

CHAPTER IV

THE BIRTH OF GERMAN IMPERIALISM

It was natural that Germany should be the last of the Powers to be interested in imperialism. The traditions of the country were those of a continental state. The empire only came into being in 1870. Even then Germany was almost exclusively agricultural. There were few large cities and only a small part of the people was engaged in industry. And Germany would have remained a continental Power but for her extraordinary industrial development; a development far more rapid than that of any other European state. Largely as a result of the constructive legislation of Bismarck she passed into a commanding industrial position in a few years' time. With the aid of science and a highly specialized education, stimulated by a series of laws providing for a banking system, for a moderate tariff, and a system of rail and water transportation that was intimately co-ordinated with every need of the empire, her industries first captured the mar-

kets at home and then reached out for the trade of the world. English and American machines were perfected, improvements were made in trade processes, and German agents aided in every way by the government had placed goods bearing the mark "Made in Germany" in every market of the world.

Germany became an industrial power through state socialism, and the most carefully planned trade methods developed with the aid of the best scientific thought of the empire. The railways were taken over in the eighties, and brought to a high state of efficiency. Between 1879 and 1905 the Prussian railways alone increased from 4,000 to 20,000 miles in length. They were placed under imperial authority to secure unity of operation. They are operated for service rather than for profits. Just as the railroads have been mobilized for military purposes, so for thirty years they were mobilized for the upbuilding of industry and export trade. Freight rates were unified. The schedules were simplified. Rivers were deepened and canals were built from one industrial section to another. Prussia alone expended \$250,000,000 on her inland waterways.

A general policy of protection was adopted with low but carefully arranged schedules of customs dues. The shipbuilding industry enjoyed free trade in raw materials and in manufactured goods as well. Very low transportation rates were accorded the shipbuilders. Great shipyards sprang up as if by magic, and German shipping grew with great rapidity. Soon the German merchant marine was challenging English shipping in every port in the world.

From 1882 to 1907 the number of persons employed in industry increased from 16,000,000 to 22,000,000. The urban population doubled. In 1881 German foreign trade was but \$1,500,000,000. By 1902 it had increased to \$2,750,000,000, while during the next ten years it nearly doubled. By 1914 it had increased to \$4,900,000,000. It almost equalled the foreign trade of Great Britain. Shipping increased with similar rapidity, as did the clearance of vessels from German ports. In 1912 the clearance of vessels for foreign trade from London was 11,172,000 tons; from Hamburg 11,933,000 tons. Only New York exceeded the port of Hamburg in the clearance to foreign countries.

This is indicative of the expansion of German industry and commerce during the quarter of a century which closed with the outbreak of the war.

Capitalism in Germany in the years before the war had reached the explosive point. The urban population (living in cities of over 20,000 population) increased from 18.4 per cent. of the total population in 1885 to 34.5 per cent. in 1910. Inventions, science, the perfection of machines, the increase in the productivity of labor created a condition of inflated production that threatened collapse. Collapse would involve the banks. It would involve the shipping interests. Quite as important it would bring on industrial unrest and possibly social revolution. The consuming power of the people was limited by low wages. The surplus products could only find an outlet in foreign trade; a part of which was subject to more or less exclusive control by other nations.

Closely identified with the industrial interests is a group of banking institutions, especially the Deutsche Bank, Dresdner Bank, Darmstädter Bank, and Diskonto Gesellschaft, known as the four D's, which through thousands of

branches control the savings of the people. They, too, were critically involved in the industrial situation. These banks are very imperialistic. They have branches all over the world. They are agencies of trade promotion. Through these banks the industrial development of Germany is controlled as is the economic life of outside states. The munition industries are interlocked with them. So is the great electrical monopoly, as well as the iron and steel enterprises of western Germany. These banks were further interlocked through common directors with hundreds of enterprises not only in Germany but in France, Italy, Russia, Turkey, and the Balkan states. They were interlaced with hundreds of other enterprises in South America, China, and Africa. Through these agencies German industry, German trade, and German commerce were promoted all over the world.

One can hardly overstate the power and influence of these *Grossbanken*. It has been said that these banks with a hundred persons rule industrial Germany. They control the major enterprises of the country. They brought into being and dominate the policy

of the great syndicates of iron and steel, of coal, of electricity, of chemicals. The names of the directors of the *Grossbanken* are to be found interlocked with industry, trade, and shipping. They were the driving forces in the conquest of the world through finance and export trade. For only through increasing exports could German enterprise maintain itself and prevent an industrial depression at home. And the great industrials viewed the world as the feudal classes viewed Germany. They sought economic conquest while the militaristic classes sought to maintain their feudal power at home. One of the leading personalities of this industrial feudalism was Doctor Karl Helfferich, Director of the Deutsche Bank and recently imperial minister of finance. He was one of the promoters of the Bagdad Railway. It is he who directed the domestic finance of the empire and its industrial and imperialistic operations overseas.

With production increasing at an unprecedented rate, with the capacity of the German people to consume limited by low wages, a trade outlet had to be found to avoid collapse. It might be industrial. It might be social. If

continued long enough it might lead to revolution. All classes were affected by these conditions. Even the Socialists in the Reichstag supported colonial expansion.

Moreover, this was a period of the new economic imperialism. There was a mania for territorial possessions. It was the period of conquest in the interest of finance and trade. All of the nations of Europe were annexing territory in every portion of the globe. But the best of the earth's surface was already gone. Only Turkey, western Asia, and portions of Africa remained.

These were also years of financial imperialism. Surplus wealth was appearing in the older countries. Interest rates at home were falling. The returns from foreign loans and concessions in undeveloped portions of the earth were attracting the attention of financiers. Branch banks were established all over the world. These banks saw opportunities for the building of railroads, for mines, for plantations, for exploitation of all kinds. The banks enlisted the aid of their Foreign Offices; they made use of their diplomatic agents in urging the claims of the investors and munition makers of their

respective countries. Loans to the extent of billions were made during these years.¹ The commissions, discounts, profits from underwritings as well as the interest rates were much higher than at home. In many instances the loans spelled bankruptcy to the borrowing states, which passed under the control of the creditor Powers through the intervention of the governments of the lending countries.

This was the attitude of the industrial and financial classes of Europe in the years before the war. It was a period like that of the gold rush to California and Alaska. The old type of colonization ended with the settlement of America, Australia, and Cape Colony. The new era of economic imperialism began with the appearance of surplus wealth at home, the rise of monopoly in industry, the concentration of banking, and the belief of the capitalistic classes that markets and raw materials must be found in the outside world and that they must be under the exclusive political control of the European countries in order to exclude other nations from the field.

¹ The total foreign investments of England, France, and Germany in 1914 amounted to \$35,000,000,000.

The German industrial classes demanded exclusive markets. Germany was also in need of raw materials. She had to go to English colonies and the United States for cotton. She had little copper and oil. Her iron-ore deposits in Lorraine were threatened with exhaustion.¹ She needed rubber, materials for her dyes, many minerals, and also food for her rapidly growing population. These were only to be had in other countries.

The politics of Germany were also changing. She ceased to be feudal, landed, agrarian. Germany was passing through an evolution like that which took place in Great Britain from 1830 to 1850, when the old Conservative party was challenged by the Liberal party of Cobden, Bright, and Gladstone, which represented the new industrial and commercial classes.² The imperial constitution of Germany, imposed upon the German states by Bismarck at the close of the Franco-Prussian War, was designed

¹German claims in Morocco were for iron ore in the Sus province, while the Shantung Peninsula territory in China, taken as indemnity, was desired primarily for its iron-ore deposits and the harbor of Kiaoutchau.

²The same evolution took place in the United States following the Civil War.

to enthrone the old aristocracy, the King of Prussia, and the Junker class. The peasant, the worker, even the business classes were frankly excluded from political power. They enjoyed the ballot, it is true, and they could and do find places in the Reichstag. But they do not control the politics of the empire.

But the new class, the bourgeoisie, was fast rising to power. Not so much by law as by its commanding importance in the life of the state. Its home is in western Germany in the Rhine-Westphalia region. Essen, Frankfort, Düsseldorf, Duisburg, Cologne, Hamburg, and Bremen are the centres of its influence, although the great banking-houses of Berlin are closely identified with it.

If we could analyze the invisible government of Germany, we should possibly find that the capitalist-financial class is the strongest class in the empire. It has not the social distinction enjoyed by the capitalists in England or the United States. It is still discriminated against by the landed aristocracy and the military classes. It is inadequately represented in the Reichstag and the Prussian Parliament. And it has no voice whatever in the Bundesrat.

It has a party of its own, the National Liberal, and it co-operates with the Conservative or Junker party in the government. Our text-book portrayals of Germany contain little reference to this group. It has come into existence since 1871 when the present constitution was adopted. That is why our currently accepted opinions of Germany neglect its power. But that is a fault of all text-books on government. They contain no suggestion that government is economic rather than political, and that even constitutions will not stand in the way of the ascendancy of the class that is economically the most powerful. And in Germany the iron and the steel interests, the munition-making concerns, the shipowners, the great banks, the trusts, and commercial classes, have become very powerful, just as have the iron and steel and financial interests in our own country. They have a press of their own. It is the most jingoistic in Germany. With the Junkers the commercial, industrial, and financial classes *are* the government in every sense of the word.

Whereas Bismarck desired a powerful continental state the Kaiser reflected the new demand for industrial power and colonial expan-

sion. The Junkers are interested in domestic politics and the control of continental Europe. The industrials, on the other hand, are desirous of markets for the surplus products of their mills and factories, for raw materials, for iron ore, copper, cotton, wheat, and a secure means of communication with the outside world. The industrials are the real imperialists. From them came the demand for colonies, for possessions, and especially for the Bagdad Railway, a German land route to the Mediterranean and the Far East, unmenaced by British control of the seas.

Finally Bismarck, who had been indifferent to colonial expansion, was retired by the Kaiser on his accession to the throne. Although Bismarck represented the old feudal order, his far-seeing legislation had laid the foundations for German industrial achievements. William II identified himself with the big industrial interests. The economic expansion of Germany began with his ascension to the throne in 1888.

In the closing decade of the last century Germany abandoned her continental traditions and began to reach out for a place in the sun. From 1884 to 1890 nearly 1,000,000 square

miles of territory, for the most part tropical, with an estimated population of 14,000,000 people was brought under German rule.¹ With the parliamentary elections of 1899, which turned largely on the question of colonies, the empire committed itself to a policy of expansion and from this time on German agents and German traders were actively planting German claims wherever an opening offered.

The foreign policies of Germany changed with the retirement of Bismarck. The understanding with Russia was permitted to lapse. This freed the hands of Germany so far as the Near-Eastern question was concerned, while the disaffection between Turkey and Great Britain left the Sultan a receptive candidate to German advances, especially as the tenure of Turkey on European soil was none too secure. Great Britain had long been the guardian of Turkey in Europe. But the occupation of Egypt, in 1882, as a measure of protection to the

¹ These colonies are almost exclusively tropical. They have been a heavy financial burden and a disappointment to the trading classes. Exports to these colonies have been almost negligible. German colonial experience has been a recognized failure from every point of view.

Suez Canal and British investors alienated the Porte. For Egypt was under the suzerainty of Turkey, and the Sultan had been intrusted with the duty of maintaining order in the country. The bombardment of Alexandria impaired British influence at Constantinople. It also marks the beginning of a new alignment of Powers, which ultimately resulted in the alliance between England, France, and Russia, and the throwing of Turkey into the arms of Germany.

None of these considerations, however, would have induced Germany to abandon her continental policy had it not been for the rapid growth of German wealth, the belief that outside markets should be secured before it was too late and the realization that Turkey and western Asia were almost the only territories not already under the dominion of the other Powers.

Industrialism in Germany had reached its logical conclusion. Monopoly at home, the rise of the industrial classes to political power, the struggle for exclusive possessions and trading privileges, led to war. The battle-axe was substituted for competition. Not content with

her rapid industrial progress, Germany determined to make secure what she had gotten and to open up the way for even greater achievements by the exercise of the mailed fist. Militarism, developed as a means of continental power, was utilized as an agency of economic imperialism. The Junkers, merged with the big industrial classes and trained to believe only in *Machtpolitik*, lent their agencies of power to the bankers, munition-makers, iron and steel interests, the monopolies and trusts, for the conquest of Mitteleuropa and of the Mediterranean, western Asia, and the Far East as well.

This was the background of German penetration into Turkey and Asia, and the desire for control of a highway from Hamburg to the Persian Gulf. Great Britain controlled the seas. Germany planned to control transportation by land. The Bagdad Railway was an agency of empire-building.