising incomes, and improving standards of welfare.

Yet serious discussion of postwar policies must go beyond timeless and spaceless generalities. Those policies must take into account a stupendous number of factors which assume different aspects in different countries. Considerable and important similarities in the general character of the process of disintegration must not blur the fact that it is the specific social structure which provided the medium through which the disintegrating forces worked in the past and through which, if not checked, they will work in the future.

Man does not live by bread alone. This is true today in a rather

* In contemporary discussion of the subject it has been repeatedly suggested that a combination of representative government with a monarchical head of state would have broken the vicious circle and saved democracy from the danger of disintegration and annihilation. See, for example, Ernst Karl Winter, "The Rise and Fall of Austrian Labor," *Social Research* (New York, 1939), 11:316-340; also Hermann Rauschning, *The Conservative Revolution* (New York, 1941), and Fritz Thyssen, *I Paid Hitler* (New York, 1941). This indeed is the solution recommended by Polybius (cf. *The Histories of Polybius*, Vol. I, Bk. VI [London, 1889], pp. 466-467). It should not be forgotten, however, that the powerful rights vested in the president both by the Weimar Constitution and by the amended Austrian constitution (1929) were instrumental in facilitating the accession of fascism to power in both countries. In this respect, it may be added, a comparison with the American presidency or English monarchy is clearly not pertinent.

specific and sinister sense. The disintegration of democracy was not only a struggle for bread, it was in no less degree a struggle for power. The victory of the Nazis revealed the grip of irrational forces upon the conduct of men. Ever since their victory the peculiar feature of Nazi Germany has been the liberation of the power instincts of a relatively small group by its domination over the economy of the country. This dominance has enabled the group to embark upon a war for the subjugation of the world.

Also, those irrational, or rather, meta-economic forces became effective as collective forces, as group purposes and group power. And therefore they, too, depend upon the particular social structure—upon the character, general outlook, and relative strength of various groups out of which the society of a given country is composed.

This essay discusses one of the most crucial of this nexus of special problems, the problem of German agriculture in its relation to democratic reconstruction. The political attitude of farmers in several European countries had a decisive influence on the fate of European democracy. Nowhere was this more true than in Germany. The German farmers bear their full share of responsibility for the advent of fascism in that country. A brief survey of the prospects of democracy in Germany after this war with respect to the main groups of German society will make it clear that in the postwar world the attitude of the rural population toward democracy will again become a factor of major and probably vital importance, as it was in the interwar period.

It is often taken for granted that the prospects for establishment of democracy in Germany are much less favorable now than they were when the Central Powers collapsed in 1918. When this war is over, it is argued, the German people will have lived for more than a decade under conditions of a totalitarian regime. To an extent altogether unknown even in the Russia of the tsars every organization, every public action, be it ever so limited in space, scope, and numbers, has been mercilessly "coördinated" (*gleichgeschaltet*) with, that is to say, subordinated to, the absolute will of the Nazi government. It is not in the open air of public life, not even in the twilight of a semilegality, but in the complete obscurity of the underground that organizations exist whose desperate struggle against the deadly

efficiency of the Gestapo creates for them claim and title to leadership in postwar Germany. But we know little about the political ideas of those men, and nothing or almost nothing about the extent, strength, and significance of their movement. It is believed therefore that absence of political organizations, lack of leaders, and confusion of mind will be general characteristics of postwar Germany. In 1918, it is stressed, the majority of the Reichstag, and most notably, powerful democratic organizations of the labor movement stood ready, generally recognized and acknowledged as the apparent heirs of the Hohenzollern monarchy. Thus a complete breach of political continuity could be avoided.

The difference now is obvious; but it is wise neither to exaggerate it nor to rush to premature conclusions. It is doubtless true, as implied in the foregoing reasoning, that the attitude of German labor and its policies will be a crucial factor determining the fate of German democracy. This democracy is unthinkable without the support of labor. This will be just as true after this war as it was in 1918 and later. But it is more difficult to accept the picture of a state of complete disorganization and disorientation of German labor after this war. In times of great cataclysms, political movements arise and expand with astounding rapidity. The very absence of any free political activity in the long years of the Nazi regime is bound to provoke a powerful reaction. Moreover, before the advent of Hitler German labor had had more than half a century of intense political life. It has political traditions and political experience. The problem of leadership is not insoluble. Some of the leaders may come from their exile in England and the United States. But naturally more respect and authority will command those who have taken part in the underground struggle against the Nazis and those whose moral strength has enabled them to survive the physical and psychical tortures of the concentration camps. A process of crystallization indeed will be inevitable, but its length should not be overestimated.

The real problem will be not the existence of an organized labor movement, but its policies with respect to democracy. Three courses seem possible. German labor may take up the thread of its political development where it was broken in 1933. This would mean that again, as in the Weimar Republic, two factions of the movement will be interlocked in a bitter strife, the one upholding the prin-

ciples of democracy and the other those of a proletarian dictatorship. If this should happen, the long-run prospects of German democracy will be dismal indeed. But this contingency is not too probable. It is more realistic to assume that the history of the Weimar Republic left German labor with a horror of disunity. It was the split in the labor movement which rendered so ineffectual its resistance to the onslaught of the Nazis and was primarily responsible for the inglorious end of the Republic. It was the united labor movement in neighboring Austria which, in 1934, took up arms to defend democracy. This heroic effort was defeated, but it once again and most impressively demonstrated to German labor the difference between unity and disruption. It may be assumed that the lesson has been learnt, and this not only in Germany but also in Russia, which so deliberately and absurdly fostered the split in German labor.

It may be, however, that precisely the defeat of democracy and the destruction of labor organizations by Hitler has also destroyed German labor's belief in the value of democracy. But the long ideological traditions of the large majority of labor, its trade-union interests and the necessities of foreign policies will militate against this contingency. It is the third course which would appear the most realistic. There seems a reasonably good chance that after this war the labor movement will succeed where it failed after 1918, namely, in creating an integrated movement in which the democratic and humanitarian traditions of labor will be combined with the determined resolution to build up such a democratic order that the sad story of the Weimar Republic will not be repeated. One of the causes of disunity in German labor was the fact that a part of it had become too closely interwoven with the old order of the monarchy, and this contributed toward leading other parts of the movement down the road of irresponsible radicalism. This time the breach with the past will be complete precisely because of the totalitarian character of the Nazi regime, a fact which may more than offset the initial deficiency in organization.

Much will depend on the amount of aid for German democracy that will be forthcoming from abroad. Shipments of food and raw materials can be only one part of this aid. No less important is the amount of understanding and confidence which the new German government will find outside Germany. Nobody can reasonably ex-

pect that, after more than a decade of Nazism, democracy in Germany will be cast in the mold of Anglo-Saxon democracies. Democracy in Germany will inevitably display characteristics which will appear strange and undemocratic to the eyes of men bred in a century-long democratic tradition. The particular difficulties and necessities of an immature democracy must be fully appreciated. Eradication of the ideology of Nazism will of necessity call for revolutionary methods. If this is understood and policies toward Germany are shaped accordingly, then there is every likelihood that German labor will reassume its old function as the guardian of democracy and the most democratic group in the political structure of the country. Then again, in the long run, the problem of a safe democratic majority will become paramount.

This problem will not be easy to solve. On all past record a labor majority, and particularly a steadfast labor majority, appears perhaps structurally possible¹⁰ but politically unlikely. It is not certain that fundamental changes in this respect have taken place in the last ten or fifteen years.¹¹

¹⁰ Wladimir Woytynski, "Zahl und Gliederung des Proletariates," and "Tendenzen der zahlenmässigen Entwicklung des Proletariates," *Die Gesellschaft*, I (1925):398-425, II:97-116.

¹¹ It is true that from about 1933 on a drift of population from the open country into the cities has set in again. According to an inquiry made in the spring of 1939 by the *Reichsnaehrstand* the total loss of fully employed workers suffered by German agriculture between 1935 and 1938 should be estimated as 650,000. (Cf. Wilhelm Roepke, *International Economic Disintegration* [London-Edinburgh-Glasgow, 1942], p. 146.) This figure, if correct, is certainly impressive, particularly if related to the total number of workers in German agriculture, which according to the 1933 census was 2.53 million. It comes close to, or perhaps even surpasses, the corresponding figure for such a period as 1885-1890 when 840,000 people left the agricultural districts in Germany; of these 340,000 went abroad and 500,000 found a domicile in the industrial cities. (Cf. Adolf Buchenberger, "Agrarwesen und Agrarpolitik," in Adolf Wagner, *Lehr- und Handbuch der politischen Oekonomie*, Vol. 3:2:1 [Leipzig, 1892], pp. 557-558.) Moreover, the extent of this population shift throws a most interesting and revealing light on the true nature of the agrarian policies of the present German government. It should not be forgotten, however, (1) that this movement took place after a most severe depression during which several hundred thousands of the 6 million unemployed must be assumed to have flocked back to the land, and (2) that the feverish preparations for war created an extraordinary demand for industrial labor and for soldiers. ("Construction of the Siegfried Line implied a veritable conscription of labor." C. W. Guillebaud. *The Social Policy of Nazi Germany*, Cambridge, 1941, p. 53.) The immediate consequence of a lost war is most likely to be a reversal of this prewar movement, at least temporarily, as happened after 1918 (cf. Max Sering, *Die deutsche Landwirtschaft, Berichte über Landwirtschaft, Sonderheft 50* [Berlin, 1932], p. 139). There is little reason to assume, therefore, that the National Socialist regime in Germany has so far produced any fundamental and permanent structural shifts in the relative numerical strength of the industrial and agricultural population in the country.

Moreover, it is legitimate to ask whether a majority based exclusively on industrial labor, even if it could be achieved, would in the long run be an unmitigated blessing from a democratic point of view. As likely as not, it would provoke a general strengthening of the antidemocratic sentiment in the rural areas. But then the question arises, what groups outside democratic labor could possibly be regarded as prospective partners in a democratic alliance?

The constitutional weakness of German liberalism¹² was a characteristic and, from the point of view of democracy, a most unfortunate feature of the political life in Germany and Austria. The decline of liberal parties was largely due to the antidemocratic attitude of large and influential sections of the middle class in the cities. The civil service, the universities, the free professions, the teachers in secondary and elementary schools, and small shop owners in trade and industry were for the most part opposed to the democratic form of government. Monarchical and nationalist traditions, hatred of the mob, fear of proletarianization, indignation at the leveling of incomes, despair over losses of savings during the inflation, an intense feeling of degradation in social position, racial prejudices that increased as competition grew—all these were operative in determining the outlook of the middle classes. It was no accident that antisemitic propaganda celebrated among these its most striking successes. In the years of the Nazi regime these groups have become the most solid pillar of the system. As Rauschning rightly remarks: "National-Socialism has made the petty-bourgeois the backbone of the movement."¹³ Moreover, the new bureaucracy created to serve the huge machine of the ruling party¹⁴ meant in itself a tremendous expansion of the "new middle classes." On the other hand, it would be premature to try to appraise now the psychological effects of the increased displacement of small shopkeepers in the course of the war.

It seems fair to assume that democratic parties representing middle-class groups and inclined to participate actively in the creation of a postwar democracy in German-speaking lands will be weaker than ever. The sociological physiognomy of these groups and their historical record lead one to assume that for long years to come

¹² Gustav Stolper, *German Economy, 1870-1940* (New York, 1940), pp. 11 ff.

¹³ Hermann Rauschning, *Die Revolution des Nihilismus*, p. 62.

¹⁴ Cf. Sir Neville Henderson, *Failure of a Mission* (New York, 1940), p. 65.

the urban middle class will remain, in its motley composition, the center of antidemocratic activities.

Such activities, if confined to middle-class urban groups seldom seriously threaten democratic institutions. The leaders of antidemocratic movements often are recruited from these groups, but the mass of their support comes from different social sources. The reservoir of unemployed industrial labor and the masses of the peasantry who provide the man power of the antidemocratic armies are the main sources. But unemployment on the scale needed to switch their support to antidemocratic movements results only from a particularly grave general depression. The proper remedy for such unemployment may lie in a combination of social-security and trade-cycle policies; but a general treatment of this problem lies outside the scope of the present essay.

Antidemocratic movements among the peasants, however, are not necessarily dependent upon the advent of a general slump. Precisely in the conditions of German agriculture a policy which aims at a general revival of trade may create on the part of the farming population an attitude pregnant with difficulties for democracy. The prosperity year 1928 was a year of profound unrest among the German farmers.¹⁵ Similarly in Austria it was the peasants in the Alpine provinces of the Republic who—in a period of relative economic stability from 1927 to 1929—joined the ranks of the fascist *Heimwehr* and enabled this organization to carry out a series of dangerous attacks upon the constitution of the Republic while peasant votes kept an antidemocratic government firmly established in office. Of course, in a general depression the agricultural population becomes an even more dangerous center of assaults on democracy.

In Germany it was in March, 1930, when the great depression was well under way, that the National Socialist Party published its agrarian program and established its "agrarian organization apparatus" with Darré at its head. As J. B. Holt justly remarks, "an attempt to diagnose the success of National Socialism as due primarily to the support of one economic group or another is obviously difficult."¹⁶ Yet it is equally true that the adhesion of large farming dis-

¹⁵ See p. 125 of the present work.

¹⁶ John Bradshaw Holt, *German Agricultural Policy, 1918-1934: The Development of a National Philosophy toward Agriculture in Post-War Germany* (Chapel Hill, N.C., 1936), pp. 180-181.

tricts, particularly in northern and northwestern Germany, to the National Socialist Party was largely responsible for the landslide in favor of this party at the elections in September, 1930. From these elections the party group in the Reichstag emerged with 107 seats instead of 12. This impressive result marked the beginning of a series of National Socialist local victories, a process which was consummated by the triumphant victory at the national election in July, 1932, when the party secured two hundred and thirty seats in the parliament. In this electoral evolution the agrarian section of the country was preponderant,¹⁷ and the agricultural policy initiated in March, 1930, must receive a large share of credit for this development. At the right moment the leaders of the party had turned to the reservoir of men and women engaged in agricultural production.¹⁸

There is no doubt that much of this success of the Nazi propaganda must be imputed to the depression, which in the summer of 1932 was approaching its lowest level. But it is essential to understand that this success was largely premised upon a traditional distrust of democracy on the part of the German agricultural population. The historical roots of this predisposition lay much deeper than either the origins of the depression or the beginnings of the National Socialist movement in Germany.

There are substantial elements in what today is regarded as the "Fascist *Weltanschauung*"--the spirit and ideology of the Nazi system--that are in reality part and parcel of the traditional general philosophy of the German agrarians. National Socialism did not have to impose a new mental outlook on the German peasants. On the contrary, it could take over large parts of their traditional ideology and fit them to a nicety into the schemes and purposes of the National Socialist Party. This discovery is one of the secrets of the success of Hitlerism. At the same time it presents a problem most pertinent to any discussion of the restoration and maintenance of democracy in Germany. For it points to the fact that beyond the

¹⁷ Hermann Rauschnig, *The Conservative Revolution*, p. 135; see also Hitler's speech made in April, 1933, shortly after his accession to power, quoted on p. 3.

¹⁸ According to the 1933 census, of the total figure of 32.6 million people engaged in gainful pursuits in Germany, 9.4 million or almost 29 per cent were registered as agriculturists; inclusion of relatives over fourteen years of age with no occupation outside the farm raises this figure to 13.7 million. On January 1, 1938, of the total population 21.3 million or 32.3 per cent lived in communities of less than 2,000 inhabitants. *Statistisches Jahrbuch für das Deutsche Reich*, 57 (Berlin, 1938):19, 27.

accidental causes of the world depression and the economic consequences of the peace in Germany there were, and still are, forces at work which are likely to constitute a permanent menace to a free form of government.

Agrarian mysticism with its "praise of rural life," its promise of the "Kingdom of Blood and Soil," its ideal of "Bodenständigkeit,"¹⁹ of autarky as a preparation for war, hatred of the "urban and nomadic Jews," weird nationalism with its Hottentot ethics, its political solipsism, and its sovereign contempt for international obligations—all these are familiar elements of the present system in Germany.²⁰ They are also the salient attitudes and policies adopted and pursued by German agriculture ever since the critical period of the late 'seventies of the past century.

On the face of it the first conclusion that can be drawn from the preceding paragraphs does not appear too hopeful. If the German middle class is to be discounted—at least for a long time to come—as a democratic force, then a reliable democratic majority must be based on an alliance between industrial labor and the peasantry. Yet the past record of the latter group apparently does not justify the hope that such an alliance can be achieved. In large measure it is the purpose of the present essay to show that this conclusion is not necessarily correct.

More is called for than a bare presentation of the record. It is necessary to scrutinize and interpret this record in its historical evolution. And this leads back to a historical fact of first importance and magnitude—the transformation of the grain-growing sector of German agriculture into a high-cost area in the aggregate of world economy during the last quarter of the nineteenth century. It is then possible to lay bare the highly complicated mechanism which connects this economic fact with the ideological development of the German peasantry. Two main factors will become discernible: the sinister significance of the feudal element within German agriculture and the complex play of the apparatus of agricultural protection dominated by the same element.

It is generally true that the liberation of foreign trade from the

¹⁹ It is difficult to render in English the emotional overtones of this word which literally means "rooted in the soil."

²⁰ Melvin Rader, *No Compromise* (London, 1939), pp. 274–275; Walter R. Darré, *Das Bauertum als Lebensquell deutscher Rasse* (Munich, 1929).

fetters of an autarkic policy is a prerequisite to peaceful international coöperation. In Germany this is so in a more specific sense. There the problem of agricultural protection and the problem of democracy are most intimately interrelated. It will be one of the principal and most urgent tasks of postwar reconstruction to attempt to unravel this tangled skein. Failure or negligence in this respect may be fatal indeed. An understanding of the historical problem of German agriculture places the future of democracy in that country in a much more hopeful light. It becomes possible to devise policies and create instruments which are likely to ensure the normal working of the German democracy and greatly increase the chances of a durable peace,

It is perhaps not an altogether idle pursuit to look back to Nietzsche and Stefan George,²¹ perhaps to Wagner, Treitschke, Houston Stewart Chamberlain, and even to Fichte and Hegel as the spiritual fathers of Nazism.²² Yet many of the emanations of the "parturient Germanic gloom" must be attributed to peculiarities of individuals or to transient historical conditions. More momentous are the basic economic and social factors which have produced disastrous consequences in the past and must be expected to do so again unless positive action is taken to check them. It is to an understanding of this pattern that the present essay is devoted.

²¹ Aurel Kolnai, *The War Against the West* (New York, 1938), p. 14.

²² However, to avoid a onesided impression it may be useful to refer to the little anthology edited by Will Schaber, *Thinkers versus Junkers*, with an epilogue by Thomas Mann (New York, 1941).

· I ·

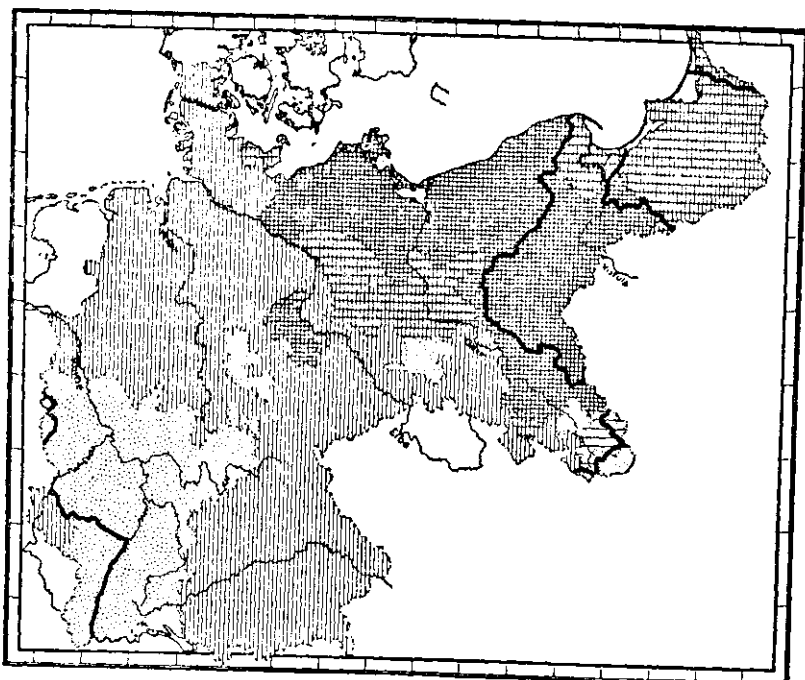
AGRICULTURAL PROTECTION
IN THE GERMAN EMPIRE

JUNKER AND PEASANT

GERMANY is a large country. The pattern of her agriculture is, and always has been, far from uniform. There are great differences in climate, in the nature of soils, in size and structure of farms, and in type and methods of production. The standards of living of the farmers, their social habits, levels of education, and denominational affiliations vary widely from region to region. To speak, therefore of a uniform general philosophy of German agriculturists may indeed gladden the hearts of those who believe in the so-called theory of the corporative state, but the term is surely open to objections as a broad and sweeping generalization. However, the fact that such a generalization does not appear altogether meaningless in the light of German political history indicates the presence of some specific integrating factors. Among those factors must be reckoned above all the dominating political power and social influence of the Junkers.






In its narrow and basic sense the word "Junker" refers to the aristocratic group of large agricultural estate owners situated on the lands east of the Elbe River. There, in the East, lay Germany's "frontier." Like its counterpart, the American West, it had produced a type of ruthless, energetic, and domineering men. Yet, unlike the westward expansion in this country, the German advance into new lands, undertaken before the advent of the modern age, lacked the positive qualities of a settlement carried out in the age of democracy. The American frontier in the West could be regarded as a source of strength for American democracy;¹ the Prussian frontier in the East became the citadel of Prussian feudalism. It gave rise to a group of feudal lords closely linked by bonds of kinship, neighborly traditions, and common economic and social interests. The disintegration of the medieval economy enhanced rather than reduced their power. The price revolution of the sixteenth century increased the profitability of their estates; in the seventeenth century the Thirty Years' War augmented their political power. New burdens were

¹ Frederick J. Turner, "The Significance of the Frontier in American History," *Annual Report of the American Historical Association for the Year 1893* (Washington, 1894), pp. 197-227.



From Wörterbuch der Volkswirtschaft, Jena, 1931

MAP 1. DISTRIBUTION OF AGRICULTURAL HOLDINGS ACCORDING TO PREDOMINATING SIZE OF FARMS

- Black lines show frontiers after 1919.
-  Large estates: more than 100 ha.
-  Medium-size farms: 10-100 ha.
-  Small farms: less than 10 ha.
-  Medium-size farms (10-100 ha.) but more than one-third the total area included in large estates (more than 100 ha.)
-  Small farms (less than 10 ha.) but more than one-third the total area included in large estates (more than 100 ha.)

placed on the peasants by the feudal lords, and a development was initiated in the course of which the peasant economy was greatly reduced, to the advantage of the big estates. The peasant himself became a laborer on the lord's lands. Thus, while in the West the old feudal construction of *Grundherrschaft* ("manorial economy") was destroyed, in the East a new system of *Gutsherrschaft* ("estate economy") took its place, which contrived both to adapt itself to

DISTRIBUTION OF LAND OWNERSHIP*

	East Elbia†		Rest of Germany		Total	
	1907	1925	1907	1925	1907	1925
Area in agricultural use (in million hectares):						
Pre-1914 territory . . .	13.92	.....	17.91	....	31.83	.....
Post-1919 territory . . .	10.47	9.78	16.71	15.82	27.18	25.60
Percentage of agricultural area‡ in farms of:						
0.05-5 ha.	8.7	9.3	21.0	22.8	16.2	17.6
5-20 ha.	21.3	25.1	41.0	42.4	33.4	35.8
20-100 ha.	29.5	25.3	29.9	27.1	29.8	26.4
More than 100 ha. . . .	40.5	40.2	8.1	7.8	20.6	20.2

* Max Sering, *Deutsche Agrarpolitik auf geschichtlicher und landeskundlicher Grundlage* (Leipzig, 1934), p. 27.
 † East Prussia, Pomerania, Brandenburg-Berlin, Posen and West Prussia, Silesia, Mecklenburg.

‡ Post-1919 territory.

the requirements of the market economy then in the making and to preserve the spirit of feudalism.

The abolition of serfdom in Prussia at the beginning of the nineteenth century greatly increased the economic power of the Junkers. Although in southern and western Germany abolition produced, or further improved, the independent status of farmers or tenants of fixed tenure, the technique of liberation in the East allowed the Junkers to swallow up much additional land of the former serfs and so transformed peasants into landless agricultural laborers.² This

² In the period between 1800 and 1860 about two and a half million acres of peasant land were appropriated by the Junkers. In the eighteenth century Prussian kings had sought to protect the peasants by a series of administrative measures. But after the French Revolution the crown, terrified by the events beyond the Rhine and weakened by the Napoleonic wars, preferred to ally itself with the powerful group of the East Elbian nobles. Hence the different character of the abolition policy in the East. Cf. Max Weber, *Wirtschaftsgeschichte* (Munich-Leipzig, 1924), pp. 99-105; Georg Friedrich Knapp, *Die Bauernbefreiung und der Ursprung der Landarbeiter in den älteren*

was an event of the greatest historical significance. The German feudal class was immensely strengthened *after* the French Revolution had destroyed the feudal rights in France.

The Junker class with its conqueror traditions and instincts had by this time become the essence of what is usually called the spirit of Prussianism. Most notably, the scions of Junker families led and dominated the Prussian, and later the German, army. The military caste in Prussia was so inextricably connected with the feudal land-owning class proper that they too were, in fact, one in interests and general outlook. General conscription introduced in the beginning of the last century failed completely to change the social nature of the leadership of the army. In the last quarter of that century also the high civil service in Prussia became dominated by the Junkers.* The local "self-government" in East Elbia was a curious mixture. Preponderant in it was the Prussian bureaucracy (and to this extent it was no self-government at all) and the large landowners. Anti-urban and antidemocratic in character, it was likewise a strong Junker domain.† Thus the term "Junker" has a connotation which comprises more than the economic fact of the possession of large agricultural estates in the East. Yet for the group as a whole, the land remained the basis of its social strength, and this class constituted the citadel of feudalism in the country and the greatest obstacle in the path of democratic development.

Elsewhere during the nineteenth century the feudal class was demolished or suffered loss of power. But not in Germany. In the process of the industrialization of Germany, it is true, the Junkers' relative share in the national income was reduced, and the center

Teilen Preussens (Leipzig, 1887); *idem*, *Grundherrschaft und Rittergut* (Leipzig, 1897), p. 70; *idem*, *Die Landarbeiter in Knechtschaft und Freiheit* (Leipzig, 1909), pp. 24, 51; W. F. Bruck, *Social and Economic History of Germany from William II to Hitler, 1888-1918* (Cardiff, 1938), p. 68; Max Sering, *Deutsche Agrarpolitik* (Leipzig, 1934), p. 29.

* In the 1890's Puttkamer, then state minister of Prussia, carried out a thoroughgoing purge of the civil service in the state, which rid it of the liberal elements and completed the "feudalization" of the Prussian governmental machinery. Cf. Eckart Kehr, "Das soziale System der Reaktion in Preussen unter dem Ministerium Puttkamer," *Die Gesellschaft* (Berlin, 1929), II:253-274. Special organizations of university students, for which only the sons of the Junker aristocracy were eligible, became an important part in the mechanism of selection by which the feudal character of the Prussian bureaucracy was to be maintained. Cf. Richard Schmidt, *Die Grundlinien des deutschen Staatswesens* (Leipzig, 1919), p. 143.

† Cf. Hugo Preuss, "Die kommunale Selbstverwaltung in Preussen," *Handbuch der Politik*, 1 (Berlin and Leipzig, 1912):205 ff.

of wealth shifted to the cities. The political and social power of the Junkers, however, was not diminished but enhanced.⁵

The Bismarck constitution of the German Reich (1871) made the Reich government a sort of extended arm of the Prussian government. The king of Prussia was the emperor of Germany and the chancellor of the Reich was the prime minister of Prussia. It was Prussia which ruled the Reich and it was the Junkers who were predominant in Prussia, where lived two-thirds of the total German population. This was due not alone to their position in the civil service and local government of the state and to their influence at the emperor's court. They were of course omnipotent in the Upper Chamber of the Prussian Diet, but the Lower Chamber also was a strong bastion of the Junkers. This was the result of a grossly unequal and indirect franchise, the so-called "three-class system," and of an open ballot which made it possible to subject a recalcitrant voter to administrative and economic pressures. It was also the result of a development in which middle-class liberalism, once powerful in the Diet, disintegrated, large sections of it becoming subservient to the Conservative Party. Thus the Conservative Party, the party of the Junkers, exerted strong ascendancy over the Prussian government and with it over the Federal Council (*Bundesrat*) of the Reich, in which Prussia was in a position to block any bill before its submission to the Reichstag as well as any private bill originating in the latter. Therefore, in practice, the Reich governments were driven to agreement with the state ministry of Prussia before submitting their bills to the Reichstag, lest they be later thwarted by Junker opposition in the Federal Council.

Political power had been used for centuries by the Junkers for the purpose of obtaining economic benefits. At the same time, the long tradition of influence and domination had developed in the members of that group a keen sense of power politics and a great resilience in adapting themselves to new and changing conditions. A most striking example of that resilience was the way in which the Junkers contrived to acquire ascendancy over the German peasants when the introduction of the general franchise made such an ascendancy desirable and profitable from their point of view.

⁵ Werner Sombart, *Die deutsche Volkswirtschaft im neunzehnten Jahrhundert* (Berlin, 1909), pp. 504-505.

A century ago Heinrich Heine wrote:

A handful of Junkers, who have learned nothing but a bit of horse-trading, card-sharping, dice-throwing or other stupid rascally tricks with which at best peasants at fairs can be duped, think that they can befool an entire people.⁶

The history of agricultural protectionism in Germany shows that the great poet and publicist greatly underestimated the ability of the German feudal class. It was not only at fairs that they succeeded in duping the peasants, and it was not only the peasants that were duped.

The tendency on the part of a social group to identify itself with a larger social aggregate is an old and familiar technique of political persuasion. The owners of big estates in the East of Germany used it most consistently in their blunt identification of their particular interests as grain-growers with the interests of German agriculture as a whole. This method was fallacious since, at least before protection, a community of interests did not exist in reality—if “reality” is conceived in terms of a rational economic calculus. Eminent German economists spared no time and effort to popularize the simple truth that only a very small proportion, 25 per cent, of agricultural enterprises or about 18 per cent of the total agricultural population, profited from the policy of high grain prices.⁷ Within this group, it is true, medium-size farms provided far more than half of all the German grain marketed, but it was the big estates that showed the highest proportion of quantities of grain sold per unit of area. In some degree this was because of the larger extent of the area sown with grain and the higher yield per acre on the large farms; but structural economic differences—particularly the greater use of grain for feed on smaller farms—were primarily responsible for the larger quota of grain marketed by the big estates.⁸ Thus the large land-owners, the Junkers, were those most interested in high grain prices.⁹

⁶ Heinrich Heine, *Französische Zustände*, in *Sämtliche Werke* (Leipzig, 1912), VI:83.

⁷ Lujo Brentano, *Die deutschen Getreideölle, Eine Denkschrift* (Stuttgart and Berlin, 1911), pp. 25 ff. J. Conrad, *Grundriss zum Studium der politischen Oekonomie* (Jena, 1902), p. 351.

⁸ Max Sering, *Die deutsche Landwirtschaft, Berichte über Landwirtschaft, Sonderheft 50* (Berlin, 1932), Appendix, pp. 929-931; Friedrich Aereboe, *Agarpolitik* (Berlin, 1928), p. 445.

⁹ Another aspect of this diversity in interests was the fact that the tariffs secured high grain prices more effectively for the owners of large estates than for those farmers who had to sell their crops under duress at an unfavorable time of the year.

Outside the grain-growers' group stood the large majority of owners of small and medium-size farms whose economies were based upon various forms of animal husbandry. At least to the extent that they were not "autarkic" in grain and had to purchase it from the market, their interests were diametrically opposed to those of the market-grain producers. The reasoning of the economists was unexceptionable. The extent to which such reasoning could have political significance—by influencing party affiliations and the conduct of groups whose thinking and feeling was largely determined by traditional rather than rational factors—was an entirely different matter. To the degree that the notion of the "homogeneity of agriculture" had impressed itself on the minds of the German farmers, they were resolved to accept—for the sake of this idea—a relative or even an absolute deterioration of their economic position. This irrational predisposition of the farmers was the necessary prerequisite to set the mechanism of protection in motion.

It would be erroneous, however, to assume that the psychological cohesion of the farming population in Germany should be attributed exclusively to irrational or uneconomic motives. The fact that many owners of small and medium-size farms readily returned politicians of the Conservative Party to the Reichstag and that the agrarian wings of predominantly urban parties like the *Zentrum* were so often prepared to advocate coöperation with the Junkers must be explained by considerations of a different order.

PEASANT AND INDUSTRIAL LABORER

To understand the attitude of the farmers it is also essential to scrutinize certain aspects of the general political development in Germany from the last decades of the last century to the outbreak of the first World War. An outstanding feature of that period was the rapid growth of the Social Democratic Party. In 1890 the anti-socialist law was allowed to expire. Most impressive socialist victories at the polls followed from election to election and created the general belief that a final socialist victory was only a matter of years. At that time the prediction made by August Bebel, the leader of the Social Democratic Party, to the effect that socialist majority in the German Reichstag would be attained within the lifetime of his generation was widely believed.¹⁰ Such a contingency was regarded by most German farmers as a very real menace to their economic existence. It threatened socialization of the soil and transformation of the free peasants, working on the land of their fathers, into hired laborers of the socialist state.

The general character and ideology of the Social Democratic Party seemed fully to justify these apprehensions. For a number of reasons, among which must be counted the belated and imperfect development of democratic institutions, the German Social Democracy was, with the exception of Russian labor, the most orthodox Marxist party in the world. Marxian theory in the hands of the German socialists proved a most effective weapon and was instrumental in building up a powerful organization and in rallying millions of voters around the party. Dominated by the idea of class struggle and of the great mission of industrial labor, the German socialist party achieved a degree of homogeneity which made it particularly dreadful to its opponents. It was this socialism that gave hope and feeling of human dignity to millions of people at the bottom of an autocratic hierarchy. Yet there is little doubt that the Marxian theory, greatly simplified into a persuasive practical doc-

¹⁰ Robert Michels, "Psychologie der antikapitalistischen Massenbewegungen," *Grundriss der Sozialökonomik* (Tübingen, 1926), Vol. IX:1, p. 300.

trine, was not always a source of strength for German labor. Perhaps the greatest drawback of this ideological commitment lay in the fact that it implied neglect of, and even contempt for, the economic problems with which the German peasantry had to cope. Marx had predicted that concentration and centralization in industry would soon convert a large majority of the population into industrial laborers. On the other hand, the thesis of a mechanical repetition of the English economic development in less industrialized countries¹¹ led to an expectation that the smaller farms would in due course be absorbed by the large estates in all branches of agriculture. "The peasants must recognize that they are lost beyond saving," wrote Friedrich Engels in one of his last articles.¹² A labor policy of alliance with a "pre-capitalistic group" would be nothing but black reaction and return to the errors of utopian socialism.

It is true that fairly early, under the pressure of what was to become later the revisionist movement, attempts were made to formulate an agrarian program. Two party congresses in 1894 and 1895 dealt with the problem. Yet the result was a dismal failure. The draft presented to the congress was rejected on the ground that it promised the peasants an improvement of their economic position, that is to say, a consolidation of their private property.

In the heated controversy between revisionism and orthodox Marxism which reached its peak in the early years of the twentieth century, the problem of agrarian policy played an outstanding role. The general result of this conflict was that revisionism was outvoted at all party congresses and the aspirations of revisionists to the leadership of labor were frustrated. In the long run, however, revisionism won the battle by initiating the process of converting the Social

¹¹ It may well be that Marx himself was, at least in later years, less dogmatic in this respect, particularly as far as the political implications and expectations were concerned, than the representatives of German orthodox Marxism (cf. Solomon F. Bloom, *The World of Nations* [New York, 1941], pp. 101-104).

¹² Friedrich Engels, "Die Bauernfrage in Frankreich und Deutschland," *Die Neue Zeit* (1895), Vol. 13:1, p. 304. Also, Karl Kautsky, *Das Erfurter Programm* (Stuttgart, 1902), p. 152; Karl Marx, *Das Kapital* (Vienna-Berlin, 1933), Vol. 1, "Grosse Industrie und Agrikultur," p. 530.

It is true that Marx also said: "Rational agriculture is incompatible with the capitalist system (much as it promotes the technological development of agriculture). It requires either the hand of the small peasant working on his land or the control of associated producers" (*Das Kapital* [Moscow-Leningrad, 1933], Vol. 3:1, p. 143). But such statements did not fit into the simplified scheme of policies and were ignored.

Democratic Party to its position. Most notably was this true with regard to the general attitude toward parliamentarism and parliamentary tactics, the problem of trade unions and consumers' coöperatives, and municipal policies. Although the Marxist phraseology was largely retained, the Social Democratic Party, and even more the affiliated trade unions, adopted policies which in a not too remote past would have been anathematized from all party pulpits in the country.¹⁸

This process, as subsequent developments showed, was likewise not devoid of danger. It was the natural expression of the fact that it is impossible for a large and growing political party, supported by people burdened with grievances calling for quick remedy, to defer relief action until a more or less distant future, while abstaining from any attempt to intervene actively in the everyday problems of political life.

The historical significance of the revisionist conflict lay in the fact that it initiated and hastened processes in the course of which the great majority of the German labor movement became firmly wedded to democratic procedures. In many respects, it took over the traditions of the old German liberalism which had been so adroitly and successfully ruined by Prince Bismarck. Political existence as a democratic party in the semifeudal Hohenzollern monarchy inevitably imposed upon German labor the task of striving for the consummation of German democracy.

First and foremost this meant the establishment of parliamentary government in the Reich and the abolition of the exclusive power of the Emperor over the German army. It also meant removal of the crass inequalities of franchise which still existed in several state parliaments and most municipalities, most notably in the Prussian Diet, the seat of the feudal powers in the country. Attainment of such objectives was contingent, on the one hand, upon the continuation of the electoral victories of labor and on the other hand, upon what was rather euphemistically called the "neutralization" of the

¹⁸ A good illustration of this far-reaching change in policy was the extensive vote-trading on a national scale carried out at the elections in 1907 between the Social Democratic Party and the certainly not too liberal Catholic *Zentrum* with a minimum of opposition on the part of radical labor groups; or Bebel's readiness in 1912 to assume the office of president of the Reichstag. Cf. George Dunla Crothers, *The German Elections of 1907* (New York, 1911); Samuel P. Orth, *Socialism and Democracy in Europe* (New York, 1913), p. 190.

peasants. This meant creation of such relations between labor and peasant groups that the latter would adopt an attitude friendly to labor and democracy, favor a parliamentary alliance between labor, the Center and the progressive liberal groups, influence in this direction the policy of the Center Party, and withdraw support from the Conservative Party. Creation of democratic peasant parties would crown this policy with success and in all probability establish the foundations of a democratic Germany. All this naturally presupposed a radical change in the agrarian policy of labor. The constructive criticism of the revisionists recognized the fundamental problem of German democracy, although they did not always clearly see the significance of the alternative policy of "neutralization" or "winning over" large parts of the agricultural population.

Yet the agrarian policy of German labor was in fact little affected by this development. To be sure, under the pressure of revisionist criticism the expectation of an early eclipse of the German peasantry was largely abandoned, but labor economists still clung to the dogma of the efficiency margin of large estates in all types of agricultural production.¹⁴ There was, it was repeated, no place for the farm of the German peasant in its traditional form in the plans drafted for the socialist economy of the future.¹⁵ The original character of the Social Democratic Party in Germany was gradually vanishing, but the process was slow and almost imperceptible. Its general direction appears much clearer now, in retrospect, than it was to contemporary eyes in the years that preceded the outbreak of the first World War. Changes were disguised by the continued use of the traditional parlance, so that adherents and even leaders of the labor party and labor unions remained almost unaware of the nature of a development they were themselves actuating. It was only a quarter of a century later, after the war and the establishment of a democratic republic had tremendously accentuated and accelerated this process, that the Social Democracy in Germany—and in Austria—resolved to adopt a far-reaching agricultural program. This program carried a long list of immediate demands for the improvement of the eco-

¹⁴ Karl Kautsky, *Die Agrarfrage* (Stuttgart, 1902), p. 163; Eduard David, *Sozialismus und Landwirtschaft* (Berlin, 1903).

¹⁵ In 1911, Karl Kautsky even suggested an immediate socialization of the land as a measure of combating the high cost of living. "Malthusianismus und Sozialismus," *Neue Zeit*, Vol. 29:1 (Berlin, February 17, 1911), p. 605.

nomic situation of the peasants, but it also contained the solemn declaration that even in a socialist economy the free peasant would be allowed to remain the owner of his farm and his land. Such is the inertia of traditional formulas, with radical no less than with conservative groups, that even then this new program still appeared the initiation of a revolutionary change of policy.

It was all the more difficult for the German peasants with their inveterate distrust of the town folk to change the accepted image of modern labor organization and cease regarding labor as the most dangerous enemy of the material and moral interests of the country population. The problem of agricultural labor and the electoral inroads made by the Social Democratic Party into the ranks of this group did not make coöperation with labor any more palatable from the point of view of the farm owners. The attitude toward religion was another stumbling block. Here again the influence of orthodox Marxism and its close connection with the essentially antireligious philosophy of metaphysical materialism proved unfortunate. Revisionism, with its criticism of the epistemological foundations of orthodox Marxism and its demand for a "return to Kant," did, indeed, open up new political possibilities. But although Social Democracy was committed to the slogan "religion is a private affair," the labor press and propaganda continued on the whole on latitudinarian lines. In the minds of the peasants the epithet "godless" remained firmly attached to the labor movement.

All this was of considerable political significance in determining the mutual relations between these two large population groups. Yet it seems that these factors were only partially, and not even primarily, accountable for the general atmosphere of pessimism which surrounded attempts at improving these relations. It was the specific position of German agriculture in its relations to world economy which in the long run remained the main handicap.

LABOR AND FREE TRADE

German labor had a long free trade tradition. Here, as elsewhere in the history of the German labor movement, two periods are more or less clearly discernible. As long as the task of creating a nucleus by rallying a sufficient number of industrial laborers to a political organization was not completed, and as long as the teachings of Marx in their most orthodox and simplified form remained the gospel of the party, the free trade policy was accepted in the spirit of the master. Unrestricted international trade then supplied a powerful instrument for the development of capitalistic society up to the point of its inevitable collapse. Free trade meant rapid industrialization and, by the same token, the creation of an army of workers ready to overthrow the capitalistic economic system.¹⁶ Although admitting that in the early stages of industrial development protectionism may be a "temporary necessity," Marx placed his whole emphasis on the revolutionary role of free trade:

. . . [the] Free Trade system is destructive. It breaks up old nationalities and carries the antagonism between proletariat and bourgeoisie to the uttermost point. In a word, the system of commercial freedom hastens the Social Revolution. In this sense alone . . . I am in favor of free trade.¹⁷

¹⁶ Karl Marx, "Free Trade," speech reproduced as Appendix III to *The Poverty of Philosophy* (London, 1900), pp. 176-195.

¹⁷ *Ibid.*, pp. 194-195. Also: Marx, "Speech on Protection, Free Trade, and the Working Classes" in Marx and Engels, *Werke und Schriften, Gesamtausgabe* (Berlin, 1932), Erste Abteilung, 6:428-431; *idem*, *Das Kapital* (Vienna-Berlin, 1933), 1:865. It is interesting to note, however, that in the sphere of international trade there was a certain divergence of opinion between Marx and Friedrich Engels. Whereas the former was, here as elsewhere, profoundly influenced by the development of English economy, Engels was much more impressed by the teachings of Friedrich List and his theory of infant industries. See Engels' speech in Bielefeld in 1846 in *Gesammelte Schriften von Karl Marx und Friedrich Engels* (Stuttgart, 1892), II:393-402. Although Engels never liberated himself completely from List's influence, he finally moved closer to Marx's position, most notably under the impression of the achievements of German industrialization, carried out under the very moderate tariff rates of the German Customs Union. Cf. Friedrich Engels, "Schutz Zoll und Freihandel," *Die Neue Zeit*, 6 (1888): 289-299. Also, Victor Adler, *Aufsätze, Reden, Briefe*, Vol. I, "Victor Adler und Friedrich Engels" (Vienna, 1933), p. 45. Franz Mehring's assertion that there was no actual contradiction between the positions of Marx and Engels with respect to international trade policies cannot eliminate the fact of a very appreciable difference in emphasis. Franz Mehring, annotations in *Gesammelte Schriften von Karl Marx und Friedrich Engels, 1841-1850*, II:376.

This revolutionary conception of foreign trade policy could not survive the transformation of the political labor movement from a party of revolutionary social democracy into a party of reformist political democracy. At the same time, the general situation had become more complex. The alleged infants of the German industry had grown into giant concerns. Behind the sheltering tariff walls reestablished since the 'seventies they conducted dumping policies at the expense of the German consumer. An orthodox Marxian should have regarded this development as the continuation of the concentration process at the end of which stood the collapse of capitalism and the triumph of socialism. Under these new conditions, support of the protectionist system would have been only consistent. Radical groups within the German labor movement indeed refused to go to this length in revising their policy, but at the same time they vigorously opposed the "antiquated free trade policy" and the "ideal of free competition that had become reactionary." On the contrary the system of modern protectionism was declared to initiate the last phase of capitalism.¹⁸

A little paradoxically, the position of the radicals came rather close to that of revisionist criticism, although the practical impulses and motivations were different.¹⁹ In the general course of the debates provoked by revisionism two party congresses in 1898 and 1900 were in large part devoted to the problems of foreign trade policy. In these debates revisionist speakers urged the party to assume the attitude of moderate industrial protectionism and not to refuse tariffs to those industries which were "in need of protection against foreign competition." Behind these positions stood the driving force of the trade unions in certain industries and their interest in maintaining wage rates, in particular, the fear of importation of cheap labor into Germany (the "coolie problem"), which was usually associated by the trade unions with free trade policies.²⁰ Against these appeals the representatives of orthodox Marxism defended the

¹⁸ Rudolf Hilferding, *Das Finanzkapital* (Vienna, 1923), pp. 172 and 174.

¹⁹ It should be noted, however, that Eduard Bernstein—the father of the revisionist theory—always remained a staunch supporter of an unconditional free trade policy. Eduard Bernstein, "Zum Kampf gegen die Zollschraube," *Sozialistische Monatshefte*, 1901, II:693.

²⁰ It should be noted that the revisionist movement had its roots chiefly in southern Germany, that is to say, in regions where industry had been strongly protectionist for a good many years and where, also, the unions were very successful.

traditional free trade position and rejected the infant industry argument. German industry on the whole—they argued—had passed the period where protection might have furthered its development. If tariffs ever were a method of promoting free international competition, they had now become the fulcrum of monopolization; it would be suicide for labor to tolerate this development. They rejected “protection of national labor” as bad economics in general and also bad labor politics; they described tariff policies as a menace to peaceful international relations, promoting militarism and imperialism, and they declared:

It is therefore imperative, particularly on renewal of trade agreements, to support every step leading to freer trade and to obstruct most vigorously all measures tending to maintain or even to reinforce the present system of protective tariffs.²¹

That the revisionist proposals were rejected while the free trade resolutions submitted by orthodox Marxians were adopted by large majorities was in itself not very significant. Although, as said above, those defeats usually did not prevent later development from running along revisionist lines, for foreign trade policies the situation was different. It might have been expected that in the long run the high-wage interests of the trade unions would assert themselves and force the acceptance by labor of an industrial protection policy. That this did not happen was in some measure owing to the fact that heavy industry, which led in the demand for tariff protection, presented particularly great obstacles to the process of unionization.²²

On the whole, however, the fact that the policy of labor remained committed to the idea of free trade was primarily due to different causes. But it should be noted that the general transformation which the policy of labor was undergoing did not leave the field of international trade unaffected. The traditional Marxist espousal of free trade was stripped of its dialectical character and gave way to a different conception. It was primarily the interest of the urban consumers which was becoming predominant.²³

²¹ *Protokoll über die Verhandlungen des Parteitagés der sozialdemokratischen Partei Deutschlands* (Stuttgart, 1898), pp. 67–68, 183, 187–189; *ibid.* (Mainz, 1900), p. 192.

²² It was only after the Revolution of 1918 that labor unions succeeded in establishing themselves finally in the factories of the Rhenish-Westphalian industrialists.

²³ In a sense this was a reversion to the position of Lassalle, whose authority over the German labor movement had been supreme in the 'sixties. In the period of the virtually

The free trade policy of German labor was therefore essentially akin to that of the English Labor Party, whose "stubborn Cobdenism" was so often denounced by its opponents, and which in 1923 reached the government bench primarily on account of its free trade platform.²⁴ However, this harmony in the policies of the two labor parties should not disguise the fact that the intimate political motivations and, even more, the effects of the free trade policies of labor differed very considerably in the two countries.

In Germany, in contradistinction to England, the free trade policies of labor created a wide rift between industrial labor and the agrarian population as a whole. The main cause of this divergence lay in the different conditions of agricultural production.

unchallenged domination of orthodox Marxism, Lassalle's tenets seemed to have lost most of their previous influence, although the personal veneration in which his memory was held continued unshaken. Despite its protectionist tendencies revisionist criticism in many respects constituted, or led to, a revival of Lassallian doctrines, particularly with respect to labor's relation to the state. Cf. Ferdinand Lassalle, "Die indirekte Steuer und die Lage der arbeitenden Klassen," in *Reden und Schriften* (Berlin, 1893), II:247-389; also, Hans Kelsen, *Sozialismus und Staat* (Leipzig, 1923), p. 208.

²⁴ Philip Snowden, *An Autobiography*, I:107-113; II:591-592, 873.

READJUSTED AGRICULTURES

The agricultural crisis in the 'seventies confronted agriculture in western and central Europe with a fateful decision. The broad alternatives were: adjustment to lowering of costs, primarily caused by the breaking-up of the virgin soils of the American continent, with a concomitant revolution in the costs of transportation by ship and rail; or protection by measures of trade restriction of the high-cost agricultural areas thus created. The first alternative was adopted in England and in several small countries on the European continent.

Agriculture in England had enjoyed a period of prosperity from the abolition of corn duties in 1846 until 1874. In this period the relative importance of animal husbandry within agricultural production had increased. Yet the impact upon England of the revolutionary changes in agricultural production overseas was most severe; all the more so because, after 1877, imports of animal food-stuffs from the American continent began likewise to compete with domestic production.^{*} For eleven years, until 1885, English agriculture remained in a critical state. Then in the early 'nineties after a few years of recovery, poor domestic crops and falling world prices produced another crisis. But in these years profound structural changes had taken place in England which altered the whole pattern of its agricultural production. On the one hand, the reduction of bread-grain production had begun and proceeded irresistibly. On the other hand, the center of gravity was shifted to production of the highest quality meat products supplemented by poultry, eggs, vegetables, and pedigree livestock. Great technical and organizational progress was made in the production and processing of milk.

The adaptation had been extremely painful. Yet out of this crisis English agriculture emerged well adjusted to the new conditions of agricultural production in the world. The significance of this development from the point of view of democracy cannot be overestimated. Moreover, the destruction of the English peasantry, largely

^{*} Lujo Brentano, *Eine Geschichte der wirtschaftlichen Entwicklung Englands*, Vol. 3:2 (Jena, 1929), pp. 9-13.

completed by the beginning of the last century, created a specific situation. More will be said later about the fundamental relations between democracy and free trade. The complexity of the problem does not allow of a simplified approach, yet one preliminary generalization may be in order. Abandonment of a high-cost area in agriculture in a modern industrial country removes the menace of a social struggle that is most dangerous for democracy. With this adjustment between agriculture and industry a modern democracy is freed from perhaps its heaviest burden. The adjustment, however, is in itself a prerequisite to a general free trade policy. The fact that in England there was no great agricultural population vitally interested in tariff protection proved fatal to the success of protectionist agitation. Joseph Chamberlain's protectionist movement tried very earnestly to extend its activities from the cities to the country; but its proponents were hampered not alone by their plans of preference for agricultural production of the Empire. The English farmer would have welcomed higher prices for his products, but these were not a question of life and death to him. Just because the adjustment had been on the whole successfully carried out, protectionist movements were doomed to failure and, as W. K. Hancock has put it, Manchester and the City of London were able to join forces to keep Birmingham in check; until, we must add, many years later further profound changes in the structure of the world economy eventually promoted Birmingham's victory.²⁶

In England, adjustment to the agricultural developments overseas resulted in a shrinkage first of the grain crops area, then, from the beginning of the 'nineties onward, in a progressive reduction of the net output of British agriculture, that is to say, of the total output minus the imports of agricultural raw materials from abroad.²⁷ It entailed Great Britain's transformation into a "manufacturing state" to an extent which even a Ricardo never considered possible and perhaps not even desirable.²⁸ Before the outbreak of the first

²⁶ W. K. Hancock, *Survey of British Commonwealth Affairs* (London, 1940), Vol. II, Pt. I, p. 92.

²⁷ Cf. Viscount Astor and B. Seebohm Rowntree, *British Agriculture* (London, 1939), pp. 75, 94-96.

²⁸ Hansard, *The Parliamentary Debates*, N. S., George IV (London, 1823), VII: 457-458; *Letters of David Ricardo to Hutches Trower* (Oxford, 1899), p. 161; David Ricardo, *Essay on the Influence of a Low Price of Corn* (1815), p. 383.

World War only about 8 per cent of the population in Great Britain was engaged in agriculture, fishery, and forestry.²⁹ This preponderance of industry was, and still is, a factor in determining the specific pattern of English democracy.

At the same time a number of smaller countries on the European continent, of which Denmark was an outstanding example, readjusted their agriculture so as to avoid a diminution of agricultural output and to maintain an efficient and populous agriculture. In fact by resolute transition to dairy and poultry farming and pig-breeding Denmark was able not only to preserve, but to enhance and develop its agriculture. Thus it was possible even to increase the country's output of grain other than bread grain.³⁰ This evolution required a high degree of skill, and scientific management for efficient production was largely achieved by the development of rural coöperation. The social and political environment of the "Small Democracies" was particularly favorable to the growth of such an essentially democratic movement. The growth of coöperatives was truly prodigious.³¹

The Danish coöperatives provided the classical solution for the problem of the optimal size of agricultural enterprise not only without impairing but with actually enhancing the basic character of agriculture as a peasant economy. Processing and marketing functions which called for larger optimal units than the average farm were taken over by the coöperatives. This, as well as the close supervision and education of the producers by the coöperatives, resulted in stupendous improvements in the standards and efficiency of pro-

²⁹ Colin Clark, *The Conditions of Economic Progress* (London, 1940), p. 187. In 1861, there were 1,341,578 persons employed on the land in England and Wales. By 1911, this figure had fallen to 971,708. Cf. Lord Ernle, *English Farming, Past and Present* (London, 1927), p. 459.

³⁰ League of Nations, *The Relation of Nutrition to Health, Agriculture, and Economic Policy* (Geneva, 1937), pp. 157-158. Between the periods 1880-1884 and 1929-1930 the output of bread grains decreased from 570,000 metric tons to 536,000 metric tons, despite a 30-per cent increase in yield per hectare for wheat and an increase of population between 1880 and 1925 from 2.09 millions to 3.43 millions. Cf. Friedl Mack, "Die Marktregulierungen in der dänischen Getreide- und Futtermittelwirtschaft," *Weltwirtschaftliches Archiv*, 45 (January, 1937):151; *Statistisk Aarbog, Danmarks Statistik* (Copenhagen, 1897), p. 1; *ibid.* (1930), p. 1.

³¹ In Denmark in 1933, out of a total population of 3.55 million, 1.66 millions were members of coöperatives. "In other words every average family of four was a member of approximately two societies." Sir E. D. Simon, *The Smaller Democracies* (London, 1939), p. 121.

duction, while England, and later also Germany, provided wide and favorably situated markets.

This system of a flourishing and populous³² agriculture, it must be emphasized, was created with a complete absence of protection. The closest possible connection with world markets was essential to an agriculture largely based on imports of raw materials (feeding stuffs) from the cheapest markets. As a matter of fact, Danish agriculture derived benefits from the very fact that agricultural protection existed in other countries. As will be brought out later (see p. 75), these additional benefits were further increased by certain distinctive characteristics of agricultural protection as adopted in neighboring Germany.

The alternative to acceptance of cheap grains from the New World was protection of agricultural production. Two varieties of such protection should be clearly distinguished. They may be exemplified by the developments in Switzerland and Germany.

In spite of the tradition which for many years had found expression in a certain constitutional guarantee of free trade, Switzerland, albeit with hesitation, decided to meet the pressure of the agricultural crisis by imposing a protective tariff. Swiss commercial policy with respect to agriculture was, however, peculiar. For many decades between the beginning of the agricultural crisis and the outbreak of the first World War Switzerland did not protect her grain-growing at all. As late as the middle of the nineteenth century Switzerland had supplied five-sixths of her needs in grain from her own soil.³³ From the middle 'seventies Swiss grain production began to decline rapidly, so that toward the close of the 'nineties Switzerland imported more than four-fifths of her total consumption in grain. The specific weight of grain production in the economy of the Swiss peasant was even less than these figures would indicate. In the middle of the 'eighties only about 7 per cent of the total gross income of Swiss agriculture was derived from grain crops.

The great problems of Swiss agricultural economy lay in its pastoral branch. Difficulties began to make themselves felt in the

³² In Denmark as late as 1930 no less than 36 per cent of the population was still employed in agriculture, whereas the percentage of those employed in industry was only 27.5 per cent. Cf. Colin Clark, *op. cit.*, p. 196.

³³ Werner Sombart, *Der moderne Kapitalismus* (2d ed., 1917), II:1037.

'eighties under the influence of growing meat imports from abroad and the introduction of protective measures in France against Swiss butter exports to that country. However, the adoption of the English or Danish method of dealing with the crisis was fraught with difficulties. The Swiss domestic market was not sufficiently extensive to permit concentration upon high-quality production. As far as export markets were concerned, Switzerland did not enjoy the advantageous geographical position of Denmark and the Low Countries.

To adhere to a complete free trade policy would have caused a shrinkage of total agricultural production, perhaps with a concomitant change in the size of the optimum farm. This was hardly feasible politically.³⁴ Thus protective tariffs were first adopted in 1891 and revised upward in 1902. These rates were not inconsiderable, although they were later appreciably reduced in the conventional tariffs. But they were concentrated exclusively on the protection of meat and fats production. In this way also an indirect protection of milk production was achieved, through the increased use of milk for calf-raising and the implied reduction of the supply of cheese on the export markets. Thus the outstanding characteristic of Swiss agricultural protection was its preservation of grain imports coupled with moderate protection of those branches of Swiss agriculture for which the natural conditions in the country were best fitted. On the basis of this regulation no profound conflict between the interests of farmers and urban consumers could develop; and when, eventually, the problem of bread-grain protection arose in Switzerland, it was possible to elaborate special methods which attempted to achieve the desired amount of protection in the spirit of democratic compromise and with the least sacrifice on the part of the consumers.

³⁴ Cf. Julius Landmann. *Die Agrarpolitik des schweizerischen Industriestaates* (Jena, 1928), Kieler Vorträge, XXVI:18-22, 32-33.

THE HIGH-COST AREA IN GERMANY

Conditions in Germany were profoundly different. Not abandonment or shrinkage, but stubborn maintenance of grain production in the teeth of foreign competition became characteristic of the agricultural policies in that country. For fourteen years between 1865 and 1879 Germany had had completely free trade in grains. When this free trade regime was instituted, Germany was still heavily exporting her grains, primarily to the London market. Accordingly, the feudal grain-growers in the lands east of the Elbe River and in the north of the country were fanatical free traders. Not very consistently, but very conveniently, they had contrived to find a place for Adam Smith in the system of their general philosophy and had nothing but scorn and hatred for the protectionist doctrines of Friedrich List. From them came the most steadfast and most violent opposition to the duties on iron, whose eventual abolition in 1873 was the last positive success of free trade policies in Germany. This attitude of the Junkers played its part in the creation of the German Reich under Prussian leadership, because the policy of very moderate industrial protection virtually excluded Austria with her weak and heavily protected industries and thereby obviated the Greater-German (*Grossdeutsch*) solution of the problem of German unity.

Then the situation changed abruptly. The depression following the crisis of 1873 increased the protectionist tendencies of large groups of German industry. In 1876 the "Central Union of German Industry" was founded with the specific purpose of carrying out protectionist propaganda. The ironworks and the spinning mills dominated the new organization. In that year the agrarian interests once again declared their strict opposition to tariffs and recommended themselves to the public as the most radical free trade group. Less than twelve months later, however, the agrarian *Verein der Steuer- und Wirtschaftsreform* ("Union for Fiscal and Economic Reform") found itself negotiating with the industrial association just mentioned with the purpose of creating a common platform for a protectionist campaign.

This swift change in outlook³⁶ was caused primarily by overseas competition at rapidly falling prices, which had begun to squeeze German grains out of the London market and which at the same time made itself increasingly felt in Germany, where the process of industrialization was creating a wide market for imported grains. Intensive agriculture in Germany, working at increased cost per unit on soils which had been cultivated for centuries, found itself unable to compete with the extensive grain-growing economies in the sparsely populated territories overseas.³⁷

Germany had had a net import surplus of rye ever since 1852. It mounted slowly at first, but in the 'seventies imports grew so rapidly that by 1879 a peak was reached with a net import of 1,333,607 metric tons. There had been no import surplus for wheat before 1876. In that year for the first time the export surplus vanished and there was a comparatively small net import, which in the following years increased rapidly until, toward the end of the 'eighties, its volume approximated that of the net imports of rye. The development of the trade in oats and barley was similar. Thus in the second half of the 'seventies, when the agricultural crisis first revealed the fact that Germany had become a high-cost area for grain production, that country found itself on a net import basis for all the major grains.

However, the economic significance of this "critical point" or "point of conflict in trade policy" in the history of the German grain market should not be overemphasized as it has been by some German writers.³⁷ Clearly the differential in the cost of production in Germany and abroad was the basic factor. Existence of a net import

³⁶ This development was reminiscent of the rapid conversion of the English Tory Party from free trade to protection in 1815, when discontinuation of the continental blockade threatened to depress even further the grain prices which were falling on account of a large harvest. Cf. Lujo Brentano, "Schutzzoll und Freihandel in England und Deutschland," *Die Gesellschaft* (Berlin, 1924), I:221.

³⁷ Even the extensive wheat production in the Black Soil regions in the south of Russia was gravely affected by the impact of the new competition. Compared with the soils in North America, the Ukrainian soils suddenly appeared to be in a state of relative depletion. Cf. P. N. Miliukov, *Leksii po vvedeniiu v kurs russkoi istorii* (mimeographed) (Moscow, 1894-1895), p. 62.

³⁸ Cf. Herbert Wergo, *Freihandel und Schutzzoll als Mittel staatlicher Machtentfaltung*, Probleme der Weltwirtschaft (Jena, 1928), Bd. 45, p. 108; Karl Helfferich, *Handelspolitik* (Leipzig, 1901), p. 131. Gustav Stolper, *German Economy, 1870-1940* (New York, 1940), p. 63.

balance per se does not necessarily create protectionist tendencies on the part of domestic producers. In point of fact, the transportation-cost gradients of the grain market were such as to render application of a mere tariff ineffective unless supplemented by a system of export subsidies, as was done subsequently by the so-called import certificates.³⁰ But the psychological impact of the increasing importations from abroad undoubtedly influenced the Junkers in their conversion from free trade to protectionism.

This *volte-face* and the ensuing accord between representatives of industry and agriculture was moreover facilitated by the "honest brokerage" of Bismarck, who was eager both to increase the revenue of the Reich and, at the same time, to form a new Conservative majority in support of his government in order to supplant the majority which had helped to found the German Reich and of which the National Liberal party, the right-wing liberal middle-class group, had been the essential pillar. The prolonged struggle against the Catholics (*Kulturkampf*) was abandoned and a "blue-black" coalition of the Conservative Junker Party and the Catholic Center Party became the government's chief supporter. The old power of the National Liberals was broken. Greatly weakened by splits and defections, this party, in the course of the 'eighties, revised its free trade policy and became the representative of the protectionist interests of heavy industry and a willing tool in Bismarck's hands. In 1887, when the Center refused coöperation, it was the National Liberals who, jointly with the Conservatives, passed the Army Bill in the Reichstag.

It was thus under Bismarck's aegis that the so-called protectionist "solidarity bloc" between industry and agriculture was created, celebrating its first success in the promulgation of the tariff of 1879, by which a number of industrial products and grain production were placed under protection. It is true that the grain tariffs were low, but they were raised considerably in two installments: in 1885, when the original rates were trebled, and in 1887. Thus the fateful decision was taken, and the period of agricultural protection in Germany initiated. From the point of view of the development of political ideology it was not necessarily a gross misrepresentation of facts

³⁰ See below, pp. 68 ff.

when the noted German historian Von Below asserted that in 1879 "the autarky of the national state was established in Germany."³⁹

From the economic point of view the "solidarity bloc" was as perverted an institution as the most deplorable examples of *increased* tariffs and *reduced* quotas in recent trade agreements.⁴⁰ For industry as a whole agricultural tariffs meant labor pressure for increased wages, retardation in the flow of labor supply from agricultural districts, at least in the short run, and danger of retaliation on the part of countries which supplied wide markets for the products of German industry. For agriculture as a whole industrial tariffs meant likewise at least a relative increase in the cost of production. If, in spite of this obvious divergence in interests, the solidarity bloc could become a reality, this was because it was not in fact an alliance between industry and agriculture but between two powerful factions, one in each camp. The bloc was essentially a compromise between iron and rye. For heavy industry like the Rhenish-Westphalian Blast Furnaces the tariffs created a monopolistic position on the domestic market, with the additional possibility of dumping policies. This more than compensated heavy industry for the rise in wages, all the more so because at that time trade union organizations in those branches of industry were still extremely weak. For the owners of the grain-selling big estates in the East Elbian provinces, grain protection was vital to their existence as a social group. Since the fall in grain prices in the 'seventies the "average knightly holding of 400-500 acres" could "no longer support a lordly aristocratic existence."⁴¹ Not the high iron prices but the low prices of American and Russian grain were the real problem of the German grain-producers. Pos-

³⁹ Georg von Below, *Die deutsche Geschichtsschreibung von den Befreiungskriegen bis zu unseren Tagen* (Leipzig, 1916), p. 86. When Stolper asserts that "even after 1879, when German foreign trade policies veered toward protectionism, pre-war Germany was neither in fact nor in ideology actuated by autarkical aims," he obviously underestimates the significance of the change that had taken place. It was not a matter of indifference that a group as powerful ideologically and politically as the Junkers, had become converted to, or rather decided to avail itself of, an autarkist ideology. To be sure, no autarkic regime pure and simple was initiated in Germany after the reforms of the 'seventies. But it cannot be gainsaid that from then on the mind of a large fraction of the German people was increasingly affected by the elements of an autarkic *Weltanschauung*. Cf. Gustav Stolper, *op. cit.*, p. 66. See p. 59 below on "autarky" and "autarchy."

⁴⁰ Gottfried Haberler, *Liberale und planwirtschaftliche Handelspolitik* (Berlin, 1934), p. 107.

⁴¹ Max Weber, *op. cit.*, p. 109.

sible ways of adjustment to the changed conditions of the world market, whether by reforestation or by return to an extensive farming system, were in all probability predicated upon a profound change in ownership relations.

The simultaneous institution of industrial protection was bound to become burdensome to a certain degree also for the grain-producing economies. Yet in the short run these consequences could be partly evaded by slowing down the process of mechanization of agriculture. In the long run, the combination of technical progress in industry and the ability of the Junkers to secure a relative increase of grain protection as compared with industrial protection would have to be relied upon. Moreover, tariffs raised the value of land and thereby widened the basis for mortgage credits. The increase in the value of land, though welcomed by the individual owner at the moment, was certainly far from an unmixed blessing for agriculture as a whole. Any change in ownership, be it by inheritance or by sale, largely wiped out, as far as the new owner was concerned, the price increases effected by tariffs. However, no other group in Germany could so well afford to neglect the long-run consequences as the Junkers, who could always rely upon being salvaged by the community whenever the situation became precarious.⁴²

From the social point of view the solidarity bloc was a compromise between modern industry and the feudal aristocratic groups in the country. As such it had its historical predecessors, for instance, in England after 1689 and then again from 1816 to 1846, or in France in the first half of the nineteenth century. But it is important to understand that, when the solidarity bloc reappeared in France in 1887, it was an alliance between the political representatives of industry and the peasants.⁴³ Even so, its economic effects were unfortunate enough and proved one of the main factors retarding the

⁴² As Friedrich Engels once said, the problem of the Junker economy is this: "How to make it possible for the Old-Prussian country Junkers to have an annual income of say 20,000 marks, an annual expenditure of 30,000 marks and not to make any debts" (Preface to *Das Kapital*, II:18, of the German People's Edition). This was essentially the problem Mr. Micawber had struggled in vain to solve, but the Junkers, being more resourceful, could succeed where Mr. Micawber failed.

⁴³ That is to say, the peasant grain-growers in the north and the peasant wine-growers in the south. Cf. Bernhard Franke, *Der Ausbau des heutigen Schutz Zollsystems in Frankreich*, Staats- und Sozialwissenschaftliche Studien (Leipzig, 1903), p. 32.

development of French industry. In the German setting the establishment of the solidarity bloc meant a perpetuation of the feudal element in German society through preservation of the traditional economic basis of the Junkers. There are few historical events to which an equally disastrous effect on the destinies of German democracy can be ascribed. At every stage of their development in the Hohenzollern monarchy as well as in the Weimar Republic the forces of democracy were hamstrung by the opposition of the East Elbian aristocracy. In a certain sense conditions in Germany at the time of the creation of the solidarity bloc might be compared with the situation out of which arose the Civil War in the United States; and it may be not entirely idle to speculate on what the political development in the United States might have been if, in the 'sixties, American cotton had been pushed off the world market by foreign competition and a "solidarity bloc" of the South and the North had been formed.

The solidarity bloc in Germany, then, rested upon two strong pillars of vested interests. Clearly, its successful functioning was contingent upon the ability of both groups to impose this policy on the rest of the producers in industry and agriculture. The iron and steel duties had to be made palatable to the manufacturers of finished products. The grain duties had to be made acceptable to the majority of producers in agriculture, for whom protection of grain meant on the supply side an increase in production costs and on the demand side a shrinkage of the market for their principal cash products. Thus the compromise between "iron and rye" had later to be supplemented by similar compacts, as, for example, between rye and pigs on one hand and iron and machinery on the other. Furthermore, the solidarity bloc was created in a period when both industry and agriculture were suffering from the effects of a severe depression, a circumstance favoring the concept of a basic community of interests of the two groups. Changes in the relative position of the members of the bloc because of the trade cycle were most likely to cause additional strain to the structure of the alliance. Here the weakest point was the fact that the bloc represented union between industry caught in a cyclical slump and grain-growing agriculture laboring under a cyclical and structural depression. Finally, the

effects of the tariff policy of the bloc were bound to produce further repercussions on German tariff policy. For these reasons the solidarity bloc could not offer a quiet refuge of eternal harmony of interests. It could be maintained only by continual hard bargaining, and it was perpetually menaced by disruption and disintegration.

The solidarity bloc, in the first years after its institution, conducted a persistent campaign against the liberal trade agreements of the Reich. The idea of freedom of trade was replaced by the postulate of Germany's freedom to impose trade restrictions, that is to say, freedom from treaty obligations toward foreign countries. This is a familiar technique of antidemocratic, reactionary movements. Anxious not to abandon altogether the idea of liberty, they denature the concept. The Nazi transformation of the liberty of the German people under democracy into liberation of the German state from the "slavery of Versailles," or the much emphasized "liberty of the Austrians to join the Reich" are typical examples of this practice. This, as will be shown presently, is only one of the many instances when an element, today considered part and parcel of Nazi ideology and political technique, has its prototype in the history of the German solidarity bloc, particularly in the policies of its agrarian wing.

For a number of years the effects of the bloc's policy remained within tolerable limits. The depression in German industry lasted, with a certain relaxation in the years 1879-1882, well into 1888. In the meantime, Germany continued to reap benefits from the system of most-favored-nation agreements. But then the situation began to change.

The curve of industrial development in the world turned upward. In 1886 trade in England and the United States showed signs of a revival. English iron and iron products ceased threatening the German markets at ruinous prices. Even more important was the fact that a number of international trade agreements were due to expire at the beginning of the 'nineties; no less than fifteen agreements would end on or around February 1, 1892. In a great many countries (France, Spain, Portugal, Rumania, Switzerland) radical increases in tariff were in preparation. Even Belgium was considering countermeasures against the German trade policy. Russia was raising her tariffs from year to year, and German exports to that

country had sagged between 1891 and 1893 from 263 to 184 million marks, a drop of 30 per cent." In the United States the McKinley tariff went into effect in October, 1890. Germany had to recognize that the period of unilateral exploitation of foreign free trade policies was over. The alternatives were either a continuation of the autonomous tariff policy, which meant a sustained tariff war against the world, or an attempt to negotiate trade agreements at the price of tariff reduction. The recovery which began belatedly in 1888 was short-lived. In 1890, a new recession took place, which was to last through the first half of the 'nineties. Yet German industry, including heavy industry, had seen that the continuance of the policies of 1879 was liable to prevent it from sharing in the benefits of an upswing and to exclude it from the enjoyment of promising export possibilities.

On the other hand, the grain-growers were in a worse plight than ever. After a short period of higher prices in 1890 and 1891, there followed a new drop of grain prices to unprecedented low levels, while the prices of butter and pigs remained fairly stable or even rose slightly. Bumper grain crops and exchange depreciation in Argentina produced telling effects. Rye exports from Germany were almost nonexistent, and no improvements could be expected from the conclusion of trade agreements. The grain producers needed reinforcement rather than relaxation of protectionist policies. The interests of both groups had become too divergent to allow of a continuation of the solidarity bloc in the old form.

At the elections of 1890 the "cartel" between National Liberals and Conservatives was defeated. Social Democrats and Progressives, both bitter enemies of protectionism, were the beneficiaries. The *Zentrum*, standing between the two groups, polled more votes than at any previous election. The parliamentary stage was thus set for a radical change in the trade policy of the Reich; it was initiated by the new chancellor, General Caprivi, who succeeded the "Iron Chancellor" in 1890. In the following years, 1891-1894, Caprivi negotiated and concluded a series of trade agreements.⁴⁵ In all these agreements foreign tariffs on German industrial products were re-

⁴⁵ *Statistisches Jahrbuch für das Deutsche Reich*, 22 (1901):198.

⁴⁶ With Austria-Hungary, Italy, Belgium, Switzerland, Serbia, Rumania, Spain, and Russia.

duced and consolidated for a period of ten to twelve years, while Germany agreed to reduce her agricultural tariffs. The duty on wheat and rye was reduced from 5 to 3.50 marks per quintal. The duty on oats was lowered from 4.20 to 2.80 and that on barley from 2.25 to 2.00 marks.⁶⁶ Duties on a number of other agricultural products besides grains were lowered also. These reductions greatly strengthened the position of German industry. Largely as a result of the Caprivi agreements it was able to utilize fully the possibilities of the new upswing which began in 1895. Europe—and, indeed, the whole world—was spared the impoverishment attendant upon a tariff war.

⁶⁶ In 1891, the duty on a quintal of rye amounted to 31 per cent of its value; for oats the percentage was 34. In 1892, before prices began to fall, the respective figures were 22 and 25 per cent. Cf. "Die Wirkungen der neuen deutschen Handelsverträge," *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft*, 17 (Leipzig, 1893):262.

THE "KANITZ BILL" AND THE SPIRIT OF JUNKERDOM

The first installment of Caprivi's trade agreements was passed in the year 1891-1892 by a very large parliamentary majority. The feeling was general in the Reichstag and in the country that Bismarck's trade policy had ended in an impasse. Thus the opposition of the Junkers, who found themselves isolated, was at first easily overcome. Yet the extent of that isolation must not be overestimated. Even then, influential sections of industry were loath to alienate the Junkers. Caprivi's accession to power marked the expiration of Bismarck's Antisocialist Act, and the representatives of heavy industry were fearful lest disruption of the solidarity bloc should change the balance of powers within the country in favor of labor.⁴⁷ They preferred, therefore, in their public utterances, to minimize the benefits of Caprivi's policy and to deplore the neglect of agriculture. Thus the door was left open for restoration of the solidarity bloc at some future point, should the general political evolution make such a restoration desirable.

For the time being the Caprivi agreements left the Junkers in a precarious position. In 1892, grain prices began to fall again. In the following years, the sustained decline brought them down to 70 per cent and less of the level that had prevailed in the 'seventies. But a group of such social power and traditional position as the Junkers was not prepared to accept defeat. Very soon the political scene in Germany came to be dominated by the Junkers' vigorous efforts to regain lost ground and to return to the policy of the solidarity bloc. Early in 1893 the "Union of Agriculturists" was founded; it quickly became the center of a most vocal and unscrupulous propaganda for the Junkers' cause. Slowly the scales began to turn in their favor.

⁴⁷ It was this consideration which induced the president of the Rhenish-Westphalian Industrial Association to make the following statement on Caprivi's trade policy: "On the whole, the agreements have brought German industry only insignificant benefits, if any. But great damage was inflicted upon agriculture. Industry does not desire to obtain advantages at the expense of agriculture." W. Beumer, *25 Jahre Thätigkeit des Vereines zur Wahrung der gemeinsamen wirtschaftlichen Interessen in Rheinland und Westfalen* (Düsseldorf, 1896), p. 225.

A few months later the Reichstag elected in 1890 was dissolved because it had refused to approve an increase in the army. At the following elections, among the opposition parties only the Social Democrats registered gains, while the Progressives, who split into two groups, suffered considerable losses. The *Zentrum* party vote was also less. Of the parties supporting the Army Bill, the Conservatives remained almost stable and the National Liberals gained. As usual, militarism and protectionism marched together. No less significant was the fact that the importance of the agrarian element had increased strongly, not only within the Conservative but also within the National Liberal Party. Many members of the Reichstag had, during the elections, received active support from the Union of Agriculturists. With astonishing rapidity the young organization became a momentous factor in German politics.

The shifts resulting from the elections were not sufficient to produce a change in the trade policy of the Reich; and Caprivi was still able to steer the second installment of his agreements through the Reichstag. Most important of these was the agreement with Russia in 1894, which terminated a costly and futile tariff war.⁴⁸

The majorities which the government could muster for the second part of the agreements in 1893-1894 were considerably smaller than those of 1891-1892. The opposition of the Junkers, however, was more violent and vehement than ever before. This was particularly true of the Russian agreement, which the Junkers described as the "tombstone on the grave of German agriculture."⁴⁹ The possible effects of the agreement on German industrial exports to Russia were depicted in a most pessimistic fashion.⁵⁰ Threats against the government were the order of the day.

Failure to prevent adoption of the trade agreements in the Reichstag did not discourage the Junkers. On the contrary, the Union of

⁴⁸ Before the conclusion of the agreement German duties on Russian bread grains amounted to 7.50 marks per quintal as compared with 3.50 marks as consolidated in the German-Austrian agreement. Russia, in her turn, charged a surtax of 50 per cent on the maximum rates of her tariff for industrial goods of German origin. In addition, German shipping in Russian ports had to pay fees which had been raised twenty times.

⁴⁹ *Stenographische Berichte über die Verhandlungen des Reichstages*, IX Legislaturperiode, II Session 1894-1895, III (March 16, 1894):1904.

⁵⁰ It was predicted that industrial exports to Russia under the agreement would not exceed the level of 135-165 million marks which obtained at the time. Four years later the exports were approaching 400 million marks.

Agriculturists and the Conservatives changed over to offensive tactics. The demand for complete prohibition of grain imports failed to make a great impression on the public. From 1894 to 1896 the Union and the Conservative Party concentrated on an attempt to introduce a state grain-import monopoly as a powerful instrument of grain protection.

The attempt, usually called the "Kanitz Motion" after the East Elbian landowner Count Kanitz von Podangen, created a tremendous sensation in Germany. The extent of contemporary literature devoted to the subject is truly stupendous. With great persistency the Conservatives kept submitting the motion to the Reichstag. Twice it was voted down by overwhelming majorities; the third time it was buried in a parliamentary committee. In spite of this apparent failure the episode of the Kanitz Motion is well worth analyzing. During the years of the struggle for and against the proposed monopoly the peculiar political features of German agriculture were brought out with particular clarity. The basic elements of what was to become later the *Weltanschauung* of Nazism can be perceived distinctly in the policy of an agriculture politically and spiritually dominated by the aristocratic landowners in the eastern half of the German Reich.

The gist of the motion was as follows. It demanded that imports of foreign grains should henceforth be conducted solely for the account of the Reich and that the selling price within the boundaries of the Reich should be fixed by computing an average of the prices for the whole period 1850-1890 and should be kept at this level as long as this average remained higher than the purchase price. Profits earned by the state monopoly were to compensate the treasury of the Reich for the loss in tariff revenue.⁵¹

There is little doubt that the motion, if passed, would have gravely affected the interests of the consumers. The differential between the prices which then obtained on the world market and the ideal price as proposed by Kanitz was 115 per cent for wheat and 100 per cent for rye and barley. The burdens imposed by the Caprivi tariffs were about 30, 35, and 35 per cent respectively, for the three

⁵¹ *Stenographische Berichte über die Verhandlungen des Reichstages*, IX Legislaturperiode, III Session 1894-1895, III (Berlin, 1895):2502-2503. Also, *ibid.*, IV Session 1895-1897, Anlageband 1 (Berlin, 1896) p. 91.

grains. According to computations of Professor Schmoller, the "Historiographer of the Prussian Crown," who was by no means absolutely insensitive to the cause of the Junkers, no less than half a billion marks would have shifted annually from consumers to grain producers if the motion had been adopted⁵²—this from a total of 7.5 billion marks estimated as the value of the annual food consumption in Germany.

This proposal is interesting since it demonstrates in a rather drastic way the unmitigated egocentrism of the economic policy of the group supporting the motion. The instrument of grain-import monopoly, as later proved by the Swiss, Norwegian, and Dutch examples, lends itself particularly well to an attempt to reconcile the divergent interests of producers and consumers. Yet no attempt in that direction was ever made by the proponents of the Kanitz Motion. Their attitude toward the consumer was aptly summarized by the Prussian minister for agriculture in the sentence: "The consumer has no right to get goods delivered to him below the cost of production."⁵³ This sentence, referring as it did to Prussian high-cost production, may appear devoid of sense to the economist, but it carried definite and sinister political meaning. Even more revealing than the nature of the proposed regulation of Germany's grain imports were the arguments used in support of the bill. Protection of German grain production was described as a matter of life and death for German agriculture, nay, for the country as a whole. As Count Kanitz said, "With grain culture stands and falls German agriculture; with German agriculture stands and falls the German Reich." German agriculture, it was explained by the friends of the bill, was the *conditio sine qua non* of the military might of the Reich. Without large domestic grain production the country would be unable to survive a blockade; without a strong agricultural population the man power of the German army would be sapped. The peasantry, it was stressed, had nothing but distrust for the Reichstag; its confidence belonged to the "Hohenzollern *Führer* on the Emperor's throne." Jewish traders and Jewish speculators should be sacrificed to the interests of the productive economy. The monopoly

⁵² Gustav Schmoller, "Einige Worte zum Antrag Kanitz." *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft*, XIX (Leipzig, 1895):617.

⁵³ *Stenographische Berichte über die Verhandlungen des Reichstages*, IX Legislaturperiode, III Session 1894-1895, III (Berlin, 1895):1779.

should be the first step toward the institution of a corporative society, which would be based not on the mechanical equality of the democracy, but on the higher "organic" principle of *suum cuique*.⁵⁴ And finally, it was openly acknowledged that the grain monopoly was meant to serve as an evasion of the trade agreements and of the tariffs consolidated thereby.

This short selection of points of view expressed in the parliamentary speeches of the members of the Conservative Party (all of them, with one exception, endowed with the high titles of the Junker aristocracy) should suffice.⁵⁵ It expresses the principle of autarky in connection with preparation for war, hatred of democracy, "Führer worship," the idea of the corporative state, antisemitism in a setting closely related to the Nazi distinction between *raffendes* and *schaffendes* ("predatory" and "productive") capital—a setting calculated to utilize the anticapitalistic sentiment in the country—and, finally, sovereign contempt for international obligations. The analogies are striking enough. But to complete the picture it is necessary to mention the spirit of extreme radicalism with which the Union of Agriculturists, under the leadership of the Junkers, conducted its propaganda. Men who recommended themselves as conservative pillars of order, defenders of tradition, and fighters against socialism not only publicly threatened to join the ranks of the Socialist Party⁵⁶ unless their demands were satisfied, but even spoke of refusing to pay taxes or to give recruits to the state, and menaced with obstruction the naval program of the government. A state of mind was deliberately created among the agricultural population which, as a member of the Reich government put it, greatly resembled the atmosphere out of which had sprung one of the most sanguinary internal strifes of German history, the peasant wars of the sixteenth century. It was the same odd mixture of reactionary conservatism and revolutionary radicalism which is so familiar to all students of the National Socialist movement in Germany in our days.

⁵⁴ That is to say, every group of the community should be remunerated in accordance with a preordained scale of values.

⁵⁵ Cf. *Stenographische Berichte über die Verhandlungen des Reichstages*, IX Legislaturperiode, II Session 1893-1894, III (Berlin, 1894):2129; *ibid.*, III Session 1894-1895, III (Berlin, 1895):1776, 1792-1793, 1795, 1805, 1814; *ibid.*, IV Session 1895-1896, I (Berlin, 1896):352, 410.

⁵⁶ *Landwirtschaftliche Tierzucht*, December 21, 1892, p. 4; Elard von Oldenburg-Januschau, *Erinnerungen* (Leipzig, 1936) pp. 37-38.

THE RESCUE OF THE JUNKERS

The Kanitz Motion was only an episode, but so was the Caprivi government. It was swiftly shown that a German chancellor could not touch with impunity the vital economic interests of the Prussian aristocracy. In October, 1894, Caprivi had to go, long before the last word was said on the Kanitz Motion. His minister for the interior, Herrfurth, who had attempted to break up the political influence of the "feudal cliques"⁵⁷ had been forced to abandon the government as early as 1892.

Caprivi was overthrown indeed not by a vote of parliament—parliamentary government was unknown in Imperial Germany—but by the cabals of the Junkers and the intrigues of the court camarilla. Throughout his period of office Caprivi had been obstructed in his policy not only by the propaganda activities of the Junkers, not only by the Conservative Party and those parties who followed the lead of the Junkers, but also by forces in the immediate vicinity of the chancellor. Despite his trade policies, Caprivi, a man of conservative convictions, was surrounded in his cabinet by men devoted to the defense of agrarian interests. In his negotiations on trade agreements he was frequently hampered by sabotage on the part of his collaborators from the Prussian civil service.⁵⁸ There were many ways indeed by which the Junkers were able to offset the activities of a chancellor who had refused to recognize the Junker truth that agricultural interests, that is to say, the interests of the large estate owners, were more important than those of any other group of the population.⁵⁹

Caprivi's successor, Hohenlohe, shaped his policy as a moderate replica of his predecessor's. He scrupulously observed the international obligations Caprivi had undertaken and vigorously opposed

⁵⁷ Gustav Schmoller, *Zwanzig Jahre deutscher Politik* (Munich-Leipzig, 1920), p. 69.

⁵⁸ See the revealing admissions in the memoirs of Adolf Wermuth. *Ein Beamtenleben* (Berlin, 1922), pp. 196-197. Also, Walther Lotz, *Die Handelspolitik des Deutschen Reiches unter Graf Caprivi und Fürst Hohenlohe*, Schriften des Vereines für Sozialpolitik, Vol. 92:3 (Leipzig, 1901), p. 67.

⁵⁹ See the statement of the leader of the Conservative Party, Kardorff, in his polemics against Caprivi in the Reichstag, Walther Lotz, *op. cit.*, p. 85.

the Kanitz Motion.⁶⁰ At one time he even contemplated a radical purge of the officialdom in the East; but his plan failed and this South German prince proved powerless to push the Junkers out of the positions in which they had been entrenched for centuries.

In the meantime the combined propaganda efforts of the Union of Agriculturists and of the Conservative Party, the methods of which "bordered on terrorism,"⁶¹ had proved highly successful in rallying around them the masses of German farmers. In 1879 it had been partly through the abandonment of anti-Catholic policies that Bismarck had prevailed upon the South and West German peasantry to join the solidarity bloc. But what happened in Germany in the 'nineties was essentially different. The peasantry was converted to the idea that high protection of grains was in the interests of German agriculture as a whole. It was significant that during the struggles provoked by the Kanitz Motion the peasant association in the Rhineland declared itself in favor of the bill. The period between the elections of 1893 and 1898 marked a strong increase in the influence of the agriculturists in a number of political parties far beyond the limits of the Conservative Party.

After Caprivi resigned, the majority in the Reichstag which had supported him began to assume an agrarian character. In 1896, the Agrarians scored a success with the adoption of a law against trading in grain futures. From session to session the Reichstag was asked to denounce all trade agreements which carried the most-favored-nation clause.⁶²

⁶⁰ When the Kanitz Motion was brought up again, Prince Hohenlohe submitted to the Reichstag computations according to which out of an agricultural population of 19 million in Germany only 4 million, or 21 per cent, were interested in grain protection. *Stenographische Berichte über die Verhandlungen des Reichstages*, IX Legislaturperiode, III Session 1894-1895, III (March 3, 1895): 1783-1784.

⁶¹ Helfferich, *op. cit.*, p. 162.

⁶² Another attempt of the Junkers was directed at the gold standard. In 1895, they displayed a vigorous propaganda for introduction of bimetallic currency. They succeeded in making the Reichstag adopt a resolution urging the government to bring about an international monetary conference for this purpose. They hoped that transition to bimetalism would reduce the exchange rate of the mark, raise domestic prices, and provide protection for high-cost production in agriculture. The Junkers' success would have caused grave damage to German economy and would, in fact, have given the development of world trade a severe blow. Precisely for this reason these efforts are significant for the policies of the Junkers, who a quarter of a century later contrived to benefit from the collapse of German economy in the inflation of the 'twenties. *Stenographische Berichte über die Verhandlungen des Reichstages*, IX Legislaturperiode, III Session, 1894-1895, II (February 15 and 16, 1895), pp. 893-931.

The National Liberal Party pledged itself at the elections of 1898 to an increase of agricultural protection. Within the Catholic Center the influence of the agrarian wing was mounting steadily. This evolution more than offset the loss of sixteen seats which the Conservatives had suffered in 1898. When the Rumanian and the Russian trade agreements were passed by the Reichstag, more than 50 per cent of the Center Party voted against the agreements. In Bavaria, on the Rhine, in Silesia, the Catholic peasants urged the Center to take a firm stand for an increase in agricultural tariffs. And even the liberal-minded small peasants in the South German People's Party claimed that the grain protection provided by the trade agreements was inadequate. Thus the Union of Agriculturists assumed virtual leadership over German agriculture. One can only marvel at the vitality of an exclusive aristocratic group which had learned so quickly to adapt itself to the political necessities of the *ère des foules* (Le Bon). The middle and small peasants, for whom pig-breeding and dairy and poultry farming were the principal sources of cash income, had been persuaded that high grain prices were a prerequisite to their economic prosperity. The Union was generous also in promising higher duties on products of animal husbandry. Besides, the peasant was told by the Junkers that the liberal trade agreements had been responsible for the spread of the foot-and-mouth disease in Germany. And the peasant believed it.

The electoral successes of labor, as shown above, played their part in this development. Industry had to take into account this growth of agrarian tendencies within those political parties on which it used to rely for support in matters of economic policy. On this side, too, the progress of labor was being watched with misgivings and apprehensions. When at the beginning of the century a new, though short, industrial depression occurred, the ground had been well prepared for the restoration of the solidarity bloc.⁶³

In 1900 Prince Hohenlohe resigned and Bernhard von Bülow was

⁶³ Another element must be mentioned in this connection. The deterioration of the economic position of the Junkers after the 'seventies, together with the accumulation of industrial fortunes, led to increased intermarriages between the two groups, thus creating a new social basis for the solidarity bloc. Werner Sombart, *Die deutsche Volkswirtschaft im neunzehnten Jahrhundert*, pp. 508-509. Thanks to the superior position of the Junkers in the social hierarchy of the German Reich these intermarriages increased the power of the Junker aristocracy rather than diluted the group with elements of middle-class ideology.

appointed chancellor of the German Reich. The reversal to Bismarckian policies was at hand.

Great armament expenditures, construction of the German navy, and expansionist tendencies in the Near East, Africa, and South America characterized the period which was to end in the cataclysm of the World War. Then, as in Nazi Germany of our time, the close connection which exists between "autarky" and "autarchy" became patent. "Autarky" in the sense of complete economic isolation, has been an appealing political slogan, an instrument, but hardly a genuine aim in itself. The latter has been much more true of "autarchy," conceived as a country's being or endeavoring to become an independent powerful factor in world politics with the purpose of creating and dominating an internationally self-sufficient economic unit.⁶⁴ Clearly, in the geopolitical conditions of Germany an autarchic policy is predicated upon a certain amount of autarky, because the latter should enable the country to succeed in a war which may only too easily occur during the pursuit of autarky.⁶⁵ Thus the foreign policy of Imperial Germany pointed to a return of the ideas of the solidarity bloc in the trade policy of the Reich. In April and May, 1900, the Agrarians agreed to vote for the Navy Bill sponsored by government and industry. They did so after having obtained a general promise that the tariff duties on agricultural products would be raised.⁶⁶ What remained was to attain a practical tariff compromise on a new basis.

The well-known controversy of "industrial state" vs. "agricultural state" must be considered in terms of a haggling for such a compromise, rather than a scientific pursuit of truth or even as an assertion of fundamental beliefs. The arguments of the Agrarians, however, were expressions also of what had become a powerful ideology. Once again the whole gamut of agrarian irrationalism was run from the praise of rural life with its virtuous simplicity, closeness to nature, and healthfulness, to the condemnation of sinful cities where

⁶⁴ Howard S. Ellis, *Exchange Control in Central Europe* (Cambridge, 1941), p. 190.

⁶⁵ In our time this relation has been concisely and frankly stated by Werner von Daitz, the chief of the Foreign Trade Division in the Foreign Affairs Office of the National Socialist Party: "Autarky does not mean closing of the boundaries to foreign trade, but adoption of a scale of needs from the point of view of the *Wehrwirtschaft* [Economy of Preparedness]." *Berliner Tageblatt*, June 4, 1933, p. 2.

⁶⁶ Eckart Kehr, "Englandhass und Weltpolitik," *Zeitschrift für Politik*, XVII (Berlin, 1928): 500-526.

the life of the *Gemüt* decays, and to sinister prophecies of the ultimate enslavement of industrial states by their overseas suppliers of food and raw materials.⁶⁷ Into the same chapter fell the "theory of the declining share of exports in relation to domestic production";⁶⁸ its practical consequences for economic policy ran in the direction of both autarky and autarchy, that is to say, the preservation of domestic agriculture and also the formation of blocs in Central Europe, the erection of a vast colonial empire, and the establishment of vassal states in Latin America.⁶⁹ These developments were in line with the idea of economic and political compromise between industry and agriculture.

The new chancellor, Bülow, was firmly wedded to the idea of a renewed understanding between agriculture and industry. His invariable answer in the parliament to the battle cries "manufacturing state" or "agricultural state" was "Both!"⁷⁰ In a later publication he summarized his views figuratively:

A ship without sufficient ballast in her hold, with masts too high and a rigging too heavy is bound to capsize. Agriculture is and remains the ballast. Industry and trade are the masts and the sails. Without them the ship cannot move forward. But without ballast she will turn turtle.⁷¹

The implied idea that there exists something in the nature of a permanent ideal balance between agriculture and industry is, as Professor Robbins rightly insists, devoid of economic meaning.⁷² But Bülow's policy was avowedly not predicated upon a maximization

⁶⁷ Oldenberg, *Deutschland als Industriestaat* (1897); also Adolph Wagner, *Agrar- und Industriestaat* (Jena, 1902). The publications of Oldenberg, the most vigorous and persistent adherent of the doctrine of the "agricultural state," actually initiated the controversy. As far as the dark prognostications for the near future of "industrial states" are concerned, it is amusing to find similar ideas in Fichte's *Der geschlossene Handelsstaat in Sämtliche Werke* (Berlin, 1845), III:392-393, that is to say, in a book published almost exactly a century earlier.

⁶⁸ Werner Sombart, *Die deutsche Volkswirtschaft im neunzehnten Jahrhundert*, pp. 309 ff. At that time Sombart personally was not yet prepared to endorse autarkic tendencies.

⁶⁹ Gustav Schmoller, "Die wirtschaftliche Zukunft Deutschlands und die Flottenvorlage," *Handelspolitik und Machtpolitik* (Stuttgart, 1900), I:36: "It must be our desire that in the course of the twentieth century a German land with some 20-30 million Germans be created in South Brazil; this must be done under any circumstances, no matter whether as a part of Brazil or as an independent state." Also Max Sering, "Die Handelspolitik der Grossmächte und die Kriegsflotte," *ibid.*, II:34.

⁷⁰ Bernhard von Bülow, *Denkwürdigkeiten*, II (Berlin, n. d.):93; *Reden* (Berlin, 1907), I:229, II:159.

⁷¹ *Idem*, *Deutsche Politik* (Jena, 1916), p. 316.

⁷² Lionel Robbins, *The Economic Basis of Class Conflict* (London, 1939), pp. 129-130.

of economic benefits.²³ It was not an economic policy in the orthodox meaning of the word, but power politics *par excellence*. The interest of self-preservation on the part of the Junkers, translated into a powerful agrarian "drive," and the expansionist power policy of the Reich were the two main forces actuating Bülow's policy.

Although the restoration of the solidarity bloc was a foregone conclusion, the actual compromise was still fraught with difficulties. Most notably, the Union of Agriculturists had scented the favorable opportunity and kept raising its demands from week to week. In order to bring the Agrarians into line, Bülow induced a South German paper to print, as a rumor coming from an official source, the prediction that the increase in grain tariffs would be exorbitant. Thereupon the chancellor declared that an indiscretion had been committed and ordered publication of the tariff bill. So introduced, the grain tariffs as proposed in the bill aroused widespread indignation. The nonagrarian press prophesied economic and political isolation of the country if these rates ever should become law. The Social Democrats threatened obstruction. The result, as intended by Bülow, was that the Union found itself on the defensive with respect not to its own demands, but to the lower rates of the bill. The episode is instructive. It shows that even Bülow, who was fond of calling himself an "Agrarian Chancellor," was compelled to take refuge in ruses and deceptive moves in order to set limits to the insatiable demands of the Junkers,²⁴ and to secure the adherence of the Conservative Party.

On the opposite side, in the National Liberal Party, Bülow had to crush the last remnants of what he called the "sidewalk liberalism" of this party and thus to terminate what Bismarck had so successfully begun. In the middle stood the Catholic Center Party, which in its very structure was something in the nature of a solidarity bloc. The agrarian (peasant) group had been gaining heavily in this party, which strongly supported Bülow's policy.

The Center faced the problem of making the tariffs acceptable to

²³ Bernhard von Bülow, *Imperial Germany* (New York, 1917), p. 276. Bülow insisted that every state department should be organized as if war were going to break out tomorrow and quoted with approval the word of Moltke: "Permanent peace is a dream and not even a beautiful one. But war is an essential element of God's scheme in the world" (*ibid.*, pp. 284 and 285).

²⁴ *Idem*, *Denkwürdigkeiten*, II: p. 531.

the Catholic workers on whose votes the party had to rely. To counter their objections to the increase in grain duties, the Center introduced into the tariff law a stipulation that the differential in customs revenues deriving from the augmentation of the tariff rates on grains and livestock should be used for the establishment of a widows-and-orphans insurance fund. This was hardly a fair compromise, since the tariff burden exceeded by tenfold the amounts which went to supply the fund. But the new piece of "social legislation" was tangible, whereas the impact of the tariffs on the consumers

	Caprivi (in marks per metric ton)	Bülow Duties (in marks per metric ton)		
		Autonomous		Conventional
		Maximum	Minimum	
Wheat.....	35	75	55	..
Rye.....	35	70	50	..
Malt Barley.....	20	70	40	..
Oats.....	28	70	50	..
Feed Barley.....	20	70	..	13*
Maize.....	15	50	..	30

Bran and feed concentrates remained free of duty.

* See footnote 76.

could be only approximately computed. From the agrarian point of view, the arrangement was all the more satisfactory because any subsequent reduction of the duties would imply abandonment or reduction of the allowances paid to widows and orphans. This is an interesting illustration of political mechanisms employed in order to bring about and to perpetuate a system of agrarian protection.⁷⁵

A coalition of these parties passed the Tariff Act in the Reichstag on December 14, 1902. For four principal grains (wheat, rye, oats, and malt barley) the method of a double tariff with maximum and minimum duties was chosen with the twofold purpose of pacifying the agrarian turbulence and of providing a bargaining margin and a floor for the coming trade negotiations when the Caprivi agreements should expire in 1906. The minimum duties could not be further reduced by trade agreements. The new rates represented very appreciable increases as compared with the duties which had been con-

⁷⁵ Cf. Lujo Brentano, *Die deutschen Getreidezölle*, pp. 46-47.

ceded by Caprivi. However, the duties on feed barley⁷⁶ and maize, for which no minimum limit was fixed, were subsequently reduced by trade agreements.⁷⁷ These increases, which made German grain production one of the most strongly protected in the world, were accompanied by increases in duties on livestock, meat,⁷⁸ and butter, while milk was left entirely and eggs and fruit almost entirely unprotected.⁷⁹

If we remember the earlier discussion in this study of the political development of the German labor movement and the transformation which it was undergoing at this time, the full significance of Bülow's tariff reform will be readily understood. The Social Democratic Party conducted a most vigorous campaign against the bill. It was almost alone in the parliament in its opposition to protectionism, supported only by the Progressives, the representatives of commercial classes. The filibustering went on for months on end. Because of this vehement opposition, the Tariff Act could be passed only after the majority had broken the rules of procedure and, in this way, had gagged the voice of the opposition.⁸⁰ As demonstrated above, the party had been committed by its program and its general

⁷⁶ It is significant, however, that it was not until the beginning of the third reading of the tariff act in the Reichstag that Prince Bülow declared he would not insist on a minimum duty for feed barley. Originally, it had been planned to subject feed barley to the same high minimum rates as industrial barley. Cf. *Stenographische Berichte über die Verhandlungen des Reichstages*, X Legislaturperiode, II Session 1900-1903, VIII (Berlin, 1903):7144-7145. The high duty on malt barley benefited Bavarian peasants and thus it occupied a special position in the tariff system.

⁷⁷ "Zusammenstellung der bisherigen und zukünftigen autonomen und vertragsermässigten Zollsätze des deutschen Zolltariffs." *Stenographische Berichte über die Verhandlungen des Reichstages*, XI Legislaturperiode, I Session 1903-1905, Anlageband 6a (Berlin, 1905), pp. 2-4.

⁷⁸ Imports of low-quality meat from overseas were effectively prevented by the rules of veterinary inspection.

⁷⁹ For the relation between duties on animal products and duties on grains, see pp. 72-75 of the present work.

⁸⁰ This procedure was a sinister symptom of the weakness of German parliamentarism. Men of altogether conservative outlook had raised their voices warning—in vain—against the frivolous sport with fundamental laws and traditions of the Reichstag. Moreover, as a foreign observer noted at the time, the unwillingness of the government and majority parties to allow a detailed discussion of the Tariff Act was also predicated upon the precarious character of the construction of the solidarity bloc. Prolonged debates might have had a very disruptive effect upon the patched-up unity of the bloc. Cf. Ernst Müller, "Zolltariff-Reichsverfassung-Geschäftsordnung des deutschen Reichstages," *Annalen des Deutschen Reiches für Gesetzgebung, Verwaltung und Volkswirtschaft* (Munich, 1902), pp. 713-733; *The Economist* (December 20, 1902, London), LX:1986.

pronouncements to a policy of free trade, although the spirit in which these commitments were conceived had undergone marked changes, which were clearly perceptible at the turn of the century. Bülow's policy was bound to lend new and strong support to this attitude and render hopelessly weak the position of the protectionist dissidents within the labor movement.

Bülow's grain tariffs represented a very appreciable burden on the budget of the workers. Brentano computed that at a tariff of 5.50 marks per quintal a worker with an average-sized family was compelled to work 13.1 days per year in order to pay for the differential in grain prices at home and abroad. At a rate of 7.50 (the maximum rate of the Bülow tariff) the number of working days required increased to 17.9.⁸¹

There was no doubt that the burden of the grain duties was relatively, and perhaps even absolutely, heavier on the receivers of small incomes than on higher incomes because of the higher share of food in the total expenditure and also because of the difference in diet structure.

⁸¹ Lujo Brentano, *Die deutschen Getreidezölle*, p. 32.

PROTECTION IN AGRICULTURE AND DEMOCRACY

The political implications of the revivification of the solidarity bloc were no less momentous. The first Bismarckian edition of the bloc had had an antilabor angle. The famous Antisocialist Act had been passed one year before the tariff revision of 1879, and the emphasis on the socialist menace in the press had facilitated the compromise between industry and agriculture. But the labor party of the late 'seventies was still a comparatively small group, almost a sect, with a revolutionary ideology and tendencies. When Bülow entered the chancellery Social Democracy was a giant party, efficiently organized and working in close collaboration with powerful trade unions. In a few years it was to become the strongest party in the German Reichstag. It was rapidly outstripping its revolutionary past and was transforming itself into a purely democratic, in fact the most democratic, party in the country—a party which had for its principal goal the democratization of Germany.

It was this goal which appeared thwarted by the re-creation of the solidarity bloc. Democratization of the country was contingent on the breaking-up of the power and privileges of the Junkers, but the revived solidarity bloc had immensely strengthened the economic and political position of the East Elbian aristocracy. Democratization could not be achieved without parallel efforts by the parties representing the small and middle peasantry. The subordination of the peasants to Junker interests and their incorporation into the "drive" of the Union of Agriculturists preceded the formation of the bloc and to a great degree rendered it possible.

In this historical situation the connection between free trade and democracy was obvious. Bastiat once claimed that there was a never-failing inverse correlation between democratic development in a country, measured by the width of franchise, and the degree of protectionism in the same country. He drew up tables which showed that free trade policies were applied when the French Revolution had bestowed the right to vote on every Frenchman and protection-

ist policies came in their place when the franchise was retrenched under the Restoration and the July Monarchy.⁸² This simplified proposition, which assumes a certain "natural" factual behavior of democracy in the field of foreign trade policy is, of course, untenable in the light of the subsequent history of trade regulations, even though, as Bastiat put it, "the majority consists of bread eaters." General franchise has proved no guarantee against the excesses of protectionism.

Even the question whether free trade policy is always and under any circumstances desirable from the point of view of democracy is a debatable one. Democratic economic policy cannot ignore the fact that, under conditions of appreciable underemployment of resources, rigidity of economic structures, and disruption of world trade, well-regulated and well-timed reflationist policies conducted behind a protectionist shelter may prove the quickest remedy against losses in general welfare entailed by depression and the best instrument to recoup the loss of trade fluctuations. Indeed a burning dilemma of democratic policy is the problem of reconciling the aim of social security (maintenance of employment) with the aim of avoiding impoverishment involved in autarkic policies; in the happy formulation of *The Economist*, this requires a combination between a New Deal in world trade and a New Deal in domestic social, and economic policy.⁸³

Furthermore, apart from this fundamental problem, the protection of certain industries from foreign competition may become necessary in order to carry out a regulated process of adjustment, while enforcement of a sudden adjustment may lead to strong social repercussions and jeopardize the maintenance of democracy. Here the time element becomes essential. This is an aspect particularly pertinent here and it should never be lost sight of as one of the most crucial problems which democratic postwar reconstruction in Germany—and not only in Germany—will have to face.

Whatever may be the possible relationships between democracy

⁸² Frédéric Bastiat, *Democratie et libre-échange*, in *Oeuvres complètes* (Paris, 1862), II:102, 103.

⁸³ *The Economist*, CXLII (August 23, 1941):222. Significantly, an essentially similar position has been taken by Alvin H. Hansen and C. P. Kindleberger, "The Economic Tasks of the Postwar World," *Foreign Affairs*, April, 1942, XX:466-476. Cf. also R. F. Harrod, *International Economics* (2d ed.; London, 1939), p. 175.

and free trade policies, there is little doubt that with the specific historical situation in Germany at the time of the struggle for and against Bülow's tariff revision, the successful reversal to policies of intensified protectionism, as far as grain production was concerned, was tantamount to a defeat of democratic forces in the country and a fateful retardation in the development of free institutions in the Reich, the states, and the municipalities. In this constellation, free trade and democracy had become one.

It should be recalled that the free trade policy of German labor as compared with that of British labor had peculiar aspects. In both countries free trade policies were oriented toward the interest of consumers. In England as in Germany, the labor struggle against protectionism was a struggle against imperialist policies, with the important difference that Joseph Chamberlain lost and Bülow won. But while in England the free trade policy was related to the problem of democracy only in the sense that the absence of protectionism spared the English democracy a profound internal conflict, protectionism in Germany perpetuated the economic and political existence of a class whose economic interests and general philosophy were bitterly opposed to all democracy stood and stands for.

The agricultural crisis of the last quarter of the nineteenth century had presented Germany with her great democratic opportunity. The crisis threatened to shatter the economic position of the Junkers and to do away with their existence as a coherent social group. This golden opportunity was missed. The Junkers weathered the crisis and emerged from it with an economic prosperity which, artificially induced as it was, was nonetheless real. They availed themselves of the crisis to establish their ascendancy over large sections of German peasantry. Politically they were stronger than ever before.⁸⁴ What is more, in the following years a combination between an accidental development in the world market and the specific techniques of protectionism produced far-reaching structural changes in German agriculture, further enhancing the power of the Junkers, and providing additional obstacles to a policy of adjustment.

⁸⁴ In fact, they were even stronger than in Bismarck's time when they were dominated by the powerful personality of the Iron Chancellor. (Cf. André Tardieu, *Le Prince de Bülow* (Paris, 1909), p. 221.) At the period under discussion, the lack of an equally dominating statesman enhanced the power of the Junkers. In due time they liberated themselves from coöperation with the Liberals. The Conservative Party played a prominent role in overthrowing Bülow in 1909. Feelings of gratitude were certainly not conspicuous in Junker policies.

IMPORT CERTIFICATES

Before we attempt to summarize the nature and results of the structural shifts in German agriculture, we must consider a measure enacted several years earlier and conceived as an innocuous improvement upon the working of the grain duties. It was this measure which, particularly after the initiation of the Bülow tariffs, became the backbone of the whole system of grain protection. We speak of the so-called "import certificates."

When the grain duties were first reintroduced, the East Prussian ports of Danzig and Königsberg were conducting a large transit trade with Russian grains. Therefore, and also because the nature of this trade required mixing operations to be performed before the grains could be reshipped abroad, the law of 1879 had provided for repayment of customs duties when the identity of the owner and warehouse could be established. No interchange within the individual grain categories was permissible.

Shortly after the reimposition of the tariffs it became apparent that the purpose of protection for the East German grain production was being achieved only to a small extent. Consumers in the West objected to the poor quality of East Elbian grains. Moreover, transport cost gradations were such that eastern grains could be sold at a cheaper price in Scandinavia than in the consumption centers of the industrial areas in the West of Germany. Freight charges from Odessa to Cologne were lower than from Königsberg to Cologne.⁸⁵ In spite of the duties the East Elbian grain-growers found themselves unable to compete with foreign grains in the West. At the same time the general cost differential between Germany and abroad was sufficient to preclude exportation of grains from the East to foreign markets. Thus the East was unable to obtain the full benefit of the tariffs and complained vigorously.

Once tariff duties had been granted, it was difficult to resist the demand for implementing their effectiveness. In 1891, differential

⁸⁵ In the 'eighties the difference was 42 as against 48 marks per metric ton; cf. Fritz Beckmann, "Einfuhrscheine," *Handwörterbuch der Staatswissenschaften* (4th ed.; Jena, 1926), 3:353.

freight rates for grain were introduced by the railroads; but this attempt met with resistance on the part of the producers in the West and the South, who regarded this measure as an unfair discrimination against them. Thus, in 1894, it was resolved to use the drawback system as the instrument of grain-price equalization within Germany. The so-called "identity proof" was abolished, that is to say, the proof of personal identity of the grain importer and exporter was no longer required. The grain exporter obtained an "import certificate" to the amount of the export duty levied on the exported category of grain and then sold the certificate on the free market to any importer, who could then use it for payment of duties on imported goods. These goods comprised either grain of the same category as that exported, or coffee, petroleum, and a small number of other commodities. After the introduction of the Bülow tariff, the stipulations were revised and the free interchangeability of individual grain categories was established, so that, for example, an "import certificate" for rye could be used for payment of duty on imported barley. At the same time other commodities than grains, coffee, and petroleum were excluded from the procedure. This reform did away with the last remnant of the original connection of the drawbacks with *entrepôt* trade. Whereas originally imports preceded exports, the order was now reversed.

The effects were obvious: as long as the price the eastern producer was able to obtain within the country was lower than the world market price plus tariff, he continued to export his grain until the domestic price rose to a level which included the full import duty minus the discount margin necessary to induce importers to purchase import certificates rather than pay the duties directly. Thereby the original character of the measure was radically changed. The drawbacks, once intended to serve the needs of the transit trade, became an export premium.

There was at the time a good deal of discussion in Germany as to whether or not the system of import certificates could be regarded as affording an export premium. Those favorably inclined toward agrarian protection took the stand that the certificates did not give an export premium proper, since every export was counterbalanced by an import. Only to the extent that an export surplus in a certain grain category arose would it be appropriate to speak of an export

premium.⁶⁶ Yet it is obvious that the certificates did produce an export premium in the sense that they rendered possible exports which would not have taken place otherwise. Another question concerned the additional burden placed on the consumer or community in general. Clearly, at least the local rise of prices in the East to the level of the world market price plus tariffs involved such an additional burden. Beyond that, the mere displacement of domestic production by imported grain on the domestic market did not entail any additional burden. But to the extent that domestic production increased under the impact of the import-certificate procedure and exports increased accordingly, an additional burden was placed on the community; the proceeds from the duty on imports which would take place anyhow eventually reposed in the pockets of the grain-growers and not in the Treasury. For our problem it does not matter whether the expansion of production was great enough to transform a trade deficit into an export surplus. If it did so, the effects of the certificate system would become particularly obvious.⁶⁷ Through the device of export premiums the customs duties, as it were, followed German grains on to the world market and protected them there.

The effects of the system were startling indeed, and the Junkers had good reason to be grateful to Caprivi, under whose chancellorship the abolition of the "proof of identity" was carried out. But neither the Junkers nor Caprivi and his cabinet, whom the former overthrew a few months later, appreciated at the time the real significance of the reform. The import-certificate system remains in economic history as a curious case of inability on the part of those who enact measures of economic policy to foresee the ultimate effects of their actions.

⁶⁶ *Ibid.*, pp. 354-355. Also, *idem*, "Einfuhrscheinsysteme" (Karlsruhe, 1911), pp. 85 ff.; Karl Diehl, *Zur Frage der Getreidezölle* (Jena, 1911), p. 80.

⁶⁷ Nevertheless, the argument is revealing because of the underlying autarkic assumption, namely, that production to the full extent of the national consumption is desirable and, as it were, a normal state of affairs.

PROTECTION AT WORK

It was in regard to rye, the chief crop of the Junker economy, that the effects of the Bülow tariff in conjunction with the certificate system were most telling. Absolute protection is a powerful economic instrument. No less significant, however, is the amount of relative protection accorded to individual, mutually competing, commodities. It was a characteristic of German agricultural protection that it placed rye in a position in which it could most successfully assert itself against the competition of other soil products, most notably against wheat on the one hand and fodder on the other. At the turn of the century both German rye and German wheat were high-cost commodities within the framework of world economy. But from the point of view of production, rye was undoubtedly in an advantageous position as compared with wheat. Rye is the grain well suited to the poor light forest soils of eastern Germany.⁸⁸ It is able to withstand the impact of low temperatures with a minimum of winter killing. It is easy to find a place for it in crop rotation without placing undue strain on labor resources. It requires less soil preparation, that is, lower expenditure in terms of fertilizers and labor hours. Therefore, an equal or inadequately differentiated protection of rye and wheat was bound to result in a relatively greater protection for rye.

The German wheat and rye tariff rates were equal between 1879 and 1906, the year when the Bülow tariff went into effect. Bülow decided to keep the duty on rye 50 pfennigs below that on wheat. This was done with a view to future negotiations for a renewal of the trade agreement with Russia. Bülow feared that a higher duty on rye would alienate Russia even more⁸⁹ and drive her into alliance with England. But a tariff differential of 9.1 per cent for the minimum rates, or even only 6.7 per cent for the maximum rates, was altogether insufficient to counteract the natural advantage enjoyed

⁸⁸ On the poorer soils of the rye-potato belt in eastern Germany rye, potatoes, and lupins are the typical rotation; on the somewhat better soils rye, potatoes, oats, clover, and fallow are the customary rotation. Cf. Max Sering, *Deutsche Agrarpolitik*, p. 17 and map. "Crop Belts in eastern Germany," p. 186 of this book.

⁸⁹ Bernhard von Bülow, *Denkwürdigkeiten*, I:531.

by rye. The corresponding differential of the contemporary French tariff was 57 per cent in favor of wheat. The German rye duty differential was all the more inadequate since most of the items which constituted cost of transportation were equal for rye and the higher priced wheat. Finally, the higher flour content of wheat in comparison with rye worked, in conditions of freedom of trade for bran, in the same direction: computed in terms of flour, the tariff on wheat became even absolutely lower than that on rye.⁶⁰

On the other hand, the relation to feed grains, especially barley, was even more favorable for the production of rye in Germany. Clearly, producers of high-grade foodstuffs had been put to a disadvantage by the policy of high grain protection. For the large majority of small farmers the duties on grain meant an increased price for their raw material and hence an increased cost of production. Statically the matter presents itself as follows: since the demand for products of the meat and dairy industries is elastic (particularly in a country with only a moderately high standard of living), whereas the demand for bread grains is relatively inelastic, producers of high-grade foodstuffs were doubly hit; first, because higher prices for bread grains reduced the amount of income available for consumption of high-grade foodstuffs and second, because this consumption was further reduced by the high elasticity of demand for meat and dairy products. This, however, is true only when the protection accorded to high-grade products compensates fully for the increased cost of production entailed by grain protection.⁶¹

If this compensation is not provided, larger imports of high-grade foodstuffs will take place and the domestic production of these commodities will be restricted. The latter alternative is clearly preferable from the point of view of the consumers. But in the long run, that is to say, dynamically, the effects of such a policy are no less deplorable, because it is tantamount not only to a prevention of readjustment, but to a reversal of this process; agriculture is then forced into grain production and away from those branches of production

⁶⁰ For the preceding, see Naum Jasny, "Die Zukunft des Roggens." *Vierteljahrshefte zur Konjunkturforschung* (Berlin, 1930), Sonderheft 20, pp. 52-53; Fritz Beckmann, "Einfuhrscheinsysteme," p. 138.

⁶¹ We have here the effects of what is called "direct" and "cross" elasticity of demand coupled with effects of compensatory protection. See N. F. Hall, "Preliminary Investigation into Measures of a National or International Character for Raising the Standard of Living," League of Nations, Economic and Financial (Geneva, 1938), Vol. II. B. 4.

where competition with imported products is possible. Expansion of grain production in the face of rising cost differentials and under pressure of increased numbers of those interested in grain protection will sooner or later lead to the necessity of raising grain tariffs even more. It thus increases the protection of a product which cannot thrive in the open air of a world market. Losses to consumers will mount in the long run; while on the producers' side, under unfavorable circumstances, production of grains by operators of small and medium sized farms may even lead to the absorption of these farms by the large estates.

There is little doubt that agricultural protection in Germany, even in the years of moderate policy initiated by Caprivi, amounted to such a specific protection of grain at the expense of other branches of agricultural production. This can be easily demonstrated in the branch of pig-breeding.

The "Caprivi duty" on barley amounted to 2 marks per quintal. It is generally assumed that 5 quintals of barley are needed in order to produce one quintal of live pig.¹⁰ The Caprivi agreements fixed the duty on live pigs at 5 marks apiece. If we assume, as a conservative estimate, that the average weight of pigs imported into Germany was about three-quarters of a quintal, the duty amounted to 6 $\frac{2}{3}$ marks per quintal, the relation between the duties being 2:6.66 or 1:3.3, instead of the necessary compensatory relation of 1:5. In other words, the grain tariff was far from being offset by a corresponding duty on live pigs. As a result, the development of the German peasant economy was gravely impaired. The small relative increase between 1882 and 1907 of the area belonging to agricultural enterprises of less than one hundred hectares should not conceal the fact that this result was possible to a large degree because of the great adaptability of the peasant farmers and the ability of the peasants and their families to increase the degree of self-exploitation.¹¹ The adjustment of the peasant economy was hopelessly retarded and production was deflected to branches in which the small and medium-sized farms were decidedly inferior to the large agricultural estates.

¹⁰ Friedrich Aereboe. *Agrarpolitik*, p. 449; Arthur Hanau, "Die Prognose der Schweinepreise." *Vierteljahrshäfte zur Konjunkturforschung* (Berlin, 1930), Sonderheft 18, p. 23.

¹¹ Michael Hainisch, *Die Landflucht* (Jena, 1924), p. 99.

Before the passing of the Bülow tariff, the Junkers were forced to promise the peasant groups the establishment of a fairer relation between the tariffs on feed grains and the duties on products of animal farming. The duty on pigs was fixed at 18 marks per quintal by the autonomous maximum rate and at 9 marks per quintal in the conventional tariff. The high level of the former was not of practical significance, being a deceptive propaganda device designed to keep the peasants firmly in tow of the Junkers. The duty on feed barley was set at 1.30 marks per quintal in the Russo-German trade agreement.⁸⁴ Russia, on the verge of defeat in the war with Japan and on the eve of a shattering revolution, had to acquiesce in the high duties on rye and wheat, and all Count Witte could gain in his negotiations with Bülow was the low duty on feed barley. This was certainly an improvement upon the relation which obtained at the time of Caprivi duties.⁸⁵ The relation 1:5 actually represents the lower limit of what can be technically achieved. It does not take into account the costs of feeding sows and boars; and it likewise neglects the fact that the returns on heavy pigs decrease rapidly. Scarcely more than 30 per cent of all pigs slaughtered in Germany were raised on the basis of the 1:5 relation.⁸⁶ It is therefore fair to assume that the relations established by the Bülow tariff just offset the effects of the duty on feed barley. Thus they were a compromise between the Junkers and the peasants. In the subsequent years, imports of Russian barley, indeed, rendered possible further concentration of pig-raising in northwest Germany, that is, in an area dominated by its proximity to the ports of Bremen and Hamburg. But this cannot be considered as a general adjustment of German agriculture to world conditions. The great development of pig production in the northwest only shows how relatively easy an adjust-

⁸⁴ "Convention additionnelle au Traité de Commerce et de Navigation entre l'Allemagne et la Russie" (July 28, 1904). The treaty went into effect on July 1, 1906; it was stipulated to expire on December 31, 1917. Cf. *Stenographische Berichte des Reichstages*, XI Legislaturperiode. I Session 1903-1905, Anlageband 6 (Berlin, 1905), p. 99.

⁸⁵ For maize, the duty was fixed by the German-Rumanian agreement at 30 marks per metric ton. The efficiency of maize as feed is approximately the same as that of barley. An analogous computation shows that under Caprivi duties the relation between rates on maize and pigs was 1:4.144, whereas under Bülow duties it amounted only to 1:3 instead of the necessary relation of 1:5. Thus, in the case of maize a deterioration instead of an improvement took place.

⁸⁶ Hermann Paetzmann, "Standortsfragen der nordwestdeutschen Schweinehaltung," *Berichte über Landwirtschaft* (Berlin, 1930), Sonderheft 32, N.S., p. 18.

ment would have been if German agriculture had not been burdened with artificial maintenance of the grain sector. With the possible help of very moderate duties on animal production the problem of German agriculture could have been solved with a minimum of friction. The prewar period of growing prosperity was most favorable for such a policy. In fact, however, Germany continued to be a country of large and growing imports of the products of animal husbandry, with the sole exception of meat. In particular, imports of dairy products and of eggs, which were almost unprotected, steadily increased. The tariff on eggs amounted to 2 marks per quintal. The relation between barley and eggs is approximately the same as the relation between barley and pigs, that is to say, 5 quintals of feed barley can be converted into one quintal of eggs.⁶⁵ This meant that, under Bülow tariffs, a tariff on barley to the amount of 6.50 (5×1.30) marks was offset by the tariff on eggs only to the extent of 30 per cent. In other words, the Danish or Dutch farmer gained on every quintal of eggs sent to Germany 4.50 marks more than the German egg-producer. The situation, therefore, was even much more unfavorable to the peasant for eggs than for pigs. All in all there is little doubt that the compromise between the growers of grain and the rest of German agriculture was weighted heavily in favor of the former.⁶⁶

In fact, the compromise in this form must be regarded as the central wheel in the mechanism of grain protection. At this juncture it seems profitable to pause for a moment and to recapitulate the process of subjugation of the peasant to the needs of the Junker policy; for the operation of the mechanism seems now fairly patent. To begin with, the Junkers presented the case for grain protection as a case for agriculture as a whole. For a number of reasons they succeeded in winning the support of the peasants; first, because the irrational notion of homogeneous agriculture strongly appealed to the peasants; second, the peasants in the West and in the South did not know the Junkers, while the peasants in the East were either too

⁶⁵ Hans von der Decken, "Entwicklungstendenzen der Eierwirtschaft," *Vierteljahrshefte zur Konjunkturforschung* (Berlin, 1932), Sonderheft 27, p. 8.

⁶⁶ In the words of Professor Sering: "The final outcome was that immediately before the war intensive agriculture was able, despite the enormous increase in population, to supply the needs in carbohydrates to a larger extent than was possible thirty years earlier. But the deficit in converted products and raw materials for their production grew from year to year." Max Sering, *Deutsche Landwirtschaft*, p. 12.

backward to understand the issues or too dependent upon the Junkers to be able to resist them, or both; third, because the peasant watched with misgivings the rising strength of labor; fourth, because to some peasant groups who were slow in adjusting their production to the market conditions grain protection appeared to obviate the necessity of the efforts to adopt new modes of production.

Once the Junkers had succeeded and protection had been initiated as a unilateral system designed to shelter the production of grains, a new factor entered and worked to the benefit of the Junkers. For then the peasant of necessity became a protectionist, because as a consequence of grain protection he needed compensatory protection for the main products of his economy. This despite the low "protectability" of high-grade foodstuffs. The Junkers supported this demand of the peasants, with the paradoxical result that the partial remedy of an injury the former had inflicted upon the latter tended to buttress further the union between the two groups and created the semblance of a genuine harmony of interests.

As shown before, the remedy could be only a partial one even if full compensation had been given for the increase of cost of production the peasant economy had suffered as a result of higher prices of grain. If, however, despite compensatory tariffs, grains were placed in a particularly favorable price position, then the transition to converted products was slowed down further or, sometimes, the process was even reversed. The peasant was forced to a certain extent to produce grains for the market in order to comply with the artificially created price relationships, despite the fact that, if the adjustment had been allowed to proceed unimpeded, the peasant economy would have been in a much more favorable position. A certain vested interest of the peasant economy in grain protection as a consequence of the protection itself was, then, the unavoidable result.

Thus it was a crooked road which had led to the compromise between the Junkers and the peasants. Not so much dissatisfaction with this compromise on the part of the peasantry as the very nature of the German system of agricultural protection made it impossible to maintain the compromise for long. To understand this, something further must be said about the effects of the system.

The favorable position in which rye was placed in relation to wheat and fodder grains (with the exception of oats, the relative

protection of which was also considerable) was bound to give a marked impetus to the production of rye. At the same time rye enjoyed, together with other grains, all the advantages resulting from the general process of industrialization within and outside Germany. The prices of agricultural machinery had fallen very considerably between 1860 and 1890. From that time up to 1910 they remained approximately stable, but improvements in construction and quality were taking place, so that as a matter of fact the fall of prices continued.⁹⁹ The prices of various artificial fertilizers did not move in a uniform fashion; some of them fell slightly, while only the nitrates showed a distinct rise; but on the whole, the rise in prices was very moderate indeed. Artificial fertilizers were imported free of duty, but duties were imposed on maize and barley. In other words, the raw materials of the Junker economy were imported free, whereas the raw materials of the smaller farms were taxed.¹⁰⁰ Wage rates rose considerably between 1890 and 1913; the quantity of labor necessary per unit of acreage decreased, while the yield per acre increased; consequently, on balance there resulted an appreciable reduction of labor-cost in the gross income of the rye producer.

The Bülow tariff was passed at a psychologically favorable moment, as far as the price movement on the grain market was concerned. For rye the years 1894–1896 showed the lowest points of the price curve in the preceding fifty years. From then on a moderate

⁹⁹ It is true, however, that in the absence of protection the gains in this respect could have been even larger. For the duties imposed on agricultural machinery were largely responsible for the inability of German agriculture to avail itself of the progress of American technique.

¹⁰⁰ Cf. for the preceding paragraph Jasny, "Die Zukunft des Roggens," p. 82; Aereboe, *Agrarpolitik*, p. 453. In this connection belongs also the dramatic history of the German potash monopoly, which conducted a policy of reversed dumping, selling at cheap prices on the German market and at high prices abroad. The monopoly was a solidarity bloc in miniature. The Junkers helped the mine owners in obtaining coöperation of the state for restriction of production. On the other hand, sales of potash within Germany largely went through organizations of farmers, first and foremost the Union of Agriculturists, which finally (1908) came to own two potash mines. It was the Junkers' pet idea in this respect that the American farmer must be prevented from obtaining cheap potash to the detriment of German agriculture; at the same time the potash monopoly's selling policies discriminated against small farmers in Germany. In 1910 representatives of the South German Christian Party—a small party of small landowners—protested in vain in the Reichstag against these policies. For the German consumer the policy of the monopoly meant also higher prices of American cotton and American tobacco. Cf. George Ward Stocking, *The Potash Industry, a Study in State Control* (New York, 1931), pp. 204–207; *Verhandlungen des Reichstages*, XII Legislaturperiode, II Session, Vol. 259 (Berlin, 1910) (February 14 and 15, 1910), pp. 1212–1270.

rise began; in the years 1890-1903 the rye price in Berlin was on an average about 11 per cent higher than in the five years between 1894 and 1898; but prices seemed to have been stabilized on this higher level or even showed a slight tendency to decline. However, in the years following the adoption of the new tariff, prices rose rapidly by much more than the amount of additional duty of 15 marks per metric ton on rye and 20 marks on wheat would have warranted. The price of rye in Berlin, after a temporary low of 132 marks per metric ton in 1903, reached 193 marks in 1907 and again 186 marks in 1912. The average values for the two quinquennial periods preceding the war were 17 and 21 per cent higher than in the period 1899-1903.¹⁰¹ The German price of wheat followed the same development, although with a lag of about one year. The price of maize in Germany in its turn followed rather closely the price of wheat, while fodder barley took part in the general increase in grain prices only to a much smaller extent. The general tendency of price movements up to the year 1907-1908 was a fair reflection of events on the world market where a general rise of grain prices was taking place, with the exception that feed barley rose more compared with other grains on the world market than in Germany where this relation was distorted by the reduction of the tariff on this grain.

The general rise of prices on the world market was largely conditioned by the fact that the process of industrialization in the United States had reached a point where growing domestic needs could absorb a considerable part of agricultural products.¹⁰² It was widely believed in this country before the outbreak of war in 1914 that the near future would lead to an almost complete abolition of export surpluses in grains so that American imports would have to be paid for by other than agricultural exports.¹⁰³ These hopes or fears were

¹⁰¹ *Statistisches Jahrbuch für das Deutsche Reich*, 1912, p. 296; 1915, p. 302; 1906, p. 230.

¹⁰² In the United States the passing of public land into private ownership was nearly completed by 1890. Ever since 1876 the proportion of exports to production had remained high above the 20-per cent mark. Between 1903 and 1913, with two insignificant exceptions, it sank considerably below this. The exports of wheat in the period 1900-1909 were 22 per cent lower than in the years 1890-1899; in absolute figures this meant a decrease of about 40 million bushels, or almost 50 per cent of the German annual wheat imports before the war. U. S. Department of Agriculture, *Agricultural Statistics 1910*, p. 9; *Statistisches Jahrbuch für das Deutsche Reich*, 1926, p. 136.

¹⁰³ William J. Trimble, "The Influence of the Passing of the Public Lands," *Atlantic Monthly*, No. 6 (June, 1914), reprinted in Louis Bernard Schmidt and Earle Dudley Ross, *Readings in the Economic History of American Agriculture* (New York, 1925), p. 344.

premature. Further changes in the techniques of agricultural production during and after the war resulted in a new upswing of wheat exports from the United States, which in the decade 1920–1929 surpassed the level of the 'nineties by almost 30 million bushels on an annual average. The expectations of German economists who anticipated in the 'twenties that the United States was on the verge of withdrawing from wheat exports altogether thus had little foundation.¹⁰⁴ But the temporary decrease in exports in the years preceding the first World War had greatly strengthened the world market in grains. No less important were the successive years of very poor rye crops in Russia between 1904 and 1908. The rye price experienced a short rise on the world market, and for some time the prices of other grains lagged behind the rye price.

The sum total of these conditions—that is to say, the natural suitability of rye production in Germany, the effects of the import-certificate system, the relatively favorable position accorded rye in the tariff system, and favorable developments on the world market—resulted in an unprecedented increase of rye production in Germany. In 1900 the area devoted to rye amounted to 5,955 thousand hectares; by 1913 it had increased to 6,414 thousand hectares, a truly spectacular increase for a country of old and intensive soil culture, where protection, although high, was still far from creating such isolation from the world market as was achieved during and after the great depression of 1931–1932. At the same time the yield per hectare increased from 14.4 quintals in 1900 to 19.1 quintals in 1913. In contrast, the wheat area was 2,049 thousand hectares in 1900; it decreased somewhat in the following years, oscillated for a while, and began to increase again in the last three years before the war, the figure for 1913 being 1,974 thousand hectares, a little below the level of 1900. The yield of wheat per hectare rose to 23.6 from 18.7 over the same period—an increase of 126 per cent against the 133-per cent increase of the yield of rye. Most of this increase occurred in the years 1910–1913. For summer barley the area harvested decreased from 1,670 thousand hectares to 1,654 thousand hectares. The effects of the strong position of rye were obvious. As far as both area and yield per hectare were concerned it had proved victorious in the competitive struggle of the grains.¹⁰⁵

¹⁰⁴ U. S. Department of Agriculture, *op. cit.*, p. 9.

¹⁰⁵ *Statistisches Jahrbuch für das Deutsche Reich*, 1914, pp. 42, 44; 1911, pp. 42, 44.

The relative advantage of rye had been so great that even after 1907-1908, when the world market price broke and returned to the low of the period preceding the introduction of the Bülow tariffs and again when, after a recovery in 1911-1912, the price fell once more, the expansion of production still continued. The sinister results of the import-certificate system are plainly visible. Germany had been on a net import basis for rye ever since 1852. In the early 'nineties, before the abolition of the "identity proof," the rye exports were practically nil. They rose slowly throughout the rest of the 'nineties, but amounted to only 125,500 metric tons in 1899, and only 76,100 metric tons in 1900. The Bülow tariff gave a tremendous stimulus to these exports, because under the system of export certificates the export premium rose with the tariff rate. In 1908 exports amounted to 586,100 metric tons, and for the first time in sixty years a net export surplus of 238,800 metric tons was reached. In 1913 exports amounted to no less than 934,500 tons and the net export surplus to 582,000 metric tons. At the same time wheat imports passed the 2 million-ton mark. The import-certificate system kept the world market open for German rye production, so that even the markets in Russian Poland were open to German rye, subsidized at the cost of the German community. Even more important, German rye went to countries such as Denmark, where it served as a raw material for high-grade foodstuffs. Not only was the process of adjustment within Germany impaired by the policy of grain protection, but German rye—thanks to the export premium—was sold at a low price on the world market and helped to build up animal and dairy farming in foreign countries. The competition of these countries naturally was bound to render more difficult any subsequent attempts in Germany to change the structure of the agricultural economy. These effects of the import-certificate system had been foreseen neither by its proponents nor by the government that created it. They amounted to a heavy burden on the German consumer, and, in the long run, on German agriculture.

THE IMPASSE

Heavy as was the cost of the gift which the German nation was making to the Junkers, the system was also, as a long-term policy, far from being sufficient. On the contrary, just because German protection was first and foremost a system of rye protection, it carried within itself the germs of instability.

However much the interests of the consumer were neglected by those who were shaping the policy of rye protection, the long-run demand schedule for rye could not be forever ignored. It is a historical fact that, as far as bread consumption is concerned, rye has been continually pushed back ever since the effects of the Industrial Revolution began to find expression in rising standards of living and in changes of social and political outlook. Rye had been for centuries the bread of the common man in the whole of Europe. Even in England, until the revolutionary upheavals of the seventeenth century, rye consumption was very considerable. In France, up to the end of the eighteenth century, wheat was the food of a privileged minority. Yet this condition was impossible to maintain. Industrialization and urbanization brought about changed working and living conditions—the replacement of work in the open air by work of more sedentary character in closed rooms—and provided the physiological background for dietary changes which were most unfavorable to the poorly digestible rye bread. Moreover, the progress of democracy, as well as the democratization of the general philosophy of men, worked most strongly in the same direction.

Bread had been for thousands of years the reward of human labor, the symbol of wealth, home life, happiness, and hospitality. All religions used and many still use bread in their holy rites. It symbolized the mystic relation between man and God, between man and the friendliness of nature. It is no wonder that the French Revolution gave a deadly blow to the consumption of rye bread in France. When the idea of natural law imposed itself on the minds of men, when people began to believe that nature had created all men equal, then inequality as between men with regard to this chief gift of

nature became intolerable. Therefore, the progress of democracy in Europe was long associated with the progress of wheat and the decline of rye in human consumption. Only in the harsh climates of the largely agricultural Scandinavian democracies, the speed at which wheat gained ascendancy over rye was considerably slowed down. It is, under these circumstances, one of the grim humors of history that the Junkers, the most reactionary group in Germany, were vitally interested in the production of the "reactionary" grain, rye.

Democratic development in Germany had never received the stimulus of a great revolution. An acute sense of group distinctions remained a characteristic of German society and was carefully preserved by those who had a vested interest in this caste system. It was a natural result of this social structure that equality of bread consumption never became an accomplished fact in Germany. The armies of the French Revolution consumed wheat bread. Later, for a number of years, a small admixture of rye was in use, but since 1822 the French soldiers have always received pure wheat bread. In Germany, heavy rye bread remained an attribute of army life, and rye bread continued to play an outstanding role in the food consumption of the country as the bread of the lower classes.

Nevertheless, the beginning of this century witnessed new developments of rye consumption in Germany. Per capita wheat consumption increased between 1895 and 1905, whereas rye consumption in the same period experienced on the whole a slight decline. From then on, per capita consumption of both grains fell till 1914. In other words, the specific conditions in Germany retarded the development so much that rye consumption did not start its decline before the next stage of evolution was reached, when the share of both grains began to be reduced by new changes in the diet of the population, marked by an increased consumption of high-grade foodstuffs.

As far as the proportion of rye in the total consumption of grains in Germany was concerned, a comparison of the years 1899-1900 and 1913-1914 is very interesting. The computations made by Jasny show that in this period the proportion of barley and maize increased, whereas that of rye, wheat, and oats decreased. Specifically, the proportion of rye fell from 34.5 per cent to 32.6 per cent; wheat

fell from 18.8 per cent to 18.3 per cent, and oats from 27.3 per cent to 26.4 per cent. The proportion of barley and maize increased from 19.4 to 22.6 per cent. In the words of Jasny, whose lucid exposition has been summarized in the preceding pages, "Consumption of rye, which of all grains had experienced the greatest expansion of production, contracted more than the consumption of any other grain."¹⁰⁶ Conversely, the extent of the area sown to barley decreased between 1900 and 1913, and barley production was reduced in the same period.

Under these conditions it is understandable that rye was being exported from Germany at an ever-increasing rate (see above). On foreign markets the reduction of demand for German rye expressed itself in that period of rising grain prices in a continual fall of price for this commodity in relation to other grains, and in sharp fluctuations from year to year even in the period of rising prices. The time was rapidly approaching when the trend would be reversed, and an absolute decline of the price for German rye would set in.¹⁰⁷ The way out of this situation would have been either to do away with the compromise between the Junkers and the peasants and to raise the tariffs on fodder grains, primarily barley and maize, in order to increase the use of rye as a fodder, or to increase the duty on rye even more, thus increasing the value of the import certificate.

The first alternative was extremely difficult politically. The tariff compromise between the grain-growing big estates and the smaller farms was heavily in favor of the former. The low tariffs on fodder grains within the aggregate system of agrarian protection satisfied no more than the minimum of the needs of peasant economies.

An attempt to abolish or to diminish the differential between the duty on rye and the fodder grains might easily have led to a peasant rebellion against the leadership of the Junkers. Not only would the maintenance of grain protection have been endangered, but in all probability such action might have provoked changes in the political constitution of the country. In particular, if the peasants had withdrawn their support or coöperation from the Conservative Party, a continuation of the Junker regime in the Prussian Diet would have been greatly jeopardized. Therefore, the only practical possibility would have been an increase of the export premium on

¹⁰⁶ Jasny, *op. cit.*, pp. 62-63.

¹⁰⁷ *Ibid.*, p. 82.

rye at the expense of the whole community which, of course, would necessitate further increases in the tariff on wheat lest rapid shifts of consumption to the latter grain take place. In this event, at least some increase of duties on the principal products of peasant economy would likewise be unavoidable in order to strengthen the cohesion of the agrarian bloc.

There was every indication that preparations for a new campaign for increased tariffs on the principal bread grains was under way in Germany on the eve of the war. The trade agreement with Russia was due to expire in 1917, and this would have provided an excellent opportunity for a revision of the tariff. The chances of success were not unfavorable. The strides Germany had made toward a vertical monopolistic concentration in industry, together with the system of industrial export premiums, had diminished friction between the individual industries. In contrast to the early 'nineties, German industry was sharing fully in a period of prosperity and Germany was enjoying a period of rapid industrialization, which largely checked the stream of emigrants from the country. The fear of losing the Russian market by a new increase in tariffs was certainly a deterrent circumstance. Russia had grown stronger politically and economically since the conclusion of the Bülow trade treaty in 1904. Yet the international tension had grown too. Europe had witnessed the Annexation Crisis, the Libyan and Balkan wars, and the second Morocco Crisis. Since grain production was an essential element of the *Wehrwirtschaft* ("war preparedness") ideology of Germany, the international situation would most assuredly have been used by the Junkers and by the government as a strong argument in favor of increased protection. Under these circumstances, there was no small probability that a coalition of the Conservative and Center parties would find sufficient support from various quarters of industry so that increases of agricultural tariffs could be carried out by the familiar construction of a solidarity bloc. A general depression which hit both industry and agriculture was the classical setting for the policy of solidarity blocs in Germany. It was the transition from depression to recovery which was bound to place great strain on the bloc and threaten its disruption. But once industrial prosperity was well on the way, industrial circles were not disinclined to support the demands of agrarian protectionists and to

bear part of the cost of additional protection. For, apart from the idea that this protection was a necessary prerequisite to the political might of Germany, the maintenance of close ties between industry and agriculture was instrumental in achieving the political isolation of labor.

The last prewar years were marked by popular movements against the rising cost of living. Disorders and street demonstrations were taking place in the cities. A tariff campaign would have provoked even more bitter conflicts than those witnessed at the time of Bülow's revision. It would have widened the rift between labor and the farmers and by the same token have delayed the process of democratization in the country. Also, in this sense the specific technique of grain protectionism in Germany, with the structural changes and the recurrent upward revisions it entailed, was an antidemocratic institution. The particular situation which arose on the eve of the war in 1914 with regard to rye makes it very difficult to accept the statement that at that time Germany was safely en route to complete democracy and parliamentarism.

Such statements are frequently made. Stolper, for instance, insists that in 1914 Germany had been "on the road of democratization" under the chancellorship of Bethmann-Hollweg, the "modern-minded" successor of Bülow after 1909.¹⁰⁶ Doubts of the validity of these statements are permissible, unless they are meant to refer primarily to conditions in South German states, where electoral reforms at the beginning of the century greatly widened the scope of franchise and where, as in Baden, democratic majorities of Socialists and Liberals existed in the Diet. Bethmann-Hollweg was a convinced opponent of parliamentary government and in his speeches in the Reichstag went so far as to predict that such a government would never become reality in Germany. To be sure the new chancellor tried to reform the Prussian Diet with its three-class electoral system, which, assigning to 82 per cent of the voters the role of a *quantité négligeable*, should be considered the most reactionary electoral system in Europe at the time.¹⁰⁶ But it is significant that Bethmann-Hollweg's bill on the subject was so much of a half- or

¹⁰⁶ Gustav Stolper, *op. cit.*, p. 13.

¹⁰⁷ Perhaps, as P. N. Miliukov insists, with the exception of the Russian suffrage to the Duma, as created by Stolypin's reactionary coup d'état in 1906. See P. N. Miliukov, *Rossia na perelome* (Paris, 1927), I:7.

quarter-measure as to provoke objections even from people who could not be accused of being fundamentally biased against the East Elbian aristocracy and Prussian traditions. Only a few years earlier Bethmann-Hollweg publicly denied that the Prussian Diet was in need of reform. The speech in which he introduced the reform bill in the Diet was an apologia for the Prussian system, rather than a defense of his own bill, and was full of invectives against general franchise, secret ballot, parliamentarism, and democracy in general. The bill was duly defeated by a majority of Conservatives and the Center—the Catholic peasants again towed in the wake of the Protestant Junkers, after a temporary break in the years 1907–1909.¹¹⁰

It was only years later, in 1917, when the coming collapse began to cast its shadow before, that Bethmann-Hollweg issued an Imperial message promising the introduction of the general franchise in the State of Prussia after the war. Even this action was, as Bülow rightly insists, actuated by fear rather than by political principles.¹¹¹ In December, 1917, the Junkers in the Prussian Diet refused to redeem the Imperial promise. As late as May, 1918, the Conservative Party with help from the National Liberals and the Center still voted down a proposal to place the Diet on the basis of equal franchise.

The democratization of the country appeared effectively blocked on the eve of the war. But this was not all. Plans to proceed in the opposite direction were considered. The Prussian courts and Prussian police were harassing labor organizations. Various far-reaching measures against the labor movement were under consideration, including, as it seems, disbandment of the trade unions and the Social-Democratic Party, numerically the strongest political group in the country, which had polled four and a half million votes at the last election.¹¹² This ill agrees with the picture of a Germany moving irresistibly toward democracy.

The outbreak of the war closed the period of intense agricultural protection which had been initiated by Bülow in Germany. It obvi-

¹¹⁰ Gustav Schmoller, "Die preussische Wahlrechtsreform von 1910," *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich*, XXXIV: 1263, 1273–1278; *Stenographische Berichte über die Verhandlungen des Reichstages*, XII Legislaturperiode, II Session, 258:1670, 259:1410.

¹¹¹ Bernhard von Bülow, *Denkwürdigkeiten*, III:259.

¹¹² Albert C. Grzesinski, *Inside Germany* (New York, 1939), p. 34; Hermann Wendel, "Scharfer Wind," *Die Neue Zeit*, Vol. 32:2 (June 12, 1914), pp. 457–460; *Stenographische Berichte über die Verhandlungen des Reichstages*, XIII Legislaturperiode, I Session, 295:8914–8917.

ated the necessity of dealing with the problem of increase of grain protection. On the contrary, one of the first wartime measures of the German government was the abolition of all duties and other restrictions on the import of agricultural products. It was not only consideration of supply problems which prompted this decision. At a time when national unity was the paramount need and labor votes for war credits a most important manifestation of this unity, it became impossible to continue the policy of agrarian protection, which had been responsible for a wide rift between two large sections of the people.

Since 1914 it has become customary in the writings of adherents of the principle of grain protection in Germany to take the outbreak of the war as a supreme proof of the wisdom of the artificial maintenance of grain protection in the country.¹¹³ Whereas free trade, it was argued, had led to the competition with England and thus had made the war between the two powers inevitable, the maintained and increased amount of grain production within the country rendered it possible for Germany to provide for years the bread supply of the people in face of blockade by the Entente.

A few critical remarks must suffice here. First, agricultural protectionism in Germany, and particularly the agreement of Norderney in 1904 which Bülow had extorted at a moment of Russian defeats and humiliations, had left a great deal of resentment in Russia, in government circles as well as with the public. Discussions and computations of the Russian economic losses caused by grain protection in Germany were prominent in newspapers, journals, and books. This resentment, greatly fomented by the Russian nobility, played its part in the ensuing rapprochement between England and Russia.¹¹⁴ Most notably, the fall of rye prices after 1909 caused severe hardships to Russian rye producers and to the Russian grain traders, whereas the Germans with the help of export premiums even found it profitable to sell their rye on Russian markets.

This led to the imposition by Russia of countervailing duties on grains, which in turn led to belligerent criticisms in the agrarian press in Germany. On the Russian side the suspicion was voiced in

¹¹³ Cf., for example, Michael Hainisch, *Das Getreidemonopol*, Schriften des Vereines für Sozialpolitik (Munich-Leipzig, 1916), Vol. 155:1, p. 356; and *idem*, *Die Landflucht* (Jena, 1924), p. 304.

¹¹⁴ Gregor Alexinski, *Russia and the Great War* (London, 1915), p. 65.

the Duma and endorsed by the government (February, 1914) that Germany might attempt to involve Russia in external political entanglements in order to improve Germany's bargaining position in the coming negotiations for a new trade agreement, thus creating a situation akin to that of 1904.¹¹⁵ Exaggerated as some of these interpretations may have been, they nevertheless demonstrate the close relation which existed between the problem of grain protection in Germany and the sphere of "high politics." The German rye policy certainly had played its part in creating the envenomed international atmosphere of 1914.

Second, it was precisely the import-certificate system which rendered it possible to export grains immediately after the harvest, whereas the imports in the West of Germany were distributed over the whole year. Had not the war started just before the harvest, grain protection would have been of very little avail; in the summer of 1914 there were no stocks of grains accumulated in the country.¹¹⁶

It is certainly striking to see the extent to which the economic interests of the Junkers took precedence over the task of war preparedness, which had been so much emphasized for long years by the propaganda of the Union of Agriculturists as one of the greatest benefits of grain protection. There is little doubt that this propaganda had materially enhanced the bellicose mood of the German public and was largely responsible for its acceptance of the war in complete ignorance as to how little the domestic grain production would be able to mitigate the penury which was to be caused by the Entente blockade. Finally, it was agricultural protectionism which had hopelessly delayed the democratization of the country, had preserved the feudal groups as a powerful element in its political structure, and had left an irresponsible maniac on the throne endowed with supreme authority over the government and the army. It is indeed difficult to ignore the large part which the system of German grain protection played in involving the country and the world in the first World War.¹¹⁷

¹¹⁵ *Mezhdunarodnye otnosheniia v epokhu imperializma, Documenty iz arkhivov tsarskogo i vremennogo pravitel'stv. 1878-1917*, Series III, I (Moscow-Leningrad, 1931): 265; II (Moscow-Leningrad, 1933): 269, 389.

¹¹⁶ Friedr. Aereboe, *Der Einfluß des Krieges auf die landwirtschaftliche Produktion in Deutschland*, Veröffentlichungen der Carnegie Stiftung für internationalen Frieden, Wirtschafts- und Sozialgeschichte des Weltkrieges (Berlin, 1927), p. 30. Also, Theodor Plaut, *Deutsche Handelspolitik* (Leipzig-Berlin, 1929), p. 106.

¹¹⁷ Cf. Eckart Kehr, "Englandhass und Weltpolitik," pp. 500-526; also: Lujo Brentano, *Ist das System Brentano zusammengebrochen?* (Berlin, 1918), p. 67.

· II ·

JUNKERS VERSUS REPUBLIC

THE DILEMMA OF EXPROPRIATION

IT WAS a new Germany that emerged from the throes of war in 1918. The Kaiser was gone, and with him had disappeared the twenty-odd princes of the German states. Parliamentary governments, responsible to the Reichstag or to the State Diets, were established. The gross inequalities of franchise in the State Diets and the municipalities were removed. Most notably, the Upper House and the "three-class franchise" of the Prussian Diet, the fulcrum of Junker rule in Germany, were abolished instantly. The immediate result of the introduction of the equal, direct, and secret general franchise in this body was a landslide in favor of the democratic parties. The labor party, which since 1912 had been the strongest party in the Reichstag but at the same time had been limited to ten out of four hundred and forty-three seats in the Prussian Diet,¹ became now the strongest party of the Diet and, together with the Democratic Party and the Center, formed in Prussia the counterpart of the so-called "Weimar Coalition" in the Reich. This was indeed a revolutionary transformation which four years earlier no realistic politician in Germany could have anticipated.

It could have been reasonably expected that one of the first steps of the new government would be a series of vigorous measures designed to break up the economic power of the Junkers as well as to dislodge them from the political position they were still holding; in short, to make impossible their continued existence as a social group. This would have implied an attack at least in three directions. First, the creation of a democratic army under command of democrats to the exclusion of the old army generals and high officers, who were either identical with the Junkers or connected with them by bonds of kinship or social affiliations. Second, the reform of the bureaucracy—the creation of a democratic civil service as a logical sequence to the reform of legislatures, so that the new laws would find an administration ready to execute rather than obstruct them. This would have involved dismissal of the high Prussian officials whose

¹ *Statistisches Jahrbuch für den Preussischen Staat*, II (Berlin, 1914): 632.

relation to the Junkers was very much the same as that of the army officers.² It would have involved also dismissal of many judges. Third, a radical land reform, which, by taking the land from the Junkers, would have destroyed the basis of their economic and social position and at the same time would have provided the means for a solution of the problem of German agriculture.

The revolutionary government in Germany at first consisted exclusively of labor representatives. Three months later the first government of the Weimar Coalition³ was formed, still headed by the Socialists. The development in Prussia was parallel. Those men could have had no illusions concerning the nature of Junkerdom. In their long and unavailing struggles before the war they had had ample opportunity to realize that it was the powerful resistance of the Junkers which had frustrated all attempts at democratic reform. Along with the political tradition of labor went its economic interests in low food prices—interests which the Social Democratic Party in Germany for almost four decades had so vigorously represented in seeking to combat agricultural protection imposed by the self-same Junkers. There could be no doubt in the minds of the new government that preservation of the Junkers was bound before long to place the recently won democracy in jeopardy. For more than one year an agrarian revolution had been sweeping Russia. In other countries in the east, southeast, and center of Europe the postwar governments were embarking upon plans of comprehensive land reform.

And yet, in Germany, nothing or next to nothing was done. The army—reduced to one hundred thousand men under the stipulations of the peace treaty—was left in charge of the Junker aristocracy and was allowed to become a state within the state; the reform of the Prussian civil service was conducted haltingly and halfheartedly. It took the Republic at least eight years to initiate energetic measures in this field. The reactionary judges remained to apply the laws of the Republic in an anti-Republican spirit; and, above all, the land of the Junkers was left in their possession and no attempt at

² In 1916, of 516 high Prussian officials 315 were nobles. Cf. Albert Grzesinski, *Inside Germany* (New York, 1939), p. 21. Also, L. E. Schücking, *Die innere Demokratisierung Preussens* (Munich, 1919), p. 17.

³ The Weimar Coalition consisted of three parties: the Social Democratic, the Center, and the Democratic.

wholesale expropriation was undertaken.⁴ In fact, a scrutiny of the contemporary political writings, newspapers, and parliamentary speeches supports the statement that the demand for dispossession of the Junkers at that time hardly reached the foreground of public attention. If it was voiced at all, it was only in the propaganda of small and uninfluential radical groups. Even there it never appeared in the center of emphasis.⁵ And yet there can be little doubt that such action was politically feasible, quite apart from the fact that the loss of territories to Poland had considerably weakened the Junkers. The student of this period cannot but feel extremely puzzled by the failure to carry out a land reform in Germany, and one is inclined, with Professor William Roepke, to regard it as "one of the great mysteries of our time."⁶

Yet, as Benedetto Croce once warned, one should not too soon escape to the comfortable "refuge of mystery."⁷ Indeed, a number of reasons can be adduced which may help one to understand, though not fully to justify, this strange abstention from so obvious a course. First of all, in contradistinction to the agrarian countries in the east and south of Europe, the German East was not suffering from the specific evil of agrarian overpopulation. In prewar Russia, as the contemporary cartoonists had it, the peasant was standing on his lot on one leg, fearful of placing the other leg on the ground lest he be found trespassing on the big estate owner's land. Nothing of the sort existed in Germany. Posen and West Prussia, where Polish peasants always had been keen on obtaining the land of the big estates, were largely ceded to Poland. In the eastern districts of low population density there was no very great urge for a redistribution of big estates. In peacetime much of the work on these estates had been done by foreign (Polish) seasonal labor. True, the peasants in the West did suffer from lack of land and would have welcomed a land

⁴ It appears, however, that at one time shortly after the Revolution an outstanding member of the new German government became interested in the plan of radical elimination of big estates in conjunction with peasant settlements on a large scale. An economist of the highest standing was asked to draft the necessary bills and decrees. Yet a few days later the minister in question had succumbed to opposing influences, and the original plan was quickly abandoned.

⁵ It is significant that a history of the German Revolution written shortly after the Revolution by the left-wing Socialist Heinrich Ströbel (*The German Revolution and After*, London, 1923) does not refer to the problem.

⁶ *German Commercial Policy* (London, 1934), p. 42.

⁷ *Nuovi saggi di Estetica* (Bari, 1926), p. 36.

reform which would have given them additional land—but not the inferior soils of Massovia. Thus no great popular movement of “land-hungry” peasants was likely to arise in Germany to effect by spontaneous action a redistribution of land. Moreover in those countries where land reform was carried out—with the exception of Russia—national antagonism prompted quick and thoroughgoing reform. In the Baltic countries, the German barons were expropriated; in Lithuania, the Polish aristocracy; in Yugoslavia and Rumania, the Hungarian magnates; in Czechoslovakia, the Austrian nobility; in the latter country four Austrian princes had possessed more than 11 per cent of the total area of Bohemia.⁸ This additional motivation was lacking in Germany.

Furthermore, it is true, as Stolper suggests, that a part of the explanation must be sought in the peculiar character of the German labor party. The idea of breaking up the large estates did not appeal to men reared in the dogmatic belief in the superiority of large-scale undertakings in both industry and agriculture.⁹ Also, no plans for a nationalization of large estates were ready. A more realistic approach to the problems of agriculture was well under way but had not yet been sufficiently clarified. The German labor party remained primarily an organization of industrial urban workers, and the interests of trade unions, as well as the simplified theory of class struggle between industrial capitalists and proletarians, made the party leaders regard as relatively unimportant the problems lying outside the sphere of labor relations in industry.

Moreover, it may well be argued that the transformation of the Social Democratic Party from a revolutionary to a reformist party had begun too early. Its existence as a reformist organization in the Germany of the Kaiser was bound to lead to a certain rapprochement between the leaders of labor and the powers of the Hohenzollern monarchy. This was particularly true of the period 1914–1918 when food shortages and questions of war production resulted in a close coöperation between trade unions and the party on the one side and the authorities on the other. Thus the Social Democratic Party lost before 1918 much of the revolutionary impetus that

⁸ Max Sering, *Die agrarischen Umwälzungen im ausserrussischen Europa* (Berlin and Leipzig, 1934), pp. 17–22.

⁹ Gustav Stolper, *German Economy, 1870–1914* (New York, 1940), p. 184.

was needed to solve the problems which faced the young Republic.¹⁰ The fact that during the war a large group, hostile to the war policies of Social Democracy, left the party and formed the so-called "Independent Social Democratic Party" was bound to accentuate this situation. The new party continued its existence for several years. In 1920, a part of it joined the Communists; in 1922, the two Social Democratic groups—the right and the left wing—formed a new union. Only in the first few weeks immediately after the Revolution did the "Independents" coöperate in the government. But during the decisive years that followed it was the right wing of the old party—the so-called "Majority Social Democrats"—that took part in the government of the Republic while the "Independents" remained in opposition. The "revisionist" character of labor policies in the government was therefore more pronounced than it would have been, had the Social Democratic Party remained united. This remained true for the whole history of the Weimar Republic.

Finally, fears of Bolshevik revolts induced the Social Democratic Party to embark upon a policy of close coöperation with the generals and officers of the army.¹¹ This collaboration with people connected in many ways with landowners in the East presented a considerable political and psychological obstacle to land reform. In the course of this development the army soon became again a powerful element in Germany. When the Treaty of Versailles was to be signed, the army leaders had to be previously coaxed into consent. Under these conditions, it is easy to understand that their veto might have frustrated land reform if it had not been given up for other reasons.

Important as these motives may have been in the aggregate, the most decisive reason, however, is to be found elsewhere. By the end of the war German agriculture found itself in a state of exhaustion and disorganization. The total area sown had considerably declined as compared with prewar times, although, it is true, the compulsory requisition of soil products during the war had induced the farmers to give somewhat underestimated reports of the extent of the area under plow. The yield per acre had likewise much decreased; for

¹⁰ Many indications of this fact can be found in the memoirs of the leading Social Democrats. See especially: Philipp Scheidemann, *Memoiren eines Sozialdemokraten* (Dresden, 1928); also, Otto Braun, *Von Weimar bis Hitler* (New York, 1940).

¹¹ Gustav Noske, *Von Kiel bis Kapp* (Berlin, 1920).

grains it was, in 1919, in the aggregate 21 per cent lower than the average of the period 1910-1914. The yield of barley had fallen by no less than 40 per cent. This could not be otherwise in a strongly intensive agriculture. The supply of pure nitrogen (N) in the last year of the war was less than 44 per cent of that of 1913-1914. The amount of phosphoric acid in 1917-1918 was 52 per cent of the 1913-1914 supply, and it dropped to 37 and 22 per cent respectively in the two following years. The lack of adequate labor was no less serious in its effects. True, in 1918 about eight hundred thousand prisoners of war, mostly Russians, worked in the German fields, yet the productivity of these undernourished men, unfamiliar with the advanced techniques of agricultural production, was extremely low. About one million horses were requisitioned for the needs of the army. Production of agricultural machines was largely discontinued, repairs were difficult to carry out. Shortages of coal and oil were equally disastrous. The result was that the total crops for 1918 (although somewhat better than for 1917) were about 55 per cent lower than in 1913. In particular, the wheat crop was reduced to 2,590,000 metric tons; that is, in about the same proportion as all crops, compared with the production of 1913 when the wheat crop of 4,656,000 metric tons was supplemented by imports of 2,547,000 metric tons of wheat. The animal husbandry of the small and medium-size farms was no less gravely affected, although these farmers with great tenacity tried to maintain the volume of their production in the teeth of a government policy which, as in the present war, was determined to reduce animal production in favor of the production of carbohydrates. Feed use of all grains was forbidden. Moreover, the farmers had to face the discontinuance of imports of foreign fodder to which the pig-raising in the Northwest had been adjusted. The great "pig murder" at the beginning of the war disposed of nine million out of twenty-five million pigs. Further figures for the war years are not available, but in 1921 the number of cows was 80 per cent that of 1913, and the percentage for pigs was less than 60. The weight of the animals and the productivity of milch cows had also declined very considerably. The reduction of average slaughter weight of cattle in the first nine months of 1918 was 45 per cent; for pigs and calves the reduction in weight was 35 and 27 per cent respectively. The average production of a milch cow decreased be-

tween 1916 and 1918 by about 28 per cent.¹² There is no doubt that the war had left German agriculture in what was justly called a "grave crisis of production."

In these circumstances the domestic basis of food supplies had been rendered extremely precarious. Most severe undernourishment of the city population had resulted, and the problem was further aggravated by the return of the armies from the western front. The prospective loss of the eastern provinces to Poland (some of which were occupied by the Poles long before the signature of the treaty, under a special agreement) threatened to render the situation even more precarious. Although these provinces, with the exception of Upper Silesia, were in the long run economically a liability rather than an asset, in the immediate postwar period their separation from Germany meant a loss of agricultural surplus areas for rye, wheat, and potatoes¹³ and further deterioration in the food supply of the cities.

It was estimated at that time by foreign investigators that under the assumption of continuing the wartime rationing of eight and a third kilograms of bread per capita a month for the city population, with allowance for the inevitable leakage by illicit trading, Germany would still need about 1,200,000 metric tons of bread grains. An increase of the ration to twelve kilograms would raise the deficit by another million metric tons. The importance of cereal consumption in Germany at that time becomes more obvious if it is recalled that meat consumption had fallen 82 per cent and the consumption of fats 88 per cent as compared with the prewar level.¹⁴

This appalling food scarcity militated most seriously against the initiation of land reform. Such reform could be either a simple

¹² Friedrich Aereboe, *Der Einfluss des Krieges auf die landwirtschaftliche Produktion in Deutschland* (1927), pp. 31-43 *passim*, 85, 86, 88, 90; Friedrich Keiser, "Zehn Jahre deutsche Landwirtschaft" in *Zehn Jahre deutsche Geschichte, 1918-1928* (Berlin, 1928), p. 219; *Statistisches Jahrbuch für das Deutsche Reich*, 1923, p. 110; Frank M. Surface and Raymond L. Bland, *American Food in the World War and Reconstruction Period* (Stanford University, 1931), pp. 189, 192; Bund der Landwirte, *Schwierigkeiten der deutschen Landwirtschaft während des Krieges* (Berlin, 1917), pp. 3-4, 16.

¹³ In 1913 the lost provinces produced 36 per cent of the total rye harvest of the German East and 35 per cent of its potatoes. About 25 per cent of the wheat harvest of Germany in 1913 originated in those provinces. The whole loss amounted to 14.2 per cent of the total German area devoted to agriculture. Cf. Albert Hesse, *Die Wirkungen des Friedens von Versailles auf die Wirtschaft des deutschen Ostens* (Jena, 1930), p. 26; Friedrich Keiser, *op. cit.*, p. 220; *Wirtschaft und Statistik*, February, 1924, pp. 100 ff.

¹⁴ Surface and Bland, *op. cit.*, p. 191.

nationalization of the big estates or their portioning among the agricultural workers and owners of small and medium-size farms, or, finally, a medium course which would combine both methods. None of these would provide an ideal long-run solution.¹⁵ But whatever the method chosen, it would inevitably reduce the market production of bread grains, at least for a certain period of transition, to a fraction of the quantities marketed by the Junker estates. As long as the social unrest in the German industrial areas continued and the food-supply organizations were making desperate efforts to extract from peasants and Junkers alike as much foodstuffs as they possibly could obtain, land reform was more than likely to lead to violent disorders and bring the people close to starvation.

An important aspect of the problem was the fact that, in the course of the war, a complicated apparatus had been gradually created to keep the prices of agricultural products far below their natural level and to enforce a fair distribution of the available supplies at those prices. Abolition of this system immediately after the war was unthinkable. This meant that a mechanism had to be maintained which, with its fines and confiscations, had incurred the hatred of all agricultural producers, whether big or small. It meant further that, as long as the state control of agriculture continued, there was a community of interest between peasants and Junkers in their common opposition to state control and their demand for restoration of free trade within Germany. Therefore it would have been all the more difficult to induce the peasants to countenance an expropriation of the Junkers.

There was only one condition which, if fulfilled, would have made land reform possible, namely, importation of large amounts of grain from abroad; but this condition was not, and perhaps could not be, created. It was extremely unfortunate for a number of reasons that the period of uncertainty between the Armistice and the signature of the peace treaty was so prolonged. This was particularly true in relation to land reform. Until peace was formally restored, the victors continued the blockade as a precaution against any possible refusal of Germany to accept the stipulations of the treaty. Article XXVI of the Armistice Convention of November 11, 1918, ran as follows.

¹⁵ Cf. the discussion, pp. 185-189.

The existing blockade conditions set up by the Allied and Associated Powers are to remain unchanged and all German ships found at sea are to remain liable to capture. The Allies and the United States [it was added], will contemplate the provisioning of Germany during the armistice as shall be found necessary.¹⁶

The first part of these stipulations was carried out much more eagerly than the second. The blockade remained in force until July, 1919; in December, 1918, it had been rendered even stricter by its extension to the waters of the Baltic. At the same time, the food shortage in Germany was further aggravated by the surrender, under the terms of the armistice, of five thousand locomotives, one hundred and fifty thousand railroad cars, and five thousand trucks, which threatened a complete breakdown of the transport system. The problem of the blockade, however, was not a purely political one.

During most of the war years supplies of wheat to Europe were insufficient. The exceptional world crop of 1915 left, it is true, a surplus of about two hundred million bushels. But one year later conditions became precarious and, in 1917, the short crop of that year led in this country to the adoption of the Food Control Act and to the establishment of the United States Grain Corporation (August, 1917). Early in 1918, by proclamation of the President the wheat producers were given a price guarantee in order to stimulate increase in wheat production. In the year 1917-1918 the discrepancy between available surpluses and the requirements of the countries which were still open to receive shipments reached its peak.¹⁷

In 1918-1919 the world production of grains had not yet compensated for the disappearance of Russian grain exports from the world market.¹⁸ The situation remained one of shortage rather than

¹⁶ H. W. V. Temperley, *A History of the Peace Conference of Paris* (London, 1920), I: 467-468.

¹⁷ M. K. Bennett, *Wheat and War, 1914-1918 and Now*, Wheat Studies of the Food Research Institute (Stanford University, 1939), XVI:78, 90-91; Fritz Beckmann, *Die weltwirtschaftlichen Beziehungen der deutschen Landwirtschaft und ihre wirtschaftliche Lage* (Berlin, 1926), p. 12; Edwin G. Nourse, *American Agriculture and the European Market* (New York, 1924), p. 55; Leverett S. Lyon and Victor Abramson, *Government and Economic Life* (Washington, 1940), II:879.

¹⁸ Russia's withdrawal from the wheat market, together with the reduction of exports by the Danubian countries, because of land reforms, and by British India, amounted in the aggregate to a loss of about 6 million tons of wheat or one-third of the world wheat exports in 1909-1913. Cf. Naum Jasny, "Die neuzeitliche Umstellung der überseeischen Getreideproduktion und ihr Einfluss auf den Weltmarkt," *Vierteljahrshefte zur Konjunkturforschung, Sonderheft 16* (Berlin, 1930), p. 72.

of surplus. Prices on the world market were soaring, and transport presented additional grave problems, most notably in utilization of exportable surpluses from Argentina, Australia, and India. To provide Germany with sufficient wheat to offset the effects of land reform would have very seriously curtailed the supply of wheat and wheat flour to the Allied countries. In the winter of 1918-1919 the victorious powers were certainly not in the humor for such a policy. Assurance of food supplies to the Allied and liberated territories was regarded as their first duty. Germany might then be fed, if anything was left.

In these circumstances, all the efforts of the German government were concentrated on obtaining enough wheat to cover the minimum deficit and to raise somewhat the scanty rations of the city population. This proved an extremely arduous task. No preparations had been made. The American Relief Administration under Herbert Hoover was constituted immediately after the Armistice in November, 1918, and an exploratory mission was soon dispatched to Berlin. Yet for many weeks to come the Allies were unable to agree among themselves on a scheme of relief. Finally, responsibility for provisioning Germany was vested in the Supreme Economic Council, constituted in February, 1919, and in its Food Section, over which also Hoover presided. Throughout the winter of 1918-1919 no foodstuffs were shipped to Germany. The Allied powers demanded from the outset¹⁰ the surrender of the German mercantile marine as a condition to be fulfilled prior to any deliveries to Germany. The German government attempted to make the surrender of ships dependent upon the delivery of 2.5 million metric tons of wheat. The conference at Spa in the beginning of March, 1919, brought no agreement. As the spring approached, food conditions in Germany became more and more desperate. Finally, in the middle of March at a conference in Brussels, the Germans accepted the Allied demands, agreed to surrender some 3.5 millions of tonnage, and received in return permission to import 270,000 tons of wheat immediately and then 300,000 tons per month until the end of August, 1919. Deliveries of 70,000 tons of fats per month were also granted. Payments were to be effected almost exclusively in gold.

¹⁰ That is, even before the signing of the Armistice. See David Lloyd George, *War Memoirs, 1918* (Boston, 1937), p. 289.

While this agreement was being signed, Berlin was shaken by a revolt staged by extremists of the Left. It was not before March twenty-fifth that the first steamer carrying American wheat flour arrived in Hamburg. Altogether, in the so-called armistice period, up to the end of August, 1919, Germany received 311,000 metric tons of grains and 280,000 metric tons of flour, that is, about 700,000 metric tons of grain. About 680,000 tons of other foodstuffs, including about 175,000 tons of fats, were delivered in the same period.²⁰ The German purchases thus remained appreciably below the rations accorded her by the Brussels agreement. This is surely one of the saddest chapters of the hapless story of "reconstruction" after the first World War. It betrayed deplorable political shortsightedness and inability to grasp the long-run significance of the problem. At best, the danger of a Bolshevist revolution in Germany was taken into account, but not the problem of Junkerdom. If food won the war, it was also food that lost much of the peace that was in the making.

At any rate this brief survey shows that there was little "mystery" about the preservation of the Junkers after 1918. On the contrary, for a number of psychological, political, and economic reasons, land reform was a task that bordered on the impossible. Far from embarking upon a policy of expropriation against the Junkers, the new German government, particularly the Prussian minister of agriculture, found it imperative from the outset to convince the owners of big estates that no steps against them were under contemplation. Otherwise, there was acute danger that even the harvesting of potatoes would not be completed and the preparation of the soil for the spring seeding would be neglected.²¹ It was necessary also to prevent any large increases in agricultural wage rates. When, a considerable time later, the food supply returned to more or less normal conditions, it became apparent that the political situation had changed so much in favor of the Junkers as to preclude any radical action against them. Not much more could then be done beyond the continuation of the settlement policies in the East on a somewhat larger scale than before the war.

These policies in East Elbia, the so-called "internal colonization," by that time looked back upon a history of more than three decades.

²⁰ Surface and Bland, *op. cit.*, pp. 196 and 198.

²¹ Otto Braun, *op. cit.*, pp. 51-52.

A voluminous literature was devoted to the subject. In 1886, under Bismarck, a special institution, the Prussian State Settlement Commission for Posen and West Prussia was created. Bismarck's aim in initiating this policy was twofold: On the one hand, he wanted to stop the penetration of Polish peasants into the East Elbian lands, most notably into Posen and West Prussia. The settlement policy was intended to increase the German population of those regions and prevent their Polonization. On the other hand, the settlements were meant to increase the labor supply of the Junker economy. This, however, would have presupposed settling the peasants on lots of land too small to satisfy the needs of a family without their seeking supplementary employment with the big estates.

It is doubtful whether peasant settlements in general can be regarded at all as an adequate solution for the Junker problem.²² At any rate, the two aims were not easily reconcilable. The struggle against Polish infiltration called for settlements of strong and economically independent peasants. Clearly, formation of such farms out of large parts of the Junker lands would have deprived the Junkers of the very basis of their social strength. Most notably, if done on a sufficient scale, it would have rendered difficult the maintenance of their dominating position in the local self-governing bodies. Much of their ascendancy over the peasant population in Prussia was predicated upon their hold of those positions. The nationalist element always played a large part in the propaganda of the Junkers, but nationalist policies were unhesitatingly jettisoned when they happened to be at variance with the interests of the group. In 1908 Bülow succeeded in making the Prussian Diet pass an act under which seventy thousand hectares of land in Polish hands could be confiscated, but the Junkers first emasculated and then sabotaged the law, which they regarded as a dangerous precedent for wholesale land reform.²³ Naturally, after their successful emergence from the agrarian crisis and after the adoption of the Bülow tariff, the Junkers were less prepared than ever to yield even a small part of their power.

Faced by the opposition of the Junkers and the valiant resistance of Polish peasants, the settlement policy before the war could be

²² See pp. 185 ff.

²³ Hedwig Wachenheim, "Hitler's Transfer of Population in Eastern Europe," *Foreign Affairs* (July, 1942), XX:710; Elard von Oldenburg-Januschau, *Erinnerungen* (Leipzig, 1936), pp. 90-91.

only moderately successful. Besides the Prussian State, private corporations were also conducting settlement activities under the supervision of the government. Yet altogether, in the years between 1886 and 1917, only about 560,000 hectares of land were settled and about 44,000 farms established. Approximately three-quarters of these farms were located in Posen and West Prussia, the two provinces which after the war were almost entirely lost by Germany to Poland. Only 11,343 farms were settled in the rest of the East Elbian lands.²⁴

In the province of Pomerania, for example, with the greatest proportion of large estates, less than 3.2 per cent of the area of large estates was resettled over a period of seventeen years.²⁵ As far as the territory of postwar Germany was concerned, the decrease in the area of the large landholdings was, up to 1914, indeed negligible.

The legal basis for the postwar settlement policy was provided by a government decree of January, 1919, and by the Reich Settlement Act, which had been discussed and passed by the Constituent Assembly at Weimar in July, 1919. At the time, all parties, including the Junkers, endorsed the measure. The Junkers could well afford to do so. The future of the large estates was a problem of supreme political importance. Yet, after what has been said in the preceding paragraphs, it will be found less surprising that in the debates on the Settlement Act no mention was made of its political aspect. Not one of the speakers took the trouble to review the political record of the Prussian feudal class for the Assembly that was building the house of German democracy.²⁶

²⁴ Walter Schiff, "Die Agrargesetzgebung der europäischen Staaten vor und nach dem Kriege," *Archiv für Sozialwissenschaft und Sozialpolitik* (Tübingen, 1925), 54:1110; Max Sering, *Deutsche Agrarpolitik auf geschichtlicher und landeskundlicher Grundlage* (Leipzig, 1934), pp. 84-85. Cf. also Max Weber, *Die ländliche Arbeitsverfassung*, Schriften des Vereines für Sozialpolitik (Leipzig, 1893), 58:72; Sartorius von Waltershausen, *Deutsche Wirtschaftsgeschichte* (Jena, 1920), pp. 454-455.

²⁵ Franz Oppenheimer, *Die soziale Frage* (Jena, 1925), p. 83.

²⁶ As a matter of fact the parties of the Weimar Coalition had agreed in their "Working Program," made public as early as February, 1919, that in using large estates for the purposes of the land reform "economic principles should be predominant." Cf. the text of the "Working Program" as reprinted in *Protokoll über die Verhandlungen des Parteitagess der sozialdemokratischen Partei Deutschlands, abgehalten in Weimar, Juni 10-15, 1919* (Berlin, 1919), p. 59.

The radical Independent Social Democratic Party, the extreme left wing of the Assembly, did, indeed, demand socialization of large estates. But they did so exclusively on the ground that socialization of large estates, and in fact of the whole agriculture, was necessary in order to make Germany independent of food imports from abroad. The continuation of the blockade after the Armistice had naturally enhanced

Yet the Junkers were as anxious as ever to have small settlements of "dwarf farmers" and tenant laborers in order to secure a permanent supply of labor for the large estates. It may be safely assumed that they were sincere when they welcomed the Settlement Act while taking due care to point out that proper limits should be set to the "greediness of the small owners." Moreover, Professor Sering, the eminent government expert who had drafted the Settlement Bill and sponsored it in the Assembly, declared solemnly that the act was not intended to "smash up the large estates," but rather to create a "healthy mixture" of small, medium, and large enterprises in agriculture. With the exception stated, the question of ownership of these large enterprises was not raised at all.²⁷ It is therefore no wonder that an act conceived in this spirit proved inadequate to change the ownership structure of German agriculture in any marked degree.²⁸

With the enactment of the Settlement Act a momentous decision was taken. German democracy rejected the road of agrarian revolution, the road traveled by most of the countries in which the economic power of large estate owners was curbed after the World War. Germany chose the way of gradual reform.²⁹ Translated into the realistic language of practical politics, this meant that the Junkers had been rescued again.

autarkic tendencies in Germany. Demand for socialization voiced by a minority party could not harm the Junkers, but autarkic statements coming from an internationally minded group were appreciated by the large estate owners. It was a merit of Robert Schmidt, then food minister of the Reich, that in reply to autarkic expressions he repeatedly asserted the necessity for Germany to rely on foreign trade in order to supply her needs in foodstuffs. *Verhandlungen der verfassunggebenden deutschen Nationalversammlung* (Stenographische Berichte), Vol. 326, pp. 623, 629, 636, 648, 653; Vol. 327, pp. 1030, 1188, 1192; Vol. 331, p. 3772.

²⁷ *Ibid.*, Vol. 327, pp. 1166-1197, particularly pp. 1178-1182, 1185, 1189, 1190; Vol. 328, pp. 1731-1741.

²⁸ On the effects of the Settlement Act see pp. 129-132, 161-162.

²⁹ Ausschuss zur Untersuchung der Erzeugungs- und Absatzbedingungen der deutschen Wirtschaft (Enquete-Ausschuss), Band 10, "Das ländliche Siedlungswesen nach dem Kriege." *Verhandlungen und Berichte des Untersuchungsausschusses für Landwirtschaft (II Unterausschuss)*, (Berlin, 1930), p. 1.

THE RESURGENCE OF THE JUNKERS

Politically, the position of the Junkers improved steadily. The big estates quickly became the rallying places for young men—the flotsam of the war—who found it difficult to return to the normal life of peace. Little armies of vigilantes were organized and rearmed at the Junker estates. They were kept in preparedness for an attack upon the Republic, and in the meantime made themselves useful by breaking up wage movements on the part of farm labor. As early as September, 1919, the landowners answered with the threat of a “harvest strike” an ordinance of the Prussian government which sought to regulate labor conditions in agriculture.

In Pomerania these activities led to the creation of a new organization called the “Agrarian League,” which gradually absorbed similar organizations all over the country and in April, 1919, was reconstituted as the “German Agrarian League.” Less than two years later it merged with the Union of Agriculturists, whose record has been touched upon in the first part of this essay, to become under the name of the “Reich Agrarian League” (*Reichslandbund*) a most powerful organization. While continuing the character, the ideology, and the Junker leadership of the old Union of Agriculturists, this League was implemented by illegal military formations.³⁰ The new organization had more than 5½ million members from 1.7 million agricultural undertakings. Such figures make it obvious that the new political order in Germany had failed to break the grip of the Junkers on large numbers of peasants and agricultural workers.³¹

³⁰ According to its official program the Agrarian League demanded that Germany be organized as a “Christian, Nationalist, and Corporative State,” which should provide its food supplies by domestic production. The first president of the League, which remained in the closest political coöperation with the German Nationalist Party, was Roesicke, the old president of the prewar Union of Agriculturists.

³¹ This was not surprising. Quite apart from the fundamental question of land ownership, the new German government failed to dislodge the Junkers from a number of other important positions. Thus for almost ten years after the collapse of the monarchy, the institution of “Estate Districts” (*Gutsbezirke*) was preserved, involving considerable administrative functions and jurisdictional privileges of the East Elbian large estate owners over the population of their districts. The law which entitled the

In the course of the war, Wolfgang Kapp, one of the prominent representatives of Junker interests and a vigorous opponent of settlement policies in prewar Germany, had created, with Admiral Tirpitz, the rabidly annexationist "Fatherland Party." In March, 1920, he marched on Berlin, occupied the city, and appointed himself chancellor of the Reich. The generals of the army refused to proceed against the rebels. The German East declared itself for Kapp, and only the extremely incompetent organization of the revolt together with a general strike accounted for Kapp's failure to shorten the lifetime of the German democracy by some thirteen years. It is significant that the first really dangerous coup d'état against the Republic came from the Junkers. Although unsuccessful, it testified to the greatly increased political strength of the Junkers and their associates.

The economic development of this period was likewise not unfavorable to the owners of the big estates. In contradistinction to the prewar period, however, this was not the result of agricultural protection. The Treaty of Versailles stipulated a three-year exemption from customs duties for products which originated in and came from formerly German territories in Poland and France. Beyond that, likewise for a period of three years, Germany was not allowed higher duties for most agricultural products than those in force at the outbreak of the war. Neither these stipulations nor the imposition of a unilateral most-favored-nation clause in the peace treaty had prevented Germany from reimposing the conventional Bülow duties. This was not done in fact, for reasons which will presently become clear.

For almost seven years after the end of the war no tariffs on most agricultural products were in force in Germany, and exports of grain were forbidden throughout nearly the whole period. Yet during the greater part of these seven years the general conditions were such as to obviate any structural changes within German agriculture

Prussian government to proceed to the abolition of "Estate Districts" was passed in December, 1927. Before the bill became law, the Junkers had tried to combat it by filibustering; afterward, they attempted to contest its constitutionality with the Supreme Court. When the law was passed, the "Estate Districts" still numbered almost twelve thousand, with a population of one and a half million souls. See *Recht und Staat im neuen Deutschland* (Berlin, 1929), Bernhard Harms, ed., I:329. Albert C. Grzesinski, *op. cit.*, pp. 69-71.

that could possibly occur as a result of the absence of tariff restrictions. For about twenty months after the Armistice the prices of grains on the world market remained at an extremely high level, corresponding to the general shortage. In view of the deplorable undernourishment of the nonagricultural population, the German government used its control machinery as an import monopoly and pursued a policy somewhat similar to the contemporary policy of the Swiss Grain Monopoly. It offered lower prices to domestic producers for compulsory deliveries and further cheapened the price of grain to the consumers by government subsidies. As long as this policy persisted, it was not protection against foreign competition that the Junkers desired, but an increase in the low purchase prices at which the government bought up the grains. The struggle for and against government control dominated the first five years after the establishment of the Republic. From the point of view of German democracy this was most unfortunate, for the struggle soon took the form of a conflict between low-income urban consumers and agricultural producers. It re-created the old bonds between the peasants and the Junkers, making the latter appear as the spokesmen for the agricultural population as a whole.

In 1921 the system of government control was largely abolished, and freedom of trade within the country was largely restored. Still, for a period of two years, a levy on bread grains was imposed, and producers of grain were obliged to deliver specified quantities of grain per unit of land to the government at much reduced prices (in 1922 about one-third below market price). This levy was one of the very few measures in the economic history of Germany which placed the big grain producers at a relative disadvantage as compared with the owners of smaller farms, because of the exemption of very small farms (of less than five hectares) from the levy and its reduced incidence on medium-size farms.²⁹

However, neither this discrimination nor the restoration of freedom of foreign trade led to any reduction of the German high-cost production of grains. For in the meantime German inflation had proceeded on its road of annihilation of the mark, and this process

²⁹ Lothar Meyer, *Die deutsche Landwirtschaft während der Inflation und zu Beginn der Deflation* (Tübingen, 1924), pp. 4, 14. Stefan Batocki, *Schluss mit der Kriegszwangswirtschaft* (Berlin, 1921), pp. 17, 18.

did not fail to change materially the conditions of agriculture in general and of the Junker economy in particular.

Inflation benefited the agriculturists in two main ways. In September, 1920, the curve of wholesale prices in paper marks was crossed by the curve of the value of gold marks in paper marks. After that date, a lag between the internal and external value of the mark developed. After May, 1921, this lag was appreciable. In November, 1921, the exchange rate had risen to a level almost twice as high as the wholesale price index. The well-known phenomenon of an export premium created by inflation had the reverse effect of creating a wholesale protection from foreign competition which naturally was the higher the less an industry had to rely upon imports of raw materials from abroad. Clearly, the grain producers were in a particularly advantageous position, which was maintained almost throughout the inflation. Only in the last months before stabilization in the fall of 1923 did the lag disappear and prices tended for some time to be higher than the rate of exchange.³³ Actually, inflation had kept German agriculture in what virtually amounted to a monopolistic position.

Besides serving as protection for agriculture, however, inflation performed another important function. It liberated German agriculture from the burden of indebtedness. Before the war this burden had been estimated at 17.5 billion marks, which at 4-per cent interest amounted to an annual payment of 700 million marks. At prewar prices, this was equal to about 4.7 million metric tons of rye or about 40 per cent of the annual average harvest from 1909 to 1913. After the war the interest burden gradually sank to 2 million and then to 1 million metric tons of rye. In July, 1921, when state control of agriculture was abolished, it amounted to only 200,000 metric tons, and was wiped out almost completely by the last precipitate fall of the mark.³⁴

Furthermore, after the abolition of state control the prices of agricultural products developed very favorably in relation to industrial prices, and this far more than compensated for the lower gross returns obtained in that period. Within the sphere of agriculture, it was

³³ Cf. Max Hermant, *Les Paradoxes économiques de l'Allemagne moderne* (Paris, 1931), pp. 32 and 64; James W. Angell, *The Recovery of Germany* (New Haven, 1929), pp. 364-365.

³⁴ Lothar Meyer, *op. cit.*, p. 4; Max Sering, *Deutsche Agrarpolitik*, p. 115.

again the price of rye and other grains which rose far more than the prices of converted agricultural products. If the 1913 price is taken as 100, the price of rye was 86 in 1921-1922 and 81 in 1922-1923, while the corresponding prices for cattle were 50 and 55 and for milk 50 and 38 respectively.³⁵ Thus, at least in the quinquennium that followed the war, the general economic development, in spite of the absence of tariff protection, not only rendered any restriction of grain production impossible, but clearly tended to favor grains and, by the same token, to render more difficult a transition to high-grade agricultural products.

This development was supported by vigorous propaganda which maintained that, in a Germany impoverished by war, production of high-grade foodstuffs was out of place and that all efforts should be concentrated on production of carbohydrates which supplied the most calories per hectare. Therefore efforts to keep down the volume of animal husbandry continued; small peasants were criticized for "sticking stubbornly" to their cattle while consumers were angrily rebuked for not understanding that consumption of animal products was "entirely superfluous and wasteful." Such a reversal of nutritionist propaganda was bulwarked by autarkic economists, who readily explained that under the burden of reparations Germany must reduce her imports and could not afford to import bread grains on the prewar scale. If before 1914 it was the necessity of preparing for war which was used as an argument in favor of agricultural protection, after 1918 it was the consequences of the selfsame war which were exploited for the same purpose.³⁶ Thus very early the stage was set for a re-introduction of agricultural protection, in the traditional form of protection of grains.

By 1923, when the mark was stabilized, domestic trade in grains was almost completely free from state control. The government only retained power to build up reserve stores of grains. But although this return to freedom of trade within the country was favorable to grain producers, currency stabilization—by putting a definite end to the protection that was a by-product of depreciation—created a new situation which continued for two years and amounted to the nearest approximation to freedom of foreign trade in grains Ger-

³⁵ Friedrich Keiser, *op. cit.*, p. 224.

³⁶ On the merits of this argument, which reflects the balance of payments theory in its least tenable variants, see Pt. III, pp. 199-201.

many had experienced since 1879. Never since then had the grain producers been left with so little protection against foreign competition. This competition had to be faced under particularly unfavorable conditions. The lack of capital, a result of investment losses in the inflation period, immediately became apparent. The price scissors turned against agriculture. In 1924 the rye price came close to its 1913 level, the potato price was 4 per cent higher than 1913, while the price of iron was 38, that of coal 33, of phosphates 25, and of agricultural machines even 41 per cent higher than in 1913.²⁷

In part this reflected the general international price development. But in Germany it was also the result of a policy through which industry, largely cartelized, enjoyed the protection of tariffs and import prohibitions while agriculture was left unprotected. At the same time the price relations within agriculture began to turn against grains and in favor of meat, dairy products, and fats. The revival of industrial activity which became visible some time after the conclusion of the Dawes Agreement increased the pay rolls of industrial labor and therefore the demand for animal food products began to increase. The grain producers found themselves in a difficult position.

The German wheat price remained persistently below the world market price. At the beginning of 1925, for example, the disparity between domestic wheat and Manitoba III c.i.f. Hamburg was no less than 8 to 9 marks per quintal, which meant that domestic wheat was more than 26 per cent cheaper than Canadian wheat. The disparity was caused by a variety of factors. First of all, there was the familiar difference in quality between German and foreign wheat. Five per cent less of average American wheat was needed to produce the same quantity of bread, as compared with German "country wheat" (*Landweizen*); for the best American wheat this difference was as high as 12 per cent; and even then the quality of bread from German domestic wheat remained inferior. (The usual disparity between the London price of domestic wheat and the Liverpool price of foreign wheat largely reflects a similar situation.) Furthermore, for months after stabilization, the disparity was widened by the continuation of the prohibition of grain exports. However, after the loss of agricultural surplus areas resulting from the cession of the

²⁷ Friedrich Keiser, *op. cit.*, p. 226.

eastern provinces to Poland, this prohibition exerted less pressure on prices than it would have done before the war. The technique of the turnover tax, then in force, likewise tended to discriminate against domestic grains. Finally, the imports of French flour, when the franc began to depreciate in 1924, drove German grain prices lower. There is little doubt that this situation, if allowed to persist over a number of years, would have led to a marked decrease in the production of German grains.

But the Junkers in 1924 were in an altogether different position from 1918, and were not prepared to face calmly the prospect of being squeezed out of agricultural production by means of economic competition, after having successfully escaped in 1918 the threat of eclipse under political pressure. The revolutionary wave had receded, following the usual movement of political tides. This found expression at general elections to the Reichstag. In 1919 the Junkers were represented in the Constituent Assembly by forty-four members of the old Conservative group, now known as the German Nationalist Party. The German People's Party, which continued the traditions of the right wing of the National Liberal Party and was closely connected with heavy industry, held only nineteen seats in the Assembly. The right wing of the Center Party also included an agrarian group, which was well disposed toward the Junkers. But the policy of the Center Party in 1919 was influenced by its moderate elements, and the relative importance of the agrarian wing increased but slowly. The Junkers and the groups associated with them were a hopeless minority, holding sixty-three out of four hundred and twenty-one seats.

The next elections marked a considerable growth of these parties. By the end of 1924 the German Nationalist Party had one hundred and three seats in the Reichstag; the German People's Party, fifty-one, the National Socialists fourteen. On the other hand, the Center Party had lost almost one-quarter of its strength in 1919 and within this party, which held a key position in the Reichstag, the influence of the right wing had grown very considerably. Its Bavarian organization had become an independent party with a strong tendency to support the German Nationalists and the German People's Party. It had nineteen members in the Reichstag. The Social Democratic Party had also lost seats. In November, 1923, the last Social Demo-

crats left the Reich government,³⁹ and the new government which emerged from the December elections included, besides the Center and the German People's Party, four members of the German Nationalist Party. None of the preceding governments of the Republic had been so subject to the direct influence of the Junkers.

³⁹ The change in the distribution of political power in Germany between 1919 and 1923 may be illustrated by the fact that one of the most seriously considered proposals for the stabilization of the mark in the fall of 1923 was the plan of Helfferich, the leader of the German Nationalist Party. According to this plan a "rye-mark" should be created, that is to say, the value of the restored German currency was to be based on the value of rye. Thus the National Bank was to be delivered into the hands of the Junkers. In other words, after having derived immense benefits from the collapse of the mark, the Junkers also intended to make its stabilization a profitable affair. Economically, the plan was a monstrosity: the violent fluctuations in the price of rye would have completely wrecked the stabilization of the currency. Yet it required much effort to make the agrarians acquiesce in a rejection of this plan.

RETURN TO PROTECTION

This changed political constellation decided the issue of the re-introduction of agricultural protection in Germany. The coalition of parties which formed the German government in 1925 was indeed, under different names, nothing short of the restoration of Prince Bülow's 1902 bloc. With a consistency of purpose rather than of argument, these parties, which had drawn freely upon traditional laissez-faire arguments in their struggle against government control in the domestic market, now opposed freedom in the field of international trade.

Although the protectionist front showed little, if any, change as compared with the prewar period, certain alterations had taken place in the camp of the free traders. A marked shift was noticeable in academic circles. No less than one hundred and seven outstanding German academic economists and social scientists signed, in the fall of 1924, a declaration which emphasized postwar Germany's need to share in the benefits of the international division of labor. They therefore rejected industrial and agricultural tariffs except for the purpose of bargaining in international negotiations. The statement read:

An artificial rise in the cost of living because of measures of economic policy would be particularly serious in present-day Germany. . . . The difficult situation of German agriculture must be treated with appropriate instruments. Mere continuation of the prewar tariff protection would increase rather than diminish the gravity of the situation.³⁰

It must, however, be added that this consensus in academic circles was largely predicated upon the belief that grain-production in Germany was not going to remain a high-cost area within the framework of world agriculture. It was thought that there was little danger of future overproduction of bread grains. It was believed that the general unfavorable position of agriculture in the world at this time was largely a consequence of the reduced purchasing power in

³⁰ *Verhandlungen des Vereines für Sozialpolitik in Stuttgart* (September, 1924), *Schriften des Vereines für Sozialpolitik* (Munich and Leipzig, 1925), 170:139-140.

Europe; that in Germany the situation was further aggravated by the dearth of credit after currency stabilization and by the great gap between agricultural and industrial prices. Therefore, not tariffs, but a general rehabilitation of the economy and thereby of the consumer's purchasing power was the right line of treatment. The special difficulties of German agriculture, it was thought, would be solved by organizing cheap credit so as to meet the desperate lack of capital left in the wake of inflation as well as by efforts to cheapen the prices of fertilizers, particularly of nitrates. Thus the academic pronouncement against tariffs did not necessarily imply willingness to sacrifice a large part of the German grain production in order to restore international equilibrium. Several years later the effects of a momentous technological revolution in agricultural production on the American continent made it difficult to escape the conclusion that cost disparity could not be eliminated except by a reduction of the volume of grain production in Germany. Indeed, at that time this fact was used by a leading agricultural economist, an author of the resolution of 1924, as an argument *in favor* of grain protection.⁴⁰

Although the academic representatives of German social science had moved, at least for the moment, to an antiprotectionist position, the Social Democratic policy did not display quite the same vigor and determination as that with which the party fought the Bülow tariff of 1902. To be sure, as a minority group in strong opposition to the government in office, the party had practically no other alternative than to combat the tariff bill. Furthermore, this attitude was in line with the free trade traditions of the party and with the very real interests of its members and voters, who were largely low-income urban consumers. Moreover, the pacifism of the labor party was stronger after the war than ever before, and the idea that free trade is a necessary condition of a "realistic pacifist policy" was particularly stressed.⁴¹

Yet certain changes in the general attitude of the party and the trade unions were perceptible. It is interesting to compare Hilferding's statement just paraphrased with his prewar rejection of free trade as a reactionary utopia.⁴² In this respect, the general

⁴⁰ Schriften des Vereines für Sozialpolitik (Munich and Leipzig, 1931), 182:114.

⁴¹ Rudolf Hilferding, "Handelspolitik und Agrarkrise," *Die Gesellschaft* (Berlin, 1924), I:129.

⁴² Cf. Pt. I, p. 34.

movement initiated by revisionism continued, and former radicals were now ready to espouse the traditional free-trade cause. This was symptomatic of the fact that the development of the Social Democratic Party from a fundamentally revolutionary group to one closely connected with, and interested in, the existing social structure was already far advanced.

The aftermath of the war had profoundly changed the position of the Social Democratic Party within the state. The establishment of the Republic had been largely its work. It had headed, or shared in, the government of that Republic throughout its most critical periods,⁴³ and the safety of the new democratic state had become its main concern. But while, on the one hand, this development prompted former radicals to reconsider their evaluation of foreign trade policies, on the other hand it also induced other groups of labor, in the first place the trade unions, to ponder the problem whether the traditional free trade policy was well in line with the supreme goal of strengthening and preserving democracy. They were very well aware of the dangers resulting from the renewal of the conflict between urban labor and the peasants. The postwar government control of agriculture had poisoned the relations between the two groups, and it was feared that opposition to the re-introduction of tariffs would only make a bad situation worse. Therefore, at least at the beginning of the tariff campaign, the trade unions, both as labor groups and as party organizations, sought to avoid what they called the "sterile negative attitude" of mere opposition and to find a compromise on foreign trade policies with the representatives of the agrarians.⁴⁴

For the time being these ideas were not allowed to come to the fore. The general political situation and the fear on the part of Social Democracy that any other attitude would result in a loss of party votes to the Communists, demanded, it was believed, an attitude of implacable opposition. Once again, the Social Democratic Party conducted an antiprotectionist campaign, which closed with the

⁴³ Jules Romains has well described in his *Dictateur* the transformation which a revolutionary undergoes when he enters the government and shoulders the burden of responsibility.

⁴⁴ "Zollkampf gegen Antisozialpolitik," *Gewerkschaftszeitung*, 1924, p. 331; Max Cohen, "Zur Frage des Agrarschutzes," *Sozialistische Monatshefte* (Berlin, 1924), 61:186-192. Also Max Schippel, "Zollpolitik und Arbeiter," *ibid.*, pp. 364-368.

party's demonstrative exodus from the Reichstag.⁴⁵ In subsequent years, however, precisely that attitude of the trade unions toward agricultural protection, originally sidetracked, became predominant and determined the policy of the movement when, in 1928, labor returned to government in a developing agricultural crisis. This attitude, therefore, was of major importance in the further evolution of agricultural protection in Germany.

The issue of tariff reform was really decided, not in August, 1925, when the tariff bill was passed by the Reichstag, but nine months earlier, when a solidarity-bloc government had emerged from the general elections. The new solidarity bloc was economically perhaps even less desirable than its predecessor of 1902. Then it was essentially an alliance between prosperous industry and an agriculture to which this industry, for a number of noneconomic reasons, was prepared to make a present of protection. Now industry also was in a difficult plight. Much of the hasty investment made during inflation had proved ill advised. A cleansing process in industry was urgently called for, to eliminate enterprises which could thrive only in the luxurious climate of inflation and were not fit to survive under normal conditions. In a Germany which had lost her assets abroad and was under the pressure of reparation payments, any maintenance of inefficient industries was too costly a luxury. In these conditions, the solidarity bloc of 1925 meant not only perpetuation of the inefficient German grain production, but also abstention from necessary adjustments in industry. The subsequent heavy influx of foreign capital into Germany buttressed this unhealthy economic situation, only to make its final collapse in the depression the more disastrous.

The character of the solidarity bloc in the Republic was not quite the same as that of its prewar predecessor. The strength of the trade unions had grown and, although they had been weakened by inflation, industry—and especially heavy industry, in which the Revolution had opened the doors to the unions—was keener than ever to enlist the support of the Junkers and, through the Junkers, the help of the peasant masses. On the other hand, at least for a time, the importance of the Junkers within the solidarity bloc could not be quite

⁴⁵ *Verhandlungen des Reichstages* (Stenographische Berichte), III Wahlperiode, Vol. 387 (August 10, 1925), p. 4382.

what it had been before the war. They had not been crushed by the Revolution, but undoubtedly their power had been diminished. The Junkers, without the old Prussian Diet and Prussian government, without their preponderant position at the emperor's court were not nearly such useful allies as they had been in the last decades of the Hohenzollern monarchy. True, the election of Hindenburg as president of the Republic in April, 1925, was a great victory for Junkerdom and was destined later to strengthen their position and policies. For the time being, however, this was only a promise.

This weaker position of the Junkers within the solidarity bloc found expression in the method of restoring grain protection. While industrial protection was maintained and strongly increased, agricultural tariffs were only gradually allowed to return to the prewar level.

Nominally, the 1902 rates of duty on grains were reestablished, but at the same time considerable reductions were stipulated for a period of transition so that the rates actually introduced in 1925 were much lower than the rates of the Bülow tariff. On wheat and rye they were 3.50 and 3 marks per quintal respectively as against 5.50 and 5 marks per quintal in the 1902 tariff. But these rates were merely provisional.

From August, 1926, onward, the rates of the Bülow tariff were largely restored, and with them were restored also the fundamental principles on which agricultural protection had rested before the war. Again, as in prewar times, rye was given a relatively stronger protection. If the differential of 0.50 mark between wheat and rye in the tariff of 1902 had favored rye production and discriminated against wheat, the tariff rates of 1926 eliminated even this inadequate differential, stipulating rates for both wheat and rye of 5 marks per quintal.

The system of import certificates, which had been the pillar of rye protection and expansion before the war, was reintroduced without much discussion.

On the other hand, the old system of compromise between Junkers and peasants—the combination of high tariffs on rye and wheat and low tariffs or freedom of entry for feedstuffs—was likewise revived. Thus oil cake and bran were left free of customs duties, while the tariff on feed barley was fixed at 2 marks per quintal, which was,

however, 0.70 mark per quintal higher than the prewar tariff. This system had been on the verge of collapse just before 1914, when only further increases in the rye duty and the value of import certificates might have saved it.

There is little indication that the German public understood that the reimposition of this system would of necessity lead, in not too remote a future, either to further increases in rye duties or to an increase in duties on feedstuffs or to both. To do justice to the German Nationalist Party one must admit that for obvious reasons it opposed the low tariffs on feed products and agreed that the low corn duty in particular would ruin the potato growers and would result in overproduction of pigs. At that time, in the middle 'twenties, however, adjustments of the tariff on feedstuffs to the duties on rye and wheat were still rejected, not only by the minority parties, but also by the parties of the solidarity bloc, with the exception of the German Nationalists. The influence of the peasants had increased somewhat in the Republic, and the introduction of a "Junker tariff system" even more favorable to the big estate owners than the prewar system was for the time being impossible.

On the contrary, the increased consequence of the peasants was reflected in somewhat higher duties on products of animal husbandry. Thus the duty on butter was raised from 20 to 27.50 marks per quintal, and sterilized milk, previously free of duty, received a rate of 5 marks per quintal. Beef, which always was strongly protected by tariff duties and veterinary restrictions, was now protected by a 37.50-mark duty per quintal as compared with 27 marks before the war, but the veterinary restrictions were not reintroduced until the depression of 1931-1932 and even then only in part; 120,000 tons of frozen meat per annum were allowed to enter the country free of duty. The tariff on live pigs was raised from 9 marks per quintal first to 14.50 and then to 16 marks per quintal. In view of the rate on feed barley of 2 marks per quintal this constituted for the first time a certain margin of genuine protection for the German pig-raisers beyond mere compensation for the duty on feedstuffs. In 1928 this tariff was reinforced by extending the import-certificate system to pigs. However, it must be noted that Russia's withdrawal from the grain market was particularly detrimental to the German pig-rearing farmers, who did not succeed in obtaining another

source of supply which even approximately equaled the Russian barley in quality and price. Prewar imports consequently were never reached again. Whereas the average of 1911-1913 amounted to almost 3.28 million metric tons, the average of 1925-1927 was only 1.56 million metric tons. In the following years imports oscillated between 1.5 and 2 million metric tons. The duty on eggs was raised from 2 to 5 marks per quintal, i.e., by 3 marks. However, the duty on feed barley was raised by 0.70 mark, which signified, in view of the barley-eggs relation, an effective rise of 3.50 marks. Thus the tariff on eggs was in reality relatively reduced.

On the other hand, certain duties were decreased; for instance, the duty on bacon from 36 to 14 marks and the duty on lard from 10 to 6 marks per quintal.⁴ On balance, the treatment of animal husbandry as compared with grain production was probably only slightly more favorable to the former than it had been before the war. On the whole the prewar tariff status quo was restored.

To conclude this section, a few words may be said about the part played by sugar and potatoes in German agricultural policies. A detailed presentation of the problems involved would far exceed the scope of the present essay. Suffice it to say that the effects of prewar policies tended to keep production of sugar beets confined to the big estates. This despite the fact that the peasant economy is particularly fit for this branch of production with its high intensity of labor. At the same time the high price of sugar in Germany, artificially maintained through high taxation, inflicted great damage on the development of fruit-growing by the German peasants, because of the resulting high cost of fruit preservation; it thus did its part in hampering the adjustment of German agriculture. After the war the structural pattern of production, the system of high taxation, and the resulting low level of domestic consumption were largely maintained.

At the same time, there existed prohibitions against distilling alcohol from sugar. This protected distillation of alcohol from potatoes in factories established on a relatively small number of privileged and monopolistically organized big estates in East Elbia. This was a corresponding measure to protect the other important crop besides rye in the East Elbian rye-potato belt. In 1913 almost five-

⁴ Max Sering, *Die deutsche Landwirtschaft* (Berlin, 1932), p. 7.

sixths of the total production of potato alcohol came from a comparatively small number of East Elbian estates. This hapless policy was faithfully continued by a government alcohol monopoly instituted a few months before the Armistice of 1918. Thus, in addition to the costs of grain protection, the German consumer had to bear additional burdens to the benefit of the Junker economy. In the later part of the 'twenties this burden amounted to about 70 million marks a year. When the consumption of brandy began to fall, the costs were partly shifted onto the shoulders of the motorists."

" Cf. Friedrich Aereboe, *Agrarpolitik* (Berlin, 1928), pp. 327-366, particularly pp. 333-334, 345-346; Max Sering, *Deutsche Landwirtschaft*, p. 539; F. Baade, "Neugestaltung der deutschen Branntweinwirtschaft," *Berichte über Landwirtschaft*, N.S. (Berlin, 1926), V:161-232 and 332-376.

EFFECTS OF PROTECTION

As far as the peasant economy is concerned, the most that can be said is that the new system of protection did not prevent a restoration of the animal husbandry branch of German agriculture to the approximate level of the prewar period. This was completed in 1927 or 1928. But imports from abroad were heavier than ever before. In 1911-1913 about 7 per cent of German meat consumption was imported from abroad; in 1927 with an almost equal total consumption this percentage was 13.7. The imports of butter rose from 54,200 metric tons in 1913 to an average of 110,000 metric tons for 1926-1928⁴⁸ and amounted to about 21 per cent of total consumption. A comparison of livestock numbers in Germany between 1913 and 1930—territorial changes taken into account—shows that, on the whole, cattle remained stable, with pigs showing a small increase of about 4 per cent. Only in poultry was there a significant improvement, an almost 30-per cent increase being effected between 1912 and 1929.⁴⁹ The per capita consumption of eggs increased by more than 17 per cent between 1913 and 1929. Yet the share of domestic production in total consumption remained almost stable, being 62 per cent in 1913 and 63 per cent in 1929.⁵⁰ Imports grew *pari passu* with the domestic production. It is significant that in 1928-1929 the value of domestic production amounted to 302 million marks while the value of imported eggs amounted to 287 million marks; while the quantity of domestic production in the total consumption was in 1928-1929 about 61.5 per cent, its value was only 51 per cent, that is, more than 10 per cent lower.⁵¹

The example of egg production was revealing for the condition of German peasant farming as a whole. Although an undeniable success had been achieved, German egg production was less able

⁴⁸ Max Sering, *Deutsche Landwirtschaft*, pp. 505-506; Fritz Beckmann, *op. cit.*, p. 116; Friedrich Keiser, *op. cit.*, p. 237.

⁴⁹ Hans von der Decken, "Entwicklungstendenzen der Eierwirtschaft," *Vierteljahrshäfte zur Konjunkturforschung* (Berlin, 1932), Sonderheft 27, p. 8. Changes in territory are taken into account in this comparison.

⁵⁰ *Ibid.*, p. 27.

⁵¹ *Ibid.*, pp. 27 and 13.

than before 1914 to compete with the high-quality products of Danish, Dutch, and Belgian farmers, who had, after the war, replaced the traditional suppliers of eggs to the German market—Russia, Austria-Hungary, and the Balkans. In Denmark and Holland the relation between feedstuffs and eggs was very considerably more favorable to egg-producers than in Germany. The comparative advantage of Denmark and the Low Countries in the production of high-grade agricultural products was far greater after the war than before. Whereas Germany's production of converted foodstuffs had been ruined by the war, Denmark and Holland had made great improvements in their productive organization. The coöperatives had greatly increased their real capital, most of which had been written off and did not involve payments of interest. The process of concentration and technical improvement of creameries had gone very far, and the collection of produce from small farmers was well organized. The organization of producers was well-nigh complete, and the quality control strict and efficient.

To build up a similar organization in Germany would have been comparatively easy before the war in the long years of general and almost uninterrupted prosperity. It was much more difficult to embark upon this task after 1918. Yet arduous as the task was, it was not impossible, and the development of the Baltic countries, particularly Estonia, showed that such a policy was certainly feasible; but it would have required a tremendous effort and an absolute concentration of the whole agricultural policy upon this one objective. This would have involved much more than the choice of the proper commercial policy. Educational activities, government propaganda, steady support of the agricultural coöperatives, reorganization of the whole distributive system, development and supervision of quality standards were necessary—all of which would have inevitably called for generous subsidization. As it was, a special emergency program as late as March, 1928, provided about 100 million marks for the rationalization of the coöperatives and the reorganization of the distributive apparatus, but these amounts were only a fraction of what was needed, and a still smaller fraction of what was in fact done for the grain-producing farms. Thus plans and programs for reorganization, which were carefully elaborated by various official and unofficial organizations and institutions of the

Republic, were never put into effect during the democratic period. The best policy would not have been able in itself to produce structural changes of such magnitude within the span of a few years before the great depression, and the wrong policy to which Germany returned in 1925 was in itself sufficient to wreck the "Danization" of German agriculture.

The favorable position of rye among agricultural products is indicated by the following table:

INDEX OF PRICES OF CERTAIN AGRICULTURAL PRODUCTS IN GERMANY*

Product	Basia	Average 1926-1927 to 1928-1929
Rye	1909-1910 to 1913-1914	147
Wheat	1909-1910 to 1913-1914	122
Barley	1909-1910 to 1913-1914	131
Potatoes	1909-1910 to 1913-1914	146
Pigs	Cycle: June, 1907-Sept., 1911, Oct., 1911-June, 1914	123
Cattle	1910-1911 to 1913-1914	104
Butter	1909-1910 to 1913-1914	138

* Adapted from Naum Jasny, "Die Zukunft des Roggens," *Fierteljahrshefte zur Konjunkturforschung* (Berlin, 1930), Sonderheft 20, p. 87.

These price comparisons, however, tend to distort the true picture somewhat, inasmuch as they create the impression of a price structure which was even more favorable to rye than before the war. This certainly was not true. In particular, wheat derived less obvious but no less real comparative advantages from the great decline in prices of artificial fertilizers. Furthermore, the advance of technical knowledge among the farmers favored wheat and barley as crops which under German conditions require a careful soil preparation.⁵² The development of the areas sown with wheat and rye showed that in postwar years the time for spectacular increases of the rye area had passed. World consumption of rye was declining more rapidly than ever, and in Germany the Revolution and the transition to democracy did not fail to accelerate the falling trend of rye consumption. In the years between 1924-1925 and 1928-1929 per capita consumption of rye fell by 17.3 per cent as compared with the last prewar years.⁵³ Yet at a time when a reduction of rye production was ur-

⁵² Cf. Naum Jasny, *Wheat Problems and Policies in Germany*, Wheat Studies (Stanford University, 1936), XIII:95.

⁵³ *Idem*, "Die Zukunft des Roggens," p. 64.

gently called for, the rye area practically held its own throughout the postwar years, without returning, however, to the prewar level. This relative stability of the rye acreage checked the expansion of the wheat area after the latter had increased considerably from 1925 onward, so that in 1927 it was about 7 per cent higher than before the war. The increase of yield per acre of rye continued, although at a much less rapid rate, but it was still somewhat higher than that of wheat. On the other hand, the relation between grain prices in general and the prices of most products was less favorable than in the prewar years, although the exact measurement of the "scissors" varied with indices used,⁴ and was also to no small extent deliberately exaggerated by agrarian propaganda.

The effect of these conditions was in some ways more vigorous and also more dangerous than before the war. Despite the loss of provinces which had supplied more than half of the export surplus and in spite of the flagging demand abroad, Germany again began to export rye. Toward the end of the 'twenties the total rye exports of the world were a little more than one million metric tons, that is to say, somewhat better than 50 per cent of the prewar world exports.

Again, as before 1914, German rye protection was heading for a crisis, inevitable even if no great depression had accelerated its development. And, as before the war, the peasants were prompted by the favorable price relation of rye to cling to the production of that grain for the market. This not only hindered adjustment of the peasant economy to its "natural" line of production, but also created an artificial community of interests between the Junkers and the peasants, and affected most unfavorably the income of the latter. At the same time, from the smaller margin of his returns, the peasant had to provide for interest payments on the indebtedness which under the pressure of the capital shortage had again been accumulating with surprising swiftness since the end of inflation. In 1928 agricultural mortgage credits were still about one-fifth of the immediate prewar level of 17.5 billion marks; but short-term credits contracted

⁴ Cf. Friedrich Keiser, *op. cit.*, p. 233, who assumes that in 1927 the scissors opened themselves slightly in favor of agriculture; and M. L. Fensch, "Preisbildung und Reinertrag," *Mitteilungen der deutschen Landwirtschaftsgesellschaft* (1929), No. 42, where the following indices are given: for 1926-1927, 144:132, and for 1927-1928, 152:132. Both of these years thus showed a considerable price disparity against agriculture.

under duress at high interest rates approached the sum of 3 billion marks. The annual interest burden was estimated in 1927-1928 at 785 million marks, that is, about 5 per cent higher than before the war. By the end of 1928 it was estimated by an official source at one billion marks.⁶⁵ The East Elbian Junkers bore a more than proportionate share of this indebtedness.⁶⁶ But interest payments weighed heavily on the peasants. To this must be added the high level of taxation necessitated by the swollen Reich and state budgets and by the reparation obligations. In 1924-1925 vigorous propaganda had been conducted in favor of an intensification of the agricultural economy. This became one of the reasons for the rapidly increasing indebtedness. The degree of intensity was very frequently pushed far beyond the limits indicated by price development and by the climatic conditions in the north of Germany. Once things had gone so far, return to a more extensive economy was prevented by the pressure of high interest payments, and the economy found itself in an increasingly difficult situation.⁶⁷

Under these conditions foreclosures and evictions of peasants increased,⁶⁸ and with them grew unrest among certain groups of peasants and antagonism against a form of government which had first confiscated the products of their soil or forced a low price upon them, and then seemed unable to restore prosperity and security. A situation had been shaping up which was fraught with dangers for German democracy, and which before long was to lead to violent peasant revolts against the tax collectors and foreclosing authorities, to mass trials of peasants, and even to the use by enraged peasants of bombs against the seat of German democracy—the Reichstag.⁶⁹

⁶⁵ Max Sering, *Deutsche Agrarpolitik*, p. 115; J. B. Holt, *German Agricultural Policy, 1918-1934* (Chapel Hill, N.C., 1936), p. 135; Ausschuss zur Untersuchung der Erzeugungs- und Absatzbedingungen der deutschen Wirtschaft (Enquete-Ausschuss) Band 12, "Die Verschuldungs- und Kreditlage der deutschen Landwirtschaft in ihrer Entwicklung von der Währungsbelegung bis Ende 1928," p. 32.

⁶⁶ Ausschuss zur Untersuchung . . . der deutschen Wirtschaft, Band 12, "Die Verschuldungs- und Kreditlage der deutschen Landwirtschaft," pp. 41, 101.

⁶⁷ For Pomerania, see, *ibid.*, Band 11, "Untersuchungen zur Lage der Landwirtschaft in den Provinzen Pommern, Niederschlesien, Oberschlesien und Grenzmark Posen-Westpreussen," p. 16.

⁶⁸ *Ibid.*, pp. 96-97.

⁶⁹ Eduard Heimann, *Communism, Fascism and Democracy* (New York, 1938), p. 213; Friedrich Stampfer, *Die vierzehn Jahre der ersten deutschen Republik* (Karlsbad, 1936), p. 380.

LABOR, PEASANTRY, AND JUNKERDOM

The German Republic had passed through a most difficult period. Immediately after its establishment it had to face bloody uprisings in the capital and an extremist dictatorship in its second largest state, Bavaria. In 1920 came the Kapp *Putsch*, which was followed by prolonged disorders and fighting against radical labor in the West. Then came the terror, carried out by small radical groups of the Right and countenanced by the reactionary parties, which deprived the Republic of two of its outstanding servants, Erzberger and Rathenau. The Imperial judges, whose position and privileges the Republic had anxiously preserved, showed the greatest leniency in dealing with the terrorist murderers.⁹⁹ In 1921 there was an uprising in Central Germany, staged by the radicals of the Left. The year 1923, the year of the Ruhr occupation, brought military action against radical governments of the Left in Saxonia and Thuringia and the Communist uprising in Hamburg. It also brought Hitler's November *Putsch* in Munich. When the year ended in Germany, the civil authorities were still in eclipse and a military dictatorship, that is, a group of generals of the emperor's army who had only a short time ago sided with the men of the Kapp *Putsch*, was virtually governing the country. Only the necessity of securing an influx of foreign capital into Germany restored the civil powers and prevented the military power from perpetuating itself. In the presidential elections of 1925 the relative majority of 14.6 million votes were given to Von Hindenburg. The moderate representative of the Center Party, Marx, was beaten, and a monarchical field marshal, a man who was the very incarnation of the old Prussian ideology and, although not at that time a landowner, a Junker by descent and spirit, moved into the highest office of the Republic for a period of at least seven years and became possessed of powers which in many

⁹⁹ In this connection Rauschnig's recent complaints that the Weimar Republic prevented the judges from applying the "natural law" make strange reading. It was precisely the written law of the Republic which so many judges refused to apply when confronted with political murder of Republicans. Cf. Hermann Rauschnig, *The Conservative Revolution* (New York, 1941), p. 163.

respects were not inconsiderably wider than those formerly exercised by the Kaiser.

This was an almost exact counterpart to the presidency of MacMahon in France in the first decade of the Third Republic. In the Germany of 1925, as in the France of 1873, the election of an anti-Republican expressed the general situation of a "republic without republicans." In France, after passing through the Boulanger and Dreyfus crises, the democratic Republic emerged strengthened and stabilized. This process took about thirty years. In Germany the general economic improvement which began in 1926 brought an appeasement of political passions, but this was only a semblance of a genuine stabilization of democracy. Anti-Republican sentiment remained widespread among the middle class in the cities and also among the peasants whose vote had elected Hindenburg;⁶¹ the protracted struggle against the Republican flag and the strong demand to revert to the old colors of Imperial Germany epitomized the state of mind of a large part of the population.

In these conditions relations between democratic labor and the peasants became a paramount problem of democracy. If the leadership of the Junkers over the peasants could be broken and some alliance between labor and peasants could be established, then the period of dangers and uncertainties for the democratic system in the country would pass and stable political conditions would at last be rendered possible.

It was primarily these considerations that led to the adoption of the agrarian program by the Social Democratic Party at its annual congress at Kiel in May, 1927. This program was the cornerstone of a development which had begun in the last years of the preceding century; in certain respects, it only stated what already had been tacitly recognized in practice; but in other respects it meant a decisive turn, especially in the attitude toward agricultural protection. The program recognized that the law of concentration was not valid as far as agricultural production was concerned, that the techni-

⁶¹ In this connection it was extremely significant that in spite of the rigidity of party discipline and the traditional strength of party affiliations, the Bavarian People's Party, the local organization of the Center Party, did not support the representative of the party, Marx, but urged its adherents to give their votes to Hindenburg. This was a strong indication that the small South German peasants were prepared to endorse Junker leadership in the Reich, in the Republic perhaps even more than under the monarchy.

cal advantages of large estates were offset by social and psychological factors favoring production on small and medium-size farms. To a certain extent this was only an official recognition of an obvious fact; but it was significant that the Social Democratic Party, contrary to its traditions, no longer viewed the continuation of the small and medium-size farm as wasteful and undesirable from the point of view of the national economy. Therefore, the program demanded a "systematic land reform," that is, sequestration of the large estates by the government against payment of indemnity, and their redistribution among the peasants for settlement purposes. The seizure of the peasant lands by the Junkers when serfdom was abolished at the beginning of the nineteenth century would thus be remedied. More important was the fact that democratic labor no longer supported what now came to be called the one-sided point of view of the consumer. A compromise between the economic interests of the consumers and agricultural producers should be aimed at, and a state monopoly, which first should be organized as a grain monopoly and gradually extended to other agricultural products, was proposed. This monopoly would, it was argued, serve the interests of both consumers and producers primarily by pursuing a policy of price stabilization. German agricultural prices would in this way be made independent of the world market, and, it was stressed, would thus be liberated from the influence of foreign speculation in grain markets. The monopoly would achieve these aims by open market policies and by building up sufficient reserve stocks without attempting to create a large bureaucratic organization. The irregular development of world market prices of wheat between the two depressions in the middle of the 'twenties and the particular position of German rye production, with frequent changes from export to import parity and vice versa and the violent seasonal fluctuations, all seemed to corroborate the argument that consumers and producers alike stood to gain from a stabilization of prices.

Although it still rejected tariffs as an inadequate measure of protection and proposed a number of measures for the improvement of peasant agriculture and of its marketing apparatus, the new program was an unambiguous rejection of the "fantastic wastefulness of free trade." This did not necessarily mean protection of the existing volume of agricultural high-cost production; yet it is significant

that the main initiator of the program, Fritz Baade, envisaged no structural changes in German agricultural production, and especially no restriction of grain production as a means of adjustment to a generally competitive level with regard to the great production areas overseas.⁶²

The underlying idea of the program was that an understanding between industrial workers and peasants was a necessary safeguard of democracy. In principle this was unexceptionable. It was further true that a state grain monopoly might be, as the Swiss example showed, an appropriate instrument to implement such a policy of compromise. In favorable conditions of the world market, such a policy could have worked effectively in the direction of a general adjustment of German agriculture; but the elimination of Junkerdom was an indispensable condition for success. In the Germany of 1927 this was no longer realistic. The Junkers were safely entrenched in their positions. There was not the slightest political chance of expropriating the Junkers within a reasonably short time. The labor program did not even demand a sudden, but a "systematic," land reform. At best no more could be expected than a continuation of the settlement program as begun in 1886 and continued in a somewhat more purposeful way after the war.

It will be recalled that the Settlement Act of 1919 was discussed and passed in the spirit of agricultural self-sufficiency.⁶³ There is little doubt that the idea of autarky played a considerable role in the settlement policies of the Weimar Republic. It was hoped by many adherents of this idea that continuation of these policies would render Germany more independent of agricultural imports from abroad.⁶⁴ Thus intensive settlement activities were bound to raise new and complex economic and political problems. Permanent subsidies to the peasant settlers at the expense of the community would have become unavoidable. Nevertheless, it could be argued that

⁶² Cf. *Programmes agraires des partis ouvrieres en Autriche, en Grande Bretagne, et en Allemagne, avec une préface par Albert Thomas* (Paris, 1931); Fritz Baade, "Stabilisierung der Getreidepreise," *Die Gesellschaft* (Berlin, 1927), Vol. 4:1, pp. 250-280; Rudolf Hillerding, "Theoretische Bemerkungen zur Agrarfrage," *ibid.*, pp. 421-432; Fritz Naphtali, *Wirtschaftsdemokratie, Ihr Wesen, Weg und Ziel* (Berlin, 1929), p. 112; Herbert Blach, *Die Handelspolitik der deutschen Sozialdemokratie* (Borna-Leipzig, 1931), p. 89.

⁶³ See p. 103, fn. 26.

⁶⁴ Cf. Heinrich Schmitz, *Die Versorgung Deutschlands durch die einheimische Landwirtschaft in und nach dem Kriege* (Berlin, 1927), pp. 143-146.

from the point of view of German democracy there was at least a difference in degree between inefficient peasant and inefficient Junker economies. Had the settlement activities led to an elimination of the feudal class in Germany, they would have strengthened the democratic system in the country even though creation of farms which were not a paying proposition threatened the community with new difficulties. Unfortunately, however, the settlement policies were not such as to endanger the existence of the Junkers as an economic group.

The postwar settlement under the terms of the Settlement Act of 1919⁶⁵ proceeded at an accelerated pace as compared with that of the prewar period; in the period from 1919 to 1930, there were 516,461 hectares in Prussia and 631,560 hectares⁶⁶ in all Germany devoted to the purpose of peasant settlements. Most of this land came from the big estate owners, 511,279 hectares having been bought up for this purpose in Prussia between 1919 and 1930.⁶⁷ Yet it should be noted that a certain percentage of the new settlements represented small farms, up to five hectares, belonging to land laborers. These settlements, while diminishing the area of the big estates proper, actually led to a strengthening rather than to a weakening of the Junker economy, because they secured for it the sorely needed steady labor supply.⁶⁸

On the whole, therefore, the settlement policy after the war was not such as to change to any significant extent the structure of land ownership in the East of Germany. The total area of farms of the class of one hundred hectares and more changed between the census of 1925 and 1933 is as shown on the opposite page. For the whole of Prussia the percentage of decrease was -4.6.

These changes may be regarded per se as indicating very considerable settlement activities. If they are measured by the aim of displacement of Junkerdom, they are small indeed.

The reluctance of the Junkers to sell their estates had grown

⁶⁵ Reichssiedlungsgesetz vom 11. August 1919, R.G.B.L. 1429.

⁶⁶ Max Sering, *Deutsche Landwirtschaft*, p. 693. As mentioned above, the total area settled in the period 1886-1917 was in the vicinity of 560,000 hectares.

⁶⁷ *Statistisches Jahrbuch für das Deutsche Reich*, 1932, p. 55.

⁶⁸ An indication of the importance of these small settlements in the whole scheme may be derived from the fact that from 1919 to 1933 the settlements up to five hectares formed no less than 35 per cent of the whole number of new peasant farms created in that period. *Ibid.* (1936), p. 83.

appreciably since the war.⁶⁹ If before the war they had frequently been not unwilling to sell their estates, this attitude had changed in the postwar period when "the social and economic position of the Junkers rested almost exclusively upon land ownership."⁷⁰ The Settlement Act, indeed, provided the authorities with the right to confiscate large estates against payment of indemnity. Yet confiscation played an important role only in the last year of the inflation. The resistance of the Junkers, whose political power was on the increase, the unfavorable effects of the protracted confiscation procedure on the productivity of the estates, the fact that, since the

CHANGE IN FARMS OF 100 HECTARES AND MORE, 1925-1933*

Prussian Provinces	Percentage of area†
East Prussia	- 8.4
Brandenburg	- 4.4
Pomerania	- 6.6
Posen-West Prussia (Frontier March)	- 1.1
Lower Silesia	- 6.3
Upper Silesia	- 8.6
Mecklenburg	- 4.1

* "Landwirtschaftliche Betriebszählung," *Statistik des Deutschen Reiches* (Berlin, 1937), 459:1-51.
 † Minus sign indicates decrease.

stabilization, offers for sale of lands were increasing in numbers—all these factors rendered confiscation a device which was used only in exceptional circumstances.⁷¹ This, however, meant that, to a large extent, relatively the poorest lands, those of estates becoming bankrupt, were to be used for settlement purposes.

Under the terms of the Settlement Act the large estate owners were organized in compulsory Land Delivery Associations which were responsible for the provision of the necessary land for the settlements. According to the law, these associations had to continue their activities until one-third of the agricultural area of large estates (including state property) was made available for settlement; or else until the agricultural area of large estates amounted to no more than 10 per cent of the total area of the district in agricultural use. In both instances the census of 1907 was taken as a basis. In eastern

⁶⁹ See the statement of Professor K. Dietze, *Schriften des Vereines für Sozialpolitik* (Munich-Leipzig, 1931), 182:141.

⁷⁰ *Ibid.*

⁷¹ Ausschuss zur Untersuchung . . . der deutschen Wirtschaft, Band 10, "Das ländliche Siedlungswesen nach dem Kriege," p. 77.

Germany⁷² the total area to be so delivered for settlement purposes amounted to 1,450,000 hectares. In the years 1919–1928 only 27.5 per cent of this area was actually made ready for settlements. It was estimated at the time that, if these deliveries were to continue at the rate prevailing in this period, the goal of 1,450,000 hectares would be reached in twenty-seven years.⁷³

It is clear that at that speed it would have taken many decades to reduce the large landed estates so far as to render the influence of the Junkers on agricultural production ineffective. Subsequent history showed, however, that such computations were extremely unrealistic. For the Junkers were prepared to thwart the continuance of the settlement policy as soon as it had passed certain limits.

The agricultural program of labor suffered from a fundamental difficulty. The expropriation of the Junkers was not an issue of current politics. But the proposals concerning a state grain monopoly and, above all, concerning stabilization of prices, were quite capable of execution and this meant that the new labor policy, instead of breaking the alliance between the Junkers and the peasants and leading to a reconciliation of labor with the latter, involved a capitulation of labor to the protectionist demands of the Junkers without any possible gain for the German democracy. In other words, the failure to carry out land reform in 1918 proved to be irreparable. When the elections of May, 1928, near the peak of the economic upswing, brought victory to the Social Democratic Party and its representative again became head of the government, the programs and plans of labor assumed immediate significance for the policies of the German Reich. When the great depression cast its shadow before and the structure of agricultural prices showed the first signs of the coming collapse, it became clear that the previous failure to dislodge the Junkers was impelling the Social Democratic Party to embark upon a perilous, and in fact hopeless, course, the only effect of which could be to make labor prisoners of the Junkers, to strengthen the position of the latter, and to pave the road for the autarkic policies of the Nazi regime.

⁷² That is to say, Upper Silesia, Lower Silesia, Brandenburg, Grenzmark Posen—West Prussia, East Prussia, Pomerania, Mecklenburg, and Schleswig-Holstein.

⁷³ Ausschuss zur Untersuchung . . . der deutschen Wirtschaft, Band 10, "Das ländliche Siedlungswesen nach dem Kriege." pp. 78–79.

AGRICULTURAL PROTECTION IN THE DEPRESSION

In the free trade period after the stabilization of the currency, German grain prices were as a rule well below the level of the world market. This was particularly true of wheat, the differential between the price of Manitoba III (c.i.f. Hamburg) and the domestic price in Berlin being in some months as high as 25 per cent. The reimposition of tariffs in 1925 and the increases of 1926, together with the reintroduction of the import certificates, caused the German grain prices to rise above the world market prices of grains. Until the fall of 1928, the German price of rye was consistently higher than the world market price; for some time it even exceeded the amount of the tariff, although for much of the time the differential was approximately 60 per cent of the tariff. The effect of the tariff on wheat was less obvious. The domestic price in 1927 and 1928 was only slightly higher than the world price and at the beginning of 1928 even fell below the latter for a short time. This different response of the two grains to the tariff was partly a result of mediocre rye harvests in conjunction with Polish export prohibitions; partly, it was the expression of a system which still sought to favor rye and discriminate against wheat. Yet, on the whole, German prices remained in those years (1927 and 1928) in close connection with the world market and more or less faithfully repeated the price developments abroad.

The trend of the wheat price on the world market was downward after it had reached a peak at the beginning of 1925 in the recovery following the prolonged depression of 1920 to 1924. From then until the beginning of 1929 the price fell by more than 40 per cent. Rye prices showed a more lively and irregular movement corresponding to the smaller volume of the world market. In the first half of 1928 they reached the highest level since the peak at the beginning of 1925 and recovered most of the losses which had been sustained in the slump of 1925. Then began a precipitous fall of rye prices, in which also the wheat price joined after its short recovery in the summer of 1929.

Here the ways of the domestic and foreign grain prices were to part. At the end of 1928 domestic prices of rye and wheat were still close to the world prices, and, in fact, both prices again were lower than the price of foreign grains. Two years later, the German price of wheat was 2.5 times, the price of rye almost 2.7 times, higher than the world market. In the interval lay a host of measures by which the domestic price was prevented from falling and was made independent of price developments outside Germany in a great effort to protect the German grain producers from the effects of the agricultural depression.

It was grain prices which received the first shock of the depression. The movement of the prices of high-grade products was not quite uniform, but for the majority the steep fall came a year or more later than for grains. It was therefore accidental or the result of an emergency, as Professor Brandt has it, that the German economic policy first concentrated on the protection of the carbohydrates.²¹ But it should not be forgotten that protection of the products of large estates and discrimination against those of small farms had been a firmly established feature of agricultural protection in Germany for a long time, that the Junkers were never slow in furthering their own interests, and that the "protectibility" of carbohydrates was and is very much greater than that of converted agricultural products. All this facilitated a ready response of economic policies to the collapse of grain prices on the world market, and this readiness at least was not an accident.

If the general character of this policy was essentially an old one, this cannot be said of the instruments which were used in implementing it. Increasingly, the weapon of tariffs was found to be antiquated in this struggle for total protection, and new and more formidable instruments were devised and put into use.

The beginning of the new policy of vigorous and rapidly increasing protection is to be placed in July, 1929. The goal of this policy was the stabilization of grain prices, a point on which the Social Democratic program was most emphatic. On the other hand, the new policy received a mighty political impetus from the formation of a new agricultural organization, "The Green Front," which united

²¹ Karl Brandt, *The German Fat Plan and Its Economic Setting*, Studies of the Food Research Institute (Stanford University, 1938), p. 154.

the Reich Agrarian League of the Junkers with the Catholic Peasants and other peasant organizations. Theoretically, this was a union of agriculturists across the lines of the existing party structure; practically, however, it was the subordination of the peasants to the leadership of the Reich Agrarian League and, by the same token, of the German Nationalist Party. When, therefore, the Social Democratic Party as the leading party in the government came to shape its agricultural policy, it was confronted with the demands of the Green Front and those demands were most vigorously represented in the Reichstag by the Junker Party. Thus at the very beginning the hope of the Social Democrats of separating the peasants from the Junkers was foiled. The program of the Green Front, aimed at a stabilization of grain prices and without using the term "monopoly," asked for a government organization regulating foreign trade in grains and effecting purchases on the domestic market. In this way the demands of the Junker Party came very close to those of labor. True, the political aims were widely different, since the Junkers were not interested in strengthening democracy by way of agricultural policies. But once on this road, labor had little choice and was driven along by the instruments rather than the principles and purposes of its program. Thus an agreement was reached between labor and the Junker Party with respect to the establishment of a grain-import monopoly, and only the inability of the partners to agree upon the "basic" or normal price which would determine the policy of the monopoly was responsible for the later abandonment of this form of organization. What was not abandoned was the idea of stabilizing grain prices.

To measure the whole significance of this policy it must not be forgotten that at the end of the 'twenties the momentous changes which had taken place in the agriculture of the North American continent were fully appreciated in Germany. There the long-cherished belief that—for climatic reasons—grain production in the United States and Canada would never expand beyond the 100th degree of longitude had been shattered by developments during and after the war. In their course new and far-flung areas west of that meridian had been put under the plow.⁷⁵

⁷⁵ Max Sering, *Die internationale Agrarkrise*, Schriften des Vereines für Sozialpolitik (Munich and Leipzig, 1931), 182:88-117.

Simultaneously, the tractor and the combine had become new and formidable weapons of extensive agricultures in their struggle against intensive agricultures in the industrialized countries on the European continent.⁷⁶ The mechanization released in the United States the equivalent of at least forty million acres of crop land for commercial production, as well as a considerable acreage of good pasture land. The supply of agricultural products available for the commercial market was increased by one-eighth.⁷⁷

True, there were certain differences between the 'seventies of the past century and the 'twenties of this, between the first and second installments of the revolution in grain production. The first was created by factors which favored extensive production exclusively. This time it was not only a new reduction in the cost of transportation from the grain fields in America to the markets in Europe;⁷⁸ this time it was not merely the opening up of new lands; it was the mechanization of agriculture that overshadowed the situation. To some extent and over a long span of time the advantages of mechanization could be utilized also in intensive agricultures; yet even theoretically, this could be achieved in Europe only on a very small scale as compared with the grain-producing countries outside Europe. In practice, precisely the combination of extensive production and mechanization, together with great progress achieved in the improvement of plants, was bound to accentuate greatly the high-cost character of German grain production and render more hopeless than ever the attainment of an equilibrium without a radical change in structure of the whole agricultural economy. Under the impact of such episodes as the Russian dumping exports or the breakdown of price-supporting measures in Canada and the like, the depression prices were indeed pushed below the marginal cost to the producer in the great producing regions outside Europe. But this did not alter the fundamental fact of increased cost differentials between Germany and those areas.

⁷⁶ Cf. Naum Jasny, "Die neuzeitliche Umstellung der überseeischen Getreideproduktion und ihr Einfluss auf den Weltmarkt," p. 25.

⁷⁷ Howard R. Tolley, "An Appraisal of the National Interest in the Agricultural Situation," *American Economic Review* (February, 1941), "Papers and Proceedings," XXX:113.

⁷⁸ In 1930, it was 60 per cent cheaper to ship wheat from Vancouver to a German port on the Rhine River than from Budapest to Berlin. Cf. Karl Brandt, "Strukturwandlungen der Weltwirtschaft," *Deutsche Agrarpolitik im Rahmen der inneren und äusseren Wirtschaftspolitik* (Berlin, 1932), II:37.

In July, 1929, by government decree the tariffs on wheat, rye, and oats were raised to 6.50, 6, and 6 marks per quintal respectively, thus creating again a minor differential in favor of wheat as against rye. In December, 1929, a new tariff act was passed which introduced sliding tariffs for wheat and rye, with 3.50 and 3 marks per quintal as the lower and 9.50 and 9.00 marks per quintal as the upper limit respectively. The idea of the sliding-scale tariffs appealed to labor as an embodiment of the compromise between the interests of the consumers and producers. Unfortunately, the compromise again existed only in theory, since the price development was such as to entitle, or rather oblige, the government to put the highest rates into effect immediately. The lowest rates were never significant.

What was true of the consumers was largely true of the tariff increases for farmers producing high-grade products. The tariff on butter was raised to 50 marks per quintal as early as July, 1929; yet it could not go into effect until more than a year later, since the tariff had been consolidated in the treaty with Finland. The tariffs on eggs, vegetables, and fruit had been likewise consolidated (treaties with Italy and Yugoslavia). The tariff on pigs was put on a sliding scale in December; yet the apparent increase was small, and an increase in the tariff on feed barley, which was raised to 5 marks per quintal, transformed it into a decrease; this in spite of a technique which allowed of barley imports at a lower tariff, provided that the producer used a certain amount of rye for feeding purposes. More real were the increases of tariffs on cattle, beef, and pork, but for certain kinds of beef and pork the new tariff brought a very appreciable reduction. A few months later, however, the tariff act of December, 1929, was again drastically amended. The tariff on wheat was raised to 12 marks as an upper limit; again a meaningless reduction of the lower limit to 1.50 marks per quintal was added as a cold comfort to the consumers. The tariff on barley was raised to 10 marks. Rye bran—until now free—was taxed at 50 per cent of the rye tariff, thus removing another troublesome competitor of rye. A third competitor, corn, was regulated by the introduction of a government corn-trading monopoly, which enabled the government to fix the prices for corn, although the duties were bound in a trade agreement with Yugoslavia. Thus this amendment marked the collapse of the traditional system of compromise between high tariffs on rye and

low tariffs on feeding stuffs. Actually, only imports of oil cake and oil fruits remained unregulated and began subsequently to increase.

It is significant that this amendment was passed on March 26, 1930, one day before the government coalition headed by labor was overthrown. The last act of this government, whose leading party set out to improve the relations between labor and peasants, was to give the coup de grâce to a system which, however imperfectly, still offered certain safeguards for the interests of the peasants. Admittedly, the position of labor was extremely difficult. It felt the duty to protect the diet of the low-income consumer; but the policy chosen meant that the urban consumer was protected, if at all, against the peasants only, and not against the Junkers. The discrepancy between the original purpose and effect could hardly be greater.

Together with the old system the system of import certificates also broke down. Ever since the beginning of 1930 the German tariffs had exceeded the world market prices and there was a real possibility that the German trader might pay his customer abroad to take German rye. On June 27, 1930, therefore, the issuance of import certificates was discontinued.⁷⁹

It is superfluous to record the further increases in tariffs in detail. They were rapid increases carried out by the government which had secured general powers from the parliament. The table opposite gives the index of the increase of tariff rates for a number of agricultural products in May, 1931, as compared with the prewar period.⁸⁰

This table shows clearly the favorable position in which the grain producers were placed as compared with the producers of highgrade foodstuffs, but this is far from being the whole story. Other instruments had begun to play a major role in the system of protection. Here again rye was placed in the center of attention. As early as 1925 lack of capital in the grain trade and the difficulties of financing the harvest induced the government to carry out through private corporations open-market policies to support the rye market. In 1926 a credit of twenty-seven million marks was given to a private organization at a very low rate of interest. In 1928 two such corpora-

⁷⁹ As Schiele, the food supply minister of the Reich, explained at the time, this was done in order to proceed with a "planned holding-back of the German supply" of rye. It will be shown presently how well planned this procedure was. Cf. Reinhold Stisser, "Die deutsche Getreidemarktordnung," *Weltwirtschaftliches Archiv* (March, 1938), 18:335.

⁸⁰ Max Sering, *Deutsche Landwirtschaft*, p. 840.

tions were bought up by the Reich at a very high price and became the pillars of a price-supporting action on a great scale.

The first attempt to maintain the rye price by open-market operations began in August, 1929, and lasted until March, 1930. About sixty million marks were used for the purpose. Up to January, 1930,

Commodity	Tariff Rates (in marks per quintal)		Index* (1913 = 1)
	1906-1914	May 15, 1931	May 15, 1931
Grains			
Rye.....	5.00	20.00	4.00
Wheat.....	5.50	25.00	4.44
Malt Barley.....	4.00	20.00	5.00
Feed Barley.....	1.30	18.00	13.85
Oats.....	5.00	16.00	3.20
Bran.....	.....	10.00	#
Converted Products			
Live cattle.....	8.00	24.50	3.06
Live pigs.....	9.00	40.00	4.44
Live poultry.....	4.00	6.00	1.50
Beef.....	27.50	55.00	2.04
Pork.....	27.00	55.00	2.04
Intestines.....	27.00	18.00	0.67
Pig heads.....	27.00	18.00	0.67
Livers.....	27.00	16.00	0.67
Bacon.....	36.00	14.00	0.39
Lard.....	10.00	6.00	0.60
Fresh Milk.....	.....	5.00	#
Sterilized Milk.....	.....	8.50	#
Cream.....	.....	33.33 $\frac{1}{3}$	#
Butter.....	20.00	50.00	2.50
Eggs.....	2.00	5.00	2.50

* The symbol # indicates that an index cannot be computed because of an absence of tariff in the base year.

the quantities bought by the Reich corporation could be exported. From then on some 300,000 metric tons were bought and stored by the government. At the same time the government did not confine itself to the administration of stocks on the domestic market, but attempted to regulate even the world market price of rye, to which end at the beginning of 1930, after Germany herself had exported between 500,000 and 600,000 quintals, no less than 200,000 quintals of Polish rye were bought by the German government in order to

prevent Poland from dumping subsidized rye on the world market. As long as the purchases lasted (until the middle of March, 1930), the price remained stable. Then the available funds were exhausted, and the price began to fall.

The second attempt began in May, 1930; the elimination of competitive products recorded above created better conditions for the success of the policy. At the center stood the idea of selling denatured rye to the pig-raisers in the northwest; in this way it was planned both to reduce the impact of the new tariff system upon the German pig-rearing farmers and to get rid of the rye surpluses. The leader of the agrarian policy of labor, Baade, was one of the chief protagonists and also, in his capacity of *Reichsgetreidekommissar* ("Reich Grain Commissioner"), one of the chief executors of this plan. Purchasers of denatured rye were entitled to import an equal quantity of feed barley at the tariff rate of 6 marks per quintal whereas the normal rate was as high as 12 and then 18 marks per quintal. The sales of denatured rye were first effected at a greatly reduced price at corresponding losses for the government. The further fall of the barley price on the world market permitted gradual increases in the price of denatured rye, while still keeping the price of the mixture below the price of feed barley plus the unreduced import duty. Thus the rye stocks were reduced; yet at the end of the year 1929-1930, there were still 240,000 metric tons in the hands of the government and losses of 37 million marks had been suffered.

The third attempt to maintain the rye price began in August, 1930; it had the distinct political purpose of gaining peasant votes for the government at the general elections in September. With a new credit of 90 millions the price was raised above the level of the previous period with the result that the government had immediately to face an enormous increase in supply. Very typical for the dislocation of production from the optimal combinations as a result of the one-sided system of grain protection in general, and of these specific measures in particular, was the fact that the high prices paid by the government in the east to the producers of rye induced the northwestern pig-raisers to sell to the government the rye they were growing and normally employing for feeding purposes; in exchange, they were buying denatured rye. At the same time began the shift of pig production from the northwest to the east. Under these condi-

tions, funds were speedily exhausted, so that a few days after the elections the support had to be discontinued and the price fell considerably.⁸¹ Yet this was only temporary; with the competitive ability of feed barley, corn, and bran weakened and imports greatly restricted, the government succeeded finally, at great aggregate budgetary losses and sacrifices to the consumers, in reducing the stocks of rye so far as to enforce a new price rise, without, however, reaching the desired level of 23 marks per quintal.

In the meantime, the wheat price had been successfully kept on a high level. This was achieved partly by the exorbitantly high tariff, which in 1930 even exceeded absolutely the tariff on cattle and in 1931 was higher than the German price of wheat. Since Germany was on a wheat import basis, the regulating function of foreign trade was still maintained. Besides, after the summer of 1929 it was effectively reinforced by the introduction of stipulations prescribing linked utilization of foreign and domestic wheats so as to require compulsory admixture of the latter to the former. From 30 at the initiation of the scheme, the percentage of domestic wheat was steadily raised and reached 97, maintaining that level for most of the year 1931-1932. The result was that at long last the price relation between rye and wheat turned against the former. The yearly average price of wheat at Berlin in the years 1927 and 1928 was 27.33 and 24.22 marks per quintal. The respective figures for the Berlin price of rye were 25.53 and 24.70. For 1930 and 1931 the wheat price was 26.22 and 25.62 per quintal, the respective figures for rye being 16.32 and 19.21.⁸² Thus, whereas in 1927 the wheat price was 7 per cent higher and in 1928 more than 1 per cent lower absolutely than the rye price, in 1930 the wheat price was more than 60 per cent higher than the rye price and in 1931 still maintained a 34-per cent differential.

The effect of these new price relations on acreage was truly revolutionary. Whereas in the harvest year 1929, there were 3,877,000 acres planted with winter wheat and 324,000 with spring wheat, the respective figures for 1931 were 4,836,000 and 702,000; for 1932,

⁸¹ A special investigation committee of the Reichstag concerned itself with these operations in an attempt to determine how well justified this costly policy was. The labor representative, Baade, and the German Nationalist, Schiele, jointly defended rye support.

⁸² *Statistisches Jahrbuch*, 1932, p. 261.

4,932,000 and 751,000; and for 1933, 5,056,000 and 717,000.⁸³ This enormous gain of almost 25 per cent in the course of a few years was effected principally at the expense of acreage of rye and oats, that is to say, at the expense of the two grains which had been hitherto the chief beneficiaries of protection. This development, together with the rising trend of wheat yields per acre, the stringent restrictions, and the decline of per capita consumption in the depression, led to a reduction of German wheat imports to a level unprecedented in peacetime in the twentieth century. In the second half of the 'twenties, these imports were higher than ever before. In 1927 they amounted to 2,612,100 metric tons, that is to say, were higher than the record imports in 1913. In 1928 and 1929 the wheat imports still maintained their level with 2.47 and 2.14 million tons respectively. But in the next year the imports plummeted to 1.2 million tons and 797,640 tons in 1931. In 1932 the imports again rose to 1.02 million tons, but in 1933 they were at a new low of 770,343 tons.⁸⁴ Under the pressure of this development it became impossible to keep the wheat price on a level which was still very much in the vicinity of the pre-depression prices. In 1932 and 1933, wheat prices in Germany fell by about 20 per cent, which, however, did not change essentially the relative price position of wheat.

Thus the policy of the democratic government, which kept the price of wheat high above the world market level, had almost eliminated Germany from the trade in the principal bread grain of international trade. It had very effectively paved the road to economic self-sufficiency in bread grains and had therefore satisfied a perennial demand of the Junkers, while at the same time anticipating the task of the Nazi regime.

From the point of view of reconstruction of German agriculture on a sound international basis, the changed position of wheat was no real improvement. If production of rye suffers from the sinking demand for that grain within and without Germany, the production of wheat in Germany is impeded by the conditions of the soil. In the words of Jasny, "in only a few countries of the temperate zone is the soil so ill-suited for wheat growing."⁸⁵ Winter-killing is exten-

⁸³ Naum Jasny, *Wheat Problems and Policies in Germany*, p. 95.

⁸⁴ *Statistisches Jahrbuch*, 1930, p. 282; 1932, p. 183; 1934, p. 206; Max Sering, *Deutsche Landwirtschaft*, p. 7*.

⁸⁵ Naum Jasny, *Wheat Problems and Policies in Germany*, p. 68.

sive in the east and northeast; the insolation is insufficient; the shortness of the frost-free season renders adequate soil preparation difficult and a convenient place in the crop rotation is not easily found for wheat. To these disadvantages must be added the high moisture content, the poverty of gluten, and consequently the poor baking quality which is peculiar to the high-yielding varieties which, however, are called for by the necessities of an intensive economy.

In short, rye was relatively better fitted for the agronomic conditions in the east and northeast but lacked as a bread grain a sufficiently spacious market, while the demand for wheat could be sustained within certain limits with sufficient admixture of strong foreign grains, but was to a large extent not suited to the agronomic conditions. There is only one real solution for this fundamental contradiction of German bread-grain production, namely, grasping both horns of the dilemma and reducing greatly production of both wheat and rye. Naturally, given the political conditions in Germany at that time, this solution was more remote than ever.

The relative stabilization of the German grain market was preceded by a stabilization of the sugar-beet market, which was carried out with the usual discrimination in favor of big producers and against small farmers who were able to produce at a lower cost. It was followed by stabilization of the potato market. Thus one by one, all carbohydrates were brought, although gropingly, under a firm control, the prices of high-grade products remaining unstabilized. The result was a wide discrepancy in the cash returns of the producers. Between the years 1929 and 1933 cash returns from carbohydrates fell by only 20.7 per cent; wheat even showed an increase of 10.3 per cent. In the same period the cash returns for all non-stabilized commodities fell by 40.2 per cent. This great fall was an effect of the depression, which reduced the incomes of the city dwellers and forced down the demand for, and the prices of, high-grade foodstuffs.⁸⁸

The stabilization of the grain market effected an even greater reduction in the consumption of converted foodstuffs than it would otherwise have been. Moreover, the early measures with respect to grains, most notably the collapse of the rye-barley compromise, pre-

⁸⁸ For the preceding discussion see Karl Brandt, *The German Fat Plan and Its Economic Setting*, pp. 151-160, 541.

same elimination of competition as had been achieved for proteins and carbohydrates. An artificial shortage was created by restricting imports of both feedstuffs and finished products, by limiting margarine production, and by allowing only a relatively slight rise in prices. These policies, while providing the necessary complement for the control of carbohydrates and proteins and increasing the degree of self-sufficiency, left a gap, amounting in 1938 to about 60 per

CASH RETURNS AND EXPENDITURES*
(in million marks)

Year	Gross Cash Returns			Expenditures	Net Cash Returns
	Vegetable Production	Animal Production	Total		
1927-1928.....	3.592	5.753	9.345	7.992	1.353
1928-1929.....	3.752	6.476	10.228	8.033	2.195
1929-1930.....	3.564	6.244	9.808	7.881	1.927
1930-1931.....	3.177	5.469	8.646	6.920	1.726
1931-1932.....	2.985	4.365	7.350	6.127	1.223
1932-1933.....	2.645	3.760	6.405	5.514	.891
1933-1934.....	2.848	4.561	7.409	5.646	1.763
1934-1935.....	3.145	5.157	8.302	5.670	2.632
1935-1936.....	3.355	5.343	8.698	6.111	2.587
1936-1937.....	3.375	5.535	8.910	6.369	2.541
1937-1938.....	3.613	5.873	9.484	6.884	2.600

* *Statistisches Jahrbuch für das Deutsche Reich*, 1938, p. 567.

cent of the total fat consumption, which had to be filled by imports from abroad. The old Junker principle of the Union of Agriculturists, according to which production of converted foodstuffs must depend on the volume of domestic production of primary products, thus found triumphant expression in the Fat Plan of the Third Reich.⁶⁰

How did these policies affect German agriculture, particularly with respect to the relative position of grain production and animal husbandry?

The gross and net cash returns developed as indicated in the preceding table. These figures show that the profitability of agriculture has been not only restored, but even considerably increased.

⁶⁰ Karl Brandt, *The German Fat Plan and Its Economic Setting*, p. 220; Max Sering, *Deutsche Agrarpolitik*, p. 153.

In 1937-1938 the gross cash returns of both animal and vegetable production were somewhat higher than in 1927-1928, although a comparison between 1937-1938 and the peak year 1928-1929 reveals that the gross cash returns were still lower, in animal husbandry by 9.4 and in vegetable production by 3.8 per cent. It is useful to compare this discrepancy with the development of incomes from wages and salaries, which in 1937 were still fully 10 per cent lower than in 1929.¹⁰⁰ This is important because cash returns of the grain producers depend much less on the development of those incomes than do the gross cash returns from production of animal foodstuffs, the demand for which has high income elasticity. In this connection it is also significant that in the same period the total income of the group of workers receiving wages of 12 marks per week or less increased by more than 55 per cent;¹⁰¹ that is, the number of recipients of such very inadequate incomes increased appreciably. In 1938 this group comprised 22 per cent of all wage earners, whereas in 1929 the corresponding percentage was only 15.9.¹⁰² The lag of pay rolls behind the increase in industrial output and the maintenance of per capita income of wage earners at a low level¹⁰³ are essential features of the Nazi economy as a system devoted to the goal of speediest preparation for war. In 1938 German statistics computed the national income of the country as 79.7 billion marks, that is to say, by 3.8 billion marks higher than in 1929; but in 1938, despite almost full employment, the income of wage and salary earners amounted only to 63.7 per cent of the national income as compared with 68.8 per cent in 1929; in other words, despite the higher national income labor earned almost 2 billion marks less than in 1929. At the same time agriculture earned a slightly higher share of the national income than in 1929.¹⁰⁴

All this would tend to indicate that the changed structure of incomes was more favorable to the production of foodstuffs of inelastic demand, that is to say, the production of the prime necessities of life rather than high-grade products.

Also, the relative price developments in animal and vegetable

¹⁰⁰ *Statistisches Jahrbuch*, 1938, p. 560.

¹⁰¹ *Ibid.*, p. 561.

¹⁰² Institut für Konjunkturforschung, *Vierteljahrshefte*, 1939-1940, p. 12.

¹⁰³ The wage rates were stabilized by the Nazis at the lowest level of the depression.

¹⁰⁴ Maxine V. Sweezy, *The Structure of Nazi Economy* (Cambridge, Mass., 1941), p. 208.



which the Junkers had sooner or later to remove on their way to dictatorship. A direct personal menace to the landed interests in the East which arose at this time—the affair of the so-called “East Help”—hastened this development.

In spite of the one-sided protection of grain, the Junker economy in the East of Germany was in an extremely precarious condition. More than six billion marks in tariff protection had been dropped into the bottomless well of the big estates in the years 1926–1930. A variety of other subsidies, their figures likewise running to ten digits, went the same way.⁹⁰ The unfavorable natural and economic conditions in the eastern parts of Germany were continually used as the ultimate justification for this policy of relief on a truly stupendous scale. Yet this relief was unable to change the conditions of production, since it was used not for the purposes of adjustment—if it had been, the Junkers would not have been the proper recipients at all—but precisely in order to stave off the necessity of economic accommodation. The total agricultural indebtedness in 1930 was estimated at 11.6 billion marks, and thus approached the prewar level. In the summer of 1929 in East Prussia, Pomerania, and Posen–West Prussia, the indebtedness of the estates over one hundred hectares exceeded 50 per cent of the total value of the property, while at the same time the interest rates in those districts were 9.6, 9.8, and 9.8 per cent respectively.⁹¹ The greater risk of lending to the economically maladjusted East expressed itself in a marked interest differential between East and West. Moreover, the composition of the indebtedness had changed materially since prewar times, and the amount of pressing short-term debts was large. It is further significant that of 6.8 billion marks of credits given to agriculture between 1924 and 1928, only 2.4 billions were used for new investments, while the remainder served to cover deficits.⁹²

On the big estates, where credits were continually used to take care of the deficits, the percentage of new investments must have been much lower than for the total agricultural area. In the depression, these conditions found their expression in the rising number of estate sales resulting from foreclosures. In 1931, of the total area

⁹⁰ Cf. statement of Karl Brandt, in “Deutschland und die Weltkrise,” *Verhandlungen des Vereines für Sozialpolitik in Dresden* (Munich and Leipzig, 1932), p. 170.

⁹¹ *Ibid.*, p. 54.

⁹² *Vierteljahrshefte zur Konjunkturforschung*, Sonderheft 22 (1931), pp. 37 and 111.

concerned in such sales—a total of 176,662 hectares for the whole country—121,445 hectares or 69 per cent belonged to estates of more than one hundred hectares.⁸⁸ That is, in relation to the total area concerned in such sales—comprising estates of various sizes—the number of foreclosures on large estates of more than one hundred hectares amounted to about three and a half times that on smaller holdings.⁸⁹

From the spring of 1928, when the agricultural emergency program (see p. 122) was adopted by the Reichstag, strenuous efforts were made to relieve the burden of indebtedness in the East by converting the debts into long-term obligations, reducing interest rates, and reconstructing the credit coöperatives, which were threatened with complete breakdown. This action was first confined to East Prussia, where, particularly in the Massovian districts, the indebtedness was assuming fantastic proportions. The Reich government and the Prussian government provided part of the funds from budgetary sources and partly underwrote the obligations arising out of the reconstruction. In May, 1929, a new and more comprehensive act was passed which expanded the scope of aid in East Prussia. New conversion credits were granted, of which one-third proved, by June, 1930, to be dubious. Nevertheless, in the summer of 1930 an emergency decree of the Federal President provided a further 100 million marks for the eastern areas and stipulated a short moratorium for foreclosures. Finally, in the spring of 1931 the Reichstag passed the East Help Act, the terms of which provided that 500 million marks from the proceeds of the industry levy (which had become purposeless since the adoption of the Young Plan) should be made available between 1931 and 1936 in the eastern provinces for the purposes of debt conversion. Further funds should be provided from loans to be underwritten by the Reich government and the respective state governments up to an amount of 1.1 billion marks. Municipality taxes in the East were to be lowered and freight rates reduced, for which purpose the Reich set apart funds from budgetary sources. The law also provided a number of other subsidies for various purposes. Simultaneously, a second law was passed concerning intensified peasant settlement activities in the East. Big estates found unworthy

⁸⁸ *Statistisches Jahrbuch*, 1932, p. 337.

⁸⁹ Computed from figures of the 1933 census, *ibid.*, 1936, p. 77.

of reconstruction were to be bought up with funds provided by the law and in this way the fall of land values would be prevented.⁹⁵

Thus a formidable machinery of reconstruction was set up, at a tremendous cost for the whole community, in order to save the Junker estates. Compared with the economic monstrosity of this policy, it seems a minor matter that in the administration and distribution of these sums the rules of correctness were not too strictly observed. Yet at the time, what was called the "corruption scandal of the East Help" provoked the greatest excitement, and a number of prominent Junkers faced highly compromising discoveries. Apparently the moneys received were distributed with undue regard for kinships and friendships. Besides, the owners of big estates appeared favored in the distribution: up to the end of 1932, of estates over one hundred hectares 722 out of a total of 12,470 recipients of funds received 46.4 per cent of the credits granted. It appeared also that some of these credits were wasted by the debtors in luxury travels and racing horses.⁹⁶ When Chancellor Brüning became aware of the abuses and when at the same time the futility of reconstructing hopelessly bankrupt economies impressed itself upon him, he resolved to proceed vigorously with the transformation of these estates into peasant settlements. This intention, when it became known, unleashed violent indignation on the part of the Junkers. The Agrarian League openly demanded Brüning's resignation.

Hindenburg's strong agrarian convictions had been demonstrated when in 1928 he interfered in favor of the passage of the agricultural emergency act.⁹⁷ Since then, he had received in 1929 from industrialists and Junkers the birthday gift of his ancestral estate and had been subject to the influence of his new neighbors, who were prominent members of the East Elbian nobility and had also greatly benefited by the East Help credit. At a time when the president's emergency decrees virtually ruled Germany, the Junkers' personal ascendancy over the aged man placed them again in the powerful key position they had lost in 1918. At the end of May, 1932, Hindenburg returned from his estate to Berlin, incensed by stories of Brüning's "agrarian Bolshevism," and instantly dismissed his chancellor.

⁹⁵ W. M. von Bissing, "Die Reform des landwirtschaftlichen Kreditwesens und die Schuldenlastung," in Max Sering, *Deutsche Landwirtschaft*, pp. 679-682.

⁹⁶ Cuno Horkenbach, *op. cit.*, p. 20; Otto Braun, *op. cit.*, pp. 386-387.

⁹⁷ Friedrich Keiser, *op. cit.*, p. 238.

As successor to Brüning Von Hindenburg appointed Franz von Papen, a landowner and industrialist of Westphalia, closely connected with the army, heavy industry, the banks, and the Junkers, himself a Junker in outlook and interests. On July 20, 1932, Von Papen carried out his coup d'état against Prussia. The democratic government of Prussia, the last hope of German democracy, was dismissed in a high-handed, unconstitutional procedure. A commissioner of the Reich was appointed in its stead.*

Now the way was open for a Junker dictatorship. A few days later, general elections took place which brought to the Nazis 13 million votes, which was more than any party ever had received in the Weimar Republic, and 230 seats in the Reichstag. The Junkers now felt keenly the necessity of damming the flood lest it become too difficult to control. The flow of industrial money to the treasury of the Nazis was largely stopped, and the new Reichstag dissolved after it had passed a vote of no-confidence in the government. The elections in November showed that the Nazis had apparently passed the peak of their success; they lost 2 million votes and 34 seats. It is possible that Von Papen would have succeeded in reducing the Nazi vote and power sufficiently to enable him to build his dictatorship upon coöperation with a weakened and obedient Nazi party.

But the intrigues of Von Schleicher, the powerful general who had been making and unmaking ministers behind the scenes, succeeded in overthrowing Von Papen and placing himself in Von Papen's stead. The plans of this ambitious general to establish a sort of benevolent social dictatorship, however, could not mature. Von Papen reëstablished his connections with the Nazis and even unearthed for them new sources of financial help. Early in 1933 he arranged for Hitler a meeting in Cologne with representatives of bank capital and heavy industry. He thought that now the time was ripe for a coalition between Junkers and Nazis.

* The Prussian government was chased out of office by one lieutenant and two men. At length, an old Junker recipe for dealing with democratic institutions was followed. In 1910 the arch-Junker, Oldenburg-Januschau, had declared in the German Reichstag: "The King of Prussia and the German Emperor must be able at any moment to say to a lieutenant, 'Take ten men and close down the Reichstag!'" Cf. *Verhandlungen des Reichstages*, XII Legislaturperiode, II Session Vol. 259 (Berlin, 1910) (January 29, 1910), p. 898. It was the same Oldenburg-Januschau who, in 1929, became Hindenburg's closest neighbor and established and maintained continuous contact between the Junkers and the president of the Reich.

Meanwhile the East Help affair was running its course. A parliamentary committee was trying to discover the truth, and Social Democrats and the Center Party were denouncing the grave abuses which had taken place. Hindenburg's relatives and close friends were affected. In this atmosphere of rumors and whispers Schleicher declared that part of the bankrupt East Elbian estates must be turned into peasant settlements. He instantly provoked fulminating attacks by the Agrarian League which accused him of intending "to plunder agriculture." When the National Socialists threatened to make public the secret findings of the committee concerning East Help, Schleicher's fate was sealed. He was dismissed, and two days later, on January 30, 1933, Hindenburg appointed Adolf Hitler as chancellor of a government in which Von Papen was vice-chancellor and German Nationalists obtained ministerial posts. Thus Nazi Germany was born.

The victory of the Hitler movement in Germany was due to a variety of causes. Yet it is impossible to overestimate the momentous role which the economic and political interests of the Junkers played in the long process of disintegration of democracy leading to the untimely end of the Weimar Republic, and in the initiation of a system which, barely seven years later, destroyed the peace of the world and came close to destroying also its freedom.

The scope of this essay, which deals with agricultural protection and democracy, does not require a presentation of the agricultural policies carried out in Germany since Hitler's accession to power. Only a few aspects pertinent to the present problem may be briefly mentioned.

By 1933 the policies described in the preceding sections had achieved for carbohydrates and proteins a large measure of control and self-sufficiency. Here the policies of the Third Reich changed the techniques of regulation rather than the degree of autarky. The structure, however, lacked its keystone, so long as fats remained for the most part outside the scope of control. The establishment of the Reich Food Estate with its new methods of direct price-fixing and delivery quotas for agricultural production, of processing and marketing, together with the strictest system of exchange control, provided the necessary machinery also for the control of fats. Working within the limits of this machinery, the monopoly in fats sought the

same elimination of competition as had been achieved for proteins and carbohydrates. An artificial shortage was created by restricting imports of both feedstuffs and finished products, by limiting margarine production, and by allowing only a relatively slight rise in prices. These policies, while providing the necessary complement for the control of carbohydrates and proteins and increasing the degree of self-sufficiency, left a gap, amounting in 1938 to about 60 per

CASH RETURNS AND EXPENDITURES*
(in million marks)

Year	Gross Cash Returns			Expenditures	Net Cash Returns
	Vegetable Production	Animal Production	Total		
1927-1928	3.592	5.753	9.345	7.992	1.353
1928-1929	3.752	6.476	10.228	8.033	2.195
1929-1930	3.564	6.244	9.808	7.881	1.927
1930-1931	3.177	5.469	8.646	6.920	1.726
1931-1932	2.985	4.365	7.350	6.127	1.223
1932-1933	2.645	3.760	6.405	5.514	.891
1933-1934	2.848	4.561	7.409	5.646	1.763
1934-1935	3.145	5.157	8.302	5.670	2.632
1935-1936	3.355	5.343	8.698	6.111	2.587
1936-1937	3.375	5.535	8.910	6.369	2.541
1937-1938	3.613	5.873	9.484	6.884	2.600

* *Statistisches Jahrbuch für das Deutsche Reich*, 1938, p. 567.

cent of the total fat consumption, which had to be filled by imports from abroad. The old Junker principle of the Union of Agriculturists, according to which production of converted foodstuffs must depend on the volume of domestic production of primary products, thus found triumphant expression in the Fat Plan of the Third Reich.⁹⁰

How did these policies affect German agriculture, particularly with respect to the relative position of grain production and animal husbandry?

The gross and net cash returns developed as indicated in the preceding table. These figures show that the profitability of agriculture has been not only restored, but even considerably increased.

⁹⁰ Karl Brandt, *The German Fat Plan and Its Economic Setting*, p. 220; Max Sering, *Deutsche Agrarpolitik*, p. 153.

In 1937-1938 the gross cash returns of both animal and vegetable production were somewhat higher than in 1927-1928, although a comparison between 1937-1938 and the peak year 1928-1929 reveals that the gross cash returns were still lower, in animal husbandry by 9.4 and in vegetable production by 3.8 per cent. It is useful to compare this discrepancy with the development of incomes from wages and salaries, which in 1937 were still fully 10 per cent lower than in 1929.¹⁰⁰ This is important because cash returns of the grain producers depend much less on the development of those incomes than do the gross cash returns from production of animal foodstuffs, the demand for which has high income elasticity. In this connection it is also significant that in the same period the total income of the group of workers receiving wages of 12 marks per week or less increased by more than 55 per cent;¹⁰¹ that is, the number of recipients of such very inadequate incomes increased appreciably. In 1938 this group comprised 22 per cent of all wage earners, whereas in 1929 the corresponding percentage was only 15.9.¹⁰² The lag of pay rolls behind the increase in industrial output and the maintenance of per capita income of wage earners at a low level¹⁰³ are essential features of the Nazi economy as a system devoted to the goal of speediest preparation for war. In 1938 German statistics computed the national income of the country as 79.7 billion marks, that is to say, by 3.8 billion marks higher than in 1929; but in 1938, despite almost full employment, the income of wage and salary earners amounted only to 63.7 per cent of the national income as compared with 68.8 per cent in 1929; in other words, despite the higher national income labor earned almost 2 billion marks less than in 1929. At the same time agriculture earned a slightly higher share of the national income than in 1929.¹⁰⁴

All this would tend to indicate that the changed structure of incomes was more favorable to the production of foodstuffs of inelastic demand, that is to say, the production of the prime necessities of life rather than high-grade products.

Also, the relative price developments in animal and vegetable

¹⁰⁰ *Statistisches Jahrbuch*, 1938, p. 560.

¹⁰¹ *Ibid.*, p. 561.

¹⁰² Institut für Konjunkturforschung, *Vierteljahrshefte*, 1939-1940, p. 12.

¹⁰³ The wage rates were stabilized by the Nazis at the lowest level of the depression.

¹⁰⁴ Maxine Y. Sweezy, *The Structure of Nazi Economy* (Cambridge, Mass., 1941), p. 208.

foodstuffs appear to favor the latter rather than the former, as may be seen from the price comparisons shown in the table below.

These price developments are, it is true, not peculiar to the German economy. The comparatively slower recovery of prices of animal products seems to be a characteristic of the postdepression period. Even as late as the beginning of 1938, after a year of favorable prices for high-grade products, a comparison of price indices of vegetable and animal production, with 1929 as a base, reveals

PRICES OF FOODSTUFFS*

Year	Animal [†] Foodstuffs (in percentage of prices of vegetable foodstuffs)	Pigs (in percentage of rye price)	Butter (in percentage of rye price)
1928-1929	100.0	100	100
1929-1930	113.2	125	109
1930-1931	91.5	94	98
1931-1932	71.6	62	72
1932-1933	77.4	70	79
1933-1934	86.8	78	97
1934-1935	81.1	83	96
1935-1936	87.7	87	94
1936-1937	86.8	86	94
1937-1938	84.0	77	83

* *Statistisches Jahrbuch*, 1938, p. 319.

the prices of the latter to be lower than those of the former in a number of countries (France, Netherlands, Switzerland, United Kingdom). It is therefore generally true that in the period of recovery the "discrepancy in the rate of increase in the two price groups entailed, on the whole, a deterioration of the position of small peasant farming relatively to large-scale arable farming."¹⁰⁶

Yet an essential difference should be noted. In Europe in general the prices of animal foodstuffs fared relatively better in the depression than the vegetable prices, whereas in Germany the reverse was true, and the prices of vegetable foodstuffs fell in the depression less than the products of animal husbandry.

Against these unfavorable factors must be set the effects of certain reforms carried by the Reich Food Estate comprising radical improvements in standards of production together with a thoroughgoing reorganization and rationalization of the whole distributive

¹⁰⁶ League of Nations, *Production and Prices 1937-38* (Geneva), p. 87.

system of the fat economy. Long delayed and finally carried out under dictatorial pressure, these reforms will prove useful if and when the time is ripe for a wholesale readjustment of German agriculture.

The degree to which these improvements resulted in an increase of net cash returns from animal foodstuffs is altogether doubtful. The tendency to divert bread grains to feed use made itself felt from the year 1934 on. Not only was the use of rye for fodder increased,

LIVESTOCK AND DAIRY PRODUCTION*

Year	Milk (in billion kilos)	Butter (in thousand metric tons)	Pigs (in thousands)	Milk Cows (in thousands)	Chickens (in thousands)
1929.....	21.3	.....	19,944	9,397	83,274
1930.....	22.4	.....	23,442	9,454	88,104
1931.....	23.6	405.0	23,808	9,659	84,224
1932.....	24.2	419.0	22,859	9,802	84,225
1933.....	24.7	448.4	23,890	10,099	81,369
1934.....	24.5	451.9	23,170	10,120	85,850
1935.....	24.2	452.0	22,827	9,954	86,084
1936.....	25.4	496.1	25,892	10,122	88,423
1937.....	25.4	516.0	23,897	10,225	85,393

* *Statistisches Jahrbuch*, 1938, pp. 623-624.

but wheat, which in Germany had been devoted almost exclusively to human consumption, began to be used in large measure for such purposes, until in July, 1937, a general prohibition against the use of bread grains for feed was issued.¹⁰⁶ However, because of the abnormal shortage of feed due to ruthless restriction of imports—a shortage aggravated by recurrence of poor domestic crops of fodder grains—the fact that larger quantities of bread grains than usual found their way into the fodder troughs cannot be regarded as an indication of increased profitability of animal farming. It rather expresses the sacrifices which the peasant economy had to make to maintain its level of production as well as it could, despite dearth of raw materials and the grave deflection of the channels of supply. Therefore it corroborates rather than invalidates the statement that in Germany the increase in farm expenses “for small farms tended even to run ahead of income.”¹⁰⁷

¹⁰⁶ See Reinhold Stisser, *op. cit.*, pp. 342-344.

¹⁰⁷ U. S. Department of Agriculture, “Agricultural Price Control in Foreign Countries; Some Outstanding Examples,” *Foreign Agriculture* (February, 1939), 3:54.

Under the Nazi dictatorship the effects on production could be, on the whole, only limited (see table on preceding page).

It is revealing to observe certain shifts which took place between 1927 and 1937 in the distribution of livestock in Prussia. The distribution of pigs is striking indeed. With a total number of pigs in Prussia in 1937 only 1.3 per cent higher than in 1927, the share of the western provinces, the traditional area of pig breeding, fell

DISTRIBUTION OF LIVESTOCK IN PRUSSIA*

Livestock	Eastern provinces		Western provinces		Prussia
	Numbers	Percentage	Numbers	Percentage	Total
DECEMBER, 1927					
Horses.....	1,434,288	54.74	1,185,635	45.26	2,619,923
Cattle.....	4,522,587	44.80	5,572,627	55.20	10,095,214
Pigs.....	5,974,387	37.76	9,846,080	62.24	15,820,467
Sheep.....	1,346,477	52.72	1,207,188	47.28	2,553,665
DECEMBER, 1937					
Horses.....	1,310,626	54.55	1,091,886	45.45	2,402,511
Cattle.....	5,130,937	43.65	6,622,402	56.35	11,753,343
Pigs.....	7,177,480	44.74	8,863,047	55.26	16,040,527
Sheep.....	1,315,135	44.87	1,615,210	55.13	2,930,345

* *Statistisches Jahrbuch*, 1928, pp. 80-81; 1938, pp. 116-117.

from 62.24 to 55.26 per cent. Autarkic policies have distorted the spatial distribution of the industry. The lack of imported feed forced pig production eastwards, away from the sources of cheap and adequate raw materials and favorably located urban markets, away from regions where for decades the peasant had developed a high degree of skill and knowledge in this branch of production. The industry was shifted toward regions of less adequate feed and of remoteness from the markets. Again, no less striking than the eastward movement of pigs is the movement of sheep stock in the opposite direction. In 1927, the western provinces had 47.28 per cent of the total Prussian stock of sheep. By 1937, the total stock had increased by almost 15 per cent; the whole increase in stock was confined to the western provinces. The East even showed a slight decline. Sheep have always been displaced by the progress of agri-

culture. Agricultural economists in Germany used to say: "Das Schaf weicht der Kultur."¹⁰⁸ Now the opposite development takes place. The increased breeding of sheep in the areas of intensive peasant farming in the West of Prussia is another example of serious disruption of the productive system. The western peasant was induced to restrict a branch of production for which his economy was excellently fit and to pay more attention to a branch of production for which the backward economy of the Prussian East offers a much more natural location.

It is clear that agricultural policies geared to preparation for an aggressive war could not lead to a general agricultural adjustment, which could be carried out only on the basis of increasing the interdependence of the German and world economy and under conditions of rising wages. A policy which, on the one hand, pursued the aim of complete autarky in bread grains and, on the other, restricted imports of fodder grains and oil cake was not compatible with an adjustment of German agriculture.¹⁰⁹

This implies that the agricultural policies of the Nazi government were bound to favor the large estate owners rather than the small and medium-size farms, the Junkers rather than the peasants; all propaganda about blood and soil, nobility of the peasantry, land as the source of racial strength, and so on, to the contrary notwithstanding.¹¹⁰

As far as the Junkers were concerned, the problem from the Nazi point of view was the political aspirations of the Junkers and not their existence as an economic group. The political aspirations of

¹⁰⁸ Between 1873 and 1913 the number of sheep per 100 of population fell from 60.9 to 8.2. Cf. Heinrich Schmitz, *op. cit.*, p. 45.

¹⁰⁹ Between 1927 and 1936 imports of oil cakes were reduced from 1,480,000 to 1,079,000 metric tons; of fodder grains from 4,079,000 to 246,000 metric tons; of bran from 1,173 to 40 metric tons. *Supplement to the Weekly Report of the German Institute for Business Cycle Research* (Berlin, February 10, 1937), p. 2. However, the changes in the use of land and in production were able to offset this ruinous shortage of feed only to a relatively small degree.

¹¹⁰ Creation of "hereditary peasant holdings" which cannot be mortgaged or sold and can be inherited by a single heir only conferred on the holders economic benefits that are in many respects rather dubious. Socially, it was an attempt to establish a new village aristocracy. As Professor Brandt rightly insists, this mass nobility—sociologically a contradiction in terms—must remain greatly inferior to the real nobility of the Junkers, the latter being a small compact group, closely tied together (Karl Brandt, "The Junkers to the Fore Again." *Foreign Affairs* [October, 1935] XIV:130-131). Yet it seems that the purpose in establishing the hereditary holdings was not, or at least was

the Junkers were dealt the first severe blow on June 30, 1934, when many leading men of the feudal class were executed, together with the discontented radical elements of the Storm Troops. At the time, those appraising the significance of this step were inclined to place the full weight of emphasis on the elimination of the Storm Troops as an independent political factor. The Reichswehr, they said, had contrived to get rid of a dangerous competitor in the struggle for power. Even such a highly qualified observer as Professor Brandt was inclined to regard the day of June 30, 1934, as a great victory for the Junkers, as "the birthday of the Fourth Reich" in which the Junker's rule was to be reëstablished.¹¹¹ The subsequent evolution has not borne out this prognostication. The political power of the Junkers was steadily reduced in the following years.¹¹² This process found its clearest expression almost four years later in the purge of the Reichswehr early in 1938.

It is worth mentioning in this connection that, when one of the Junkers ventured to advance the thesis of special political tasks of great estate owners in the Third Reich, he was vigorously reprimanded by an *ad hoc* government publication. In this publication the virtues of the peasants were extolled once again, and the historical vices of the Junker class faithfully recorded.¹¹³ But it is essential to understand that this only meant that the Junkers had to keep their politics in abeyance or rather—as they then tried to do—dis-

not primarily, to combat the influence of Junkerdom. The main purpose seems to have been to create a privileged group in the villages through which the regime could maintain its grip on the rest of the peasantry; a group which, if necessary, would combat and neutralize movements among the peasants that might become embarrassing or dangerous to the government. This would seem to have been of particular importance in South German lands, where religious affiliations, together with the remnants of old democratic traditions, might create attitudes adverse to the Nazi regime. Thus the aim was to split and dominate. That the founding of a "peasant nobility" was not directed against the Junkers can be inferred from the fact that ways were left open for the Junkers to become hereditary holders if they so desired and also from the fact that establishment of hereditary holdings was, to some extent, achieved at the expense of small farmers: this was done by confiscating the latter's land or by annulling their age-old rights to common pastures and transferring these rights to the hereditary holders. See Maxine V. Sweerv, *op. cit.*, pp. 181-182.

¹¹¹ Karl Brandt, "Junkers to the Fore Again," p. 129.

¹¹² The very cautious policy pursued by Hitler between 1933 and 1938 in his relations to the Reichswehr and his avoidance of an open struggle must not disguise this fact. See Boris I. Nicolaevsky, "The Crisis in the German High Command," *New Europe* (April, 1942), Vol. V.

¹¹³ Cf. W. F. Bruck, *Social and Economic History of Germany from William II to Hitler, 1888-1938* (Cardiff, 1938), p. 257.

guised under the brown cloak of mimicry. This does not alter the fact that the policy of war preparation called for maintenance of the large estates rather than for an increase of the labor-intensive peasant economies.

The economic position of the Junkers has become incomparably stronger than it was in the 'twenties. The Nazi government has favored them by its agricultural price policies, by the policy of low

FARMS SETTLED UNDER SETTLEMENT POLICY

Year	Number of Farms	Area (in hectares)
1926.....	1,906	25,490
1927.....	3,372	36,704
1928.....	4,253	50,616
1929.....	5,545	61,213
1930.....	7,441	79,833
1931.....	9,082	99,624
1932.....	9,046	101,926
1933.....	4,914	60,297
1934.....	4,931	74,192
1935.....	3,905	68,338
1936.....	3,308	60,358
1937.....	1,894	37,596

wages for farm laborers, by forcing urban youth to provide cheap labor for the large estate owners. And at the same time it took great care not to injure the Junkers by its settlement policies.¹⁴

The settlement policy continued, not at an increased, but at a rather diminished speed as compared with the period of the Weimar Republic, as may be seen from the table on this page.¹⁵

¹⁴ It is revealing in this connection that the Nazis, who before their accession to power threatened to make public the scandal of the East Help, did not discontinue payment of East Help subsidies after 1933. On April 7, 1933, a special committee instituted by the Nazi government solemnly acquitted the East Help from accusations of corruption. Up to December 31, 1932, out of a total of 130 million marks in East Help subsidies 69.5 millions had gone to farms of 100 hectares and less and 60.5 millions to estates with more than 100 hectares. On November 1, 1934, when three-quarters of the project had been completed, farms of 125 hectares and less had received 227.5 million marks while estates of more than 125 hectares had received 213 million marks. In other words, the share of the great estates had grown from 46.4 at least to 48.3 per cent. The Nazi government thus had not only greatly increased the scope of the subsidies but had also increased the discrimination in favor of the Junkers. See Cuno Horkenbach, *op. cit.*, pp. 20, 165; N. Steinberger, *Die Agrarpolitik des Nationalsozialismus* (Moscow-Leningrad, 1935), p. 117.

¹⁵ The source for the figures in the three tabulations given is *Statistisches Jahrbuch*, 1938, p. 90.

The only improvement was that parcels of land, usually of two hectares, given to existing farms were on the whole somewhat higher than before.

ADDITIONS TO EXISTING FARMS

Year	Area (in hectares)
1926.....	4,514
1927.....	5,700
1928.....	6,816
1929.....	10,531
1930.....	15,862
1931.....	24,618
1932.....	17,767
1933.....	17,047
1934.....	27,056
1935.....	23,145
1936.....	22,044
1937.....	21,400

The figures for the area purchased from the big estates (estates of more than one hundred hectares) and made ready for settlement purposes show the following development:

PURCHASES FROM LARGE^{*} ESTATES*

Year	Area (in hectares)
1926.....	34,770
1927.....	70,411
1928.....	59,130
1929.....	97,568
1930.....	109,018
1931.....	89,060
1932.....	59,708
1933.....	87,661
1934.....	109,237
1935.....	95,076
1936.....	58,801
1937.....	43,572

* Estates of more than 100 hectares.

These figures prove that the promise made by Darré to the Junkers in 1933 "not to touch large agricultural estates even those heavily in debt"¹¹⁶ was better kept than many a Nazi promise.

In 1934, Professor Sering warned:

Compulsory elimination of the educated agriculturist would be an act of leveling (*Gleichmacherei*), which would prove dangerous for the community as a whole. Not only because excellent enterprises would disappear, but, most notably, because a social group would be destroyed in which great historical traditions have remained alive.¹¹⁷

But these apprehensions of the author of the Settlement Act of 1919 were unfounded.

It is obvious that the first five years of the Nazi regime did not show any material change in the land-ownership structure in Germany. It is still essentially true that eighteen thousand families own about 20 per cent of all German farmland.¹¹⁸ Therefore, all the problems which sprang from the existence of Junkerdom before Hitler's advent to power still await solution. To find this solution and to carry it out with all the vigor demanded by the momentous significance of the issue will be one of the major tasks of postwar reconstruction policy in Germany. The remaining chapters of this book are devoted to a discussion of these problems.

¹¹⁶ *Berliner Tageblatt*, July 19, 1933 (*Abend-Ausgabe*), p. 3.

¹¹⁷ Max Sering, *Deutsche Agrarpolitik*, p. 87.

¹¹⁸ Karl Brandt, "Junkers to the Fore Again," p. 122. According to the census of 1933, 1.1 per cent of all agricultural enterprises were holding 37.9 per cent of the total agricultural area. *Statistisches Jahrbuch*, 1938, p. 74.

· III ·

THE BATTLEFIELDS OF PEACE

REVENGE OR REASON ?

IN THE present study one specific factor in the economic and social structure in Germany has been examined with respect to its effect upon the development and maintenance of free government in Germany. The common lack in such monographic analyses is the difficulty of escaping a certain maldistribution of emphasis. Almost unavoidably, the impression is left that the author ignores the existence, or minimizes the importance, of factors other than the one in which he is immediately interested. Clearly, the prospects for the reëstablishment of democracy in Germany after this war depend on a host of factors, not only within but also outside the country. Any detailed discussion of these would exceed the scope of the present book. Yet a few remarks which seem germane to the main theme may be ventured with respect to the international setting for a democratic reconstruction in Germany.

It seems that the establishment of peaceful collaboration between the Anglo-Saxon democracies and Soviet Russia should be regarded as one of the essential elements. Held in the vise of hostility between the East and the West, Germany would become the arena of conflicting forces. In such circumstances, a democratic system in that country could hardly survive. Russia would continue to foster the split within the German labor movement and would prevent it from using its undivided strength on the side of democracy. Moreover, if fear of Bolshevism should determine the policy of the democracies after the war, the probability is great that they would refuse to support the German government in its attempts to deal with the Junker problem and might even regard preservation of Junkerdom as a guarantee against the spread of Russian influence in Germany.

However, it would seem that there is room for at least some optimism. The community of interests born in the struggle for survival is leading now to a greater mutual understanding between Russia and the West. Russia's pact with Great Britain of May, 1942, in which the former country subscribed to the principles of the Atlantic Charter, and the subsequent signature of the lend-lease agree-

ment between Russia and the United States strengthen the hope that relations between Russia and the West may enter a new phase of constructive collaboration. If the Russian economy is restored with the help of American and English capital and a basis is thus created for normal economic relations, then expensive autarkic policies in Russia will lose their political value. Reconstruction in Russia could then be accompanied by improvement in the standard of living at a much quicker pace. Besides, peaceful relations with the rest of the world would free for productive uses vast resources which otherwise would be used for armaments.

All this may then render more difficult continuation of dictatorship and may even strengthen those democratic elements in Russian ideology and institutions which some observers thought they could discern even in the shadow of Russian totalitarianism. Such a development would greatly increase the chances of German democracy.

No less important is the general attitude assumed by the United Nations regarding a defeated Germany. Will the United Nations be dominated by the desire to build up and perpetuate a government by the people in Germany?

The settlement after the first World War was indeed accompanied by a tremendous increase in the scope of democratic government. The immediate postwar world was more democratic than the world before 1914. But the reconstruction of 1919 failed utterly to make the new democracies safe for the world. We are now able to appreciate, in retrospect, the significance of the failure to realize that a certain measure of economic security is a necessary prerequisite to the successful operation of democracy. Indissolubly connected with this failure, and indeed at its root, was a sin against the very spirit of democracy, namely the fundamental lack of readiness on the part of the Versailles powers to shoulder the responsibilities involved in the principle of international democratic solidarity.

It was hardly more than lip service to the idea of democracy when it was declared at Versailles that "the Allied and Associated powers recognize and welcome the change" (from autocracy to democracy in Germany). "It represents," they stated, "a great hope for peace and for a new European order in the future." Unfortunately, this

¹Letter to the president of the German delegation of June 16, 1919, in Herbert Krause and Gustav Rödiger, *Urkunden zum Friedensvertrage* (Berlin, 1920), p. 564.

"great hope" was shattered in the very next sentence: but the political change in Germany "cannot affect the settlement of the war itself." It was further explained:

The German Revolution was stayed until the German armies had been defeated in the field, and all hope of profiting from a war of conquest had vanished. Throughout the war, as before the war, the German people and their representatives supported the war, voted the credits, subscribed to the war loans, obeyed every order, however savage, of their government. They shared the responsibility for the policy of their government, for at any moment, had they willed it, they could have reversed it. Had that policy succeeded, they would have acclaimed it with the same enthusiasm with which they welcomed the outbreak of the war. They cannot now pretend, having changed their rulers after the war was lost, that it is justice that they should escape the consequences of their deeds.²

And so German democracy received at the hands of the victors the treatment which had been prepared for the Germany of the Kaiser: having inherited a bankrupt and exhausted economy and an undernourished and demoralized population, it had also to shoulder the economic, and what was perhaps not less important, the moral burdens of the Versailles settlement.

Can we be sure that the mistakes of Versailles will be avoided when the next peace conference convenes? Can we hope that, if a democratic German government emerges from the collapse of the dictatorship, it will not be indicted and condemned for the crimes committed by Hitler and his Nazis? In many respects a much stronger case could be made against Germany now than there was in 1919. The allocation of responsibility for the first World War was, and to some extent still is, a debatable question. This time Hitler Germany, with its allies, bears the full measure of guilt for the war.

Furthermore, the "savage orders" of which Clemenceau spoke, the crimes committed during the prosecution of war by Imperial Germany, have long since paled into insignificance in comparison to those which Hitler and Himmler have perpetrated and still are perpetrating, directly or indirectly, in all countries and territories occupied or conquered by Germany.

On the other hand, it will be more difficult than it was twenty-

² *Ibid.*

three years ago to reproach the German people for not having overthrown their government. He would indeed betray little understanding of the nature of the modern fascist state who would argue that the German people "could have reversed Hitler, had they willed it." In the era of dive bombers, tanks, machine guns, and radios, revolutions against a tyrannic government exist only in time-honored revolutionary songs. That is precisely the reason why the present war is a struggle for life and death and why Hitler's victory would be final in terms of a future the present generation and its immediate posterity are interested in. In these circumstances, is it justifiable to ascribe to the German people, that is to say, to the democratic government which one day will be the true representative of that people, the crimes of a ruthless dictatorship—crimes of which R. H. Tawney has said that "apart from a handful of criminals, the German people is less their author than their victim?"³ But perhaps the question is not, or at least not primarily, one of justice. In most European countries a wave of hatred, checked until now by the dikes of Nazi oppression and terror, will rise to a towering height. It will dwarf the anti-German sentiment that was allowed to find its expression in the Treaty of Versailles. Craving for vengeance will be the most natural reaction on the part of men who for years have been the helpless victims of murderous attacks and inhuman cruelties. These men will, as Professor Basch says, refuse to accept "the thesis distinguishing the Nazis from the Germans."⁴ There is no doubt that this urge for revenge will have a strong element of justice. Yet it seems that the real problem is whether this just wrath should be allowed to dominate the peace settlement after the war; whether revenge should become the ultimate value on which we should base the policy of reconstruction, even if this should mean abandonment of the principle of democratic reconstruction in Germany.

After the object lesson of the interwar period it is difficult to deny that a well-established democracy in Germany is the keystone in the structure of peaceful international order. If this proposition is accepted, those who view the present conflict as a war to secure peace and democracy have the duty of applying all their powers to

³ R. H. Tawney, *Why Britain Fights* (London, 1911), p. 10.

⁴ Antonin Basch, *The New Economic Warfare* (New York, 1911), p. 181.

strengthen the moral and economic position of a free government in Germany. Together with a complete, unilateral, and lasting disarmament of Germany this would lay the necessary basis for the safety of the world against the rise of totalitarian dictatorships and aggressions.

It is the tragedy of German democracy that for the second time it must be introduced as the aftermath of a long and costly war. The best and most ingenious schemes of reconstruction may reduce, but will not be able to prevent, misery, starvation, and unemployment from reaping their sad harvest in Germany. Once again, the initiation of democracy will be associated with privations rather than with prosperity. Only a government which enjoys a very large measure of international aid and support will be able to emerge from the difficult years that will follow the war without having compromised the value of democratic institutions.

If the policy of Versailles is to be repeated, if the establishment of a democratic government is again to be ignored "as far as the settlement of the war"—and this perforce means "organization of peace"—is concerned, if attempts are made to treat that government as a continuation of Nazism, then prospects of a durable democracy in Germany would become very uncertain indeed.⁵

But does a rejection of the policies of Versailles mean that Nazism will escape just punishment? Is it endurable, morally and politically, as Dr. Beneš has asked, to leave the crimes of Hitlerism unavenged?⁶ Certainly not. Punishment, however, must be administered to Nazism without using German democracy as a scapegoat. The greatest and most convincing proof that world domination by Nazism cannot be attempted with impunity will be delivered by the very fact of defeat. But this, of course, is not enough. The tragic folly

⁵ Cf. the recent statement of three New Zealand authors: "The war guilt clause served no constructive purpose after the last war. It has been and must remain a cardinal point in Allied policy that, though we are at war with a Nazi-governed German people, we can only make peace with a democratically governed German people. The error of Versailles was to visit retribution for the crimes of the autocratic militarist regime on a German people struggling towards democracy. That error must not be repeated." (Willis Airey, Horace Belshaw, Julius Stone, *An Agenda for Peace*, New Zealand Institute for International Affairs, Studies on Peace Aims, No. 10, p. 4.) This is truly the voice of democrats who are apprehensive for the future of democracy in the world. Granted, it is easier to preserve cool judgment in New Zealand than in Bohemia or Poland; but for all that it is cool judgment alone which is entitled to leadership.

⁶ Eduard Beneš, "The Organization of Post War Europe," *Foreign Affairs* (January, 1942) XX:230.

committed after the first World War was that severe treatment of the democratic government was coupled with mildness with regard to the individuals responsible for the outbreak and the inhuman conduct of the war. While the Ruhr province was occupied on account of the nondelivery of some telegraph poles and the final stage of disorganization of the German economy was thereby ushered in, the demand for extradition of the guilty individuals was allowed to fall into oblivion. This must not happen again. No one of the men whose leading position makes him responsible for the million-fold murder of the war must escape swift and merciless justice.

But this is not all. Even much more important than punishment of guilty individuals is the fact that a workable democracy in Germany calls for far-reaching changes in the social structure of the country in the course of which retributive justice will be administered to those small privileged groups which must answer for the overthrow of democracy and the surrender of the country to the domination of Hitler and his associates. This raises the problem of Junkerdom and of German agriculture in the postwar world.

THE DESTRUCTION OF JUNKERDOM

The fate of German democracy depends largely on the solution of the agricultural problem in that country. If no radical solution for this problem can be found, then the policy of democratic peace here advocated becomes impossible of maintenance. Then, indeed, it would be wiser to embark upon a policy of ruthless and lasting oppression of the German nation, for only this would enable the world to escape the horrors of a third German aggression, of a third world war, after a breathing spell of one or two decades. This would be a costly and psychologically an almost intolerable policy. Yet it is the only alternative to a reconstruction of German agriculture which, while safeguarding democracy in Germany, would also allow the world to make great strides toward the goal of increased economic prosperity and higher standards of living. It is therefore not an exaggeration to say that, although the issue of this war will be decided on the battlefields of Europe, much of the issue of the peace will be decided on the grain fields of the East Elbian provinces.

The first and foremost necessity for agricultural reconstruction in postwar Germany is the elimination of the Junkers, who have been the authors or coauthors of all the acts of aggression perpetrated by Germany in the last seventy or eighty years.

Alas, the country! How shall tongue or pen
Bewail her now *uncountry* gentlemen?
The last to bid the cry of warfare cease,
The first to make a malady of peace.

A group which always tended to project the relationship between the feudal lord and his serf into the field of international politics, a group which always has been prepared to sacrifice the peace of the world for "the grand agrarian alchemy" of high grain prices and which time and again has had their "fields manured by gore of other lands" has forfeited its right to existence in the world after this war. Yet it would be a dangerous illusion to assume that the destruction of the Junker class can and will be accomplished as a matter of course by the upheaval which will sweep away Hitler and his associates.

The Junkers successfully survived the Revolution of 1918. They contrived to withdraw into the security of their estates and there weathered the stormy weeks of the initiation of the Republic, only to begin their plots against democracy as soon as the days of danger were over. Any attempt of the new government to expropriate the big estates east of the Elbe was rendered impracticable by the food shortage in Germany. Nobody could dare, at the time of general undernourishment of a population largely fed on inferior bread substitutes, to carry through a land reform which inevitably would have jeopardized even the scanty flow of grain supplies. Is it not likely that the same situation will repeat itself?

There is little doubt that during this present conflict the food supply, and particularly the bread supply, in Germany has been more adequate than at the time of the last war. Redistributions of bread supplies between consumer groups have been carried out, but in the aggregate bread consumption has been not much lower, and has been perhaps even higher, than in prewar years, while reductions of some 25 to 35 per cent in meats and fats were registered in 1941. The reduction was greater for fruit, vegetables, and eggs. But even for the commodities just mentioned the rations in 1941 were very much higher than in the second year of the first World War. Decreases in April, 1942, in the rations of bread, fat, and meat, together with rationing of potatoes, did not bring any fundamental changes. It is only now in the fourth year of the war that the situation "with regard to feed and food . . . appears less easy than in earlier years." This maintenance of the level of food consumption is due in part to purposeful preparation in the six years of *Wehrwirtschaft*, in which the mechanisms of agricultural control were devised, built up, and perfected. It is freely admitted in Germany today that the *Reichsnährstand* (Reich Food Estate) was set up with the definite object of creating an organization to serve as the backbone for the wartime control of agriculture.⁷

Furthermore, the well-organized drawing upon food resources in

⁷ Helen C. Farnsworth, *War Time Food Development in Germany*, War-Peace Pamphlets (Stanford University, Calif., 1942); J. H. Richter, "Food Rationing in Germany," *Foreign Agriculture* (October, 1941), 5:423-436. Cf. Harry L. Franklin, "Wartime Agriculture and Food Control in Germany," *ibid.*, 4:217; Hans von der Decken and Hans Liebe, "Die Ernährungswirtschaft Deutschlands im Weltkriege und heute," *Vierteljahrsschrift zur Wirtschaftsforschung*, Vol. 15, N.S., p. 28. League of Nations, Economic Intelligence Service, *Wartime Rationing and Consumption* (Geneva, 1942), p. 56.

the conquered countries prevented for the time being a rapid decline of German food supplies. But in spite of all this, when defeat comes, German agriculture will not escape the most serious difficulties. The shortage of labor, for which the war prisoners provide only a very imperfect remedy, the lack of phosphates,⁸ the probable lack of nitrogen in the long run, the reduced supply of manure,⁹ the wearing-out of agricultural machinery, the reduction in numbers of draught animals, the shortage of oil for mechanized equipment—all this will be bound to result in a far-reaching decline in yields per acre at a time when a decreased supply of high-grade foodstuffs will result in an enormously increased demand for bread grains. This demand will be all the more difficult to satisfy since the collapse of the Nazi government will threaten to throw the whole system of food distribution out of gear. Even now, under conditions of absolute dictatorship, private reports from Germany and Austria persistently speak of a growth of black markets for an increasing number of food commodities. After the war, as happened in and after 1918, this illicit traffic must be expected to increase considerably and, by the same token, the food supply of large masses of low-income consumers will be reduced. At the same time, the very character of the land reform called for in Germany will involve not only a reduction in the quantity of marketed grain, as was true in all countries where a land reform was undertaken after the last war, but a permanent and substantial decrease in the production of grains. No German government, be it ever so resolutely bent upon extermination of the Junkers as an economic group, will be in a position to hazard such a reform on its own account. Germany is not Russia. Such a reform in a heavily industrialized country would increase beyond endurance the sufferings of the city dwellers—that is, 70 per cent of the German population—and this in the hazardous times which will follow the war, when the preservation of some semblance of order and the staving off of complete anarchy will be among the most difficult problems of government.

Would it not be the better part of wisdom to delay the reform of German agriculture in the East until such time as rehabilitation

⁸ The loss of North Africa is a heavy blow to German agriculture in this respect.

⁹ The "Spring Plan, 1943" demands a more intensive preparation of the soil as compensation for the smaller supply in fertilizers. Cf. *The Economist* (April 24, 1943), CXLIV:530.

of agricultural production is again well under way and normal relations in international trade are restored? From an economic point of view such a course would be infinitely preferable. Unfortunately, however, the problem of Junker economy is not and never was a purely economic question. It is in no less degree a political and sociological issue. Nothing short of a revolutionary upheaval can ever enable a German government to dislodge the Junkers from their entrenched position in German society. If the usually short-lived revolutionary impetus is allowed to peter out and the revolutionary tide recedes—as in most revolutions¹⁰—if this happens without the Junkers being eliminated, there is every probability that the history of the Weimar Republic will repeat itself and a Vendée in the East will again be found waiting for an opportunity to overthrow democracy.

This is, in fact, the first object lesson to be drawn from the experiences presented by the aftermath of the first World War. The economist's praise bestowed on the German land-reform act of 1919 which was "moderate, thoughtfully prepared and primarily dominated by economic considerations,"¹¹ was perhaps exaggerated but not quite unjustified. Yet that act was doomed to failure because political considerations and, above all, the time element were not taken into consideration. It was opposition aroused by the threat of expropriating some of the bankrupt and hopelessly indebted Junker estates that gave the coup de grâce to what was left of democracy in Germany and so opened the doors of the chancellery to Adolf Hitler.

The successful elimination of the large estate owners in Germany must therefore be one of the first measures of the democratic government, and it can be carried out only if sufficient supplies of bread grain and flour are allowed to enter Germany from abroad. This is the second object lesson of 1918–1919. If again a blockade is maintained for almost a year after the armistice and only occasional shipments are permitted to go to Germany, then land reform will be well-nigh impossible. This is a clear example of how vindictive attempts to punish the German people may prevent punishment from being administered to those who really deserve it. Beyond the

¹⁰ Pitirim Sorokin, *Sociology of Revolution* (Philadelphia, 1925), p. 408.

¹¹ Walter Schiff, "Die Agrargesetzgebung der europäischen Staaten vor und nach dem Kriege," *Archiv für Sozialwissenschaft und Sozialpolitik* (Tübingen, 1925), 54:520.

question of sin and atonement, such action will frustrate establishment of a durable peace.

After this war the existence of comparable economic reasons for such a continuation of the blockade is less likely. After the first World War the situation with respect to bread grains was different in ways which we have already described.¹² At the time, a general shortage of grains made it necessary to husband carefully the available resources. Provision of the Allied and Associated countries naturally came first, and Germany could not have expected to obtain plentiful deliveries even if it had not been desired to use the bread basket as an instrument of pressure prior to the signature of the peace treaty. It may be hoped that, barring the contingency of uncommonly bad crops, these considerations will not recur to the same extent after the present war. At the end of July, 1941, Canada had a record carryover of some 500 million bushels. The exportable surpluses in the United States were in the vicinity of 400 million bushels. In July, 1942, the available surplus of wheat in the four major exporting countries—Canada, United States, Argentina, and Australia—amounted to some 1.5 billion bushels, which corresponded approximately to “the average annual disappearance from these countries for food, seed, feed, and exports . . . in the past five crop years.” It corresponded at the same time to more than two years’ normal requirements of all importing countries.¹³ On July 1, 1943, wheat stocks in the four major exporting countries were estimated at about 1,760 million bushels. It is true that increased use of wheat for feed and alcohol production is expected to reduce, by July, 1944, the surpluses in the United States to about 250 million bushels. This would still be “adequate to cover working stocks of 125 million bushels, 75 million bushels as a reserve against poor crop yields, and a 50-million-bushel commitment under the International Wheat Agreement for post-war relief.” But it would not allow of very generous additional exports from this country. The prospective increase in acreage for harvest by about 25 per cent in 1944 may be expected

¹² See pp. 99–100 above.

¹³ Leslie A. Wheeler, “Agricultural Surpluses in the Post-War World,” *Foreign Affairs*, XX:88; Harold S. Patton, “War and North American Agriculture,” *Canadian Journal of Economics and Political Science*, 7 (August, 1941):385; *Foreign Commerce Weekly*, IV:28; Joseph S. Davis, *New International Wheat Agreements*, Wheat Studies, Food Research Institute (Stanford University, California), Vol. XIX, No. 1 (September, 1942), pp. 3, 20.

to improve the situation. At any rate, in 1943-1944 Canada, with a record carryover augmented by the surplus from the 1943 crops, will have an enormous exportable surplus of 800 million bushels. This is about 50 per cent more than the stocks of all major producers at the bottom of the depression in 1933. To this must be added the distant stocks in Argentina and Australia, which have reached a record height with 280 and 210 million bushels respectively.¹⁴

The problem of agricultural surpluses has been a very serious one for the producers and governments concerned. Surpluses have caused grave trouble in the past, and they are generally regarded as a heavy burden. Yet the statement may be ventured that, for the establishment of a durable peace, they should be regarded as an infinite blessing, as being the necessary prerequisite for a constructive post-war policy. It is true that shipping difficulties will have to be faced, less in all probability, because of an actual shortage of tonnage¹⁵ than because of lack of port facilities on the European continent. The problem of communication will also be profoundly different from that of 1918-1919 since surpluses will have been accumulated in the northern part of this hemisphere, that is, in a situation relatively close to Europe.

It is clear that the question of allowing Germany to share in this plenty will be decided primarily as a political problem. Point four of the Atlantic Charter, which provides for access to the trade and raw materials of the world on equal terms for both victors and vanquished,¹⁶ is directly pertinent. The announcement of the Atlantic Charter was followed by a meeting of the Inter-Allied Council in London on September 24, 1941, in which adherence to the principles of the Charter was declared and a resolution was adopted to provide for a coordinated effort of the Allied governments in dealing with the postwar needs of European nations. The resolution speaks pri-

¹⁴ Helen C. Farnsworth, V. P. Timoshenko, and Meriam A. Clough, "World Wheat Survey and Outlook, May, 1943," *Wheat Studies*, Food Research Institute (Stanford University, California), Vol. XIX, No. 6 (May, 1943), pp. 217-219. R. E. Post, "Wheat Outlook," *The Agricultural Situation* (July, 1943) 27:14-15. U.S. Department of Agriculture, *The Wheat Situation* (August, 1943), pp. 4-9. League of Nations, *World Production and Prices, 1936-37* (Geneva, 1937), pp. 114-115.

¹⁵ If the war should last through 1944, the net loss of tonnage will in all likelihood be negligible. Cf. Kurt Lachmann, "The Shipping Problem at the End of the War," *Social Research* (February, 1943), X:53.

¹⁶ *New York Times*, August 15, 1941, p. 1.

marily of the needs of Allied territories but leaves open the door for consultation of, and collaboration with, "other governments."¹⁷

Can it be assumed that the future free German government is included among "other governments"? In speaking of the later arrangements to purchase crops and store up food supplies for the relief of Europe after the German defeat, the London *Economist* refers to them as "not the least important practical opening for the application of the general principles of economic freedom and collaboration laid down in the Atlantic Charter."¹⁸ Thus *The Economist* seems to imply that the decision has been made already.

Under the terms of the memorandum of agreement and draft convention of April, 1942, regarding international trade in wheat, the United States, England, and Canada pledged the aggregate amount of 100 million bushels (which under certain circumstances may be reduced to 75 million bushels) for a pool to be made available for intergovernmental relief after the war. Additional contributions may be requested by the international wheat authority upon consultation with the four major producing countries. As Joseph S. Davis rightly remarks, this may mean much or little according to the degree of coöperative spirit of the governments concerned. These stipulations certainly must be regarded as very great progress, if compared with the lack of any preparations prior to 1918. Again, inclusion of Germany in the list of prospective beneficiaries of the pool can only be inferred from the general reference to "the war-stricken countries and other necessitous areas of the world where circumstances in the view of these governments make such relief practicable."¹⁹ If the inference is correct, one can only wish for an explicit statement by the United Nations, as clear and precise as the earlier statement of Mr. Churchill in the House of Commons on August 20, 1940.

¹⁷ *The Department of State Bulletin*, V (September 27, 1941):234.

¹⁸ *The Economist* (September 20, 1943), CXXI:350.

¹⁹ The Department of State Bulletin, VII (July, 1942):588, and Joseph S. Davis, *op. cit.*, pp. 32-33. As far as can be judged from the reports which are being made public as this manuscript goes to press, the United Nations Conference on Food and Agriculture held in Hot Springs, Virginia, in May, 1943, and concerned as it was with long-term problems, has not brought any further clarification of the question of food supplies to enemy countries after the war. See the summary of recommendations of the "Distribution Section" and the final declaration of the Conference in the *New York Times*, June 1, 1943, p. 10 and June 2, 1943, p. 17.

We shall do our best to encourage the building up of reserves of food all over the world, so that there will always be held up before the eyes of the peoples of Europe—including, I say deliberately, the German and Austrian peoples—the certainty that the shattering of the Nazi power will bring to them all immediate food and peace.²⁰

Such a statement, if proper usage is made of it by Allied propaganda, would help to shorten the war, inasmuch as the German people would know that after the defeat of Hitlerism they would not be faced by starvation. Beyond that, this decision should be regarded as the very cornerstone of democratic reconstruction, which would enable Germany at long last to rid herself of the Junkers. This cannot be said too clearly and too often, because at present, as long as the war lasts, such statements have to overcome the suspicion of the people in Germany, and because, afterward, the principles inherent in them will have to be asserted against the urge of revengeful instincts.

It has been frequently stated in recent discussions that postwar relief should be so organized as to lead to a general rehabilitation of the receiving economy.²¹ This indeed is one of the most important principles of postwar policies. But in reference to Germany it acquires a very special significance. There sufficient relief supply of bread grains is an indispensable prerequisite to a long-term reconstruction of German agriculture along international instead of autarkic lines.

Unfortunately, the significance of the Junker problem is still not generally realized. It has been astonishing to find Mr. Douglas Miller, the author of a competent little book on recent commercial policies in Germany, envisaging an enforced return of the German people to agricultural production and viewing with complacency the rallying of the Germans around local people like "respected land owners" or "popular generals."²² One cannot help wondering whether the author is aware of the economic effects of such a reor-

²⁰ *The Times* (London), August 27, 1940, p. 2.

²¹ "Relief is the first step in reconstruction, and if it fails to reconstruct, it is ineffective charity . . . Relief and reconstruction should be considered as a single problem." League of Nations, "The Transition from War to Peace Economy," *Report of the Delegation on Economic Depression* (Geneva, 1943), Pt. I, pp. 75-76. See also John B. Condliffe, *Problems of Economic Reorganization* (New York, 1943), p. 24.

²² Douglas Miller, "The Achilles Heel of Nazi Germany," *The New York Times Magazine*, August 24, 1941.

ganization of Germany, which would go far beyond what has been so far accomplished by decades of agrarian protection, on top of which came the Nazi policies of agricultural autarky. The real problem is to devise ways and means to decrease the artificially inflated volume of agricultural production in Germany, to destroy the German "food liberty" (*Nahrungsfreiheit*) in order to secure the liberty of the world and of Germany herself. An increase in the volume and scope of German agriculture at the expense of industry, which is on the whole economically sound and competitive, would make Germany an autarkic island, deprive the world of the wealth-producing capacity of Germany, and render the solution of the problems of farmers in overseas countries much more difficult. Then indeed the Germans would become "the people without space." This imaginary grievance invented by malicious Nazi propaganda would become reality, and the malcontent Germans, emigrating to overseas countries, would carry with them the seeds of unrest and plans for revenge. A terrible decrease of German standards of living would follow without any positive effect except to make true Mr. Miller's prophecy that the Germans will be "implacable enemies of post-war Europe." This prophecy will be all the more readily fulfilled since its author apparently is inclined to regard the unimpaired existence of the landowning and military caste in Germany and the maintenance of local ties, on which so much of the power of the conservative Junker party over the electorate was based, as a necessary and useful element of postwar reconstruction.

The Junkers, moreover, may confidently be expected to present themselves as victims of the Nazi system, a claim not fully unjustified in view of the persistent, although far from complete, dislodging of the Junkers from key positions within the army and bureaucracy. There is no doubt that the Junkers deeply resent the ascendancy won over them by the Nazi parvenues.

The Nazi system did not play the part the Junkers had planned for it. Most notably, it refused to recognize, in Rauschnig's words, that its "historic mission was fulfilled" and that the Nazi Party should dissolve, once the "party state," that is, democracy, was abolished.²⁸ In his recent book, Rauschnig, obviously pleading for the

²⁸ Cf. also Von Papen's confidential statements after Hitler's installation in the chancellery: "Hitler in power? The gentleman has been engaged by us. It is we who rule." Hermann Rauschnig, *The Conservative Revolution* (New York, 1941), pp. 48, 50.

Junker group as a whole, very plausibly asserts that his own experience is by no means atypical and speaks of the underground struggle conducted by conservative friends against the Hitler regime.²⁴

As early as 1942 the dismissal of several German army leaders and the following sudden deterioration in health standards of German generals, together with their increased susceptibility to fatal accidents, was taken as an indication of fear of a possible coup d'état by the army. Mussolini's overthrow by the Italian army creates a precedent for a corresponding action in Germany. The goal of such action would be the establishment of a pure Junker rule in Germany and not a compromise with the so-called moderate elements of the Nazi Party. Rauschnig rejects the "wild idea" of a peace with Goering,²⁵ which used to appeal so much to Sir Neville Henderson and the adherents of the "one-man guilt" theory.²⁶ It is to be readily believed that the deal between the Nazis and the Junkers in 1932-1933 left with the latter a horror of any new compromise with the Nazis.

There is a certain probability that a "Junker revolution" in the form of an army dictatorship may immediately precede Germany's defeat. From the point of view of postwar reconstruction Count Sforza is right in saying that the "greatest danger is a fake revolution made by the upper classes in order to cheat Europe."²⁷ The Junkers, wearing the halo of having effected Hitler's overthrow, might succeed in making the world forget their record and recognize them as the representatives of postwar Germany, of the "true Germany" which, in Rauschnig's words, "is not to be found in this or that party scheme, but among people living quietly in the country."²⁸ Willingness to support such a policy may be found in certain influential sections of the Conservative Party in England and among those who would fear that social movements of incalculable consequence might otherwise take place in Germany. At least, it might be thought that preservation of the Junkers would exert a moder-

²⁴ *Ibid.*, pp. 156, 228.

²⁵ *Ibid.*, p. 155.

²⁶ This is not to suggest that Professor F. Y. C. Hearnshaw's rejection of the "one-man guilt theory" in favor of the "whole-nation guilt theory," is not an easy substitution of one simplification for another. Cf. F. Y. C. Hearnshaw, *Germany the Aggressor throughout the Ages* (London, 1940), p. 281.

²⁷ "What About Germany's Future?" *The Free World* (November, 1941), 1:173. Even such a realistic statesman as Ambassador Davies speaks of a "sensible military autocracy" in Germany as one of the post-Hitler alternatives. Joseph S. Davies, *Mission to Moscow* (New York, 1941), p. 434.

²⁸ Davies, *op. cit.*, p. 129.

ating influence on German democracy. This is one of the strongest reasons why the elimination of the Junkers in Germany cannot yet be considered as a sure principle of the reconstruction policy, as a natural consequence of the defeat of Hitlerism.

All the possible implications of failure to dislodge the Junkers should be clearly understood. The record of this group must not be allowed to pass into oblivion. The fact that large and most essential parts of Nazi philosophy and the technique of Nazi propaganda were first consistently evolved and applied by the Junkers and their organizations must be as little forgotten as the fact that it was primarily the Junkers who lifted Hitler into the saddle. The preservation of the Junkers and the establishment of a lasting democracy in Germany and of peace in the world are inherently incompatible. Preservation of the Junkers means autarky, and autarky in Germany means war. Even now, writing in the freedom of exile in England, an "enlightened Junker," although prepared to pay in passing his respects to the "eternal validity of the democratic principles," nevertheless asserts the incapacity of the German people to achieve a balance of social forces and calls for a "conciliation in higher unity" which in "accordance with past German traditions" can be only a return to the monarchy.²⁸ Divested from the quaint Hegelian touch, this statement means that, after having plotted against the Weimar Republic almost from the hour of its birth and having finally succeeded in disorganizing, disarming, and overthrowing the German democracy, the Junkers regard their own antidemocratic activities as the supreme proof of the impossibility of a democratic order in Germany. It is interesting to note that precisely the same position is taken by an outstanding representative of heavy industry, whose money and influence were instrumental in building up the National Socialist Party in Germany:

Between the last and the present war the German people has proved that it is incapable of adjusting itself to democratic institutions. It does not know how to employ them. Following a long series of mistakes, the Weimar Constitution, a model of its kind, paved the way for an authoritarian government which in its turn led to dictatorship. . . . A return to monarchy would make it unnecessary to resort to such expedients in the future.²⁹

²⁸ Rauschnig, *The Conservative Revolution*, p. 150.

²⁹ Fritz Thyssen, *I Paid Hitler* (New York, 1941), p. 254.

This indeed is the eternal "solidarity bloc" coming back to life in exile.

Failure to get rid of the Junkers implies restoration of conditions out of which the first World War arose, if Germany is allowed to return to monarchy. It implies the restoration of conditions out of which the present war arose, if a German democracy is again to be burdened with the dead weight of a fundamentally undemocratic group. As compared with these alternatives, a policy of perpetual oppression of the German people must be regarded as a minor evil.

Thus very considerable political and psychological impediments must be overcome before a land reform in Germany becomes feasible. Full and understanding collaboration between the government of a free Germany and the victorious Allied governments is the necessary prerequisite for such reform. And even this collaboration will be a highly delicate task and will require great political skill. But let us assume that reason will prevail and that expropriation of the Junkers will be successfully carried out.³¹

³¹ It should not be forgotten that expropriation of the large landowners in the East must be accompanied by a parallel measure in the West of Germany. There conditions are different, since the relative importance of the big estates is considerably less. More of the estates are run not by the owners, but by peasant tenants; the whole economic position of western agriculture is very much more favorable. Owners of small and medium-size farms who suffer from lack of land will welcome an increase of their holdings. No comparable economic difficulties can possibly result from confiscation of the estates or abolition of the ownership titles of the big landowners. But the social influence and attitude of the great landowners in the West was very similar to that of the Junkers in the East. They largely determined the attitude of the agrarian wing of the Center Party and were socially and politically closely connected with the Junkers. Out of this group Von Papen emerged and, supported by this group, he was allowed to conduct his policy which ended in the victory of Hitlerism.

THE FUTURE OF THE LARGE ESTATES

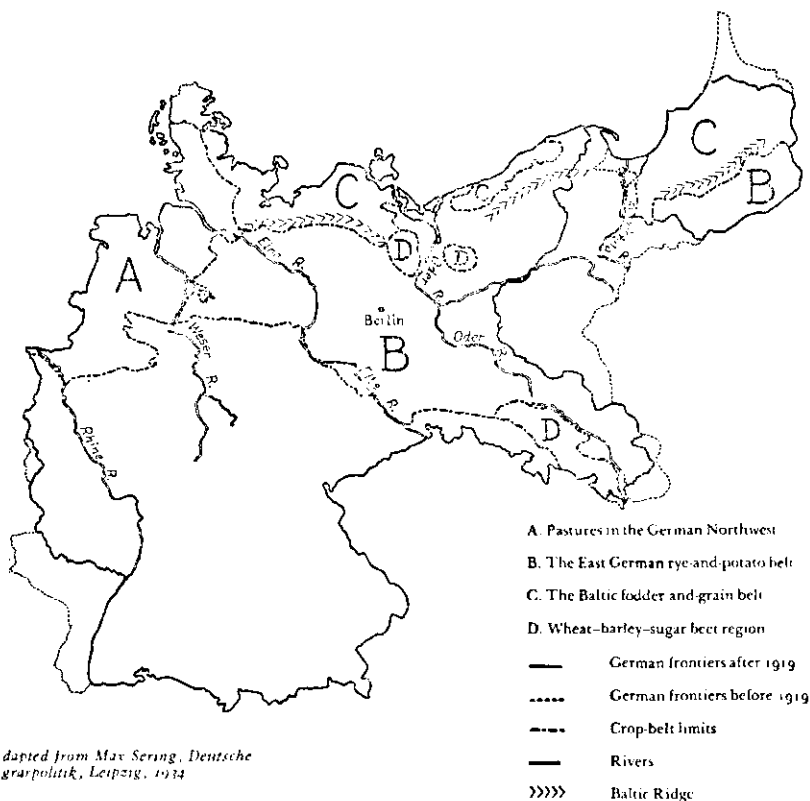
What, then, are the next steps of a program which aims at solving the problem of German agriculture within the wider scope of an economic reconstruction of the world? We must distinguish between what should be done with the estates of the Junkers and the additional and more momentous questions which arise concerning the future of the German peasant economies. Conditions in the East of Germany are very different from those which led in 1917-1918 to the great agrarian revolution in Russia and, after the war, prompted agrarian reforms in a number of countries of eastern, central, and southeastern Europe. In eastern Germany there will be no peasantry incensed by age-long oppression and possessed by an irrepressible hunger for the land. The land laborers will to a large extent be Polish and Russian prisoners, anxious to leave Germany as speedily as they can. No spontaneous popular movement is likely to take place in the eastern provinces which would leave to the government the mere sanction of changed ownership conditions. It is the government itself which will have to take over the estates of the Junkers³² and then decide the difficult question of the economic utilization of these estates.

As far as soil conditions are concerned, the estates which will thus fall to the state will be essentially of three kinds. The Baltic Ridge extending through the East Elbian provinces from east to west serves on the whole as a divide. On the northern slopes of these heights there are light, medium, and heavy soils, while in the south extremely light soils prevail. The alluvial soils of the riverbeds have an intermediate character, with some sprinkling of excellent rich soils. A number of whole districts in East Prussia (the whole of Masovia), Pomerania, and both Mecklenburgs, most of Brandenburg, and both Silesias with the exception of certain rather small basins (e.g., the hinterland of Breslau) represent inferior soils, whose

³² Military authorities of the United Nations in charge of the occupation armies in Germany may indeed be able to aid the German government in its task. At the same time, it is essential that the Junkers should be given no chance of being considered by the German people as victims of a *national* oppression.

influence on conditions of production may be offset only in the vicinity of big-city markets.³³

Here the obvious solution, as soon as the period of food shortage is over, must be the return of most of these light and sandy soils to



Adapted from Max Sering, *Deutsche Agrarpolitik*, Leipzig, 1934

MAP 2. CROP BELTS IN EASTERN GERMANY

the usage which never should have been discontinued, namely, reforestation, with a large proportion of spruce and pine forests. This solution appears well justified economically. In the opinion of experts, European timber in general has been heavily overcut in the last twenty years. This is particularly true in Germany. There are indications that in the carrying out of autarkic policies—and most

³³ Max Sering, *Deutsche Agrarpolitik auf geschichtlicher und landeskundlicher Grundlage* (Leipzig, 1931), pp. 11–19; also *Schriften des Vereines für Sozialpolitik*, 182 (Munich-Leipzig):107 (Professor Sering) and 156 (Professor Lang).

notably since the annexation of Austria—predatory clearings of the once well-cared-for German forests have been taking place, especially in order to make space for oleaginous plants. Apparently, it was planned to divert roughly about 1.2 million acres of forests to this use.³⁴ As early as 1935 “the budgeted cut in the State forests of Prussia was set at 150 per cent of the calculated sustained yield.”³⁵ Since the beginning of the war, the fellings have of course been greatly in excess of normal requirements. It should, however, be possible to select the type of trees to be planted so as to provide more appropriate raw material for paper and cellulose production. Modern methods of production may considerably shorten the period required until the new forests can be used for these industrial purposes. At the same time, it would not be advisable to divide the forests into small allotments. Most of them should remain permanently in the hands of the government so as to ensure the best economic exploitation. A special loan strictly limited to the purposes of reforestation could be raised abroad, if it should prove possible to secure a rate of interest based on the expectation of undisturbed political development in Central Europe.

The northern slopes of the Baltic Ridge belong largely to the great North European dairy belt, which extends from the British Isles over Holland, Denmark, and Germany to the Baltic countries. Here we find some very heavy clay soils, which also would call for reforestation. However, medium soils are abundant in these regions, and the settlement of medium-size farms of some thirty to forty acres may profitably continue, as in the Weimar Republic; this, however, on condition that the German agricultural situation—domestic and international—makes such a policy advisable and desirable.

It is frequently stated in popular and ostensibly “scientific” discussion that the regions in question are “underpopulated.”³⁶ Yet these statements usually lack precise meaning. In fact, they are dangerous, because they may tend to provide a vindication for autarkic principles in the settlement policies, as happened in the Weimar Republic.

³⁴ Anton Lübke, *Das deutsche Rohstoffwunder* (Stuttgart, 1938), p. 392. Philips A. Hayward, *Recent World Trade Trends in Lumber and Lumber Products*, U. S. Department of Commerce, Industrial Reference Series, No. 2, Pt. 4, “Forest Products” (January, 1941), pp. 3, 7, 8.

³⁵ Franz Heske, *German Forestry* (New Haven, 1938), p. 147.

³⁶ Cf. statements of De Ropp, *The Free World* (November, 1941), 1:172.

The East Elbian lands were underpopulated in the sense that the density of population was considerably lower than the average for Germany, namely, 62.5 as against 140.3 per square kilometer; this, however, gives no indication of underpopulation in relation to the economic structure and productive capacity of these provinces. They were further considered underpopulated in a specifically political sense; it was deemed desirable in nationalist German circles to have a strong population in the East which would serve as a volunteer army for defense or aggression, as the case might be, against Poland. They were, finally, considered underpopulated inasmuch as the big estates experienced a chronic shortage of labor. But this type of underpopulation, while it reflected a general unwillingness of people to stay in the backward and semifeudal parts of the country—particularly shown in the “country tiredness” of the women—was only artificially conditioned by policies of agrarian protection which increased the volume of agricultural production in East Elbia.⁸⁷

Yet it is impossible to say a priori whether, after the war, general economic conditions in Germany and abroad will make these lands “underpopulated,” that is to say, whether conditions will permit a settlement policy on a large scale. This depends upon a host of factors, some of which will be discussed presently. At any rate, the cost of settlement will be stupendous, even though the most important item, the price of the land, may be eliminated or very much reduced by confiscation of the Junker estates without indemnity. It is impossible to foresee now the future price developments, but the prices which prevailed in the latter 'twenties may give some indication. At that time, the value of the land in the installation budget of a 15-hectare farm amounted to about seventeen thousand marks, while approximately the same sum or a little more was needed additionally to cover the cost of buildings and the inventory.⁸⁸ Accord-

⁸⁷ Doreen Warriner, *Economics of Peasant Farming* (London-New York-Toronto, 1939), p. 57.

⁸⁸ Max Sering, *Die deutsche Landwirtschaft* (Berlin, 1932), p. 704; Ausschuss zur Untersuchung der Erzeugungs- und Absatzbedingungen der deutschen Wirtschaft (Enquete-Ausschuss), Band 10, “Das ländliche Siedlungswesen nach dem Kriege,” *Verhandlungen und Berichte des Unterausschusses für Landwirtschaft (II Unterausschuss)*, (Berlin, 1930), pp. 51, 213. Note that about the same amount, 1,000 marks per hectare, was estimated in 1930 as necessary for the adjustment of the peasant economies in East Elbia to production of converted foodstuffs. Cf. *Schriften des Vereines für Sozialpolitik* (Munich-Leipzig, 1931), 182:158.

ing to these figures, the total sum required would be several times greater than the amounts of the big international loans with which some Central European currencies were stabilized in the 'twenties. Certain increases of the present holdings of small owners certainly will be possible and advisable, but beyond this, it must be said, utmost caution and discretion will be necessary. In the meantime, use of the lands for productive works to prevent unemployment may be preferable to hasty settlement operations which might prove failures shortly after their initiation. It is possible that in the long run not closer settlements but extensive farming conducted by the state or special public or coöperative agencies will appear to be the economically justified policy.

The economic significance of the expropriation of the Junkers can hardly be overrated. More than three million hectares of agricultural land would be involved in the operation and, in most of the area, submarginal land would be at last rescued from an economically unwarranted use. It would in due time eliminate a great deal of grain protection on unsuitable soils, in an adverse climate which increased the cost of production and strained the labor resources, under unfavorable conditions with respect to the sources of labor and to the location of the markets. A great stride would thus be made toward placing German agriculture on a competitive basis. The principle of economic self-sufficiency would receive a most severe blow and the restoration of the whole German economy on the basis of international cost principles would be rendered incomparably easier.

THE GERMAN PEASANT ECONOMY: PRINCIPLES OF ADJUSTMENT

It must be clearly understood that the time has passed when a reform along the general lines sketched in the preceding pages could have completely solved the problem of German agriculture and brought about the necessary adjustment in a comparatively short time. Most notably, the period of prosperity since the middle of the 'nineties and up to the outbreak of the first World War provided most favorable circumstances for such an adjustment. The present state of German agriculture, however, is very different. Several decades of intensified protection, sponsored by the Junkers and centering on grain production, resulted in making the owners of medium-size and even smaller farms participants in the dubious benefits of grain protection. This was a highly uneconomical development, not only because the high-cost production area was increased, but because the unilateral character of protection made smaller farms divert their production to grain marketing and decrease types of production in which they were economically more efficient than the big estates. This was an important link in the chain forged by the Junkers to bind the peasants to the chariot of the large landowners. Protection first created an artificial community of interests by barring the small and medium-size farms from more profitable uses of their land and labor, and then this community of interests was used, even by academic writers, as a vindication of protection.*

Deplorable as it may be, it cannot be doubted that today not only the Junkers but also the owners of farms of much smaller size have a vested interest in grain protection. The interest of these smaller proprietors has been at all times less than that of the large landowners, corresponding to the smaller share of marketed grains of the medium-size and small farms. Yet the expropriation of large estates would still leave a considerable amount of high-cost production of grains, which will call either for continued protection or for

* Kurt Ritter, "Sind jetzt in Deutschland Agrarzölle berechtigt?" *Archiv für Sozialwissenschaft und Sozialpolitik*, 52 (Tübingen, 1924):736.

an adjustment. The effects of the war will, of necessity, have further increased grain production, for animal husbandry will have experienced a most severe reduction in the course of the war. Lack of feed concentrates, requisitions for the need of the army, a conscious emphasis on the regulated war diet, on carbohydrates rather than on protective foods—all these will result, after the war, in a strong and precarious concentration of the peasant economy on production of grains and potatoes for the market.

After this war, German agriculture, ruined and exhausted, will face the task of rehabilitation—as it did in 1918. This task cannot be undertaken and carried out without respect to the principles of a general adjustment of agricultural production in the country.

In order to get nearer to its *goal of producing within the country the foodstuffs necessary for man and beast*, German agriculture must in the first place make every effort to compensate for the loss of foodstuffs which the nation has suffered by the separation of some of its territory.

These words, written by a competent German writer for an outstanding English publication devoted to the problems of European reconstruction after the first World War,⁴⁰ clearly demonstrate the spirit in which what was termed the “reconstruction” of Europe was undertaken; they describe what in reality amounted to planned destruction and disintegration of the world economy. This attitude is explained by a variety of motives. There was the instinctive desire to return to prewar standards of production as the well-tested ideal of “normalcy.” There was the problem of shortage of foreign exchange. But also, in Germany, behind this plan of rehabilitation there stood the traditional “Weltanschauung” of a Junker-led agriculture, and, in remote perspective, loomed the characteristic features of the Nazi economy.

Reconstruction after this war must be fundamentally different. If it is going to deserve the name of postwar reconstruction, isolated reconstruction of one particular branch of farming within a single country should neither be attempted nor tolerated. Every policy must be capable of reduction to certain ultimate value judgments. If we accept the triad of durable peace, democracy, and welfare as such ultimate principles of reconstruction, then all plans of partial

⁴⁰ P. Merz, “The Food Supply of Germany.” *Manchester Guardian Commercial, Reconstruction in Europe* (August 17, 1922), p. 361.

reconstruction must be judged in terms of their agreement with those basic principles. This has an important aspect for the problem under discussion.

It is a generally accepted truth that the relation of the European peasant to his farm cannot be expressed exclusively in terms of a cost-and-profit calculation. A number of studies on the economics of family farms have shown that the peasant, to a large extent, is guided by considerations which are foreign to the nature of an economic enterprise in modern industrial society. The opportunity cost of labor of the peasant and his family appears in his budget in greatly reduced perspective, if at all. Essentially, the peasant experiences great inhibitions in shifting his labor to other, even though more profitable, employments. Farms are often maintained in unfavorable circumstances, when by proper capitalistic accounting standards they should have been abandoned. The quantitative role played by this characteristic of peasant economy on the European continent is not uniform. It varies, *inter alia*, directly with the general backwardness of a country. It is therefore not an accident that the "economic theory of family farming" was first formulated as a result of studies of a prewar generation of Russian economists and statisticians.⁴¹ There is no doubt that those irrational motives also exist, though to a less degree, in the peasant economies of a highly developed country like Germany.⁴² This phenomenon is frequently translated into statements that peasant agriculture, besides being a branch of production, represents a "mode of human life" which breeds a "different type of man than that of industrial centers"⁴³ and corresponds to a distinctive rural philosophy with characteristic elements of traditionalism and conservatism.

These facts are well established. The question, however, of their evaluation in terms of the final aims of postwar reconstruction is in a different category. In an excellent analysis of the general problem of agriculture and of the role of agricultural nationalism as a dis-

⁴¹ Alexander Tschajanow, *Theorie der bäuerlichen Wirtschaft* (Berlin, 1925). Dymitri N. Ivantzoff, "Der gegenwärtige Stand der ökonomischen Theorie des Sozialismus in Russland," *Wirtschaftstheorie der Gegenwart* (Vienna, 1928), 4:345-351.

⁴² Or even the United States. It has been pointed out that it is often precisely the small and inefficient farmer who is loath to leave the land because of "sunsets and blooming roses." Troy J. Cauley, *Agrarianism, A Program for Farmers* (Chapel Hill, N. C., 1935), p. 73.

⁴³ Wilhelm Roepke, *International Economic Disintegration* (London-Edinburgh-Glasgow, 1942), pp. 116, 135.

integrating factor of world economy, Professor Roepke attempts to formulate a general value judgment with regard to the peasant economy, a value judgment which serves as a guiding principle for his proposed solution of the agricultural problems in the industrialized countries of Europe, first and foremost in Germany. He accepts "without qualifications" the aim of a "populous and socially sound agriculture," a slogan on which was based most of the propaganda of agricultural nationalism; although, in this respect, as Professor Roepke rightly emphasizes, the sincerity of agricultural nationalists may be legitimately doubted in view of the actually pursued policies, which were rather in favor of large-scale agricultural production.

Professor Roepke believes that

the peasant world today presents, together with the sector of handicraft and other smaller branches outside of agriculture, a last great island not yet inundated by mass society; here we have still the solid rock of a form of human life and work which is inherently stable and vitally satisfying.

To destroy the "subtle human qualities of agriculture, as it were, the humus of peasantry" would mean an irretrievable social loss. The continued existence of a sound peasant agriculture within the framework of industrial societies presents, as Professor Roepke calls it, the "sociological optimum structure." He says:

It is an immeasurable benefit if this form still exists, as in the greatest part of continental Europe, and it is a great misfortune for a country if it has been destroyed, as in England, to such a degree that the loss is not even felt any more.⁴

The last sentence is particularly illuminating for Roepke's position. It may be a debatable issue whether the transition to a small agriculture has deprived English life of certain "subtle human values" and has consequently rendered it poorer. What is true, beyond discussion, is that this transformation was and still is one of the basic pillars upon which British democracy rests. The lack of a large degree of agricultural production first obviated the most dangerous conflict between the town consumer and the country population and then, in the depression, rendered possible adoption of plans which, while sheltering agriculture, did not weigh too heavily on the consumer's budget. This is one of the reasons for the failure of fascist movements like that of Sir Oswald Mosley to strike roots in

⁴ *Ibid.*, pp. 153, 154, 158, 252, 259.

British soil. Obviously, if this is understood, it is easier to reconcile oneself to the "loss" England has suffered and which she has ceased to feel.

This is not to object to Professor Roepke's formulating what is plainly and avowedly a value judgment. But there are conflicting, mutually exclusive, value judgments. Under certain circumstances the aim of democracy may be at variance with the purpose of reaching the "sociological optimum" of a "populous and socially healthy agriculture." "Peasantization," in Professor Roepke's words, may indeed be a "goal which is worth the price of some sacrifice in technical rationality." But then everything depends on the quantity of this sacrifice, namely, whether it is not so large as to reduce the general standard of living and eventually to undermine democracy and peace.

If it is true, as it undoubtedly is, that "in the ordinary course of human progress the proportion of the population engaged in agriculture must steadily decline" because only "in a primitive phase of society the greater part of man's energies are necessarily devoted to the satisfaction of their elementary wants,"⁴⁵ then the presumption is that the quantity of "sacrifice" of which Professor Roepke speaks must steadily increase in the long run, at least with respect to potentialities in the rise of the standard of living.

The views of the present writer concerning a possible solution of the problem of German agriculture are very much in agreement with proposals made by Professor Roepke. Precisely for this reason it is necessary to state clearly the underlying principles. This is by no means a hair-splitting subtlety, because upon it may depend the actual political decisions to be made in following the thorny road of reconstruction.

⁴⁵ Viscount Astor and B. Seeböhm Rowntree, *British Agriculture* (London, 1939), p. 50; R. F. Harrod, *International Economics* (London, 1939), p. 52; see also Colin Clark, *The Conditions of Economic Progress* (London, 1940), pp. 241, 459. In the words of the P.E.P. (Political and Economic Planning) Report: "In fact, the more prosperous agriculture becomes in the future the fewer people are likely to be able to keep a foothold on the land and the more submarginal land is likely to fall out of cultivation." (P.E.P. *Report on International Trade*, London, May, 1937.) See also C. P. Kindleberger, "International Monetary Stabilization," in S. E. Harris, ed., *Postwar Economic Problems* (New York and London, 1943), pp. 377-379.

METHODS AND INSTRUMENTS

In order to be in line with the general principles assumed above, the program for reconstruction of German agriculture after the limitation of the Junker estates may proceed along two lines. The first is the reorganization of agricultural production in Germany on a basis of competition with world agriculture. The second is a decrease of the volume of agricultural production to an extent which would produce what may be somewhat inexact⁴⁶ termed the English structure of a small agriculture, which, even if it is not competitive, would burden the community with so small an additional expenditure that it could be safely ignored. Clearly, the smaller the agriculture, the greater the possibility of its concentration on the most fertile, best located soils and the fittest farmers; hence the better the chance of its acquiring a competitive position on the market. These two courses are therefore not mutually exclusive. Indeed, a middle course may suggest itself as the most practicable solution, because different branches of agriculture may call for different treatment.

The goal of efficient agriculture is intimately connected with the principle of democracy and with higher standards of welfare. With such an agriculture the town consumer is not called upon to defray the cost of preserving an expensive museum of traditional ways of life. His standard of living is improved while struggles for and against protection do not even envenom public life and do not jeopardize democracy. Agricultural nationalism with its promise of autarky then loses its appeal for the peasant masses, and certain specific con-

⁴⁶ Inexactly, because with an annual assistance to English farming of between 30 and 50 million pounds sterling before the outbreak of the present war English agriculture also reached a stage which called for thoroughgoing constructive reforms. Yet in the second half of the 'thirties it was still true that a tariff of ten shillings on wheat could with equal effect be replaced by a subsidy of two shillings distributed among the producers. Of course, the all-important fact remains that even in the 'thirties only 1.1 million persons were employed on the land in Great Britain. See P.E.P. *Report*, p. 205. Sir Daniel Hall, "Future of Agriculture," *The New Statesman and Nation* (February 28, 1942), XXIII:138. M. A. Orwin, "Agriculture—Grain and Other Crops," in *Britain in Recovery*, prepared by a Research Committee of the Economic Science and Statistics Section of the British Association (London, 1938).

ditions out of which a totalitarian regime and a threat to world peace may arise become unlikely.

The general direction such a reform should have taken in the past has been frequently indicated throughout the present essay. Its general principles were elaborated by a number of outstanding German economists in the long struggles against the protection of grains. If such a return to competitiveness is possible at all, a change from production of agricultural staples to production of high-grade foodstuffs is the road to this goal, today as it was earlier. An adjusted agriculture must concentrate "on products that must be consumed fresh and that usually are of high unit value, such as milk and cream, eggs, fruit, vegetables, poultry, fish, meat, and bacon."⁴⁷

Professor Roepke gives a useful summary of the advantages of such an adjustment to secondary agricultural production in an industrialized country like Germany. He lists *inter alia* the following points: High-grade secondary products enjoy there at least some natural "transport protection." They correspond to the nutritive wants of urban industrial populations. They help to keep up the fertility of the soil, an important aspect in a country with an old intensive agriculture. Moreover, they involve higher diversification of production and a profitable spreading of risks against cyclical fluctuations. Being products of relatively high price and income elasticity of demand, they also open up possibilities of exploiting potential demand by reductions in the cost of production, by increase of the purchasing power of city populations, and by conscious, well-considered nutritional policies. Finally, they benefit labor, for intensive production of high-grade foodstuffs would increase the employment capacity of agriculture.⁴⁸

The peasant economy alone would be left in Germany after the expropriation of the Junker estates. In the production of converted products in Germany, such an economy has a distinct advantage as compared with production by the big estates; this basic advantage must be further increased by coöperative activities. German farmers' coöperation, a genuine form of a democratic institution, can be reorganized to play the same role as its Danish, Swiss, or Dutch counterpart. By taking away from the peasant economy functions which

⁴⁷ P.F.P. Report, p. 205.

⁴⁸ Roepke, *International Economic Disintegration*, pp. 155-157.

cannot be optimally fulfilled within the narrow space of an individual farm, the coöperatives could embark upon a number of activities in production, marketing, and supervision and thus combine in a system of vertical concentration the advantages of a small farm and of a large organization, allocating to each function and process its optimal place within the whole structure of the coöperative economy. It must be recognized that, particularly in the dairy market, a considerable improvement in standards, grades, qualities, rational organization of creameries, and so on has been achieved in the years of the Reichsnährstand administration, which must be credited with putting into effect the plans elaborated during the lifetime of the Republic in the agencies established by the Weimar Constitution.*

It is important not to destroy this "soul of goodness in things evil." The war marks a great retrogression as far as most of these improvements, particularly the improvement of quality, is concerned; but the underlying principles of organization will remain permanently. In this respect at least, the coöperative movement will be able to utilize the progress made and to continue the standards set by the classical countries of agricultural coöperation in Europe, such as Denmark.

What would be the commercial policy appropriate for this reform? It is rather obvious from the outset that it cannot be a policy of return to the principles of "laissez-faire." In fact, there is a growing consensus of opinion in this country and in England that it would be entirely impracticable after this war to attempt a hasty liberation of foreign trade from the restrictions and regulations of war time. General opinion distinctly favors a modification of controls, rather than their abandonment, in order first to lay the basis of a system of international coöperation and to abstain from any step tending to upset further the disorganized, disintegrated, overstocked, and undersupplied markets of the world. Such a policy is particularly necessary with respect to agricultural surpluses, where restoration of free trade would result in dumping the huge surpluses of wheat, coffee, sugar, and cotton upon impoverished importing countries, would lead to an agricultural crisis of most disastrous

* Karl Brandt, *The German Fat Plan and Its Economic Setting*, Studies of the Food Research Institute (Stanford University, California, 1938), pp. 211-218.

dimensions, and would undermine the belief in the value and feasibility of international economic coöperation and enhance autarkic tendencies.⁵⁰

Even less imaginable is such a return to free trade for German agriculture, which, after a long record of protection, has spent the last decade or more in the glass house of an autarkic, totalitarian policy. It must be assumed that the economic vitality and adventurous spirit, so essential for the success of an adjustment under free conditions, have considerably diminished since the end of the 'twenties. Even though the Nazi economy abstained from direct interference with production and the peasants still had to watch price relationships in adjusting their production, there can be little doubt that the managerial ability of the German peasants was bound to suffer greatly in the totalitarian economy. To leave German agriculture unprotected after this war would put the German peasants all over the country under pressure which the majority of them could hardly withstand. With the surplus we have at present, a soaring rise of grain prices on the world market such as took place after the last war may not occur. The artificially maintained high land values would collapse and with them the entire credit structure of agriculture. The expedient of inflation would strongly suggest itself as a counsel of desperation in order to create a disguised protection for agriculture; all the more so since, for a number of different reasons, there would be the temptation to have recourse to a strong increase in the means of circulation. Imports of cheap tropical fats would be greatly welcomed by German consumers after long years of malnutrition and physical exhaustion caused by the war and under conditions of low incomes, unavoidable in the first years of reconstruction. These imports, if completely unrestricted, would deprive the readjustment program of its main objectives and put dairy farming and pig-raising alike in a deadly vise. Any orderly plans of rehabilitation would be frustrated and, what is even more important, millions of peasants would become enemies of the democratic system in Germany. A wild peasant war, or at least a series of peasant uprisings, might be the result, and in all likelihood the young German democracy would be unable to survive them. The radical expropriation of the Junkers would inevitably occasion enough temporary stress on the rest of the German economy. It

⁵⁰ Wheeler, *op. cit.*, p. 94.

would leave the former large landowners in a state of anger and despair, which would call for their close political supervision. If, then, the peasants should feel that, after having dealt with the Junkers, a new regime would be likely to turn against them, they would readily accept the traditional leadership of desperadoes from the ranks of the military and landowning aristocracy.

Moreover, after this war, as after the first World War, extensive social legislation will be necessary for economic, humanitarian, and political reasons. It will be necessary to restore the physical power of industrial labor, to rehabilitate the human capital, and, at the same time, to prevent outbreaks of despair in the industrial centers of the country. It will be impossible at one and the same time to give increased security to labor and to withdraw it from the country population as a whole.

It will be furthermore impossible to expose the peasants to the ruthless and, as far as the positive effects are concerned, very uncertain policies of *laissez-faire* while industry remains highly monopolized. It is clear that at the present stage of development the problem of monopolies in industry cannot be solved by *laissez-faire* policies. Whatever the method chosen, the process of adjustment in this field will likewise be long and laborious.

It is most likely that the importance of the state in the German national economy will remain great, at least in the first years after the reconstruction, until new institutional forms have developed and the whole economic system inherited from the Nazis has been reshaped and remodeled. Under these circumstances, the idea of a completely unregulated agriculture cannot be regarded as realistic.

For these reasons the return to free and completely unfettered foreign trade in agricultural products will be economically and politically impracticable. Ill-considered state intervention has been responsible for the profound maladjustment of German agriculture. It will devolve upon the state to design a policy which in due time would lead to the necessary adjustments. The success of this policy would make it possible for the state to transfer a large part of its functions to the coöperatives. The degree to which this will prove feasible will of course depend also on the general role which the state plays within the postwar economy.

The decision to abandon the policy of autarky and to embark on

a gradual return to the principle of opportunity cost will have to brush aside the familiar "balance-of-payment arguments." This, of course, will be true not only in Germany. Even in England voices can now be heard, as in the last war,⁵¹ which try to capitalize on the fear of repeated aggressions and urge continuation of a large agricultural production after the war on the ground, *inter alia*, that England, deprived of most of its assets abroad, will be unable to pay for the import of foodstuffs from overseas.⁵²

In Germany the danger that such ideas may be adopted is of course incomparably greater than in England. Throughout the 'twenties this was the standard argument in Germany in favor of an autarkic expansion of agricultural production. Reparations, it was said, called for replacement of agricultural imports by home production. The number of books, articles, and speeches which sought to maintain this thesis is legion. Yet the inherent fallacy of the reasoning should be clear. To be sure, in the short run, lack of assets abroad, heavy and unilateral outpayments like reparations, the need for imports of foodstuffs and raw materials, the exhaustion and need for rehabilitation on the part of exporting industries, and the like, will lead to a temporary shortage of foreign exchange. This, if not relieved by necessary capital movements, may deteriorate further and develop into a chronic exchange disequilibrium with all the evil consequences this involves. It will be necessary, as J. A. Hobson urged after the last war, "to put up a temporary bridge over the financial chasm,"⁵³ lest foreign trade be forced again into the strait jacket of bilateralism.

⁵¹ Cf. Edwin G. Nourse, *American Agriculture and the European Market* (New York, 1924), pp. 175-176.

⁵² See Lord De La Warr's letter in *The Economist*, CXLI (December 13, 1941):711-712; also, *ibid.*, CXLI (November 29, 1941):643. It is significant in this connection that the farmers' demand for what they call a "long-term agricultural policy," in other words, perpetuation of the agricultural high-cost area in England has been endorsed by the British minister of agriculture, R. S. Hudson, who in the House of Commons decried the policy of cheap food as the source of great social evils. *Parliamentary Debates*, House of Commons, Official Report (November 19, 1941), 376 (London, 1941):411, 426-427.

⁵³ J. A. Hobson, *The Morals of Economic Nationalism* (New York, 1920), p. 43. In this respect the time element is essential. The influx of capital movements into Germany in the 'twenties set in after that country had gone through the tortures of inflation, in the course of which new maladjustments were created. The capital movements, when they came, served not to remedy but to disguise these maladjustments. This time, as Professor Viner—and others after him—has insisted, it should be clear that it is impossible to

If the shortage of international means of payments⁶⁴ is made the basic principle of national economic policy, this must logically lead to extreme autarkic policies or, in the parlance of Nazi economists, to a substitution of the "cost principle" by the "devisen principle."⁶⁵

In the aftermath of a great war it is indeed important to increase the efficiency of domestic production in general and agricultural production in particular. If in this way imports from abroad may be reduced—well and good. But this does not permit of the fallacious and, in fact, amazing conclusion that an impoverished country may dispense with the necessity of buying raw materials for her industry (including food) in the cheapest market. The real situation is exactly the opposite. With rich assets accumulated abroad England could afford the luxury of maintaining high-cost production, within reasonable limits. Postwar England, with a less favorable balance of payments on current account, with about half of the 200 million pounds annual prewar income from foreign investments gone,⁶⁶ and

rely upon a spontaneous flow of private capital (Jacob Viner, "The International Economic Organization of the Future," in *Towards International Organization* [New York, 1942], p. 132). Even the greatest possible popularization of the doctrine of foreign trade multiplier, which S. E. Harris suggests, will probably fail to make the American investor forget the experiences of recent years. (See S. E. Harris, *The Economics of American Defense* [New York, 1941], p. 307.)

For some time the continued use of the lend-lease mechanism may prove advisable. In the longer run, investment planned and organized on an international scale by a United Nations Investment Corporation or a similar body would provide the most satisfactory solution of the problem. But whether international capital movements should take the form of lend-lease aid or of intergovernmental loans or of loans granted by a supranational authority, these capital movements will have beneficial results only if given and used to eliminate rather than perpetuate the existing disequilibria.

⁶⁴ One may or may not agree with the thesis of C. P. Kindleberger, which accepts a "chronic world shortage of dollars" as one of the four "principal factors of disequilibrium" beyond the period of relief and reconstruction. This apparently assumes economic policies which would make it possible for the standard of living in countries outside the United States to rise faster than the economic productivity in those countries can increase. This would mean that a dynamic re-creation of the disequilibrium would always follow the establishment of a system of exchange rates on an equilibrium level. Kindleberger suggests a sustained flow of long-term capital exports from the United States as a remedy. But it is obvious that policies which would use this "dollar shortage" as a vindication of conservation of inefficient industries must defeat the purpose of the suggested remedy. C. P. Kindleberger, "International Monetary Stabilization," in S. E. Harris, ed., *Postwar Economic Problems* (New York and London, 1943), pp. 375-395.

⁶⁵ Fritz Huhle, "Das Kompensationsgeschäft im Rahmen der deutschen Handelspolitik seit der Wirtschaftskrise," *Jahrbücher für Nationalökonomie und Statistik*, 145: 206.

⁶⁶ Redvers Opie, "A British View of Postwar Trade," *American Economic Review*, "Papers and Proceedings," Supplement (March, 1943), XXXIII: 328.

with her reserves depleted, may be faced with the necessity of reducing her inefficient agriculture even below the predepression level.⁶⁷ This would mean that for wheat, for example, even a cancellation of the increase in production by approximately 50 per cent, which took place as a result of protectionist measures in the depression period, may be insufficient.⁶⁸

And what is true of England is even truer of Germany. Apart from weighty political reasons the return of German agriculture to a competitive basis will be necessary for most urgent economic reasons. The alternatives will not be laissez-faire or autarky, but laissez-faire or gradual adjustment. We have come to the conclusion that the first alternative is impracticable; the question can only be in what way and by what instruments the program of gradual adjustment may be carried out under the shelter of protection.

There is, of course, no simple and final answer to this question. The problem of Junker economy seems to call for a clear and definite policy once certain ends are accepted as desirable, but the problem of adjustment of German agriculture as a whole is one of enormous complexity. Here it is impossible to say: "Thus thou must do, if thou have it!" The following set of suggestions must therefore be regarded as one of many possible plans and solutions among which choice will have to be made.

The basic principle should be to minimize the burdens imposed on the German consumer with special regard to the social aspects of taxation. It is not certain that tariffs can be considered proper instruments to accomplish these ends. So long as they are not so high as to be prohibitive, they do not result in complete independence of the domestic price from the world market price. But for agricultural products they represent a proportional and, in fact, regressive tax-

⁶⁷ The excellent rejoinder of *The Economist* to De La Warr's letter does not make the point fully clear by asserting that the degree of depletion of foreign assets has been exaggerated. The larger the reduction of those assets, the more urgent becomes the adjustment of high-cost agriculture after the war. *The Economist*, CXVI (December 13, 1941):712.

⁶⁸ Frederic Benham, *Great Britain under Protection* (New York, 1941), p. 215. Since the foregoing paragraphs were written, the chances of anti-autarkic policies in postwar Britain have been greatly jeopardized by the publication of the Scott Committee Report (*Report of the Committee on Land Utilization in Rural Areas*, London, 1942) and by the speech of Prime Minister Churchill of March 21, 1943, in which the maintenance of an expanded agriculture after the war was proposed. D. H. Macgregor, "The Scott Committee Report," *Economica*, N.S., X (London, February, 1934):1-11; *The Economist*, CXLIII (August 22, 1942):226-228.

tion of the necessities of life. On this ground, they are difficult to justify under any circumstances, most of all in the unsettled and turbulent periods that follow war.

Furthermore, by inducing the consumers' outlay for foodstuffs to rise beyond the level strictly necessary for maintenance of the domestic production desired at any given moment they favor consumption of products of low elasticity of demand and render transition to production of high-grade products more difficult. Finally, tariffs usually lack elasticity, are incapable of differentiation as between different regions within the country, and protect alike those who need and those who do not need protection. For these reasons the goal of the adjustment of German agriculture should be pursued by other than tariff means.

In all probability not one single means, but a combination, in dynamically changing coördination, will be necessary to bring about the readjustment of the German peasant economy. Therefore, the following proposal of a "monistic" solution should not be regarded as absolutely exclusive of other instruments of trade policy. It is put forward to illustrate the special purposes which could and should be aimed at and the difficulties which will have to be met and, as far as possible, overcome by adjustment. However, these difficulties are, to a very large extent, not necessarily associated with the choice of this or that instrument of policy; they must be regarded as specific obstacles in the way of a badly delayed return to "normalcy" from conditions of a grave structural displacement.

It would appear from the experience of the last two or three decades that a state monopoly which would conduct all foreign trade in agricultural products but at the same time would be more than just the traditional state import and export monopoly, may be a proper tool to tackle the special problems of adjustment. Such a monopoly would utilize particularly, as far as its general policies are concerned, the experiences of democratic countries like Switzerland and Holland, where the desire to achieve a genuine compromise between consumers and farmers was the principle which dominated the grain import monopolies. In contradistinction to a tariff, under which the consumer pays the full price differential between the domestic and world market price for domestic and foreign products alike, a monopoly can pursue a policy under which it will buy foreign products

at the lower world market prices and then sell them to the consumers at a "mixed" price, weighted with the respective quantities of the product from domestic and foreign sources minus the administrative costs of the monopoly.

Clearly, the measure of advantage to the consumer depends here, first, on the relative proportion of imports and domestic production in the total consumption. The smaller the proportion of domestic high-cost production, and the higher the proportion of cheap imports, the lower will be the price which must be charged to the consumers. Furthermore, with a given share of imports the advantage of the consumer as compared with a tariff protection will vary directly with the amount of the price differential at home and abroad. With given schedules of supply and demand which determine the share of imports at any given price differential, so that the share of imports falls as the price differential increases and vice versa, the advantage of the monopoly to the consumer will be largest when, under a tariff, the tariff revenue has been maximized. The tariff revenue will equal zero (*a*) in the absence of a tariff and (*b*) when the tariff has become prohibitive. The maximum tariff revenue, therefore, will be found somewhere between these two extremes. Since, under German protection, the price differentials have been raised to prohibitive levels, and since, furthermore, the elimination of the Junkers would increase the share of grain imports without changing essentially the marginal cost of the remaining grain production, there is at least a presumption that, under a tariff, the tariff revenue then would find itself in the vicinity of the maximum and, by the same token, the introduction of the monopoly would thus provide the maximum benefit to the consumer.

In point of fact, the gain to the consumer is even somewhat larger than the preceding remarks would indicate. For he will derive additional, although not exactly measurable, benefits in all instances where his demand for a particular product is not completely inelastic. These benefits are the larger, the higher the elasticity of demand. From the latter relation it follows that a monopoly conducted according to the principles sketched above would also be particularly useful for the protection of high-grade products in the course of adjustment. Precisely because these products possess, on the whole, a high elasticity of demand, reduction of the price to the level abso-

lutely necessary for the maintenance of a volume of production desired at every stage of the development is especially beneficial. For this reason, as well as because of the release of some of the purchasing power otherwise tied up in the consumption of staple products, a monopoly shaped according to this pattern is in line with the general principle of adjustment of agricultural production by diverting it to the supplying of high-grade foodstuffs.

It is true, however, that this method of price computation presents certain difficulties, which must be taken into consideration. It should be understood that a simple separate computation of the "mixed price" for individual commodities would be impossible; since different commodities represent different proportions of the total domestic production, such a computation might shift the price relationships in a very undesirable way by changing the proportions of imports of the respective commodities. Such changes would then naturally create changes in price relationships with subsequent new changes in the proportion of imports to total consumption, and so on. Therefore the computation of the "mixed price" could be undertaken only with regard to all commodities treated by the monopoly; the existing price relationships should be taken as the starting point. Also, other difficulties will arise.

Most notably, there is the possibility that, if there is a marked differential between the purchasing and selling prices of the monopoly, it would serve as inducement for producers to sell to the monopoly not only the normal quantities of marketed products, but also those quantities which otherwise would have remained for consumption in the producer's households, with the purpose of buying them back later at a lower price. This would reduce the benefit to the consumers from the operation of the scheme. It might be advisable to acquiesce to a certain extent in a reduction of the margin, which for bread grains may be profitably accomplished by low milling premiums.

But apart from this, a system of maximum quotas for farm deliveries could prevent this type of evasion from assuming significant proportions.⁵⁹ Here as elsewhere, the crucial problem in the long

⁵⁹ *Mutatis mutandis*, the monopoly may conduct a policy similar to that outlined in the proposal of a "classified price plan" combined with "individual farm allotments" which was recently discussed with considerable approval by a competent body of agricultural economists in this country. *Journal of Farm Economics* (February, 1942), Vol. 24, Proceedings Number, particularly, Sherman E. Johnson, "Agricultural Programs for War," pp. 1-16, also pp. 60-61.

run is the development of a coöperative movement to a point where it can be trusted to handle these problems in the spirit of democratic responsibility.

There are other positive possibilities inherent in the construction of such a monopoly. One of these is the elimination or reduction of producer's rents. By fixing the price on the basis of the clause, "delivered free on board at any railroad station in the country" or "delivered free to the local coöperative store," rents of favorable location to the market, which otherwise would have accrued to the producers, could be transmitted to the consumer in the form of lower prices. One could go even further. By a policy of differentiated prices as between districts of varying conditions of production, it should be possible to eliminate a certain further part of producer's rents. The possibilities here are limited by the danger of evasions. Yet, they should not be underrated, particularly in a country of Germany's size with such diversity in conditions of production, the difference, for instance, between conditions in the East and the West. Here, too, much depends on the regeneration of a responsible and reliable coöperative movement. It was the Swiss coöperatives which very successfully handled the problem of milling premiums, which presented similar difficulties.

The monopoly, finally, will be able to achieve a certain stability of prices. But here the limitations must be clearly understood. This stability may indeed be possible when agricultural production has been reduced to such a low level that the amount of protection granted does not play any significant role in the national budget. This outlook for the whole of agriculture is not a realistic one as far as Germany is concerned. Besides, the notion of a stability independent of developments in the world market must be rejected. It was the attempt to achieve such stability in German agricultural prices that played its part in rendering worthless the sacrifices made in the period of deflation up to 1932. Under conditions of general deflation, stability of guaranteed prices means exemption of a large part of the national economy from the obligation to readjust itself to new conditions. It cannot but increase the plight of the nonagricultural sector. It is another matter that policies of deflation used to combat general depressions are fraught with grave economic and social dangers and should not be attempted in future. But neither can falling

trends of prices of the world market be neglected with impunity nor is complete stability of prices compatible with a policy of gradual adjustment to new and lower price levels.

This does not mean that the monopoly could not exercise a stabilizing influence within these limits; in particular, it could prevent the peasants from dumping their grain on the market at unwarrantedly low prices immediately after the harvest. Under normal conditions, the price development throughout the year could be rendered much more uniform without inflicting hardships on, or even disadvantaging, the consumers, or impairing the success of the adjustment policy. Such a policy would be appreciated by the peasants, who have become accustomed to associate welfare and security with stability of prices.

Naturally, the mainspring of the whole mechanism lies in the price policy of the monopoly. By a planned price policy the monopoly should attempt to create price relations which would continually effect shifts from the production of staple goods toward the production of high-grade foodstuffs. By giving the general principles of its long-run policy the widest publicity among the peasants, by stating explicitly in advance that the degree of protection of grains will diminish from harvest to harvest, the monopoly would be able to exert pressure in the right direction, and at the same time, in collaboration with the coöperatives, it would seek to hasten the necessary technical improvements in producing and marketing organization. To the degree that these policies are successful a gradual diminution of the degree of protection can be effected.

It seems that the monopoly must comprise the bulk of agricultural production and consumption in the country. Isolated protection of single branches of production is clearly impossible, unless the monopoly is prepared to see its own purposes defeated. Nothing is more impressive than the development in Germany after the late 'twenties; then protection of sugar, rye, and wheat led to protection of all carbohydrates, the latter to protection of proteins, the protection of proteins to protection of fats. Until the readjustment has been advanced far enough to bring the larger part of German agriculture close to the range of competitiveness, the monopoly would have to continue its comprehensive policies.

This is particularly important in connection with what has just

been said about the problem of price stability. Producers who have lived for more than a decade under conditions of very considerable price stability will be inclined, under partial protection, to favor the protected branches of production, even though the latter may provide only temporary and relative stability.

It might even be found preferable not to break up completely the organization of the *Reichsnährstand*, but rather to preserve some of its elements, to instill it with a new spirit, to endow it with new leadership, and to reorganize it so as to transform it from the incarnation of autarky and impoverishment into an instrument for the adjustment of the national economy to a world of freedom and increasing welfare. However, it is not unlikely that considerations of a different order will strongly militate against the use of even the skeleton of this Nazi agency.

Under favorable circumstances this general policy should be able to solve the problem of German agriculture. However, the difficulties which lie in its way cannot be overestimated. It is easier to carry out an autarkic policy which is completely geared to the goal of preparation or prosecution of war; then, within broad limits, it is possible to ignore the needs and wishes of the consumer. When under the slogan of direction of consumption (*Verbrauchslenkung*) the consumer is deprived of the humble right to eat the sort of bread he prefers, when for the sake of the Nordic myth he must resign himself to the consumption of rye bread which disagrees with him, when he must clothe his body in coarse and rapidly deteriorating fabrics, when, in short, the standards of living of the people cease to be the main concern of the policy-making agencies and an economy of artificial scarcity has been created, then it is only the technical requirements of an efficient war machine to which these agencies must pay heed. It is different with policies of democratic reconstruction. They cannot be pursued, as it were, in a consumer-free vacuum.

Our monopoly will encounter from the outset the difficulty of fixing the level of protection high enough to correspond to the production cost differential of the peasants in the East of Germany, who will still be producing grain under unfavorable conditions. For such a policy would increase the cost of production of high-grade foodstuffs and decrease the consumer demand for them to a degree which might frustrate the policy of adjustment. The policy of rent elimi-

nation mentioned above will indeed be of some help, but beyond this it will be necessary to fix the purchasing prices of the monopoly so as to force a certain number of the eastern farmers to discontinue their grain production for the market. This should be done even when immediate adjustment to other products is not possible, and such results will not be infrequent in the eastern provinces, in contradistinction to provinces like the pig-raising German Northwest. This is one of the places where a certain decrease in production will be necessary to safeguard the success of the plan as a whole. With every further reduction of bread-grain production, the monopoly will be able to shift the relation between imports and home production of bread grains in favor of the former and thus increase the comparative advantage which a monopoly presents as against tariffs. To proceed thus even against a local peasant group will be an undertaking not free from risks and will require great political skill and energy.

It may be objected that a monopolistic solution of the agricultural problem, as offered here, is nothing essentially new. The grain import monopoly was, as we have seen, extensively discussed in Germany in the second half of the 'twenties. The desire to reconcile the peasants and the industrial laborers in the cities was one of the motives of this proposal. Yet, when it came to an attempt to put these ideas into practice, it led to the initiation of a most ruthless system of unilateral grain protection, incomparably more severe and far-reaching than any protection that ever existed in modern Germany. The interests of the town consumer were brutally neglected. What was meant to be a compromise between peasants and workers became actually an unmitigated victory of the agrarians. This must be granted without qualifications. Yet it appears that there are significant differences between the ideas which failed disastrously some fifteen years ago and the present proposal. The scheme proposed here assumes as its prerequisite the expropriation of the Junkers. As long as this was not done, all attempts at compromise between the city and the country were doomed to failure and could result only in the assertion of agrarian interests. If this stumbling block is removed, the prospects of the monopoly will be much more favorable. This is not merely a political question. As said before (p. 204), the relative advantage of monopoly as compared with tariffs increases

with the share of imports in the total consumption of the country. Therefore, the reduction of grain production because of the expropriation policies would, by the same token, improve the position of a monopoly and create a situation fundamentally different from that of the 'twenties.

Second, the state interference resulting in Germany after 1928 through what has been rightly called a "paradoxical alignment of the largest consumers' party and large-scale agricultural entrepreneurs"⁹⁰ was essentially a type of individual commodity control and represented an instinctive reflex to the fall of prices rather than a policy dominated by clearly discerned and pursued aims. Just because the right moment to start the adjustment policy by a land reform in 1918 was missed and the subsequent years were wasted in half-hearted policies, the German democrats, when agricultural prices began to fall, were in a state of confusion as to what should be done, whereas the aims of the Junkers were clearly defined by their immediate economic interests. Therefore, the idea that the whole policy of market regulations should be guided by the principle of a planned adjustment of German agriculture to competitive conditions was never allowed to play any role in the practical policies of that period. Adjustment indeed there was, but it was an adjustment of the rest of agricultural production to the new level of prohibitive protection of bread grains which was worked out in the year 1928-1930.

Since, under German conditions, the peasant economy can be presumed to fare better when the transition to high-grade products is carried out, the resistance of producers to the policy of adjustment will not be so great as to jeopardize the successful execution of the scheme. This, however, does not mean that considerable difficulties will not have to be overcome. Clearly, there will be groups of farmers differing widely in their ability and in their willingness to adapt themselves to the aims of the monopoly. Those for whom even a gradual adjustment involves appreciable losses will attempt to slow down the process of general adaptation and to flatten the steps by which protection will be reduced. At any rate, the fixing of the purchasing price of the monopoly will present an extremely difficult problem. In fact, this specific problem is easier to solve when the

⁹⁰ Karl Brandt, *The German Fat Plan*, p. 302.

general aim of monopoly is simply maintenance of the given volume of production. But the price policy of the monopoly, while remaining flexible, will have to be subordinated to the plans of long-term adjustment. A system of indices will have to be worked out, which would regulate the general evolution of this policy and serve as a guide for actual price decisions and for determination of delivery quotas adapted to the changing structure and the unforeseeable results of agricultural production.

Every one of these actual decisions will vitally affect the interests of a great number of people and will be translatable into marked reductions and increases of incomes. Will not every decision of the monopoly therefore be the object of periodic embittered struggles? The familiar picture of bickering, lobbying, and higgling preceding the passing of a tariff act will threaten to become a characteristic and permanent feature of the country's political life. Is it not likely that this would prove too much for a young and frail democracy?

The danger is certainly a real one. Whatever the machinery of the monopoly, its policy will be hotly discussed and disputed. Creation of advisory bodies composed of representatives of all the interests concerned may diminish friction, but will not be able to prevent disagreement. Collaboration between consumers' coöperatives and the coöperative organizations of the peasants could indeed facilitate the task. This collaboration will undoubtedly perform an important role in the process of agricultural adjustment. Yet past experiences in countries like Germany, Austria, and France do not seem to justify too great hopes. They suggest that "coöperative spirit" alone is seldom able to reconcile opposed interests.⁴¹ And yet, there is no reason to despair.

Much, of course, will depend on the actual political factors in postwar Germany, most notably whether strong political movements of labor and of the peasants can be created, organizations strong enough to ignore the criticism of radical minorities and to agree upon a policy which, while being a genuine compromise between temporarily conflicting interests, is intended to work out to the benefit of both groups concerned. Much will depend on the ability of the new regime and the political forces supporting it to

⁴¹ Even such an enthusiastic believer in coöperation as Charles Gide was skeptical in this respect. Charles Gide, *Les Sociétés coöperatives de consommation* (Paris, 1917), p. 283.

educate the people to an understanding of the significance of the programs involved. But there is also another aspect of particular importance which may appreciably improve the chances of agricultural reform in Germany.

The adjustment of German agriculture cannot be carried out in an international vacuum. The plans for readjustment in Germany are, in the main, only attempts to reduce the disparity between price levels in Germany and abroad. If, for a number of years to come, international markets are to be regulated by a network of commodity agreements of the type of those suggested by L. A. Wheeler,⁸² if under those agreements export quotas are stipulated and curtailment of production carried out, then as Mr. Wheeler emphasizes, "there is good reason to prepare now to make certain reasonable demands upon the Central European nations before they begin their task of postwar reconstruction."⁸³ Whatever this may mean in relation to other countries, it has special importance for Germany. Land reform in Germany will be made possible only by generous help from abroad in the form of large shipments of wheat and flour into Germany. It is clear that agricultural adjustment in Germany will be gravely impeded unless positive action be taken to remove, by international coöperation, trade barriers which block industrial exports. But this is not all.

Germany is the sore spot of Europe. The success or failure of its economic adjustment cannot be a matter of indifference to the outside world. Therefore, it appears reasonable to include the general lines of a program of German agricultural adjustment in the peace treaty and to entrust its execution and supervision to an international economic agency—perhaps a "United Nations Commodity Corporation"⁸⁴—which would link it to, and coördinate it with, the boards of the pertinent international commodity agreements, primarily of the wheat agreement. The preliminaries of this agreement were drafted by the international wheat conference in the summer of 1941, in which the United States, Argentina, Canada, Australia, and the United Kingdom participated. The preliminaries as well as the "Memorandum of Agreement" and the "Draft Convention Regarding International Trade in Wheat" (not yet signed), approved

⁸² *Op. cit.*, pp. 98-100. ⁸³ *Ibid.*, p. 100.

⁸⁴ J. B. Condliffe, *Problems of Economic Reorganization* (New York, 1943), p. 37.

by the same countries in April, 1942, are based upon the principle of a just compromise between consumers and producers,⁶⁵ a principle which should also dominate the plan of a gradual adjustment of German agriculture.

This has a particular significance. So far it has been the paradoxical feature of an international wheat agreement that most of the importing, that is, consuming, countries, represented the interests not of the consumer but of the producers.⁶⁶ By linking the German agricultural adjustment plan to the international agreement, the demands of the wheat-producing countries will serve as a strong guarantee of the continuation of readjustment to a point where the price disparity ceases to be quantitatively of economic importance. If the International Coöperative Alliance is given a seat and vote at such international agencies as may develop from the International Wheat Council⁶⁷ and similar institutions still to be created, the chances of success will be further increased. Such an arrangement should greatly aid the actual policies of the monopoly both politically and economically. This subordination of domestic policies to the policy of an international agency appears to be a pertinent instance of a highly salutary and promising limitation of sovereignty.⁶⁸

⁶⁵ League of Nations, *World Economic Survey 1939-41* (Geneva, 1941), pp. 192-193; *The Department of State Bulletin*, Vol. VII, No. 158 (July 4, 1942), pp. 584, 588. According to Article V:2 of the Draft Convention "the prices fixed . . . shall be such as will in the opinion of the Council (a) return reasonably remunerative prices to producers in exporting countries, (b) be fair to consumers in importing countries."

⁶⁶ This anomaly of course, is not confined to wheat. Cf. the dual role of the United States as consumer and high-cost producer in the sugar agreement. *American Economic Review*, "Papers and Proceedings," Supplement (March, 1943), XXXIII:469.

⁶⁷ As stipulated by the Draft Convention. *The Department of State Bulletin*, VII:589.

⁶⁸ Since the foregoing paragraphs were written discussion of the economic aspects of sovereignty has advanced to treatment of concrete problems. Here publication of the American and British currency-stabilization plans marks an important step forward. (Cf. "Text of the U. S. Treasury Proposal for an International Fund to Stabilize Currencies," *New York Times*, April 7, 1943, p. 17; and *Text of a Paper containing Proposals by British Experts for an International Union*, New York, April, 1943.) Both plans limit national sovereignty in that they proscribe unilateral action with regard to exchange rates. However, two closely interrelated matters deserve mention here. First, that a reasonable stability of exchange rates cannot be assured as long as structural disequilibria of important magnitude are allowed to persist within the framework of world economy. The agricultural high-cost area in Germany must be regarded as one of the most significant single instances of such disequilibria. Second, that attempts at an orderly international adjustment of currency rates will of necessity call for an international rather than national determination of protectionist policies. The suggestions made in the text with respect to the narrow problem of the present work can therefore be supported from a much broader point of view.

This would, at the same time, effectively eliminate the danger of discriminatory policies under the monopoly.

Moreover, once the adjustment has been carried out to an appreciable extent and the amount of high-cost production has been greatly reduced, an important change may be expected. The importing countries, freed from the pressure of vested interests at home, would assume their natural role as protectors of the low price of wheat on the world market and would join their forces against attempts at monopolistic exploitation of their own consumers by an international cartel of the big producing countries. Then, and only then, the importing countries can be relied on to oppose attempts to use the provisions of the present Draft Convention for basic price limits, export quotas, and reserve stocks in a restrictive rather than equalizing way, i.e., to the detriment of the consumers. These countries should find themselves in a fair bargaining position. Refusal to cooperate in the control of the export quotas and even the threat of reverting to increased protection of domestic production will prove strong weapons in the hands of the importing countries.

All this, however, presupposes a radical revision of the present Draft Convention, a variety of measures like the suggested cooperation with a German "adjustment monopoly," intended to implement the policy of reduction of high-cost production in the importing countries, should be included in the international wheat convention. It seems a deplorable defect of the present draft that in this all-important matter it confines itself to the very general statement that there can be no basic solution of the problem of export surpluses without a general reduction of import barriers, and no measure should be taken or maintained which has the effect of retarding such reduction or of preventing in any way the fullest possible development of international trade.⁶⁹

In the words of Joseph S. Davis:

The present draft is conspicuously weak in its lack of positive inducements to high-cost wheat-producing countries (notably in Europe) to make shifts from wheat that would enlarge the markets for wheat for the low-cost producers.⁷⁰

⁶⁹ Draft Convention Preamble, *Department of State Bulletin*, VII:584.

⁷⁰ Joseph S. Davis, *op. cit.*, p. 56. A special footnote in the Draft Convention, it is true, promises an expansion of the stipulations in this direction "when further international consideration on the subject is possible" (*op. cit.*, p. 585).

Regard for present problems of domestic policy in England may account for this deficiency, but at least a reference to the incorporation in an international scheme of adjustment of plans in individual importing countries might have been expected.

The subordination of domestic policies to an international organization may also be regarded as a safeguard against any tendency toward self-perpetuation of the monopoly beyond the completion of its task. Some people who would not oppose the policy of an adjustment monopoly on other grounds may be apprehensive of this contingency. Such apprehensions, however, although justified to a certain extent, should not be exaggerated. What is true of individual commodity controls in individual countries oriented to protection of certain sectional interests or to autarkic goals need not be true of a comprehensive control scheme equipped with a schedule for the abolition of high-cost areas. There is no sound sociological evidence for the opposite view. On the contrary, recent economic history offers supporting evidence for the practicability of such a policy: the gradual relaxation of exchange control in Austria and the gradual abolition of wartime economy in a number of countries after the first World War. Inclusion of both the consumers' and farmers' coöperative movements in the control machinery will help to avert the danger of its bureaucratization.

If the control machinery is organized according to the principle of functional elasticity, so that in the course of development and successful adjustment individual parts of the machinery are either scrapped as they become superfluous or taken over by the coöperatives, there is no reason to assume that the monopoly would perpetuate itself beyond the degree justified by the general character of the national postwar economy in Germany. Statements with respect to the latter would exceed the scope of the present essay which is devoted to the problem of agricultural adjustment.

PROSPECTS FOR RECONSTRUCTION

An attempt has been made above to indicate the general economic and political principles of a readjustment policy which may be followed, rather than to develop a detailed blueprint. The final success, or rather, the degree of success of such a policy will depend upon a number of factors which it is impossible to foresee, let alone to measure, in their exact importance. Only a few possibilities may be indicated. We do not know how far the reduction of bread-grain production in Germany will have to go. Consumption trends are, after all, only extrapolations of certain empirical developments. It has often been assumed that the consumption of rye as bread grain is doomed to almost complete extinction, so that only the rate of reduction can be doubtful.⁷¹ Other authors are more inclined to expect in a country like Germany a slow and roughly parallel reduction in per capita consumption of both wheat and rye.⁷² This reduction, which so far has been a composite of different trends in different strata of the population,⁷³ will possibly be accelerated at first by the very process of the adjustment of bread prices to a lower level, which will enable the population to increase the proportion of high-grade products in its diet. The nutritionist propaganda may do much to speed up this process. But then, perhaps in not too remote a future, a point may be reached beyond which any further decrease in bread-grain consumption will be very small.

On the other hand, much has been said about developments in overseas agriculture, particularly in the United States⁷⁴ since the great drought of 1934 where exhaustion and erosion of the soil as a result of what is often called "speculative" methods of agriculture have made soil conservation a serious problem. Agricultural policies

⁷¹ Naum Jasny, *Competition Among Grains*, Studies of the Food Research Institute (Stanford University, 1940), p. 517.

⁷² M. K. Bennett, *World Wheat Utilization since 1885-1886*, *Wheat Studies* (June, 1936), XIII:379.

⁷³ T. H. Shollenberger, *Wheat Requirements in Europe*, United States Department of Agriculture (September, 1936), p. 16.

⁷⁴ "No nation or race, civilized or barbarian, has wasted productive land faster," (*Report of the Secretary of Agriculture, 1941*, Washington, 1941, p. 176).

in the United States have been directed toward replacing "soil-depleting" by "soil-building" crops. This program indicates a change to more extensive farming (grazing or timber) or toward diversified farming. The latter would increase the cost of production of grains per unit. At any rate, such an evolution would reduce the supply of grains, restore the viability of a certain branch of European production, and facilitate the readjustment. Some European writers lay great stress on what they call the vanishing difference between the "European" and the "Colonial" patterns of agriculture.⁷⁵ The extent to which the pattern of "Colonial" agriculture might be changed in the next decades and the extent of repercussions in European industrialized countries cannot be estimated.⁷⁶ Similar optimistic expectations—optimistic from the point of view of European producers—were entertained in Europe before and after the first World War, until the results of agricultural penetration in the North American continent beyond one hundred degrees of longitude, coupled with the effects of the application of new agricultural machinery and techniques, brought disappointment to those who believed that the cost margin between grain production overseas and in Germany would slowly disappear.⁷⁷

It is difficult to foresee today the final outcome of the vigorous struggle against stem rust (*Puccinia graminis tritici*) which has been conducted in the United States and Canada. At present it seems that a notable success has been achieved, the year 1942 having gone on record as the year of the lowest stem-rust damage in the last twenty-two years.⁷⁸ Over a period of twenty years (1915–1935), no less than 644 million bushels were lost to the disease in the United States alone. In 1935, one quarter of the nation's bread-grain crop per-

⁷⁵ Roepke, *International Economic Disintegration*, pp. 113–114, 130. Finkenstein, *Interim Report on International Economic Disintegration, Agriculture* (mimeographed copy) (Geneva, 1939), p. 30.

⁷⁶ It should not be forgotten that the process of soil depletion is to a certain extent a function of low incomes of the farming population, and, by the same token, a function of the disintegration of international trade. See T. W. Schultz, "Economic Effects of Agricultural Programs," *American Economic Review*, "Papers and Proceedings" (February, 1941), XXX:135.

⁷⁷ Cf. Bernhard Harms, statements in *Schriften des Vereines für Sozialpolitik* (Munich-Leipzig, 1925), 170:194.

⁷⁸ U. S. Department of Agriculture, Press Release No. 645-43 (September 30, 1942). The damage was confined to Virginia and localized areas in other states. Cf. also: U. S. Department of Agriculture, *The Plant Disease Reporter*, Supplement 140 (March 1, 1943), p. 10.

ished.⁷⁹ If the combination of eradication of barberry bushes, the host plant of the fungus, with the use of rust-resistant varieties of wheat should prove a success also in the long run, the supply of wheat from the United States and Canada will be appreciably affected.⁸⁰

It is possible, however, that, if the general economic reconstruction after this war is successful and a period of great industrialization and prosperity ensues (the agricultural adjustment in Germany being one of the many prerequisites of such a development), then a rise in the aggregate consumption of wheat may follow in Europe as well as on the Asiatic continent. This may allow extension of wheat production in areas where it has been largely abandoned, like some areas in the eastern parts of the United States, or in some areas, as in Germany, where it will have been abandoned in the course of postwar adjustment. Then, precisely the abandonment of bread-grain production may in the long run lead to its partial restoration, contrary to the prophecy that

A bold peasantry, their country's pride,
When once destroy'd, can never be supplied . . .

Thus we do not know in advance how far the reduction of bread-grain production in Germany will have to go in order to satisfy the aims of the readjustment program.

There are other and more disquieting aspects of the problem. It is not impossible that the proper moment for the adjustment of German peasant agriculture *as a whole* has been irretrievably lost. There will be substantial difficulties on the supply side. It is fair to demand that the readjustment of German agriculture should be accompanied by a parallel process in overseas countries. Import barriers in the great consuming countries are, after all, the only real justification for subsidized exports from overseas. This refers not

⁷⁹ Cf. Irving E. Melhus and George C. Kent, *Elements of Plant Pathology* (New York, 1939), p. 372; also K. Starr Chester, *Nature and Prevention of Plant Diseases* (Philadelphia, 1912), p. 30.

⁸⁰ It is true, however, that the cost of eradication has been substantial, amounting in the United States to about three million dollars per annum. Moreover, the most recent variety, *Thatcher*, which seems to have proved its power of resistance to the disease, was preceded first by *Kanred* and then by *Ceres*, two varieties which resisted the disease for a number of years until they succumbed to the onslaught of new races of fungus. Chester, *op. cit.*, p. 41.

only to grains—for instance, to the subsidized exports of wheat which were instituted in this country in 1938—but also to the exports of converted products. Gradual abolition of the system of export premiums, for instance, for butter in New Zealand, will be necessary. Return to regional agreements of the Ottawa type would keep Danish agricultural products from the traditional English market and would increase their pressure upon Germany, rendering adjustment much more difficult.⁵¹

Yet even if these impediments should be removed, it cannot be foreseen how much the German peasant population will be able to accomplish in a reasonable time as compared with what has been accomplished in a country like Denmark by decades of assiduous work. Moreover, modern technology has destroyed much of the "transport protection." Successful adjustment today involves bringing German production of converted products within fair range of effective competition of productive areas many thousands of miles away. In large regions like the Northwest and West of Germany the adjustment may be relied upon to be successful. It is much less certain in the southern and central areas of the country.

The difficulties may be further aggravated by developments on the demand side. To be sure, much can be done to facilitate the readjustment in the period of transition. Nutritional education may go a long way toward awakening the population to an understanding of the importance of a well-balanced diet. Social legislation and social policies in industry may well be so shaped as to pay due attention to plans for agricultural adjustment. To the extent that social legislation implies a redistribution of incomes in favor of low-income groups it will tend to increase consumption of high-grade foodstuffs and vegetables and to improve the chances of the readjustment in agriculture. One has only to consider how many types of vegetables which enter the regular diet of an American worker are not consumed at all or only in an infinitesimally small degree by the

⁵¹ It is true that Danish agriculture also will call for readjustment after the war. The effects, not only of the invasion, but also of policies carried out in the postdepression period, have been most serious. The postdepression policies, carried out mainly by the use of exchange-control mechanism, implied protection of domestic feedstuffs and at the same time an artificial restriction of the output of high-grade products. Cf. Friedl Mack, *op. cit.*, pp. 148-170. There is no doubt, however, that the recuperative forces that make for quick readjustment will prove exceptionally strong in Denmark, once the traditional English market has been reopened for Danish agricultural products.

industrial laborer in Central Europe. Moreover, experiences made in this country could be utilized to some extent. Food-stamp plans,⁸² free school-luncheons and "second breakfasts" may well be administered by the organization of the monopoly and perhaps be coupled with a system of progressive taxation on luxury consumption (race horses, night clubs, house servants, and so forth). Between 1923 and 1933 the City of Vienna conducted a very interesting and very successful experiment in this field. Such measures may well become permanent. Yet from the point of view of a healthy agriculture they are only auxiliary devices. The success of agricultural readjustment will depend essentially on the development of the whole national economy, on maintenance of a high level of employment and rising incomes of the wage earners in industry and trade. High-income elasticity of demand for "protective" foodstuffs on the part of urban low-income groups of population is the very pivot of agricultural readjustment.

The question of full employment and the problem of agricultural readjustment are not only closely related; in a sense, the two problems are the same. In his memorandum quoted above N. F. Hall states:

If, apart from cases where there is general deflation, the prices of those constituents of income for which the demand is inelastic, chiefly the basic necessities of life, tend to fall, the effects are cumulative. The fall in price is not accompanied by a proportionate increase in the demand for the commodity directly affected, but money income is released and is applied to the purchase of additional commodities for which demand is more elastic. The increased demand for these or other commodities will create new opportunities for earning income, and also new fields for the fruitful investment of capital. The effect upon the volume of economic activity will be substantial and should be *more than sufficient* to replace any reduction in money income which may accompany the reduction in prices of basic necessities, . . . If it (the relative cost to the consumer of the basic necessities of life) can be lowered it is capable of having a decisive dynamic influence which will liberate demand for additional products, create a secondary demand for capital and other equipment and *secure utilization of unemployed resources*.⁸³

⁸² It should be possible to find a form of the plan which would be free of the element of charity.

⁸³ N. F. Hall, *Preliminary Investigations into Measures of a National or International Character for Raising the Standard of Living*, League of Nations, Economic and Financial (Geneva, 1938), II. B. 4, pp. 33, 34. My italics.

Thus, the successful adjustment in agriculture is not only predicated upon full employment of the whole economy, but, by the very fact of its being in operation, also tends to create full employment. However, it can naturally do so only to a certain extent. Agricultural adjustment in itself does not guarantee elimination of the fluctuations of the trade cycle.

These considerations are of great importance. However, such general statements about the high elasticity of demand for protective foodstuffs should not make one overlook the existence of specific problems.

General consumption trends of high-grade foodstuffs can be perhaps approximately foreseen but it is difficult to estimate in advance the demand for certain specific products. Again, butter is a case in point. Under favorable income conditions butter owed much of its strong position in German consumption to the social prestige with which it had been associated, a factor which operated against margarine consumption. Yet this discrimination in itself was a result of rigid social stratification, of watertight social compartments in Germany. Even so, marked artificial reduction of margarine consumption has been an essential element of the agricultural policies of the Nazi government.⁸⁴ The effects of the war and of the subsequent social changes are very likely to be unfavorable to this social attitude. It is, then, not improbable that butter might lose its preferred position⁸⁵ and be largely replaced by margarine, and this not only immediately after the war, when general impoverishment would account for strong preference for tropical fats, but even with rapidly rising standards of living. In this connection, the practice of the Danish farmers who, during the first World War largely replaced butter with margarine in their diets and afterwards maintained consumption of margarine while continuing the production and export

⁸⁴ The margarine consumption in Germany increased from 180,000 metric tons in 1913 to 446,000 metric tons in 1929, rose then to a peak of 504,000 metric tons in the depression year 1932; in the subsequent years the rising trend was broken by government policy; in 1937 the consumption amounted to 364,000 metric tons. *Statistisches Jahrbuch für das Deutsche Reich*, 1937, pp. 363, 382.

⁸⁵ How strong this preference still is may be perceived from the fact that in 1937 the German government had to import no less than 86,000 metric tons of butter; for these imports 115 million marks had to be paid either in foreign exchange or through clearings. In either case this item was undesirable from the point of view of government policies that aimed at speediest rearmament for aggression. *Ibid.*, 1938, p. 266.

of butter,⁸⁶ may serve as a warning or at least an indication of a possible development.⁸⁷

This, however, implies that even a transition to high-grade production may still result in preservation or creation of high-cost areas which in the long run may become the source of new conflicts and new temptations to pursue autarkic policies. Further reductions of the whole volume of agricultural production would then become necessary. This shows again that the aim of a populous agriculture may be at variance with the more fundamental principle of the policy of postwar reconstruction as defined above.

There is slight chance that such decreases in production could be achieved except within the framework and, if necessary, under the pressure of international coöperation. But this pressure in itself will not prove sufficient unless general economic and social conditions in Germany are such as to render possible the shifts of population involved.

This problem may be particularly acute during the period of adjustment, but it is not strictly peculiar to that period. It is likely to remain a permanent one. With birthrates remaining comparatively high in rural districts and with the increase in the relative efficiency of agricultural production in the long run,⁸⁸ the prosperity of the farming population will depend on the ability of nonagricultural branches of the economy to absorb steadily the excess population of the open country and on the willingness of that population to move to industrial areas.

If these conditions do not develop, congestion of rural areas must unavoidably lead to concealed unemployment of the peasants or to increased self-exploitation and overproduction, with a concomitant demand for protection.

This means that here again, this time from a different angle, expanding economy, continuity of employment, and rising standards

⁸⁶ For similar tendencies in the United States see Katharine Snodgrass, *Margarine as a Butter Substitute*, Studies of the Food Research Institute (Stanford University, 1930), pp. 162-175.

⁸⁷ This change of diet, it is true, is said to have caused frequent appearance of Xerophthalmia in Denmark, a result, however, only when the diet is not diversified. It need not occur when the diet is generally well balanced. *Ibid.*, p. 182.

⁸⁸ This refers not only to greater efficiency of agriculture proper but also "to technical progress in utilization, packing, transport, and storage which brings to the consumer successfully a larger part of what is produced on the farm." Cf. P.E.P. *Report*, p. 203.

of living⁸⁰ are decisive prerequisites for the success of agricultural adjustment. Moreover, the economic security of industrial labor is indispensable to induce the farmers to leave the land. But the problem is not a purely economic one. Joining the ranks of industrial labor has so far meant social degradation for the independent farmer in Germany. Only a thorough democratization of German society after the war can remove from industrial labor the stigma of social inferiority. Only then, the traditional reluctance of the farmer to become an industrial worker and his strong preference to remain on his farm even if it is far from being a paying proposition will be sufficiently diminished to cease to be a permanent obstacle in the path of economic progress. Only then will be reached the last stage in the process of liberating the peasant from the ideology of Junkerdom.

German policies of grain protection have provided so far the most striking and sinister illustration of the Gladstonian phrase, "the unholy marriage between protectionism and militarism," the two "foes of freedom."⁸⁰ The issues of world peace are, of course, of infinitely greater scope than the adjustment of German agriculture. And so is the problem of German democracy. There will be a host of other economic and political questions in Germany which will demand answers, there will be many volcanic conflicts whose eruption must be prevented, before democracy in Germany is safely established and the vicious circle leading from democracy to dictatorship broken. In this book only one aspect of the problem has been dealt with. Yet the importance of this aspect cannot be overestimated. Whatever the trends of bread-grain consumption may be in the future, there is no doubt that, for a long time to come, bread will retain its position as the basic foodstuff, invested with the mystical reverence accumulated through long centuries. And as long as this

⁸⁰ It is more precise, as Joseph S. Davis has suggested, to speak not of rising "standards of living," but of rising "consumption levels" and rising "consumption standards," thus differentiating between the level of consumption actually in existence and that which individuals and groups are earnestly endeavoring to attain. This distinction is significant from the point of view of postwar reconstruction because it emphasizes the role of rising "consumption standards" as a propelling force toward higher consumption levels and as one of the safeguards against stagnation of the economy. See Joseph S. Davis, "Consumption Levels and Standards of Living: Significant Concepts," *Proceedings of the Nineteenth Annual Conference of the Pacific Coast Economic Association* (Eugene, Oregon, 1911), pp. 88-91.

⁸⁰ Gladstone in a letter to Vilfredo Pareto, quoted in G. H. Bousquet, *Vilfredo Pareto, sa vie et son oeuvre* (Paris, 1928), p. 52.

is true, a high price of bread will threaten disaster to any free government in Germany.

This essay has been written on the assumption of a complete German defeat—the only assumption which makes thinking about reconstruction possible. Should Germany win, there will be no reconstruction in which the peoples of the world could take an active part; there will be nothing but construction of pyramids for the new pharaohs. Our victories in recent months have greatly increased our confidence in the successful termination of the war. But we still do not know under what circumstances the war will be concluded; we do not know what kind of peace it will bring. Unlike the witches in *Macbeth* we cannot “look into the seeds of time and say which grain will grow and which will not.” But this much we know beyond peradventure: if the grain of the Junkers grows, the grain of German democracy will wither and perish from the earth.

PUBLICATIONS USED

- ADLER, VICTOR. *Aufsätze, Reden, Briefe*. Vol. I. "Victor Adler und Friedrich Engels." Vienna, 1933.
- AIREBOE, FRIEDRICH. *Agrarpolitik*. Berlin, 1928.
- . *Der Einfluss des Krieges auf die landwirtschaftliche Produktion in Deutschland*. Veröffentlichungen der Carnegie Stiftung für internationalen Frieden, Wirtschafts- und Sozialgeschichte des Weltkrieges. Berlin, 1927.
- AIREY, WILLIS, BELSHAW, HORACE, and STONE, JULIUS. *An Agenda for Peace*. New Zealand Institute for International Affairs, Studies on Peace Aims, No. 10.
- ALEXINSKI, GREGOR. *Russia and the Great War*. London, 1915.
- ANGELL, JAMES W. *The Recovery of Germany*. New Haven, 1929.
- ASTOR, VISCOUNT, and ROWNTREE, B. SEEBOHM. *British Agriculture*. London, 1939.
- AUSSCHUSS ZUR UNTERSUCHUNG DER ERZEUGUNGS- UND ABSATZBEDINGUNGEN DER DEUTSCHEN WIRTSCHAFT (ENQUETE-AUSSCHUSS). *Verhandlungen und Berichte des Unterausschusses für Landwirtschaft (II Unterausschuss)*: Band 10, "Das ländliche Siedlungswesen nach dem Kriege"; Band 11, "Untersuchungen zur Lage der Landwirtschaft in den Provinzen Pommern, Niederschlesien, Oberschlesien und Grenzmark Posen-Westpreussen"; Band 12, "Die Verschuldungs- und Kreditlage der deutschen Landwirtschaft in ihrer Entwicklung von der Währungsbefestigung bis Ende 1928."
- BAADE, FRITZ. "Neugestaltung der deutschen Branntweinwirtschaft," *Berichte über Landwirtschaft*, N.S. Vol. V. Berlin, 1926.
- . "Stabilisierung der Getreidepreise," *Die Gesellschaft*, Vol. 4:1. Berlin, 1927.
- BASCH, ANTONIN. *The New Economic Warfare*. New York, 1941.
- BASTIAT, FRÉDÉRIC. "Democratic et libre-échange," in *Oeuvres complètes*, Vol. II. Paris, 1862.
- BATOCKI, STEFAN. *Schluss mit der Kriegszwangswirtschaft*. Berlin, 1921.
- BECKMANN, FRITZ. *Die weltwirtschaftlichen Beziehungen der deutschen Landwirtschaft und ihre wirtschaftliche Lage*. Berlin, 1926.
- . "Einfuhrscheine," *Handwörterbuch der Staatswissenschaften*. Vierte Auflage, Vol. III. Jena, 1926.
- . "Einfuhrscheinsysteme," *Kritische Betrachtung mit besonderer Berücksichtigung der Getreideeinfuhrscheine*. Karlsruhe, 1911.
- BELOW, GEORG VON. *Die deutsche Geschichtsschreibung von den Befreiungskriegen bis zu unseren Tagen*. Leipzig, 1916.
- BENEŠ, EDUARD. "The Organization of Post War Europe," *Foreign Affairs* (January, 1942), Vol. XX.
- BENHAM, FREDERIC. *Great Britain under Protection*. New York, 1941.
- BENNETT, M. K. *Wheat and War, 1914-1918 and Now*. Wheat Studies of the Food Research Institute, Vol. XVI. Stanford University, 1939.
- . *World Wheat Utilization since 1885-1886*. Wheat Studies of the Food Research Institute. Vol. XIII. Stanford University, 1936.
- BERNSTEIN, EDUARD. "Zum Kampf gegen die Zollschraube," *Sozialistische Monatshefte*, Vol. II. 1901.

- BEUMER, W. *25 Jahre Thätigkeit des Vereines zur Wahrung der gemeinsamen wirtschaftlichen Interessen im Rheinland und Westfalen*. Düsseldorf, 1896.
- BLACH, HERBERT. *Die Handelspolitik der deutschen Sozialdemokratie* (Ph.D. dissertation). Borna-Leipzig, 1931.
- BLOOM, SOLOMON F. *The World of Nations*. New York, 1941.
- BOUSQUET, G. H. *Vilfredo Pareto, sa vie et son oeuvre*. Paris, 1928.
- BRANDT, KARL. "Deutschland und die Weltkrise," *Verhandlungen des Vereines für Sozialpolitik in Dresden*. Schriften des Vereines für Sozialpolitik, Vol. 187. Munich and Leipzig, 1932.
- . "Strukturwandlungen der Weltwirtschaft," *Deutsche Agrarpolitik im Rahmen der inneren und äusseren Wirtschaftspolitik*. Vol. II. Berlin, 1932.
- . *The German Fat Plan and Its Economic Setting*. Studies of the Food Research Institute. Stanford University, 1938.
- . "The Junkers to the Fore Again," *Foreign Affairs* (October, 1935), Vol. XIV.
- BRAUN, OTTO. *Von Weimar bis Hitler*. New York, 1940.
- BRENTANO, LUJO. *Die deutschen Getreidezölle, Eine Denkschrift*. Stuttgart and Berlin, 1911.
- . *Eine Geschichte der wirtschaftlichen Entwicklung Englands*. Vol. 3:2. Jena, 1929.
- . *Ist das System Brentano zusammengebrochen?* Berlin, 1918.
- . "Schutzzoll und Freihandel in England und Deutschland," *Die Gesellschaft*, Vol. I. Berlin, 1924.
- BRUCK, W. F. *Social and Economic History of Germany from William II to Hitler, 1888-1938*. Cardiff, 1938.
- BUCHENBERGER, ADOLF. "Agrarwesen und Agrarpolitik," in Adolf Wagner, *Lehr- und Handbuch der politischen Oekonomie*. Vol. 3:2; 1. Leipzig, 1892.
- BÜLOW, BERNHARD VON. *Denkwürdigkeiten*. Vol. II. Berlin, n.d.
- . *Deutsche Politik*. Jena, 1916.
- . *Imperial Germany*. New York, 1917.
- . *Reden*. Vols. I and II. Berlin, 1907.
- BUND DER LANDWIRTE. *Schwierigkeiten der deutschen Landwirtschaft während des Krieges*. Berlin, 1917.
- CAULEY, J. TROY. *Agrarianism, A Program for Farmers*. Chapel Hill, N.C., 1935.
- CHESTER, K. STARR. *Nature and Prevention of Plant Diseases*. Philadelphia, 1942.
- CLARK, COLIN. *The Conditions of Economic Progress*. London, 1940.
- COHEN, MAX. "Zur Frage des Agrarschutzes," *Sozialistische Monatshefte*. Vol. 61. Berlin, 1924.
- CONDLIFFE, JOHN B. *Problems of Economic Reorganization*. New York, 1943.
- . *The Reconstruction of World Trade*. New York 1940.
- CONRAD, J. *Grundriss zum Studium der politischen Oekonomie*. Jena, 1902.
- CROCE, BENEDETTO. *Nuovi saggi di Estetica*. Bari, 1926.
- . *Storia d'Europa nel secolo decimonono*. Bari, 1932.
- CROTHERS, GEORGE DUNLA. *The German Elections of 1907*. Columbia University Studies in History, Economics, and Public Law, No. 479. New York, 1941.
- DARRÉ, WALTER R. *Das Bauerntum als Lebensquell deutscher Rasse*. Munich, 1929.
- DAVID, EDUARD. *Sozialismus und Landwirtschaft*. Berlin, 1903.
- DAVIS, JOSEPH S. "Consumption Levels and Standards of Living: Significant Concepts," *Proceedings of the Nineteenth Annual Conference of the Pacific Coast Economic Association*. Eugene, Oregon, 1941.

- DAVIS, JOSEPH S. *New International Wheat Agreements*. Wheat Studies of the Food Research Institute. Stanford University. Vol. XIX. Stanford Univ., Nov., 1942.
- DECKEN, HANS VON DER. "Entwicklungstendenzen der Eierwirtschaft," *Vierteljahrshefte zur Konjunkturforschung*, Sonderheft 27. Berlin, 1932.
- , and LIEBE, HANS. "Die Ernährungswirtschaft Deutschlands im Weltkriege und heute," *Vierteljahrsschrift zur Wirtschaftsforschung*, Vol. XV, N.S.
- "Die Wirkungen der neuen deutschen Handelsverträge," *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft*. Vol. XVII. Leipzig, 1893.
- DIEHL, KARL. *Zur Frage der Getreidezölle*. Jena, 1911.
- DRIAULT, E., and MONOD, G. *Evolution du monde moderne, histoire politique et sociale 1815-1911*. Paris, 1911.
- ELLIS, HOWARD S. *Exchange Control in Central Europe*. Cambridge, 1941.
- ENGELS, FRIEDRICH. "Die Bauernfrage in Frankreich und Deutschland," *Die Neue Zeit*, Vol. 13:1. Stuttgart, 1895.
- . "Schutzzoll und Freihandel," *ibid.*, Vol. 6. Stuttgart, 1888.
- ERNLE, LORD. *English Farming, Past and Present*. London, 1927.
- FARNSWORTH, HELEN C. *War Time Food Development in Germany*. War-Peace Pamphlets. Stanford University, 1942.
- FEDER, GOTTFRIED. *Hitler's Official Programme*. London, 1934.
- FENSCH, M. L. "Preisbildung und Reinertrag," *Mitteilungen der deutschen Landwirtschaftsgesellschaft*. No. 42. 1929.
- FICHTE, G. *Der geschlossene Handelstaat*, in *Sämtliche Werke*, Vol. III. Berlin, 1845.
- FINKENSTEIN. *Interim Report on International Economic Disintegration, Agriculture*. Mimeographed copy. Geneva, 1939.
- FRANKE, BERNHARD. *Der Ausbau des heutigen Schutzzollsystems in Frankreich*, Staats- und Sozialwissenschaftliche Studien. Leipzig, 1903.
- FRANKLIN, HARRY L. "Wartime Agriculture and Food Control in Germany," *Foreign Agriculture*, Vol. IV, No. 4.
- GEORGE, DAVID LLOYD. *War Memoirs, 1918*. Boston, 1937.
- Gesammelte Schriften von Karl Marx und Friedrich Engels*. Stuttgart, 1892.
- GIDE, CHARLES. *Les Sociétés coopératives de consommation*. Paris, 1917.
- GRZESINSKI, ALBERT C. *Inside Germany*. New York, 1939.
- GUILLEBAUD, C. W. *The Social Policy of Nazi Germany*. Cambridge, 1941.
- HABERLER, GOTTFRIED. *Libérale und planwirtschaftliche Handelspolitik*. Berlin, 1934.
- HAINISCH, MICHAEL. *Das Getreidemonopol*, Schriften des Vereines für Sozialpolitik, Vol. 155:1. Munich-Leipzig, 1916.
- . *Die Landflucht*. Jena, 1924.
- HALL, SIR DANIEL. "Future of Agriculture," *The New Statesman and Nation* (February 28, 1942), Vol. XXIII.
- HALL, N. F. *Preliminary Investigation into Measures of a National or International Character for Raising the Standard of Living*. League of Nations, Economic and Financial. Geneva, 1938.
- HANAU, ARTHUR. "Die Prognose der Schweinepreise," *Vierteljahrshefte zur Konjunkturforschung*, Sonderheft 18. Berlin, 1930.
- HANCOCK, W. K. *Survey of British Commonwealth Affairs*. Vol. II, Pt. I. London, 1940.
- HANSARD. *The Parliamentary Debates*.
- HANSEN, ALVIN H., and KINDLEBERGER, C. P. "The Economic Tasks of the Postwar World," *Foreign Affairs* (July, 1942), Vol. XX.
- HARMS, BERNHARD, ed. *Recht und Staat im neuen Deutschland*. Vol. I. Berlin, 1929.

- HARRIS, S. E. *The Economics of American Defense*. New York, 1941.
- HARROD, R. F. *International Economics*. 2d ed. London, 1939.
- HAYWARD, PHILIPS A. *Recent World Trade Trends in Lumber and Lumber Products*, U. S. Department of Commerce, Industrial Reference Series, No. 2. Pt. 4, "Forest Products." January, 1941.
- HEARNSHAW, F. Y. C. *Germany the Aggressor throughout the Ages*. London, 1940.
- HELMANN, EDUARD. *Communism, Fascism and Democracy*. New York, 1938.
- HELFFERICH, KARL. *Handelspolitik*. Leipzig, 1901.
- HENDERSON, SIR NEVILLE. *Failure of a Mission*. New York, 1940.
- HERMANT, MAX. *Les Paradoxes économiques de l'Allemagne moderne*. Paris, 1931.
- HESKE, FRANZ. *German Forestry*. New Haven, 1938.
- HESSE, ALBERT. *Die Wirkungen des Friedens von Versailles auf die Wirtschaft des deutschen Ostens*. Jena, 1930.
- HILFERDING, RUDOLF. *Das Finanzkapital*. Vienna, 1923.
- . "Handelspolitik und Agrarkrise," *Die Gesellschaft*, Vol. I. Berlin, 1924.
- . "Theoretische Bemerkungen zur Agrarfrage," *Die Gesellschaft*, Vol. 4:1, Berlin, 1927.
- HOBSON, J. A. *The Morals of Economic Nationalism*. New York, 1920.
- HOLT, JOHN BRADSHAW. *German Agricultural Policy, 1918-1934: The Development of a National Philosophy toward Agriculture in Post-War Germany*. Chapel Hill, N.C., 1936.
- HORKENBACH, CUNO. *Das Deutsche Reich von 1918 bis heute, Jahrgang 1931*.
- HUHLE, FRITZ. "Das Kompensationsgeschäft im Rahmen der deutschen Handelspolitik seit der Wirtschaftskrise," *Jahrbücher für Nationalökonomie und Statistik*. Vol. 145.
- IVANTZOFF, DYMITRI N. "Der gegenwärtige Stand der ökonomischen Theorie des Sozialismus in Russland," *Wirtschaftstheorie der Gegenwart*. Vol. 4. Vienna, 1928.
- JASNY, NAUM. *Competition Among Grains*. Studies of the Food Research Institute. Stanford University, 1940.
- . "Die neuzeitliche Umstellung der überseeischen Getreideproduktion und ihr Einfluss auf den Weltmarkt," *Vierteljahrshefte zur Konjunkturforschung*. Sonderhaft 16. Berlin, 1930.
- . "Die Zukunft des Roggens," *ibid.* Sonderheft 20. Berlin, 1930.
- . *Wheat Problems and Policies in Germany*. Wheat Studies of the Food Research Institute. Vol. XIII. Stanford University, 1936.
- Journal of Farm Economics*, "Proceedings Number" (February, 1942), Vol. XXIV.
- KAUTSKY, KARL. *Das Erfurter Programm*. Stuttgart, 1902.
- . *Die Agrarfrage*. Stuttgart, 1902.
- KEHR, ECKART. "Das soziale System der Reaktion in Preussen unter dem Ministerium Puttkamer," *Die Gesellschaft*, Vol. II. Berlin, 1929.
- . "Englandhass und Weltpolitik," *Zeitschrift für Politik*, Vol. XVII. Berlin, 1928.
- KEISER, FRIEDRICH. "Zehn Jahre deutsche Landwirtschaft," *Zehn Jahre deutsche Geschichte, 1918-1928*. Berlin, 1928.
- KELSEN, HANS. *Sozialismus und Staat*. Leipzig, 1923.
- KINDLEBERGER, C. P. "International Monetary Stabilization," in S. E. Harris, ed., *Post-war Economic Problems*. New York and London, 1943.
- KNAPP, GEORG FRIEDRICH. *Die Bauernbefreiung und der Ursprung des Landarbeiters in den älteren Teilen Preussens*. Leipzig, 1897.
- . *Die Landarbeiter in Knechtschaft und Freiheit*. Leipzig, 1909.

- KNAPP, GEORG FRIEDRICH. *Grundherrschaft und Rittergut*. Leipzig, 1897.
- KOLNAI, AUREL. *The War Against the West*. New York, 1938.
- KRAUSE, HERBERT, and RÖDIGER, GUSTAV. *Urkunden zum Friedensvertrage*. Berlin, 1920.
- LACHMANN, KURT. "The Shipping Problem at the End of the War," *Social Research* (February, 1943), Vol. X.
- LANDMANN, JULIUS. *Die Agrarpolitik des schweizerischen Industriestaates*. Vol. XXVI. Kieler Vorträge. Jena, 1928.
- Landwirtschaftliche Tierzucht*.
- "Landwirtschaftliche Betriebszählung," *Statistik des Deutschen Reiches*, p. 459. Berlin, 1937.
- LASSALLE, FERDINAND. "Die indirekte Steuer und die Lage der arbeitenden Klassen," in *Reden und Schriften*. Vol. II. Berlin, 1893.
- LEAGUE OF NATIONS. *Production and Prices 1937-38*. Geneva.
- . *The Relation of Nutrition to Health, Agriculture, and Economic Policy*. Geneva, 1937.
- . "The Transition from War to Peace Economy," *Report of the Delegation on Economic Depression*. Pt. I. Geneva, 1943.
- . Economic Intelligence Service. *Wartime Rationing and Consumption*. Geneva, 1942.
- . *World Economic Survey 1939-41*. Geneva, 1941.
- LOTZ, WALTHER, *Die Handelspolitik des Deutschen Reiches unter Graf Caprivi und Fürst Hohenlohe*, Schriften des Vereines für Sozialpolitik. Vol. 92:3. Leipzig, 1901.
- LÜBKE, ANTON. *Das deutsche Rohstoffwunder*. Stuttgart, 1938.
- LYON, LEVERETT S., and ABRAMSON, VICTOR, and ASSOCIATES, *Government and Economic Life*. Vol. II. Washington, 1940.
- MACGREGOR, D. H. "The Scott Committee Report," *Economica* (February, 1934), N.S., Vol. X. London.
- MACK, FRIEDL. "Die Marktregulierungen in der dänischen Getreide- und Futtermittelwirtschaft," *Weltwirtschaftliches Archiv* (January, 1937), Vol. 45.
- MARX, KARL. *Das Kapital*. Vol. I. Vienna-Berlin, 1933.
- . "Free Trade," *Speech Delivered before the Democratic Association of Brussels at Its Public Meeting, January 9, 1848*. Reproduced as Appendix III to *The Poverty of Philosophy*. London, 1900.
- MELHUS, IRVING E., and KENT, GEORGE C. *Elements of Plant Pathology*. New York, 1939.
- MERZ, P. "The Food Supply of Germany," *Manchester Guardian Commercial, Reconstruction in Europe*. August 17, 1922.
- MEYER, LOTHAR. *Die deutsche Landwirtschaft während der Inflation und zu Beginn der Deflation*. Tübingen, 1924.
- MICHELS, ROBERT. "Psychologie der antikapitalistischen Massenbewegungen," *Grundriss der Sozialökonomik*. Vol. IX:1. Tübingen, 1926.
- MILUKOV, P. N. *Rossia na peretome*. Vol. I. Paris, 1927.
- MILLER, DOUGLAS. "The Achilles Heel of Nazi Germany," *The New York Times Magazine* (August 24, 1941).
- MÜLLER, ERNST. "Zolltariff-Reichsverfassung-Geschäftsordnung des deutschen Reichstages," *Annalen des Deutschen Reiches für Gesetzgebung, Verwaltung und Volkswirtschaft*. Munich, 1902.
- NAPHTALI, FRITZ. *Wirtschaftsdemokratie, Ihr Wesen, Weg und Ziel*. Berlin, 1929.
- NICOLAEVSKY, BORIS I. "The Crisis in the German High Command," *New Europe* (April, 1942), Vol. V.

- NOSKE, GUSTAV. *Von Kiel bis Kapp*. Berlin, 1920.
- NOURSE, EDWIN G. *American Agriculture and the European Market*. New York 1924.
- Official Documents from the Archives of the Tsar's Government. *Mezhdunarodnyie otnosheniia v epochu imperialisma, Documenty iz arkhivov tsarskogo i vremennogo pravitel'stv, 1818-1917*. Series III, Vol. I; Vol. II. Moscow-Leningrad 1931 and 1933.
- OLDENBERG, K. *Deutschland als Industriestaat*. Leipzig, 1897.
- OLDENBURG-JANUSCHAU, ELARD VON. *Erinnerungen*. Leipzig, 1936.
- OPIE, REDVERS. "A British View of Postwar Trade," *American Economic Review*, "Papers and Proceedings," Supplement (March, 1913). Vol. XXXIII.
- OPPENHEIMER, FRANZ. *Die soziale Frage*. Jena, 1925.
- ORTH, SAMUEL P. *Socialism and Democracy in Europe*. New York, 1913.
- ORWIN, M. A. "Agriculture—Grain and Other Crops," in *Britain in Recovery*. London, 1938.
- PAETZMANN, HERMANN. "Standortsfragen der nordwestdeutschen Schweinehaltung," *Berichte über Landwirtschaft*. Sonderheft 32, N.S. Berlin, 1930.
- PATTON, HAROLD S. "War and North American Agriculture," *Canadian Journal of Economics and Political Science* (August, 1941), Vol. VII.
- PLAUT, THEODOR. *Deutsche Handelspolitik*. Leipzig-Berlin, 1929.
- Political and Economic Planning (PEP). *Report on International Trade*. London, May, 1937.
- Programmes agraires des partis ouvriers en Autriche, en Grande Bretagne, et en Allemagne, avec une préface par Albert Thomas*. Paris, 1931.
- Protokoll über die Verhandlungen des Parteitagés der sozialdemokratischen Partei Deutschlands*. Stuttgart, 1898.
- Ibid.* Mainz, 1900.
- RADER, MELVIN. *No Compromise*. London, 1939.
- RAUSCHNING, HERMANN. *The Conservative Revolution*. New York, 1941.
- . *Die Revolution des Nihilismus*. Zurich, 1938.
- Report of the Secretary of Agriculture, 1941*. Washington, 1941.
- RICARDO, DAVID. *Essay on the Influence of a Low Price of Corn*. 2d ed. 1815.
- . *Letters of David Ricardo to Hutches Trower*. Oxford, 1899.
- RICHTER, J. H. "Food Rationing in Germany," *Foreign Agriculture* (October, 1941), Vol. V.
- RIETER, KURT. "Sind jetzt in Deutschland Agrarzölle berechtigt?" *Archiv für Sozialwissenschaft und Sozialpolitik*, Vol. 52. Tübingen, 1924.
- ROBBINS, LIONEL. *The Economic Basis of Class Conflict*. London, 1939.
- ROEPKE, WILHELM. *German Commercial Policy*. London, 1934.
- . *International Economic Disintegration*. London-Edinburgh-Glasgow, 1942.
- SCHABER, WILL. *Thinkers versus Junkers*. New York, 1941.
- SCHEIDEMANN, PHILIPP. *Memoiren eines Sozialdemokraten*. Dresden, 1928.
- SCHIFF, WALTER. "Die Agrargesetzgebung der europäischen Staaten vor und nach dem Kriege," *Archiv für Sozialwissenschaft und Sozialpolitik*, Vol. 54. Tübingen, 1925.
- SCHIPPTEL, MAX. "Zollpolitik und Arbeiter," *Sozialistische Monatshefte*, Vol. 61. Berlin, 1924.
- SCHMITZ, HEINRICH. *Die Versorgung Deutschlands durch die einheimische Landwirtschaft in und nach dem Kriege*. Ph.D. dissertation. Berlin, 1927.
- SCHMOLLER, GUSTAV. "Die preussische Wahlrechtsreform von 1910," *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft im Deutschen Reich*, Vol. XXXIV. Leipzig, 1910.

- SCHMOLLER, GUSTAV. "Die wirtschaftliche Zukunft Deutschlands und die Flottenvorlage," *Handelspolitik und Machtpolitik*. Vol. I. Stuttgart, 1900.
- . "Einige Worte zum Antrag Kanitz," *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft*. Vol. XIX. Leipzig, 1895.
- . *Zwanzig Jahre deutscher Politik*. Munich-Leipzig, 1920.
- SCHÜCKING, L. E. *Die innere Demokratisierung Preussens*. Munich, 1919.
- SCHULTZ, T. W. "Economic Effects of Agricultural Programs," *American Economic Review*, "Papers and Proceedings" (February, 1941), Vol. XXX.
- Scott Committee Report, *Report of the Committee on Land Utilization in Rural Areas*. London, 1942.
- SERING, MAX. *Deutsche Agrarpolitik auf geschichtlicher und landeskundlicher Grundlage*. Leipzig, 1934.
- . *Die agrarischen Umwälzungen im ausserrussischen Europa*. Berlin and Leipzig, 1934.
- . *Die deutsche Landwirtschaft unter volks- und weltwirtschaftlichen Gesichtspunkten*. Berichte über Landwirtschaft, Sonderheft 50. Berlin, 1932.
- . "Die Handelspolitik der Grossmächte und die Kriegsflotte," *Handelspolitik und Machtpolitik*. Vol. II. Stuttgart, 1900.
- . *Die internationale Agrarkrise*, Schriften des Vereines für Sozialpolitik. Vol. 182. Munich and Leipzig, 1931.
- SHOLLENBERGER, T. H. *Wheat Requirements in Europe*. United States Department of Agriculture, September, 1936.
- SIMON, SIR E. D. *The Smaller Democracies*. London, 1939.
- SNODGRASS, KATHARINE. *Margarine as a Butter Substitute*. Studies of the Food Research Institute. Stanford University, 1930.
- SNOWDEN, PHILIP. *An Autobiography*. Vols. I and II. London, 1934.
- SOMBART, WERNER. *Der moderne Kapitalismus*. Vol. II, 2d ed.
- . *Dennoch!* Jena, 1900.
- . *Die deutsche Volkswirtschaft im neunzehnten Jahrhundert*. Berlin, 1909.
- SOROKIN, PITRIM. *Sociology of Revolution*. Philadelphia, 1925.
- SRBIK, HEINRICH. *Metternich, der Staatsmann und der Mensch*. Vol. II. Munich, 1925.
- STAMPFER, FRIEDRICH. *Die vierzehn Jahre der ersten deutschen Republik*. Karlsbad, 1936.
- Statistisches Jahrbuch für das Deutsche Reich*. Berlin.
- Statistik Aarborg, Danmarks Statistik*. Copenhagen.
- STEINBERGER, N. *Die Agrarpolitik des Nationalsozialismus*. Moscow-Leningrad, 1935.
- Stenographische Berichte über die Verhandlungen des Reichstages*. Berlin.
- STISSER, REINHOLD. "Die deutsche Getreidemarktordnung," *Weltwirtschaftliches Archiv* (March, 1938).
- STOCKING, GEORGE WARD. *The Potash Industry, a Study in State Control*. New York, 1931.
- STOLPER, GUSTAV. *German Economy, 1870-1940*. New York, 1940.
- STRÖBEL, HEINRICH. *The German Revolution and After*. London, 1923.
- Supplement to the Weekly Report of the German Institute for Business Cycle Research*. Berlin, February 10, 1937.
- SURFACE, FRANK M., and BLAND, RAYMOND L. *American Food in the World War and Reconstruction Period*. Stanford University, 1931.
- SWEZEY, MAXINE Y. *The Structure of Nazi Economy*. Cambridge, Mass., 1941.
- TARDIEU, ANDRÉ, *Le Prince de Bülów*. Paris, 1909.

- TAWNEY, R. H. *Why Britain Fights*. London, 1941.
- TEMPERLEY, H. W. V. *A History of the Peace Conference of Paris*. Vol. I. London, 1920.
- THYSSEN, FRITZ. *I Paid Hitler*. New York, 1941.
- TOLLEY, HOWARD R. "An Appraisal of the National Interest in the Agricultural Situation," *American Economic Review* (February, 1941), "Papers and Proceedings," Vol. XXX.
- TRIMBLE, WILLIAM J. "The Influence of the Passing of the Public Lands," *Atlantic Monthly*, No. 6 (June, 1941). Reprinted in Louis Bernard Schmidt and Earle Dudley Ross, *Readings in the Economic History of American Agriculture*, New York, 1925.
- TSCHAJANOW, ALEXANDER. *Theorie der bäuerlichen Wirtschaft*. Berlin, 1925.
- TURNER, FREDERICK J. "The Significance of the Frontier in American History," *Annual Report of the American Historical Association for the Year 1893*. Washington, 1894.
- USEDOM, GUSTAV VON. *Politische Briefe und Charakteristiken aus der deutschen Gegenwart*. Berlin, 1849.
- U. S. DEPARTMENT OF AGRICULTURE. "Agricultural Price Control in Foreign Countries; Some Outstanding Examples," *Foreign Agriculture* (February, 1939), Vol. III.
- . *The Plant Disease Reporter, Supplement 140* (March 1, 1943).
- . *Press Release No. 645-43* (September 30, 1942).
- Verhandlungen des Vereines für Sozialpolitik in Stuttgart*, Schriften des Vereines für Sozialpolitik (September, 1924), Vol. 170. Munich and Leipzig, 1925.
- VINER, JACOB. "The International Economic Organization of the Future," in *Towards International Organization*. New York, 1942.
- WACHENHEIM, HEDWIG. "Hitler's Transfer of Population in Eastern Europe," *Foreign Affairs* (July, 1942), Vol. XX.
- WAGNER, ADOLF. *Agar- und Industriestaat*. Jena, 1902.
- WALTERSHAUSEN, SARTORIUS VON. *Deutsche Wirtschaftsgeschichte*. Jena, 1920.
- WARRINER, DOREEN. *Economics of Peasant Farming*. London-New York-Toronto, 1939.
- WEBER, MAX. *Die ländliche Arbeitsverfassung*, Schriften des Vereines für Sozialpolitik, Vol. 58. Leipzig, 1893.
- . *Wirtschaftsgeschichte*. Munich-Leipzig, 1924.
- WENDEL, HERMANN. "Scharfer Wind," *Die Neue Zeit* (June 12, 1914), Vol. 32:2.
- WERGO, HERBERT. *Freihandel und Schutzzoll als Mittel staatlicher Machtentfaltung, Probleme der Weltwirtschaft*. Vol. 45. Jena, 1928.
- WERMUTH, ADOLF. *Ein Beamtenleben*. Berlin, 1922.
- WHEELER, LESLIE A. "Agricultural Surpluses in the Post-War World," *Foreign Affairs* (October, 1941), Vol. XX.
- WINTER, ERNST KARL. "The Rise and Fall of Austrian Labor," *Social Research*, Vol. VI. New York, 1939.
- Wirtschaft und Statistik*. Berlin.
- WOYTINSKI, WLADIMIR. "Zahl und Gliederung des Proletariates" and "Tendenzen der zahlenmässigen Entwicklung des Proletariates," *Die Gesellschaft*, Vols. I and II. Berlin, 1925.
- Zeitschrift für Politik*. Berlin, 1928.
- "Zollkampf gegen Antisozialpolitik," *Gewerkschaftszeitung*. 1924.

INDEX

- "Agrarian Bolshevism," 151
Agrarian League, 105, 145, 151
Agrarians and the Navy Bill, 59
Agricultural crisis in 'seventies: adjustment to, 37; and English agriculture, 37 f.; and Swiss agriculture, 40 f.; and German agriculture, 42 ff.; and democracy, 67; and Danish agriculture, 38 f.
Agricultural indebtedness, 108, 125
"Agricultural state" *vs.* "industrial state," 59
Agriculture, German: its variety, 21; and crisis of the 'seventies, 42 ff.; intensive character of, 43; high-cost, 43; postwar disorganization of, 95 ff.; and Nazi policies, 153 ff.; free trade for, 198 ff.
American Relief Administration, 100
Antirepublican sentiment in postwar Germany, 127
Antisocialist Act, 28, 51
Argentina: exchange depreciation in, 49; stocks of wheat in, 178
Army Bill of 1887, 44
Atlantic Charter, 167, 178
Autarchy and "autarky," 59
Autarky, 70, 158, 183, 198, 208; in Germany, 45; and the "Kanitz Motion," 55; and "autarchy," 59, 70; and settlement policies, 129
- Baade, Fritz, 120 n., 129 n., 140
"Balance-of-payments arguments," 200 ff.
Barley, 72; net import surplus of, 43; duty reduced under Caprivi, 50; Bülow duty on, 62; barley-pig relation, 73 ff., 118, 137; barley-egg relation, 75, 119; higher duty in 1925, 118; prewar and postwar prices, 123; tariff on, revised to 10 marks in 1930, 137
Basch, Antonin, 170
Bastiat, Frédéric, 65 f.
Bavarian People's Party, 127 n.
Beef, duty on, increased in 1925, 118
Beněš, Eduard, 171
Bernstein, Eduard, 34 n.
Bethmann-Hollweg, 85
Bismarck, Prince Otto, 30, 57, 61, 67n.; and the "solidarity bloc," 44; and "internal colonization," 102
Blockade of Germany and land reform, 98
Bran: free of duty under Bülow, 62; tariff on rye bran in 1930, 137
Brandt, Karl, 134 n., 136 n., 143 n., 149 n., 159 n., 160 n., 163 n., 197 n., 210 n., 315 n.
Braun, O., 148
Brazil, German state in, 60
Brüning: and the "East Help," 151; government, 147 f.
Bülow, B. von, 61 n., 64, 102, 113; chancellor of the Reich, 58 f.; and solidarity bloc, 60 f.; "Agrarian Chancellor," 61; and Russia, 74
Bülow tariffs of 1902, 62 f., 68, 71, 74, 75, 117
Butter: Bülow duty, 63; duty raised (1925), 119; imports increased (1913-1927), 121; prewar and postwar prices, 123; tariff increased (1929), 137; prices, 156; production, 157; export premiums in New Zealand, 219; postwar consumption, 221
Brussels, Conference at, 100

- Caprivi, 51, 56 f., 70; concludes trade agreements (1891-1894), 49; "Caprivi duty" on barley, 73 f.
- Catholic Center Party (*Zentrum*), 27, 31, 49, 52, 58, 92, 111; coalition with Conservative Junker Party, 44
- Central Europe, blocs in, 60
- Central Union of German Industry, 42
- Chamberlain, Joseph, 38
- Churchill, Winston, 179 f.
- Civil War in United States, 47
- Clemenceau, Georges, 168
- Communitists, 95, 115
- Compulsory admixture for wheat, 141
- Condliffe, J. B., 7 n., 180 n., 212 n.
- Conservative Party, 49, 52 f., 57 f., 61, 67 n., 83; and Bismarck, 44
- Cost principle vs. *Devisen* principle, 201
- Coöperatives, agricultural, 122, 197, 205 f., 211; Danish, 39 f.
- Croce, Benedetto, 3 n., 93
- Currency stabilization, 213 n.
- Darré, W. R., 163
- Davies, J. E., 182 n.
- Davis, J. S., 179, 214, 223 n.
- Dawes Agreement, 110
- Demand elasticities, 201; and compensatory protection, 72 f.; for "protective" food-stuffs, 220
- Democracy: suicide of, 4, 148; based on prosperity, 9; disintegration of, 8 f.; and German agriculture, 10; and German labor, 11 ff.; and high-cost agricultural areas, 17 f.; English, 39, 193 f.; and free trade, 65 ff.; and a prodemocratic majority, 13 ff.; and labor's agricultural program, 127 f.
- Denmark, 39 f.
- Differential freight rates for grains, 68 f.
- Drawback system of grain-price equalization, 69 ff.
- East Help Affair, 149 ff., 153, 161 n.
- Eggs: Bülów tariff, 63; egg-barley relation, 75, 119; imports, production, and consumption, 121 f.
- Ellis, H. S., 59 n.
- Estate Districts, 105 n.
- Expropriation of Junker lands, 92 ff., 173, 184
- Fat Plan of the Third Reich, 153 f.
- Fatherland Party, 106
- Feder, Gottfried, 146 n.
- Fichte, G., 60 n.
- Free trade policy: and the rift between agrarian and industrial population, 36; and democracy, 65 ff.; and labor before 1914, 33 ff., after 1914, 114 ff., 127 f.
- French tariff on grains, 72
- Frozen meat, imports free of duty, 118
- German Nationalist Party, 111, 112, 118, 135, 146, 147
- German People's Party, 110
- Grain. *See* Barley, Rye, Wheat, etc.
- Grain-import monopoly, 53, 54, 107, 128; in postwar Germany, 203 ff.
- "Green Front, The," 134 f.
- Gutsherrschaft* and *Grundherrschaft*, 23

- Harzburg Front, 147
 Hearnshaw, F. Y. C., 182 n.
 Henderson, Sir Neville, 182
 Herrfurth's resignation in 1892, 56
 Hilferding, Rudolf, 34, 114
 Hindenburg, Von, 117, 126 f., 151
 Hitler, Adolf, 3, 152 f.
 Hohenlohe, Prince: opposed to Kanitz Motion, 56 f.; resignation of, 58
 Holt, J. B., 15
 Hoover, Herbert, 100

 "Identity proof," 68, 69
 Import certificates, 68 ff., 79, 88, 117, 133, 138
 Import surplus in grains, 43 f.
 Independent Social Democratic Party, 95; and socialization of Junker estates, 103 n.
 "Industrial state" vs. "agricultural state," 59
 Industry and agriculture, 116, 147; accord between, 44 ff.; compromise between, 59, 65;
 balance between, 60
 Inflation, German: and the Junkers, 57 n.; benefit to agriculture, 107 f.
 Inter-Allied Council, 178
 "Internal colonization," 101 f.
 International Coöperative Alliance, 213
 International Wheat Agreement, 177, 179, 212, 214
 International Wheat Council, 213
 Iron and rye, 47; compromise between, 45

 Jasny, Naum, 72 n., 77 n., 83, 99 n., 123 n., 136 n., 142, 216 n.
 Junkers: and abolition of serfdom in Prussia, 23; as fanatical free traders, 42; opposi-
 tion to iron duties, 42; conversion to protectionism, 43 f.; isolated, 51; and "Union
 of Agriculturists," 51, 58; overthrow Caprivi, 56; and the gold standard, 57 n.; in-
 crease in economic power after 1902, 67; and compromise with the peasants, 74 ff.;
 and the potash monopoly, 77 n.; survival of, after 1918, 93 ff.; and settlement poli-
 cies, 104; indebtedness of, 149; and rise of Nazi party, 149; overthrow Brüning, 151;
 as Hitler's successors, 181; and return to monarchy in Germany, 183

 Kanitz, Count von Dodangen, 53 f.
 "Kanitz Motion," 53 ff., 57
 Kapp, Wolfgang: *Putsch*, 106, 126
 Kardoff, leader of Conservative Party, 56 n.
Kulturkampf, 44

 Labor, German: after the present war, 11 f.; its free trade tradition, 33, 34; and free
 trade policy of English Labor Party, 36; attacks on, 86; and peasants, 127 f.
 Land Delivery Associations, 131
 Latin America, German vassal states in, 60
 List, Friedrich, 42
 Livestock, 157, 158

 McKinley tariff, 49
 Maize, 62, 74 n.; monopoly, 137
 Majority Social Democrats, 95
 Malt barley, 62
 Margarine, 221 f.
 Marx, Karl, 29, 33 f.
 Marxism, 28 ff.

- Metternich, Prince Karl, 3
 Militarism and protectionism, 52, 223
 Milk, 63, 118, 157
 Mosley, Sir Oswald, 192
 Most-favored-nation agreements, and Germany, 48
- National Liberal Party: as protectionist party, 44; and the "cartel," 49; and support from "Union of Agriculturists," 52; and agricultural protection, 58; and "sidewalk liberalism," 60; and the Prussian Diet, 86; continued in the German People's Party, 111
 National Socialist Party: agricultural program of, 15, 145; and agrarian philosophy, 16 f.; representation of, in 1924 Reichstag, 110; and the peasants, 145 ff.; and the 1932 elections, 148, 152; agricultural policies of, 153 ff.
 Nationalism and democracy, 7 f.
 Navy Bill of 1900, 59
 Nazism, 55
- Oats: net import surplus of, 43; duty reduced under Caprivi, 50; Bülow duty, 62; favored under Bülow tariff, 77
 Oldenburg-Januschau, E. von, 55 n., 102 n., 152 n.
 Ottawa, 219
- Papen, Franz von, 152 f., 181 n.
 Peasants: conversion to protectionism, 57; compromise with Junkers, 74 ff., 83, 117 ff., collapsed, 137 f.; increase in influence of, after 1918, 118; and labor, 28 ff., 127 f., 223; vote for Nazis, 145
 Pigs: pig-barley relation, 73 ff., 118, 137; duty increased in 1925, 118; prewar and postwar prices, 123; sliding-scale tariff (1929), 137; prices, 156; production, 157
 Plant diseases, 217 f.
 Polybius (Polybian cycle), 6, 9 n.
 Potash monopoly, German, 76
 Potatoes: distillation of alcohol from, protected, 119 f.; price stabilization in the depression, 143
 Progressives, 49, 63
 Prussian Diet: "three-class-system" of franchise, 25; reform of, prerequisite for democratization of Germany before 1914, 30; attempts at a reform before 1918, 85 ff.; effect of revolution of 1918 on, 91
- Rationing in Germany, 97, 174
 Rauschnig, Hermann, 5, 14, 126 n., 181, 183
 Reforestation of Junker estates, 186 f.
 Reich Agrarian League, 105, 147, 151
 Reich Food Estate, 153, 156, 174, 197, 208
 Revisionism: and agrarian policy, 29 f., 32; and foreign trade policy, 34 f.
 Ricardo, David, 38
 Roepcke, Wilhelm, 93, 192-193, 194, 196
 Roesicke, 105 n.
 Rousscau, J. J., 4
 Russia: and nationalism, 8; tariff war with Germany, 48, 52; and the low German tariff on barley, 74; expiration of trade agreement with Germany in 1917, 84; and reaction to German protectionism, 87; withdrawal from world wheat market, 99, 118 f.; economic coöperation with, after war as prerequisite for adjustment of German agriculture, 167 f.
 Rye: net import surplus of, since 1852, 43; duty reduced under Caprivi, 50; Bülow duty, 62; rye *vs.* wheat in eastern Germany, 71; Bülow tariff favors, 72; price development

- before 1914, 77; increase in production before World War I, 79; decline of per capita consumption since 1900, 82; increase in exports before 1914, 83; rye-mark, 112; 1925 and 1926 duty on, 117; prewar and postwar prices, 123; acreage and consumption in 1920's, 124; response of price to protection (1927-1928), 133; tariff increases in depression, 137 f.; price-stabilization policy (1929-1930), 139
- Schiele, 138 n., 141 n.
- Schleicher, Von, 152 f.
- Schmidt, Robert, 104 n.
- Schmoller, Gustav, 54 n.
- Serfdom abolished in Prussia, 23
- Sering, Max, 75, 104, 163
- Settlement policy: before 1914, 101-103; Settlement Act, 1919, 103 f.; effects of the 1919 Settlement Act, 129-132; after 1933, 161-163
- Sforza, Count, 182
- Sliding-scale tariffs, 137
- Smith, Adam, 42
- Social Democratic Party: and the peasants, 28 f.; attempts to formulate agrarian program in 1890's, 29; and revisionist conflict, 29 f.; and struggle for democratization, 30; attitude to religion, 32; attitude toward free trade, 34-35; 1890 electoral success, 49; and Bülow tariff, 63; strongest party in Reichstag, 65; attacks upon, before World War I, 86; in Prussian Diet, 91, 148; and expropriation of Junkers, 94 f.; 1924 loss of seats in Reichstag, 111; and 1925 tariff, 115 f.; 1927 agrarian program of, 127; and stabilization of grain prices, 135, 146
- Social legislation, 62, 199
- Solidarity bloc: and the tariff of 1879, 44-48, 57; French and English predecessors, 46; efforts to restore, 51, 58; and Bülow, 60; and thwarting of democratization of Germany, 65; before World War I, 84; and Nazis, 147; in exile, 183 f.
- South German Christian Party, 77 n.
- South German People's Party and grain protection, 58
- Sovereignty, limitation of, 8, 213
- Spa, Conference at, 100
- Stolper, Gustav, 85, 94
- Sugar beets, 119, 143
- Supreme Economic Council, 100
- Swiss grain monopoly, 54, 107, 203
- Switzerland, agricultural protectionism in, 40
- Tariff: maximum and minimum in 1902, 62, 64; acts of 1879, 1883, and 1885, 44; act of 1925, 116; increases in depression, 137 f.; as instrument of postwar reconstruction, 202; and government monopoly, 204. *See also* Bülow tariffs of 1902, Caprivi, Import certificates, Sliding-scale tariffs, and Barley, wheat, etc.
- Tawney, R. H., 170
- Thyssen, Fritz, 183
- Tirpitz, Admiral von, 106
- Transit trade in grains, 68
- "Union of Agriculturists": founded, 51 f.; and state grain-import monopoly, 55 f.; and Kanitz motion, 57; leadership with respect to agriculture, 58; and Bülow tariff, 61; and solidarity bloc, 65; and potash monopoly, 77; propaganda of war preparedness, 88
- Union for Fiscal & Economic Reform, 42
- United Nations: and Germany, 167 ff.; Conference on Food and Agriculture, 179; Commodity Corporation, 212
- United States' wheat exports, 78

Versailles, Treaty of, 168 f., 171

Voltaire, 6

Weimar Coalition, 91, 92 n.

Wheat: net import surplus of, since 1876, 43; duty reduced under Caprivi, 50; Bülow duty, 62; tariff differential between rye and, under Bülow, 71; world market supplies during World War I, 99; German price below world market before 1925, 110; 1925 and 1926 duty on, 117; response of price to protection (1927-1928), 133; tariff increases in the depression, 137 f.; compulsory admixture (1930), 141; expansion of acreage (1931-1933), 141; stem rust, 217; surpluses of the major producers, 177 f.

Witte, Count, 74

Workers' budget, 64

Xerophthalmia, 222

Zentrum. See Catholic Center Party

