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THE INTRODUCTION OF ADAM SMITH'S DOCTRINES INTO GERMANY

BY

CARL WILLIAM HASEK PH.D.

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PREFACE

THE object of the present study is to indicate as clearly as may be the channels by which and the conditions under which the ideas of Adam Smith concerning the growth of the wealth of nations entered into Germany and wrought their effects. This study is accordingly an attempt at a qualitative correlation of changes in economic life with changes in economic thought, both occurring during the storm and stress of a cataclysmic war. In order to present a picture of such changes it was found necessary to review in some detail the conditions of economic life and thought immediately preceding those changes. Such a review makes no pretense to originality of fact or treatment unless it arise from the purpose in view. The summary of the thought of the Cameralists is thus no more than a summary, intended to indicate the logical consistency between the economic thought and action of that day. At a time when political economy was literally national housekeeping with a despotic ruler as sole and only housekeeper, economic thought proved to be a body of theory which consisted largely of maxims, of wise saws and modern instances, directed toward the control of the national household. That this body of thought, developed by many writers in different parts of the Germany of that day, was not a unity is a foregone conclusion; that it contained many hints of Smith's ideas, as well as open references to them is a certainty.[1] It may seem strange,

[1] Roscher, W., "*Die Ein- und Durchführung des Adam Smith'schen Systems in Deutschland*," *Berichte über die Verhandlungen der königlich sächsischen Gesellschaft der Wissenschaften zu Leipzig* (Leipzig, 1867), vol. 19, pp. 17-21.

therefore, that more attention has not been given these writers in this study.

Although Cameralistic thought continued throughout the period under consideration and books on Cameralia appeared as late as the twenties of the nineteenth century, nevertheless it is not due to the Cameralists that reforms in economic thought and action entered Germany. The Physiocrats, no less than the Cameralists, had their schools of thought in Germany: it was not to either of these movements, however, but to a group of writers and thinkers who drew their ideas from England and Smith that these economic changes are to be attributed. Hence the slight emphasis upon Cameralistic previsions in this study.

The importance of the University of Göttingen in this transmission of Smithian ideas is not to be underrated. The majority of the early followers of Smith had either studied there or had come under the influence of those who had. This is not true of the later expositors of Smith, such as Hufeland, Soden, Jakob. The early writers or copiers of Smith's ideas added comparatively little of their own, whereas these later writers introduced considerable modification in keeping with the different economic conditions of their land and time. For this reason I have felt that a consideration of their work does not properly fall within the field of this study.

The tracing of influences in the tangled web of history is a difficult task. How much more so any attempt at assessing their relative importance! That the reforms of Stein owe their origin in part to his study of English history and of Adam Smith in particular, as well as to the influence of associates similarly trained, seems evident, but the writer is not inclined to attribute them solely to such influences. It was not Smith's attempt at the formulation of a social science, nor his methodology, which impressed these early

followers, but his insistence upon the sufficiency of self-interest with all its consequences which received their closest attention. And this was natural, for this idea offered not only a solution for the breakdown of the economic system of Frederick II, but also a remedy and needed stimulus in the darkest period of Prussian history. This spirit of economic liberalism lies at the base of all Stein's reforms.

The Germany of this period, the time of the final disintegration of the Holy Roman Empire, was not the Germany of 1914 or 1924. It was both greater and less; greater in the extent of its territory, less in its unity as a state. And yet the conditions portrayed in Prussia were substantially representative of all the three hundred sixty odd states of the empire. Through Hanover Smith's doctrines entered Prussia and the wider Germany of the day. For this reason the emphasis on Prussia has not been considered as doing violence to the title of this study.

C. W. HASEK

STATE COLLEGE, PA., DECEMBER, 1924.

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CHAPTER I

The Social and Economic Conditions of Prussia, 1713–1786

Within the Holy Roman Empire of the German people with its three hundred sixty odd states, two states had gradually risen to positions of commanding importance during the eighteenth century, namely Austria and Prussia. The former owed its position in part to the fact that its rulers had also been the emperors of the Holy Roman Empire for centuries past and in this double role had been able to shape the dynastic interests of the house of Hapsburg to conform advantageously with the larger interests of the empire. Prussia, however, owed its power to other causes. Due to its position, partly within and partly without the empire, which gave it a certain independence, although nominally its rulers acknowledged the overlordship of the empire; to its Protestantism, which made it the rallying point for the lesser states of like faith in northern Germany; and to a number of remarkable rulers, the state of Prussia came to be of the first importance in northern Germany during the eighteenth century. By reason of its proximity to Hanover, Prussia was early affected by those principles of economic liberalism which arose in England during the last half of the eighteenth century, and the Napoleonic wars, and the economic changes forced by the wars, gave an opportunity for the early application of those principles in the restoration of the state. In order to obtain a measure of the magnitude of these changes, it will be necessary to turn to an analysis of the social and economic life of Prussia during the latter part of the eighteenth century.

During the greater part of the century Prussia was fortunate in having as rulers two kings, who, however unattractive and forbidding as men and kings, were able to develop a poor and sparsely populated land, only recently a prey to all the horrors of an exhausting war of thirty years, into a land of comparative prosperity. The fundamental policy of Frederick William I and Frederick II, as revealed by an examination of their legislative acts, was to develop as far as possible into a social and economic unit â series of scattered territories where town or local rather than national economy prevailed.[1] To maintain these scattered territories as such a unit, a strong army was necessary, and to maintain a strong army political and financial organization was necessary. Hence the poles of this policy were the army and the revenues of the state; the king was both warlord and financier, and economist to boot, in the then accepted sense of the term.

I. BUREAUCRATIC ORGANIZATION

The characteristic features of the Prussian state as it existed under Frederick II and his successors, as well as in the other states of the empire, were an absolute, though often enlightened despotism, a bureaucratic organization which centered all control of the state in the hands of the ruler, and a form of economic organization which represented an only partly modified feudal system. Most characteristic of this social and economic organization was the way in which all control was centered in the king. In this respect the social and economic organization of the state duplicated in a larger way the military system of the state, and was as capable of control. In the hands of a great king, such as

[1] *Cf.* Schmoller, G., "*Das Mercantilsystem in seiner historischen Bedeutung*," in *Umrisse und Untersuchungen zur Verfassungs-, Verwaltungs-, und Wirtschaftsgeschichte besonders des Preussischen Staates im 17. und 18. Jahrhundert* (Leipzig, 1898), especially pp. 32 *et seq.*

Frederick II, the system was efficient, for it had been organized by great rulers. It was the incapacity of Frederick William II and Frederick William III, as much as the events of their times, which was responsible for the breakdown of the system.

From the time of the Great Elector an organization of the state had gradually been effected which removed control from the estates of the kingdom and placed it more and more in the hands of the king.[1] A commission form of government had been developed, in which the members of the commission were selected by the king and were responsible to him alone.[2] At the head of these stood the Privy Council (Geheimer Staatsrat). At first an important council, the increasing complexity of the commissions under the king had gradually undermined its usefulness and at the beginning of the reform period in 1807 it was of little significance.[3] The most important of these commissions was the General Directory of War and Domains (General-Oberste-Finanz-Kriegs-und Domänen-Direktorium), organized in 1723 by Frederick William I.[4] This administrative

[1] Schmoller, G., "*Der deutsche Beamtenstaat vom 16. bis 18. Jahrhundert,*" in *Umrisse etc.*, pp. 289-313; also Meier, E., *Die Reform der Verwaltungs-Organization unter Stein und Hardenberg* (Leipzig, 1881), pp. 1-127.

[2] Wolff, E., *Grundriss der preussisch-deutschen sozialpolitischen und Volkswirtschaftsgeschichte* (Berlin, 1904), pp. 37-40.

[3] In his memorandum—"Darstellung der fehlerhaften Organisation des Cabinets und der Notwendigkeit der Bildung einer Ministerial-Conferenz"—which Stein laid before Queen Louise, May 10, 1806, he says concerning the Privy Council: "It is, however, at present limited to only a few insignificant functions, and can in respect to significance and efficiency be considered as non-existent." Pertz, G. H., *Das Leben des Ministers Freiherrn vom Stein* (Berlin, 1850), vol. i, p. 332; also Ford, G. S., *Stein and the Era of Reform in Prussia, 1807-1815* (Princeton, 1922), p. 104.

[4] *Cf. Acta Borussica, Denkmäler der preussischen Staatsverwaltung im 18. Jahrhundert, Behördenorganization* (Berlin, 1892), vol. iii, p. 575 *et seq.* for the text of the act.

organization was arranged on both a regional or geographic basis, and a functional basis, with a general directory of five ministers (in Stein's time eight) at its head. In four departments, which comprised all the provincial divisions of the country (1. Prussia, Pomerania, the New Mark; 2. Minden, Ravensburg, Teklenburg, Lingen; 3. The Old Mark, Magdeburg, Halberstadt; 4. Geldern, Cleves, Märs, Neufchatel) all matters pertaining to the army, cities, domains, taxes, regalia, etc., were administered by provincial ministers who made their reports to the members of the directory. Beneath the provincial departments were the provincial chambers (Kammern) and at the bottom of the scale was the administration of the towns and of the Landrat in the more numerous agrarian communities. In addition to the above departments five others were organized to deal with matters which affected the whole state and could not be effectively administered in any one regional department. This illogical division of labor, although an improvement over preceding methods, was naturally the cause of much strife, and led to the consideration of only the most general questions in the directory.[1] Frederick II added to the number of departments (1740, Department of Postal, Commercial and Manufacturing Affairs, 1746, General Administration and Service Affairs, 1768, Department of Mines, 1770, Department of Forestry), but their administration remained the same. Foreign affairs were the subject matter of a special directory (Kabinetts-Ministerium), as were likewise matters of justice (Justiz-Ministerium), and the army (Militairbehörde).

Between the king and the directories, of which he was the nominal chairman, without, however, exercising that prerogative, stood a number of cabinet councillors (Kabinettsräthe), through whom the king communicated his will to

[1] Ford, G. S., *op. cit.*, p. 80.

his ministers. Under Frederick II the position of these cabinet councillors gained in importance, as that of the ministers declined, for to Frederick II, who was even more autocratic than his father, the directories became mere agencies for carrying out the sovereign's will. While the cabinet councillors under Frederick II were merely secretaries, they became under his weak successors the controlling powers of the state until extensive modifications were made in 1808 in the whole administration.[1]

In the field of municipal government, likewise, there had taken place especially during the years of Frederick William I (1713-1740) a revolution in methods which brought the cities under closer control by the central government.[2] The immediate cause for this extension of control was the necessity of a closer supervision of the excise tax. The governing body for the city had been the city council (Stadtrat), a body with plenary powers, oligarchic in character and self-perpetuating. Gradually the king replaced this in the various cities with a smaller salaried body, the members of which were appointed directly by him or at least had to receive his approval. Along with them was appointed a tax commissioner (Steuerkommissar) who was under the direct supervision of the provincial chamber of war and domains, and whose duty it was to inspect the management of the excise tax. This tax, which had been pretty generally introduced in 1713, was a complex system of land taxes, poll

[1] *Cf.* Wittichen, P., "*Das preussische Kabinett und Friedrich von Gentz, eine Denkschrift aus dem Jahre 1800,*" in *Historische Zeitschrift* (München), vol. 89, pp. 239-273, for an overwhelming indictment of the cabinet government by the genial Viennese writer. *Cf.* also Hüffer, H., "*Die Beamten des älteren preussischen Kabinets von 1713-1808,*" in *Forschungen zur Brandenburgischen und Preussischen Geschichte* (Leipzig, 1888) vol. v, pp. 157-190.

[2] For a summary of the conditions under which civil government was carried on during this period, *vide* Ford, G. S., *op. cit.*, p. 234 *et seq.*; Wolff, E., *op. cit.*, p. 14 *et seq.*

taxes, taxes on industry, and on grain, drinks, meat, etc., which covered a great variety of articles.[1] They were collected partly at the source of manufacture, partly upon entrance into the city, partly upon the final sale. The tax commissioners in their management of the tax were soon able to extend their power over everything touched by the tax until they were the virtual administrators of the city. Furthermore, the interest of the army in the returns from these taxes caused the frequent appointment of officers from the garrisons in the cities to make reports on those affairs of the city government which bore any relation to the army. This was only too frequently an entering wedge for the exercise of almost unlimited military control. Under these conditions it is not a matter of surprise that the apathy of the citizens in civil affairs was only matched by the ignorance of the peasantry in the field of agriculture. As citizens the burghers were usually free from conscription in the army, nor were they touched by the Contribution, or land tax, which so burdened the peasantry. As part of the estates they enjoyed the old established privileges of the estates. But these advantages were not such as to create that initiative necessary to the development of an active middle class and the active industrial life which accompanies it. The civil government as thus developed by Frederick William I was little modified by his son and remained essentially the same until the city ordinance of 1808. The features of this civil government were incorporated in the Frederician Code (Allgemeines Landrecht) of 1794, a fact which indicates the unchanging character of this municipal government.[2]

Such an administrative organization, however admirably conceived and articulated, could become a success only through an efficient and loyal body of officials, and such it

[1] *Cf.* Wolff, E., *op. cit.*, p. 15.

[2] Ford, G. S., *op. cit.*, pp. 239, 241.

was largely the royal task to create.[1] The thoroughly military nature and viewpoint of Frederick William I and Frederick II made possible the creation of that esprit de corps which made the administrative system a success and became a lasting tradition in Prussia. Complete responsibility for the acts of all inferiors and an absolute obedience to all the higher officials became the two cardinal principles on which the efficiency of the bureaucracy rested. Yearly budgets were introduced to which an absolute adherence was demanded, and against the expansion of which the king was constantly on his guard. In order to render his higher officials largely free of local political interests, and perhaps to reduce the possibility of bribery, they were always shifted to some other than their native province. Neither Frederick William I nor Frederick II hesitated to bring into their service many foreigners, either Germans from other parts of Germany, of which there were many striking examples (Stein, Hardenberg, Scharnhorst, Gneisenau, Fichte), or men from other countries of Europe, as De la Haye de Launay and the French officials who administered the indirect taxes after 1766. Indeed, in the case of Frederick II, his own French tastes and the inferior training which the native officials received made such recourse to foreigners natural and necessary. In order to maintain and improve the quality of the service, examinations were instituted, at first before two councillors in 1748, to which after 1770 a second examination before a superior examination commission (Ober-Examinations-Commission) was added.

As a further aid in maintaining the traditions and quality

[1] The best statement of the governmental organization and administration in the kingdom of Prussia about the year 1740 is to be found in the *Acta Borussica*, edited by Schmoller and Koser, under the title: *Die Behördenorganization und die allgemeine Staatsverwaltung Preussens im 18. Jahrhundert*, by Otto Hintze (Berlin, 1901), vol. vi, pt. i, pp. 3-288; *cf.* also Wolff, E., *op. cit.*, p. 40 *et seq.*

of the service an extensive system of punishments for any infractions of the rules was instituted. Arbitrary punishments were avoided by a table of instructions. The kings, however, maintained their right of arbitrary action well down into the nineteenth century, in spite of the fact that Frederick II had attempted to set the standard of behavior in their case also by pronouncing himself only the first servant of the state. Only the position of judge was recognized as lying beyond the arbitrary power of the king to create or destroy. Salaries of the lower ranks of officials were no more than sufficient to maintain their traditional standing, for the upper ranks they were more liberal; but in either case upon entry into office the official had to pay a substantial sum into the recruiting treasury (Rekrutenkasse), a procedure that came perilously near purchase of office.

If Frederick William I and Frederick II were thus able to create a bureaucratic machine which possessed many of the virtues of a well drilled army, such as devotion to duty, painstaking care and exactness, strict order, responsibility and obedience, they must also be held responsible for an organization which lacked flexibility and in which the spirit of tradition and routine made rapid adaption to new conditions an impossibility once the directing power of these able kings had disappeared and the machine had passed into inferior hands. This process of petrifaction may have been furthered by a plan of Frederick II, instituted in 1746, of establishing a waiting list of sons of officials for vacant positions in the service, a plan by which he hoped to obtain young men of good education and gentlemanly sentiments, but which led to a decrease of initiative, further bureaucratic petrifaction and an increase of red tape after the death of Frederick II. It was the Prussian bureaucratic machine which was largely responsible for the downfall of Prussia and no restoration of Prussia was possible until a liberaliza-

tion of the bureaucratic administrative process was brought to pass.

II. AGRICULTURAL ORGANIZATION

The economic life of Prussia, and likewise of all Germany, during the eighteenth century was still largely in the shackles of the feudal system, however much the forms of that system might differ in detail in the different lands. In agriculture, as well as in industry and trade, the mediaeval economic institutions had remained intact in the shift from a local economy to the larger economy of the state, although considerable modifications had occurred in practice in the different parts of the empire. However great the weaknesses of the feudal system, the process of improvement during the eighteenth century was one of consolidating those feudal institutions into a powerful state machine rather than modifying them along the lines of change in the more western states. Although the Prussian kings ruled with an absolute power, the selfish interests of the privileged estates, the dense ignorance of the masses of peasantry (popular education was still in a most rudimentary form), and the autocratic views of the rulers themselves, prevented much change in the economic institutions of the day. Agriculture was still the chief industry of the country, for Prussia was still an agrarian state, and the welfare of this military organization rested upon agriculture.

It is difficult to describe the condition of agriculture in Prussia in the eighteenth century, for few generalizations will hold for the different conditions and forms of agricultural economy in both the east and west of the state.[1] The

[1] The best summaries of the agricultural economy of Prussia are to be found in Knapp, G. F., *Die Bauern-Befreiung und der Ursprung der Landarbeiter in den älteren Theilen Preussens* (Leipzig, 1887), pt. i; also Sombart, W., *Die deutsche Volkswirtchaft im 19. Jahrhundert* (Berlin, 1903), pp. 49-59; Jordan-Rozwadowski, J. von, "*Die Bauern*

manorial system to the east of the Elbe was a comparatively recent development on lands which had been taken from the Slavs. Here prevailed the *Gutsherrschaft*, in which the serf was a subject of the estate and under the patrimonial jurisdiction of the lord (Patrimonialgericht). In the west the origins of the manorial system reached further into the past and were subject to different influences.[1] The estates were smaller than in the east and here the Grundherrschaft prevailed, in which the land and the rights, duties and privileges connected with it rather than with the estate were of fundamental importance. In the west the better quality of the soil, the influence of the neighboring states and a longer history had combined to produce a more complex agricultural economy than in the east, where the sandy soil and recent occupation gave cause for simpler conditions but greater exactions from the serfs and also greater poverty.

The peasants of the kingdom of Prussia were some free and some servile. The former, usually called Cölmer, were relatively few in number and their economic position relatively favorable. The serfs (Eigenbehörige) were found on both private estates and on the crown estates or domains, but on the latter their economic position was in general somewhat less oppressed. Both Frederick William I and Frederick II recognized the evil of serfdom and made attempts to improve the condition of the serfs on their crown lands. Between 1719 and 1723 the former decreed the abolition of serfdom on the royal domains in Prussia, Kam-

des 18. Jahrhunderts und ihre Herren im Lichte der neuesten deutschen Forschungen," in Conrad's Jahrbücher, 1900, pp. 337-368, 478-514; Ford, G. S., *op. cit.*, ch. vi, "The Prussian Peasantry before 1807;" Fuchs, K. J., *Die Epochen der deutschen Agrargeschichte und Agrarpolitik* (Jena, 1898); for an analysis of historical change in agriculture during this period, *vide* Wolff, E., *op. cit.*, pp. 60-72.

[1] Fuchs, K. J., *op. cit.* A translation may be found in T. N. Carver's

min and Pomerania.[1] The peasants obtained permanent possession of their farms with the right of sale, provided they paid for the farm equipment. The peasant, however, lost the privilege of support from his master in times of adversity and of obtaining free wood for building or fuel from the estate. These disabilities, added to the difficulties arising from the change from a natural to a money economy, aroused great resistance towards the change on the part of both peasants and lords and little good was accomplished. Frederick II also recognized the evil of serfdom and in the edict of 1763 provided for its abolition not only on the royal domains, but also on the estates of the lords and cities in Pomerania; but here, too, the resistance of the nobility made success impossible. The greater evils of serfdom were, however, somewhat mitigated especially in East and West Prussia. In 1748 the Silesian peasants were given the right of purchasing their freedom, a privilege which in 1773 was extended to other districts (Prussia, Ermeland, and the Netze district). This provision was even incorporated in the code of Frederick (1794) without, however, any regulation of the sum necessary to purchase freedom. With the change from a natural to a money economy the landlord demanded a money rent, which so burdened the peasant as to make it impossible for him to purchase his freedom.[2] Although Frederick William I and Frederick II hoped by these examples on the crown lands to set the pace for the private estates in the improvement of the condition of the peasants, their policy had slight success.

Of the serfs on the private estates, many of which were of enormous size,[3] a variety of services, definite or indefinite

[1] Wolff, E., *op. cit.*, pp. 64-65.

[2] Wolff, E., *op. cit.*, pp. 65-66.

[3] Böhme, K., *Gutsherrlich-bäuerliche Verhältnisse in Ostpreussen von 1770 bis 1830* (Leipzig, 1902), pp. 2-3, investigated four estates of 1,976, 33,605, 11,342 and 27,304 acres respectively.

in amount, were required. In the east the service of the peasant in tilling the lord's land was largely indefinite, and frequently amounted to six days per week, but his other obligations, such as payments in kind, were correspondingly light. In the west where the services were largely set by the terms of the peasants' tenures and rarely rose above a maximum of three days per week, the dues and money payments were much heavier. In addition to the above services menial service (Gesindedienst) was required of the peasant families in the east; the children from five to eight years of age and often older were subject to service in the manor or in connection with the lord's land. Such service commonly lasted from two to three years but often until marriage. In addition to the training received, a small payment for these services was frequently made by the lord. In this way the children of the peasants were kept on the estate and helped to solve the problem of labor supply. In addition to these services extraordinary labor, chiefly for transportation, could at any time be required of the serfs.

The nature and amount of the services, thus briefly described, were largely determined by the land tenure of the serf. At no time was the serf an owner of the land; he was merely bound to the soil (an die Scholle gebunden, adscripti glebae) and the manner of this connection determined his services. A great variety of names occur descriptive of variations in tenure, but they may all be considered as referring either to hereditary tenure or leasehold. The great mass of the peasants in the east (Lassiten) had a type of hereditary tenure, a limited number paid rents and occasionally some services, and some were day laborers working at a fixed payment. Some were held to service with horses or oxen (spannfähig), the extent of the service here being determined by the amount of the peasant's holdings. The peasant could not leave the land nor could he be deprived

of it without just cause, although needless to say, the superior power of the lord often nullified this latter fact. The protection of the peasants in the holdings by the king (Bauernschutz) was aimed at the prevention of the gradual absorption of the peasant holdings into the lord's domains. No landlord could incorporate into his estates land which had once belonged to a peasant, no matter for what reason vacated, but was obliged to settle another peasant holder upon it. The principle was thus the maintenance of the peasant class and of the peasant land. With the introduction of the money economy the peasant was gradually forced to pay a money rent which changed his legal status, made of him a leaseholder often for short periods, and gave the landlord the power of eviction for non-payment of rent.

The principle of protection of the peasants included also the maintenance of at least the *status quo ante* with regard to their services to their lords. Frederick William I, who favored agriculture as much as his son favored industry, indeed attempted to lighten the burdens of the peasants, but without much permanent success. In 1722 he decreed that peasants be given a hearing on the services to be rendered. In 1738 the beating of peasants was forbidden. Frederick II, also, through repeated regulation of the peasant services attempted to repress the greed of the landlords, but any gains the peasants made during his reign were lost in those of his successors. In 1792 and 1793 disturbances occurred among the peasants in Silesia who attempted to show their dissatisfaction with their lot. These disturbances, which had to be suppressed by force, gave rise to the edict of 1794 which apparently removed all hope of freedom from the peasants. In 1799, however, Frederick William III decreed the peasants should be immediately released from their services, but this change only substituted grain and money payments for labor or dues.

The state of agriculture and of the land was steadily improved during the eighteenth century by the Prussian kings. As the largest landholders in the kingdom they set the pace in the care and thought which they bestowed on the cultivation of their land; and with reason, for during the greater part of the eighteenth century the income from the royal domains composed from one-third to one-half of the total revenue of the state. The striking feature of this policy is the extreme meticulousness of regulation by the king. Nothing is left to chance, or to the common sense or good judgment of subordinates. Under Frederick William I the system of leasing on the royal domains was changed from hereditary to time lease and the period reduced from twenty-four years uniformly to six. The old domains were freed of their debts if encumbered, and new territory was gradually bought up from private landholders. In 1732 appeared the Regulations on Management (Haushaltungsreglements) with minute specifications concerning the various features of the agricultural art. Between 1718 and 1722 a model farm was established in the Havel region. Special regulations were made for the cultivation of fruit trees, for the improvement of the various breeds of cattle, for the development of the veterinary art, and for the cultivation of silk.

Frederick II, trained by his careful father in the management of the domains, devoted hardly less attention to their improvement. Hereditary tenantry was again introduced for fiscal reasons. In 1763 the four-field system of cultivation began to take the place of the three-field system. The cultivation of potatoes was introduced, but with much difficulty. In 1748 sheep culture was improved by the introduction of the merino. Spinning schools were established to train girls during the winter. And finally new methods were introduced into the art of forestry.

No less effort was expended in improving the condition of the land. The Thirty Years War had left the country a ruin, which was not completely restored until the eighteenth century. In addition great efforts were made to drain the marshes and make them habitable. From 1718 to 1722 one hundred thousand hectares of marsh land along the Havel were reclaimed. Under Frederick II two hundred thousand morgens of land along the Oder were reclaimed and opened to colonization.[1] Like reclamation projects were carried out along the Netze, Warthe, Rhin, Dosse and Drömling after the peace of Hubertusburg (1763) and great tracts of land regained. In keeping with this extensive system of reclamation were the immigration and land-settlement policies of the Prussian kings. The tolerant Lutheranism of Frederick William I, the enlightenment devoid of religion of any kind of Frederick II, and the general belief that a rapid increase in population was an unmixed blessing, led to the opening-up of the land to large numbers of emigrants from less tolerant lands and the addition of gifted workmen to the industries of Prussia.[2] The improvement of the land and the resulting advantages are estimated to have attracted nearly three hundred thousand immigrants into Prussia during the reign of Frederick II alone.

A further change of great significance as foreshadowing the eventual complete elimination of feudal agriculture was the beginning of enclosures and the division of the common fields during the reign of Frederick II. The destructive wars waged on German soil, the reclamation projects, and the immigration policy led gradually to this modification of

[1] Detto, A., "*Die Besiedelung des Oderbruches durch Fr. den Grossen*," *Forschungen zur Brandenburgischen und Preussischen Geschichte* (Leipzig, 1888) vol. 16, pp. 163-205.

[2] *Cf.* Schmoller, G., "*Die preussische Einwanderung und ländliche Kolonization des 17. und 18. Jahrhunderts*," in *Umrisse etc.*, pp. 562-627.

the feudal agricultural system. The breaking up of the common fields, however, brought hardship to certain classes of peasants and increased the bitterness of their lot during the Napoleonic wars.[1]

III. MANUFACTURE AND COMMERCE

As in agriculture, so in industry during the eighteenth century changes were constantly taking place which modified the feudal guild system in part and fitted it to the state economy of the Prussian kings, but in no case did that system disappear or become replaced by a more modern form of production until the industrial revolution in Germany made such a total change imperative.[2] The feudal system of industry, modified in many particulars as it was and supported by the first forms of the factory system, continued to dominate this phase of the economic life and thought of Prussia until the middle of the nineteenth century. The modifications introduced into the system by Frederick William I were such as to fit it better into the centralized state policy of the Prussian kings, while Frederick II contented himself with encouraging the feeble beginnings of the factory system.

The guild system, as it existed in Prussia, and in other parts of the empire during the eighteenth century, was a complex mass of customs, of privileges and restrictions, regulating the production of goods and the quantity of services for exchange. The privileges (privilegia) of organi-

[1] *Cf.* Wolff, E., *op. cit.*, p. 71.

[2] On the guild system in Prussia, *vide* the excellent work by Kurt von Rohrscheidt, *Vom Zunftzwange zur Gewerbefreiheit* (Berlin, 1898), especially pp. 1-183; also Sombart, W., *Die deutsche Volkswirtschaft im 19ten Jahrhundert*, pp. 55-68; Schmoller, G., "*Das brandenburgisch-preussische Innungswesen von 1640 bis 1800, hauptsächlich die Reform unter Friedrich Wilhelm I.*" in *Umrisse* etc., pp. 314-406. For a summary of the changes in industry and commerce during the eighteenth century, *vide* Wolff, E., *op. cit.*, pp. 72-90.

zation were granted by the central government, and were of two kinds, general and special, according as the grant of organization applied to the entire kingdom or to special regions. The guilds were limited to the cities and in the time of Frederick II to the larger cities especially,[1] although guild organization was granted to some trades in the country, such as tailors, smiths, carpenters, wheelwrights and weavers, or to those trades naturally fitted for the country, such as the smelting industry. They were either closed, i. e., membership was limited, or open; likewise either simple or complex, according as one or more trades were united in a guild; but the complex guilds, such as that of the linen and woolen dyers, were few in number.

In each city the guild was organized as an association, which maintained minute regulations of the activities of every member, whether apprentice, journeyman or master. The oldest master was usually head of the guild (Altmeister) for terms varying from six months to life. Regular meetings were held, dues were collected, books were kept of the personnel and activities of the guild, and a treasury was maintained, from which, aside from the expenses of the guild, relief was granted the members in case of illness or death. The guilds were obligated to accept as members not only all workers in that trade in the city, but also workers outside the city, provided they were not already members of a guild, for no worker could be a member of more than one guild. As the guilds regulated the activities of the members, so the local representatives of the central government (Kriegs-und Steuerräthe) controlled the activities of the guilds in all matters pertaining to the law of the land. Quarrels within the guild between masters and journeymen were settled by it or referred to the courts, as were likewise all disputes between guilds.[2]

[1] Rohrscheidt, K. von, *op. cit.*, p. 2.

[2] Rohrscheidt, K. von, *op. cit.*, p. 5, 7.

Minute also were the regulations concerning the admission and training of new members in the guild. Apprentices, upon the approval of the master, and the payment of fees as well as a Lehrgeld, were accepted and trained in the trade for a period usually of three years, although even six years might be required in some trades. Upon completion of his training in the local guild, the apprentice became a journeyman obliged to travel for three or more years within the state in order to acquire further knowledge of his trade in the guilds of other cities. If the journeyman had successfully completed his training and was free from military service, he was at liberty to become a master. In order to do so, he produced a masterpiece (Meisterstück), the nature and quality of which were regulated both by the guild and the state.

As a master the new member of the guild was obligated to abide by all its regulations. He could not deal in the raw materials necessary for his trade except for his own use in his trade.[1] He could sell his wares only in the local market except at the time of the great fairs, when wares from a wide region were offered for sale. He could not be a member of more than one guild, nor employ other than members of a guild. He could not engage in any other trade except by special permission of the state, although each and every one was free to engage in agriculture.[2] Special regulations prevailed for invalids, for the widows of guild masters, and for those who carried on their trades in the country.

Such in brief outline was the guild system as it existed during the eighteenth century in Prussia. Originally a development of the cities and adapted to a local economy or to

[1] *Cf.* the Vor- und Aufkaufsedict of Nov. 17, 1747, designed to prevent the possibility of any guild master buying raw material for any other than his own use.

[2] *Cf.* Rohrscheidt, K. von, *op. cit.*, pp. 8-27.

a city with a limited hinterland, it was during this period modified by the central government in the interest of the wider policies of the state, without, however, losing thereby its essential characteristics. The most important of these changes was that instituted by Frederick William I in 1732. In 1731 there had appeared an imperial trade law,[1] occasioned by the continuous struggle between the guilds and the journeymen's unions (Gesellenbruderschaften) throughout the empire. In keeping with this statute Frederick William I during the years 1732-1736 caused a thoroughgoing revision of the guild statutes to be made, the object of which was to secure greater control over the guild system by the central power.[2] Each and every guild was made a unit independent of any central organization. Legal decisions of the guilds were invalid beyond the bounds of the territory. Punishments within the power of the guild were reduced to trifling fines. Meetings could be held only in the presence of a member of council. The punishment of exclusion from the guild could be pronounced only by a magistrate. The oath of secrecy and participation in secret organizations was forbidden, as were likewise all forms of persecution, such as claims of dishonesty, decrying of goods, the use of defamatory letters, etc. In certain trades customers could order goods from masters in other cities, a provision which broke down the exclusiveness of the local market. Merchants were permitted to deal in guild products, and thus with the gradual extension of this power the domestic system began to appear, and capital to accumulate.

[1] This imperial trade law (Reichsgewerbegesetz) had finally been passed in 1731 by the diet at Regensburg (Ratisbon) through Prussian influence. The chief cause of Prussian interest in the enactment of such a law was the increasing number of disturbances among the journeymen in the textile industry of the New Mark. Schmoller, G., *Umrisse etc.*, p. 382 *et seq.*

[2] *Ibid.*, p. 356 *et seq.*

At the same time that the privileges and duties of the guilds were being defined with greater regard for the welfare of the state, the nature of the journeymen's fraternities was being closely determined. The imperial legislation of 1731 against the fraternities was supplemented by further Prussian legislation. No journeyman could travel beyond the confines of Prussia. Strikes and rebellion were forbidden. In addition to certificates of age and training, a passport (Kundschaft) stating previous location, length of service there and good behavior was required. A journeyman without such a passport was a man without a country and treated accordingly. The journeymen of each trade could maintain their own lodging places (Herberge), but legal procedure against members was taken out of their hands. Such legislation effectually curbed the power of the fraternities for some time and placed the journeymen under the control of the guilds, but it could not control the development of the industrial process nor restore it to its mediaeval form. New trades developed to which the guild principles no longer applied, while other trades gradually took on the factory form of organization and dropped their guild form. The result was that those trades still bound by the guild form began to feel it a hindrance rather than a help, and legislation was again sought to remedy conditions, as in 1776 when sixty-four trades were declared free.[1]

The development of factory production [2] which Frederick II undertook during his reign was attended with far greater

[1] *Cf.* Wolff, E., *op. cit.*, p. 75.

[2] The type of industry which is here called factory production is not to be confused with the later development of industry under power machinery in the nineteenth century. Factory production occurred in the large cities, especially Berlin, in those industries which were not subject to guild control. It might better have been called the domestic system, were it not for the fact that production was not in the homes. It was, however, a stage of development which corresponded to the domestic system in England.

difficulties than the regulation of the trades. Not only was capital largely lacking, as well as credit, for the first bank was not established until 1766, but the spirit of enterprise did not exist. Gain was sought along lines approved by the government. Guild masters and merchants were accustomed to small-scale production for local markets. The attraction of a wide market and a wide variety of tastes was absent. Paternalistic inspiration and regulation were necessary here also in order to stimulate private initiative. As for his army, so for his productive system, Frederick II sent abroad a number of agents to enlist enterprising foreign producers in Prussian industry in order to stimulate native enterprise by their example, a policy which was often successful. After the Seven Years War Frederick II became more energetic in his policy. The first bank with a capital of eight million thalers was established in Berlin in 1766 in accordance with the plans of the Italian Calzabigi. At first unsuccessful, because of the distrust of the business men and mismanagement of the foreign officials, it developed into a successful business, after a change of management the year following its founding. As a further aid to industry the first insurance chamber (Assecuranzkammer) was established in Berlin in 1765. Five years later extensive plans were made for the development of industry in the Kurmark and one hundred forty thousand thaler were advanced by the king. Especial aid was given to the textile industries, the manufacture of woolens, linen and silk goods,[1] to the porcelain industry and to the manufacture of paper. The manufacture of cotton goods was also aided, but it stood less in the good graces of the king, for the raw material came from abroad. Monopoly rights for limited periods, as in

[1] *Cf.* Schmoller, G., "*Die preussische Seidenindustrie im 18. Jahrhundert und ihre Begründung durch Friedrich den Grossen*," in *Umrisse etc.*, pp. 530-561.

the case of the paper industry, and prizes of forty to one hundred thaler were the means used to encourage new industrial products.[1]

The paternalistic policy of trade development in the eighteenth century was expressed in a variety of ways, by the imposition of high tariffs, the encouragement of trading companies, the development of banking and insurance and the building of canals and clearing of rivers. In order to maintain and develop domestic trades and industries high duties were levied on all imported manufactures and all raw materials exported. Particularly was the attempt made to hinder the importation of agricultural products and beer, brandy and salt. Especial protection was also afforded the wool industry. The Prussian woolen industry so developed as a result that it was able not only to supply all the cloth needed for the army at home but also to export large quantities in competition with the nations of western Europe. For the sale of woolens in Russia a special company was formed and in 1734 received an order for cloth for the entire Russian army.[2] Other companies, as they were formed for foreign trade, received royal support and assistance through the royal agents abroad. In 1772 Frederick II himself established one such company, the Royal Marine Trading Company (Königliche Seehandlungsgesellschaft) with the privilege of importing salt and wax.[3]

The development of a merchant fleet and of foreign colonies was beyond the intentions of either Frederick William I or Frederick II, for the organization and consolidation of the Prussian territories and their defense required the greatest efforts and made the application of much revenue

[1] *Cf.* Wolff, E., *op. cit.*, p. 78.

[2] *Cf.* Schmoller, G., "*Die russische Compagnie in Berlin 1724-1738*," in *Umrisse etc.*, pp. 457-529.

to maritime projects impossible. But the sale abroad of domestic products carried in Prussian vessels was favored wherever possible and the direct trade of Prussian merchants with foreign colonies and the Mediterranean lands was furthered through treaties. By the end of the reign of Frederick II Prussian vessels numbered twelve hundred and the foreign trade of Prussia was carried chiefly by them.[1]

The development and regulation of inland trade and transportation proved to be a far more difficult task, for economic and political units did not coincide and the jealousies of neighboring German states made agreement impossible, unless the improvements suggested were very evidently to the benefit of all. In the restoration of the trade of Magdeburg, one of the great trading centers of Prussia, difficulties were encountered in the opposition of Hamburg and Leipzig. The staple rights of the city were restored in 1747, but the river tolls and the transit toll laid too severe a tax on trade to permit any marked restoration of the city's prosperity. In the case of Berlin and Stettin, however, success was greater, for by a modification of the staple rights of these cities, by a lowering of the tolls on the Oder in 1754 and by the building of canals, the trading position of the two cities was much improved.[2]

IV. SOCIAL ORGANIZATION

Such, then, are some of the characteristic features of the economic life of Prussia during the greater part of the eighteenth century. Its main feature is the maintenance of the feudal economic order with only such modifications as were necessary to change it from a local or city to a state economy. With the formation of a compact state which should be not only a military but also an economic unit the

main efforts of Frederick William I and Frederick II were concerned. By the end of the reign of Frederick II a semblance of unity, not only military but also economic, had been secured in a series of territories which a century before had differed widely in their habitual attitude in all the affairs of life; but such unity had been attained only in part and with the development of certain undesirable features, which were to make themselves felt during the two succeeding reigns.

One of these undesirable features was the sharp distinctions drawn between the three classes of peasants, citizens and nobles, distinctions so sharp as to amount in effect to a system of caste with many of its evils.[1] Recruits for the standing army were drawn mostly from the peasant class or enlisted from other German states. The officers were drawn largely from the nobility (in the reign of Frederick II entirely from that source), and thus the old feudal relation of lord and peasant was perpetuated in the army in the relations of officer and private. In addition to service as officers in the army, the nobility under Frederick II was drawn upon to fill the presidencies of the provincial offices, positions in the diplomatic service and all sinecures. The nobility was largely confined to the landed estates where it maintained the social and courtly forms of its class. Material prosperity was usually apparent, spiritual and moral culture often as apparently lacking. From the class of civilians above the industrial workers came the majority of the bureaucracy, the churchmen and teachers, scientists and artists. No civilians could acquire land except in Poland after the partitions, but from this class came the leaseholders of the royal domains, positions which were not open to the nobility after 1732. In the civilian class, located for the most part in small towns with only local interests and slight intercom-

[1] Ford, G. S., *op. cit.*, pp. 163-167; Wolff, E., *op. cit.*, pp. 56-57.

munication, a petty and provincial spirit prevailed, which was if anything enhanced by the prevailing narrow religious views. In the larger cities with greater opportunities for social and educational development a cosmopolitan spirit developed. But everywhere, in the large cities as well as in the small, and in the country, in economic affairs as well as political, the prevailing attitude was one of passive acceptance of governmental control and direction.

V. THE THOUGHT OF THE CAMERALISTS

The structure of the economic life of the Germany of this period, an outline of which in one of its largest and most important states has just been given, is reflected, classified and estimated by the writers known as the Cameralists. An analysis and summary of their views will show to what extent the economic thought of the time differed from that which followed in the early nineteenth century. Only the main outlines of their views can be given, for extensive divergencies in detail are found in their writings, as is naturally the case in a number of writers under the influence of somewhat different environments. The striking feature of the work of the Cameralistic writers, however, is not their divergencies in detail, great as they are, but the essential unity of viewpoint and analysis. This unity is especially remarkable when one recalls that mass of differences which made up the three hundred sixty odd states of the Holy Roman Empire. Such unity of viewpoint in the analysis of the Cameralists is proof that the economic life of Prussia and the attitude of ruler and people towards it was also characteristic of the other states which constituted the Germany of that time.

The object of the Cameralists was the cameral sciences, or cameralia (Cameralwissenschaft), so named from the camera or Kammer, the chamber in which the administrative

employees of the states, especially in the fiscal departments, did their work.[1] There was by no means a uniform classification of the cameral sciences, especially in the minor subdivisions, nor was their extent always definitely fixed; one division, however, was present from the first, that dealing with the finances of the state. To this were added divisions dealing with economy and policy, a classification which has maintained itself to the present day with many writers. To these main divisions von Justi, one of the chief Cameralistic writers, added a fourth, the Staatswirtschaft, or state economy, and placed it first. According to von Justi:

> We call the sciences dedicated to the government of a state the economic as well as the Cameralistic sciences, or the economic and Cameralistic sciences. Economics or Haushaltungskunst has for its aim to teach how the means of private persons are to be preserved, increased and reasonably applied. What economics attempts to do in connection with the goods of private persons, the governmental sciences aim to do in the case of the total means of the state. Hence they properly bear the name of the economic sciences. We give them the name Cameralistic sciences, however, because the high Collegia which the sovereigns have established, to manage the preservation, expansion and use of the means of the commonweal, are usually called Cammern or Cammercollegia.[2]

Again:

> All the affairs of a state may be included under two main head-

[1] Small, A. W., *The Cameralists* (Chicago, 1909), p. 18. The entire work is of great value in showing the significance of German Cameralism as a body of theory and practice, but see especially the chapters on von Justi and Sonnenfels, chs. xiii-xxi.

[2] Von Justi, J. H. G., *Die Staatswirtschaft oder systematische Adhandlung aller oekonomischen und Cameralwissenschaften, die zur Regierung eines Landes erfodert werden*, second edition, (Leipzig, 1758), vol. i, p. 32.

ings: they all aim either at maintaining and increasing the wealth of the state, or using and managing it wisely. Hence arise naturally the two main divisions of all the sciences devoted to the government of the state. In the first division we have to consider accordingly the business of maintaining and increasing the wealth and power of the state and the ways and means concerned with this. The principles and rules for this are contained in political science [Staatskunst], in the science of commercial policies, and in economy, or household management; for all these sciences have no other aim than to make clear the principles according to which the wealth of the state can either be maintained or increased.[1]

Economy is thus efficient management, whether of the home, or the city, or the state; policy, such management when directed by the king and his officials for the common welfare; and the science of finance, the most efficient way of increasing the means at the disposal of the state.

The Cameralistic analysis usually begins with a definition of the state and the functions of government. According to von Justi: "A republic or state is a unification of a multitude of people under a supreme power, for the ultimate purpose of their happiness."[2] The monarchical form of government is practically taken for granted.

It is easy to prove that the monarchical form of government is far preferable to all others, in consideration of the rapidity with which it can grasp the means of happiness of a state, and because many domestic disturbances and discords are thus prevented. It is also certain that a single good monarch can do more good than free republics could bring to pass in centuries.[3]

The relation of the monarch to the state is thus defined:

[1] *Ibid.*, p. 59, 60.

[2] *Ibid.*, p. 34.

[3] *Ibid.*, p. 38.

The supreme power consists in the use of the total means and powers of the state, in order to attain thereby the aim of the state, the happiness of all. We should limit the supreme power much too narrowly if we should make it consist merely in laws, ordinances, penalties, etc. To the means and powers of the state belong not only all sorts of goods, both fixed and movable, within the boundaries of the country, but also all the talents and abilities of the persons who reside in the country. The reasonable use of all these things, then, and the prerogative of such use, is therefore the supreme power.[1]

One of the chief functions of the government is to maintain the internal and external security of the state; to this end a ready treasure and a well organized army are the most essential means.

In the above quotations the characteristic features of the German state of the eighteenth century appear and a statement of the measures necessary to maintain its existence in the common struggle of many such states for existence. The state is at the same time an estate, the king, the owner-manager, who with the assistance of many officials directs the work on the estate in such a way as best to promote the welfare and happiness of the inhabitants and maintain their security at home and abroad. That body of principles and practices necessary to the most efficient management of this estate constitutes the Cameralistic sciences. It is thus evident that the cameral sciences included not only the field which is now cultivated under the title of economics, but also the field of political science, and that the Cameralists can not be called Mercantilists without considering the whole of their policy and its relation to the German state of its time.

One of the central tenets of the Cameralists was the necessity of an increased population. Sonnenfels states the

[1] *Ibid.*, p. 48.

problem thus: "I take, therefore, the enlargement of civic society, through promotion of the increase of population, as the common fundamental principle of Staatswissenschaft . . . ; and the validating principle of every measure which is adopted for the promotion of the general happiness is this: 'Does it tend to increase or diminish population?'"[1]

Von Justi also:

> The increase of the inhabitants increases the wealth of the country, both because they in part bring commodities into the country, and because the circulation of money is furthered. This latter point can be subject to no doubt, if we consider that all people without exception commonly stand in need of help from one another, and that consequently the more people dwelling together, the larger the industries. By the circulation of money, however, wealth becomes truly the wealth of the country. If the country secures goods and products which foreign peoples need, the increase of wealth by the growth of the population is the more evident. For the greater the number of people who work on the goods and products of a country, the more money will be drawn into that country.[2]

The insistence of such writers upon a larger population becomes clear in the light of the principles of Frederick William I and Frederick II who sought by every means to increase the number of useful citizens in Prussia in order to repair the losses occasioned by the Thirty Years War and to improve the cultivation of the land.

Although the Cameralists, as a species of the genus Mercantilist, are frequently said to have emphasized manufactures and commerce to the exclusion of the other productive agencies of the state, it is by no means true that the Cameralists neglected the extractive industries in their analysis.

[1] Sonnenfels, J. von, *Grundsätze der Polizey, Handlung und Finanz* (Vienna, 1786), vol. i, pp. 27-28.

[2] Von Justi, J. H. G., *op. cit.*, p. 160.

The land policy (Landespolicey) of von Justi deals with such subjects as the organization of larger and smaller rural estates, the regulation of acreage devoted to different crops on these estates, the adjustment of taxation so as best to stimulate agriculture, the protection of cultivators against the interests of hunting or forestry, regulation of other occupations which might draw the peasants from the cultivation of the soil, stimulation of agricultural talent in the peasants, inducing the production of raw materials which would not be raised without special stimulus, improvement of the quality of the products, employment of "economic inspectors" to supervise all these things, adoption of uniform systems of measuring land, adoption of rules of rotation of crops and other regulations, like the wages of laborers, etc., adoption of special standards for particular products, kinds of seed to be used, etc., enactment of ordinances to protect growing crops from thieves, etc., particular attention to cattle raising, also to vineyards and to horticulture.[1]

Such meticulous management and regulation of agriculture is necessary, for according to von Justi: "Above all things the land of a state must be cultivated in every possible way. It follows directly from the first general principle that the acquisition of the products of the land and the increase of the food supply must be furthered in every possible way."[2]

However, if a state has only inhabitants devoted to the cultivation of the surface of the earth, its population can never be dense; hence, since a state must in every way promote population, recourse must be had to manufactures and commerce, and here the course of argument runs according to the more commonly emphasized features of mercantilism. Manufactures are to be established primarily to supply the needs of the population and thus prevent importation from

[1] Small, A. W., *op. cit.*, pp. 446-447.

[2] Von Justi, J. H. G., *Grundsätze der Policeywissenschaft*, third edition (Göttingen, 1782), pp. 10, 12.

abroad, and secondarily for the purpose of supplying the means of export, for "only foreign commerce can increase the wealth of a land." [1] In the words of von Justi,

> the ultimate purpose of all transactions is, on the side of the state to export goods produced in the country, and not needed, and therefrom to gain increase of wealth, as well as to provide the land with all those goods which are required for the needs and the conveniences of human life.[2]

The ultimate proof that the wealth of a country is increasing and that the well-being of the population is advancing is the increase of precious metals in the country through foreign trade. "The first principle of advantageous commerce with foreign nations is that more gold and silver shall come into the country as a result than goes out, and on this principle must all measures for establishing useful commerce be founded." [3] In order to further the commerce of the state and increase the inflow of the precious metals, all means at the disposal of the state are to be employed. These include the organization, development and protection of trading companies, the wise use of tariff barriers and the organization of bureaus of commerce in order to coordinate activities in manufactures and commerce. Finally, all obstacles which may embarass commerce are to be removed so far as possible. These may come either from foreign or domestic causes. Thus, under the former head, war between other powers, with incidental hindrances to our commerce; secret machinations of other powers against our foreign traders, etc. Among domestic hindrances may be named: scarcity of materials for shipbuilding and other production; lack of capital in the country; existing privileges of certain towns and lands in the matter of imports

[1] Von Justi, J. H. G., *Die Staatswirtschaft etc.*, vol. i, p. 178.

[2] *Ibid.*, p. 188.

[3] *Ibid.*, p. 198.

and exports of staples; the envy and jealousy of certain lands and towns towards one another, etc.[1]

That the Cameralists did not consider gold as the only form of wealth in a country, that in fact their concept of national well-being was saner than is often supposed, can be seen from some further consideration of their views of wealth. According to von Justi "by the wealth of a country we understand a sufficient supply of goods to satisfy the needs and conveniences of life, and by means of which the subjects by diligence and labor may find adequate sustenance," [2] a definition which includes both capital and wealth. Further:

Wealth, therefore, consists really of those goods, which in accordance with the existing constitution and manner of living of the world are used for food, clothing and shelter and all other forms of human need and comfort; and if it were possible that a country produced within its own boundaries all these goods in sufficient amount, and had with other people no relations or business, which make the importation and exportation of certain goods necessary, we would of course have to call such a country wealthy, although no trace of gold or silver were found in it. But no country, especially in our part of the world, is so constituted.[3]

Among the causes contributing to the overemphasis by the Cameralists of gold and silver as the chief forms of wealth in a state may be mentioned (1) the great fiscal needs of the German states, which led the Cameralists to place the means towards satisfying those needs in the center of their systems of economic analysis, (2) the policy of the German rulers of collecting war chests in times of peace (Frederick

[1] *Ibid.*, pp. 241-242.

[2] *Ibid.*, p. 152.

[3] *Ibid.*, p. 152.

II left to his successor in 1786 a war chest of over fifty million thaler),[1] and (3) the change from a natural to a money economy in Germany during the eighteenth century.

The main features, then, of that system of thought and administration known as Cameralism may be characterized as follows: a nationalistic viewpoint, the nation here, however, being conceived not as that large unit which we today call Germany, but rather a political unit, however small and insignificant. In this sense each of the small states in the Holy Roman Empire pursued a nationalistic policy. From this viewpoint followed naturally an analysis of all the workings of the state in terms of the common weal. The point of view was not only national but social. A further feature of Cameralistic thought closely associated with the preceding is the acceptance of the monarchical form of government and of the monarch as the divinely appointed owner, legislator, administrator and protector of the state. In his last capacity as protector, the need of an army was manifest and the collection and proper expenditure of means for its maintenance became one of the sovereign's first duties to the state. Hence the emphasis on a proper financial economy as the *sine qua non* of all systems of Cameralistic thought. Such a financial system in the state of affairs in Germany during the eighteenth century demanded action along two lines, (1) the collection of the necessary money in any way possible, and since this appeared most easily to be accomplished by the application of Mercantilistic principles, the analysis of such principles becomes a feature of all such systems of Cameralistic thought, and (2) the extensive regulation of the activities of the state in the furtherance of these ends. The thought of the Cameralists thus takes on the features

[1] Estimated at 51,302,010 Rth. 12Gr. 9Pf. on Aug. 17, 1786. Koser, R., *"Die preussischen Finanzen von 1763 bis 1786,"* in *Forschungen zur*

of an administrative technology with meticulous analysis of all the pros and cons of a given activity in its relation to the above mentioned ends. Lastly, in keeping with the acceptance of the *status quo* in matters political, the analysis accepted the existing social order with its sharp differentiations between the different classes of the population and its limitations of their activities. As a body of doctrine with such features the analysis of the Cameralists was in terms of the traditional order of things, and reflected in all its structure the structure, economic and otherwise, of the society in which it came into being. As such a body of doctrine it stood in sharp contrast with those features of economic liberalism, which were developing in England and France and of which Adam Smith was the most effective spokesman, with their emphasis on a changing order, freedom of individual initiative in matters economic, and the minimum of regulation and administration in keeping with such freedom.

CHAPTER II

The Collapse of Feudal Prussia

I. POLITICAL CHANGES, 1786-1807

With the death of Frederick II in 1786 the system built up by him and his father may be said to come to an end, for although it continued to exist in outward form for twenty years longer, the mainspring of the machine, represented by the remarkable abilities of Frederick William I and Frederick II, was broken. This system of economic and political centralization, which had been built in the slow process of nearly one hundred fifty years, now passed into the hands of two weak kings, Frederick William II and III, who proved inadequate to the responsibilities of their position in the period of rapid change that followed 1791. Frederick William II has been described as

> a man of fine presence and genial manners, but unmethodical in business; easy going, good natured and irresolute in character; highly emotional in temperament, voluptuous and self-indulgent; deeply influenced by the mysticism which has attracted several members of his house; devoted to music; interested in architecture and painting, but infirm of purpose and vacillating in the conduct of affairs, not the man to sustain the labors or to develop the policy of his great predecessor.[1]

[1] Marriott, J.A.R. and Robertson, C. G., *The Evolution of Prussia* (Oxford, 1915) pp. 166-167. *Cf.* Stein's estimate of Frederick William II: "In Stein's judgment the new king 'combined with a fine memory enriched by the study of history a keen understanding, a noble, kindly character, and a lively sense of his dignity; but these good qualities were dulled by sensuality, which made him a creature of his mistresses,

Like his predecessors, however, he was able to add a great extent of territory to his kingdom, but at the same time he exposed the weakness of the Prussian kingdom and the greater weakness of the empire to that acute observer, Napoleon, and thus contributed to its downfall.

The two great events in the history of Prussia and of the empire during the reign of Frederick William II (1786-1797) are the final partitions of Poland and the war with France. For two years the French Revolution had been looked upon as a matter of concern to France alone, but as the disorders continued and increased rather than subsided, the interest of royalty in the fate of Louis XVI and his family took a practical turn, and the Declaration of Pillnitz was issued in August, 1791. The threat of war here made became an actuality the following year when France declared war on Austria, which was joined by Prussia in accordance with treaty provisions. The war which ensued continued with varying success to the allies, for their activities on the western front were complicated by the Polish situation, which was in its acute stage during the years 1793-1794. In 1791 Poland had set up a new and liberal government, but when a group of disgruntled Poles, as the Confederation of Targowica, appealed to Catherine of Russia for aid, she was only too glad to acquiesce. As a result Poland was restored to its previous political form (1792), and paid further penalty in loss of territory to Russia and Prussia, the latter of which obtained "Danzig and Thorn,

by a penchant for the strange, for mysticism, by reason of which he fell under the control of cunning, but commonplace, individuals, and by a lack of steadiness. A large part of the faults of his reign must, however, be ascribed to the nation, which without restraint or decency grovelled before his favorites, Bischoffswerder and Wöllner, and his mistresses, hindered his better political plans, and abused his liberality in the distribution of the Polish estates in an unworthy fashion.'" Pertz, G. H., *op. cit.*, vol. i, p. 73.

with the provinces of Great Poland, Gnesen, Kalisch and Posen, including in all about a million and a half of people and twenty-two thousand square miles of territory." [1] The rising of the Polish army under Kosciusko completed the ruin of Poland, and Prussia received as its share of the booty New East Prussia with another million of Poles (1795). The resulting extension of Prussian territory and its approach to Austria so alarmed the Austrian government that it secured a treaty with Russia (Jan. 3, 1795), guaranteeing opposition in common to Prussian designs. Prussia consequently broke with its ally and concluded a separate treaty with France (Treaty of Basle, April 5, 1795). The victories of Napoleon in Lombardy likewise soon forced Austria into peace (Treaty of Campo Formio, Oct. 17, 1797). As a result of the treaties the French republic was recognized and to it was ceded all German territory on the west bank of the Rhine. "The German princes and states, dispossessed on the left bank of the Rhine, were to receive *compensation on the right, at the expense of the ecclesiastical* principalities." [2]

But far more significant than the exchange of territory was the situation in the empire which the war revealed. Prussia had indeed gained in territory but had lost in unity of population. The invincibility of the Prussian military machine, the object of admiration and imitation among the powers of Europe since the Seven Years' War, was shattered. The rottenness of the Holy Roman Empire, which in Voltaire's cynical phrase had long since ceased to be either Holy or Roman or an Empire, was more fully revealed than ever before. The great German powers were seen to be wholly oblivious to the interests of the empire and of the smaller states. "Both (Prussia and

[1] Marriott and Robertson, *op. cit.*, p. 185.

Austria) were ready to surrender the western Rhinelands to France; both were willing to accept compensation at the expense of their colleague-princes; both were intent upon rounding off their own hereditary possessions and consolidating their own dynastic position." [1] Such was the situation in Prussia and the empire when Frederick William II died in 1797.

His successor, Frederick William III, although welcomed by his subjects with high hopes, proved equally inefficient in the conduct of affairs.

> No more simple and unaffected gentleman; no man of more sincere piety and unblemished morals; no king with a more single mind and desire to serve his people ever sat upon the Prussian throne. But his head was inferior to his heart. Irresolute in will and contracted in outlook, he had inherited the obstinacy without the ability of his ancestors.[2]

These features of his character became all too evident in the first ten years of his long reign and are largely responsible for the collapse of Prussia in 1806. The main features of that troubled decade in so far as they affected the fortunes of Prussia will be given.

The Congress of Rastatt (Nov., 1797–Mar., 1799), the Treaty of Lunéville (Feb., 1801), and the Act of Mediation (1803) were but a continuation of the process begun by the treaties of Basle and Campo Formio, by which a realignment of territory and power was brought about among the Germanic states in the interests of France. By these modifications Prussia obtained in return for its cession of one thousand seventy-five square miles of territory and one hundred twenty-five thousand subjects on the left bank of

[1] *Ibid*, p. 184.

[2] *Ibid*., p. 193.

the Rhine, four thousand seven hundred square miles and five hundred thousand inhabitants to the east of it.[1] Such was her reward for her obstinate neutrality during the war of the second coalition, a neutrality by which she gained in territory but lost in friends. But in the midst of this new territory and dividing it into two unequal parts lay the Electorate of Hanover, the continental possession of the English king. It was this territory, which led to the political downfall of Prussia.

As the victories of Napoleon on the continent grew in number and the size of the territory increased over which his power held sway, it became increasingly evident that his great opponent was England and that his continental policies were being shaped more and more by the single aim and purpose of overcoming that opponent. When war broke out again between England and France in 1803, Napoleon in May occupied Hanover and in July sent a force to occupy Cuxhaven and close the Elbe and Weser to English goods which sought entrance into Germany by that route. The occupation of Hanover threatened the integrity of Prussia, the closing of the Weser and Elbe endangered its industries and commerce, but neither act could bring Frederick William III to a departure from neutrality, although tempting offers came from the side of both England and France. But when in 1805 the French general Bernandotte violated the neutrality of Prussia by marching his troops through the Prussian principality of Anspach in his haste to reach Bavaria, Frederick William III decided to join the Third Coalition which had been formed that year. Hardly had the allied ultimatum been tendered Napoleon, when the Austrians and Russians were overwhelmed in the battle of Austerlitz (1805), and Austria was forced into the Treaty of

Pressburg and Prussia into the Treaty of Schönbrunn. "The latter was required to cede Anspach to Bavaria, to accept Hanover from Napoleon, and to close the ports of north Germany to English ships and commerce." [1] England retorted by seizing "some four hundred Prussian ships which happened at that moment to be in English ports and inflicting irreparable damage upon the foreign trade of Prussia." [2] By the treaty of Pressburg, Austria fell to the rank of a third-rate power, the Confederation of the Rhine was formed and came into being in July, 1806, and one month later the Holy Roman Empire received its formal ending. This largely completed the process of secularization and consolidation which had been going on in the territory of the old empire since the Treaty of Basle in 1795. By this, too, the three hundred sixty odd states of that empire were consolidated "into a comparatively small group of states moderately large and resembling each other," [3] and the way was made clear for further reform.

While these changes were taking place in the remainder of Germany, Prussia was in a state of quiescence, although presumably at war with England. When, however, in August, 1806, Frederick William III learned that Napoleon was planning to return to England the Electorate of Hanover, which he had ceded to Prussia less than a year before, he prepared for war. Two months later, in the battles of Jena and Auerstadt, the Prussian army was defeated. The great Prussian fortresses (Erfurt, Halle, Spandau, Prenzlau, Stettin, Lübeck, Magdeburg) surrendered precipitately and Berlin was occupied (Oct. 25, 1806) in less than two weeks after the battle of Jena. Less than one month later

[1] Marriott and Robertson, *op. cit.*, p. 210.

[2] *Ibid.*, p. 211.

(Nov. 21) Napoleon issued his Berlin Decree which formally inaugurated the Continental Blockade. The struggle with Russia in 1807 led to an armistice in June and the Treaty of Tilsit, which settled the fate of Prussia. By this treaty Prussia

was stripped of all her territories west of the Elbe to enlarge the kingdom of Westphalia, and of all that she had acquired from Poland since 1773 for the advantage of Saxony; she was required to pay a crushing indemnity and to maintain a French garrison until it was paid; to recognize the Napoleonic kingdoms in Germany and elsewhere, and to keep her harbors hermetically sealed against English trade. Her population was reduced by about fifty per cent, from nearly ten millions to less than five; her army was reduced by four-fifths (in 1808 forty-two thousand men).[1]

II. SOCIAL AND ECONOMIC CHANGES, 1786-1807

The period in Prussian history following the death of Frederick II, and particularly after 1791, was a period of profound unrest, not only in the political sphere of thought and action, but also in the economic and social. Even before the death of Frederick II the consequences of the extraordinary exertions made by the state in the Seven Years' War were beginning to appear in an exhaustion which was not only material, but moral and spiritual likewise. The material damage due to the war was soon repaired, but the impulse towards reform so characteristic of the reign of Frederick William I and of the early part of the reign of Frederick II becomes less noticeable thereafter. The acme of centralization and of efficiency in the Prussian state machine was reached during this war.[2] After 1763 the process of development ceased, and that of maintaining the

[1] Marriott and Robertson, *op. cit.*, p. 231.

machine began. But Frederick II had greatly changed during the war. During the latter half of his reign when social and intellectual changes were gathering momentum abroad, Frederick remained faithful to the ideals of his younger years and maintained the state in conformity with them. But the old spirit was gone. Control centered more and more in the hands of the king, and his councillors became only implements to carry out his bidding. The cabinet of the king assumed more importance, and as it gained, the general directory lost in influence. Incomes of officials were cut until the old integrity of the bureaucracy was no longer maintained.[1] While Frederick lived, regard for a great ruler and leader could not fail to have its effect, but the eternal suspicions of the king and the iron discipline created fear rather than love for him. The inspiration aroused by earlier deeds died away and routine became more and more prominent. Such was the spirit prevailing when Frederick II died.[2]

Under his successors the state machine underwent a steady decline. Although Frederick William II raised salaries and improved the conditions of officials in the service, little was gained thereby, for he himself was at fault.[3] The administrative system had been created for a strong central leader and the leader was lacking.

As in the bureaucratic machine, so in the army, those very qualities which had made it so effective an instrument in the hands of a great leader, were the cause of its undoing in the years following 1786. Patriotism as such was largely lacking, for the process of conscription within Prussia and recruiting without, drew men into the army for long terms

[1] Schmoller, G., "*Die Epochen der preussischen Finanzpolitik*," in *Umrisse etc.*, p. 185.

[2] Wolff, E., *op. cit.*, p. 86.

of service (twenty years). Constant drill, resulting in automatism, and implicit obedience were the agencies used to create an efficient machine. But the severe discipline destroyed the sense of honor, instead of cultivating it, and enthusiasm for a famous leader was a less effective motive force in times of great stress than the sense of patriotism, which was lacking. The officers corps, recruited from the Prussian nobility, was characterized by pride and a caste-like exclusiveness, which when added to the increasing age and incapacity of its leaders, led to the overwhelming defeats at Jena and Auerstadt and the disgracefully hasty surrender of strong fortresses. The administrative and military organization during the twenty-odd years following the death of Frederick II decayed from the top downwards. Its regeneration could only come from a change of revolutionary nature.[1]

The administration of the economic life of Prussia likewise proved less efficient during the years succeeding 1786. The royal favorites, such as Wöllner and von Werder, proved inefficient and the industrial producers, long accustomed to government encouragement, lacked originality and initiative. Monopolies were removed, but the resulting increase in competition proved more harmful than beneficial. The inefficiency of the state officials showed itself in the history of the factory commission, established in 1788 at the instigation of von Werder with a capital of one hundred thousand thaler. The aim of this commission was to stimulate the production of improved cotton and silk goods and further their sale abroad. An additional fund of one hundred twenty thousand thaler was necessary six months later. In 1790 the governmental warehousing of cotton goods ceased; in 1791 the warehousing of silk goods also ceased and the goods were sold with a loss of many thousands of

[1] Wolff, E., *op. cit.*, p. 56.

thaler. During the three years 1789-1791 the number of industrial workers fell from 177,025 to 159,700 and the value of the total factory production rose only from 34,-160,321 thaler to 35,000,000 thaler in spite of the general rise in prices during these years.[1]

In spite of bureaucratic inefficiency, however, the economic well-being of the state, particularly after 1790, continued to improve. Prices rose steadily, for a series of events had occurred and were occurring which were favorable to the economic life of Prussia. The rapid increase of industry in the towns of England with the advent of the revolution in industry after 1790 had made that country dependent upon its foreign trade for a portion of its cereal requirements. The Baltic provinces of Prussia by reason of the cheap ocean transportation were called upon for a large portion of the extra supply. With the Napoleonic wars which followed and the shift of industry from peace to war, the demands upon these provinces steadily increased.[2] Imports from England to Germany, which had amounted to £400,000 in 1782, increased tenfold between 1792 and 1814. The rise in the price of agricultural products,[3] and the resulting stimulus to agriculture provoked not only a rise in the value of the great estates, with considerable speculation in those lands as a result, but produced also an increased volume of agricultural indebtedness, which, after the sudden collapse of the grain trade with the introduction of Napoleon's Continental Blockade, greatly embarrassed the agricultural credit institutions (Landschaften). The

[1] *Ibid.*, p. 80.

[2] Grain exports from Danzig to England increased fourfold in quantity from 1790 to 1801. The Danzig exports, valued at £318,272 in 1780, rose to £688,348 in 1790, £1,733,946 in 1800, and £2,220,031 in 1805. Schmoller, G., *op. cit.*, p. 189.

[3] *Cf.* Böhme, K., *Gutsherrlich-bäuerliche Verhältnisse in Ostpreussen während der Reformzeit von 1770 bis 1830*, pp. 57-60.

rising prices for agricultural products likewise offered every inducement to the proprietors of the estates to evade the Bauernschutz, or protection of the peasants, which it had been the constant policy of the Prussian kings to maintain and by consolidation of their holdings reduce the peasants to the position of landless day laborers. The condition of the peasantry in the eastern provinces as a result grew steadily worse in spite of the efforts of the kings to set a good example by their treatment of the peasants on the crown estates.[1]

The increase of the money metals in northern Germany which occurred during this period also favored the rise in prices and hastened the change to a money economy which was still in process in eastern Germany. The favorable balance of trade between Germany and the western nations led to an increase of the precious metals, as did also the flight of the èmigrés from the Revolutionary Terror into western Germany. The silver mines in Freiberg increased their production from 131,205 silver marks in the five years 1767-1771, to 241,297 silver marks in the five years 1797-1801, while for the same periods the production of all the other mines in Saxony increased from 21,624 to 36,397 silver marks.[2] The amount of money which was paid in the form of bribes or of subsidies to the petty German rulers in the years following 1750 is estimated at 137,226,152 livres from France and £46,696,576 from England.[3] For their services in aiding England with mercenaries in the American War for Independence, Hesse received 16,000,000

[1] Hintze, Otto, "*Preussische Reformbestrebungen vor 1806*," in *Historische Zeitschrift*, vol. 76, pp. 413-443. especially p. 419 *et seq.* for edicts concerning the crown lands.

[2] Sombart, W., *Die deutsche Volkswirtschaft im 19. Jahrhundert*, pp. 85-88.

thaler and Brunswick 5,000,000 thaler. From 1793 to 1815 England is estimated to have spent upon the Continent in subsidies £50,000,000. or the equivalent of 300,000,000 thaler, of which at least two-thirds went to Germany.[1] With the close of the Napoleonic wars Prussia in its turn received an indemnity of 100,000,000 francs from France.[2]

Although institutions for the granting of credit were still largely undeveloped in Germany, the influx of the precious metals throughout this period was sufficient to raise the level of prices in spite of the increase in production which accompanied it. The resulting stimulus to economic activity during the Napoleonic wars, during the greater part of which Prussia was at peace with all the belligerents, was thus a powerful solvent of the feudal bonds which were hampering the economic development of the state. Large fortunes were quickly made, especially in the seaports, and speculation became extensive.[3] Luxury and easy living took the place of the simple modes of life which had been characteristic even of the higher classes in many regions. A deplorable feature of this development was that by reason of the universal moral laxity, luxury and ostentation grew more rapidly than industry and saving, and a certain moral disintegration became pronounced.[4] The weakness of the government, the lack of interest and faith in it on the part of the people, the increasing economic and political disturbances, and finally foreign intellectual influences on the civilian class destroyed

[1] Gülich, G. von, *Kleine Schriften, staatswirtschaftlichen und verwandten Inhalts* (Hameln, 1833), p. 19.

[2] Sombart, W., *op. cit.*, pp. 85-88.

[3] *Cf.* Büsch, J. G., *Geschichtliche Beurtheilung der grossen Handelsverwirrung im Jahre 1799* (Hamburg, 1858), p. 4: "It is certain that in the years 1792-1797 many commercial houses increased their capital at a rate which had never before been heard of."

[4] Schmoller, G., "*Die Epochen der preussischen Finanzpolitik*," in *Umrisse etc.*, p. 189.

the traditional social norms and the old moral order during this period of upheaval.

More important, however, than the gradual cumulative changes which were occurring in the old order after 1786 and which were breaking it down or modifying it more or less rapidly, were the sudden changes brought about by the war of 1806. Three outstanding features of this period must be mentioned, the conquest and occupation of Prussia by the French troops, the Continental Blockade and the Prussian indemnity. By the conquest of Prussia and the Treaty of Tilsit the Prussian state was reduced to half of its former size.[1] French occupation of the remaining territory and the constant requisitions of the French troops made a modification of the agricultural system in the interest of greater production a necessity, if the land was not to fall entirely under the domination of the French, as, indeed, Napoleon had at first planned. The damage through war to the lands of Silesia was estimated at forty-seven and a half million thaler by December, 1807. East Prussia in 1807 alone lost twenty-two per cent of its horses and twenty-seven per cent of its cattle with a value of twenty-three million thaler; while its total loss of capital was estimated at one hundred fifty million thaler for the years 1807-1815, and for West Prussia at one hundred twenty million thaler for the same period.[2]

The Continental Blockade accomplished for industry and trade what the occupation of Prussia did for its agriculture. By the Berlin Decree the finishing touches were put to the attacks which had been made since 1803 by both French

[1] According to Duncker, M., "*Preussen während der französischen Okkupation,*" in *Aus der Zeit Friedrichs des Grossen und Friedrich Wilhelms III* (Leipzig, 1876), p. 282, Prussia lost 2851 square miles of territory with 5,158,489 inhabitants and retained 2856 square miles of territory with 4,594,000 inhabitants.

[2] Schmoller, G., *op. cit.*, p. 192.

and English on Prussian trade. The trading vessels of Prussian registry which had numbered 1102 with a total tonnage of 106,894 in 1805, had by 1825 fallen to half that number (576 vessels of 58,007 tonnage).[1] Prussian exports to England fell from over two million pounds sterling in 1805 to 500,000–700,000 pounds sterling in the years 1815-1825. Industry was paralyzed and what it lost in Prussia was gained by the industries of the Rhine provinces.[2]

In addition to the occupation of Prussia and the Continental Blockade, which destroyed the effectiveness of the prevailing economic order, the imposition of a heavy indemnity upon the Prussian state made imperative any modification which would insure the means of payment. The state finances were in none too good condition when the war of 1806 broke out. The state treasure, which had amounted to over fifty million thaler in 1786, was dissipated in the war of 1792-1795, and a large debt was incurred.[3] That debt of some fifty-three million thaler had been reduced by twenty-two million thaler in the decade of peace which followed, and the state treasure had been raised to 13-17 million thaler. With the increased prosperity of this period current revenues had increased; the credit of the state was still good, and some millions of treasury notes were easily absorbed. A loan of seven or eight million thaler in Leipzig and Cassel was even counted upon. But with defeat and the division of Prussian territory the income of the state was greatly reduced (to about 16-17 million thaler). An indemnity of one hundred twenty million francs was levied,

[1] *Ibid.*, p. 193.

[2] Hoeniger, R., "*Die Kontinentalsperre in ihrer geschichtlichen Bedeutung,*" in *Meereskunde* (Berlin, 1907), vol. i, p. 29 *et seq.*

[3] Naudé, A., "*Der preussische Staatsschatz unter König Friedrich Wil-*

and ten thousand French troops were quartered upon the inhabitants of Prussia. Pretexts were easily found to increase the amount of the indemnity, and it is estimated that from October 1806 to October 1808, at which time most of the troops of occupation were withdrawn for the Peninsular war, the French income from Prussia totaled 474 million francs, or over one billion francs, if all contributions, levies and confiscations of state propery are included.[1] When in 1812 Napoleon prepared to carry war into Russia, Prussia by the treaty of March of that year with France was forced to become the base of operations for an army of five hundred thousand men. Contributions and levies of cattle, horses, fodder and wagons were made and a total of forty thousand men were called up for service. The value of these and other exactions from Prussia during the period from October 1808 to the great change of 1813 (Battle of Leipzig, Oct. 16, 1813) has been estimated at at least 583 million francs.[2] The state expenditures for the years 1806-1820 have been estimated at 287.6 million thaler. In order to meet this extraordinary outlay twenty-five million thaler were raised through sale of crown lands, sixty-five and one-half million through subsidies from allied lands, fifty million through compensation for the maintenance of troops, and twenty-three and one-half million through extraordinary taxation, or a total of one hundred sixty-four million thaler. The remainder became a part of the state debt, which amounted to 131.7 million thaler at the close of 1812.[3]

[1] Schmoller, G., *op. cit.*, p. 190; *cf.* Duncker, M., "*Eine Milliarde Kriegsentschädigung welche Preussen Frankreich gezahlt hat,*" in *Aus der Zeit Friedrichs des Grossen, etc.*, pp. 503-547. It is well to remember that this article was written to justify the French indemnity of 1871 by reference to historical precedent.

[2] Schmoller, G., *op. cit.*, p. 191; Duncker, M., *ibidem.*

[3] Schmoller, G., *op. cit.*, p. 191-192.

CHAPTER III

The Introduction of Adam Smith's Doctrines

I. THE UNIVERSITY OF GÖTTINGEN

Within the confines of the straggling kingdom of Prussia, which in the eighteenth century extended from the Meuse to the Memel throughout northern Germany, lay the small electorate of Braunschweig-Lüneberg, or Hanover, the continental possession of the English Georges. This small state, which in 1795 had an area about equal to the states of Massachusetts and Connecticut and a population of almost one million,[1] lay between the Weser and the Elbe for a distance of about one hundred twenty-five miles from their mouths in a position which cut the Prussian monarchy into two unequal parts. To the west of it lay the small Westphalian and Rhine provinces of Prussia, comparatively prosperous and advanced in their economic organization; to the east lay the larger provinces of central and eastern Prussia, with their more primitive and more unified feudal organization. Thus Hanover, with its control over the commercial ports of Hamburg, Bremen and Lübeck, at the same time a state of the Holy Roman Empire and in the possession of an independent power, was in a peculiarly strategic position in respect not only to the political, but also to the cultural interests of Prussia.

Here was established in 1737 the University of Göttingen, which in the second half of the century became one of the three most influential universities in Germany, the other

[1] Ford, G. S., *Hanover and Prussia 1795-1803* (New York, 1903), p. 32.

two being the universities of Halle and Leipzig.[1] Its peculiar significance was due to a combination of circumstances. It shared with the universities of Erlangen (founded 1743) and Münster (founded 1780) the distinction of being one of the youngest of the German universities, and therefore shared with them the privilege of being the least trammeled by tradition. Furthermore, it was established in the territory of the English king and at a time when English influence was being increasingly felt in Germany. That influence, which was one of the main motive forces back of the Sturm und Drang movement in German literature, and which furnished a decisive stimulus to philosophy in Kant's thought, thereby overthrowing the old Wolfian philosophy, was the prime cause for the development of the study of the science of state in the University of Göttingen. Through the untiring efforts of its first rector, Gerlach von Münchhausen (the hostility of the German princes prevented the calling of men from other universities), the department of political science and history was especially developed,[2] and came to possess a series of noted teachers, Gatterer, Achenwall, Spittler, Heeren, Schlözer, Feder in philosophy, and Pütter, "the Blackstone of the Empire".[3] The courses, as here given, while marked largely by the prevailing features of Cameralism, were also characterized by a spirit far more liberal than that which featured the usual instruction in Cameralistics.[4] English students attended in

[1] Paulsen, F., *Geschichte des gelehrten Unterrichts* (Berlin and Leipzig, 1921), vol. ii, p. 11.

[2] *Ibid.*, pp. 11-12.

[3] Seeley, J. R., *The Life and Times of Stein*, vol. i, p. 32.

[4] *Cf.* Pütter, J. S., *Versuch einer akademischen Gelehrtengeschichte von der Georg-Augustus Universität zu Göttingen* (Göttingen, 1765), section 5, pp. 4-5: "If it has been in keeping with the spirit of the sciences to oppose a philosophical taste which has obviously gone too far 'with

numbers, and added to the English influence.[1] Here, too, came the young nobility of Germany, and added to that spirit of worldliness and culture, quite different in its way from the pietism which characterized many of the German universities.[2] Among these students were Hardenberg (1766) and Stein (1773), and also those men who afterwards became the chief early expositors of Smith's doctrines in Germany—Sartorius, Lueder, Kraus, Hufeland.

The University of Göttingen, like the other universities of Germany, made its influence felt in two ways, (1) by contributing its quota to the number of active statesmen in the German states, and (2) through those of its students who entered the teaching profession and brought their influence to bear either through their writings or through their pupils. The universities of Germany at that time as at present, stood in close contact with the German governments; for university graduates in the social sciences, no less than in the physical sciences, were frequently called to

volved in the empty husks of method (in which connection we have in mind the new educational philosophy of Wolff), and on the contrary to combine scholarship, literature, philology, criticism, history, experience, use of sources, and mathematics with a sound philosophy, and thus make the higher sciences (upper faculties) sound and useful, perhaps Göttingen may claim some share in this. Secondly, in so far as it has been possible to lead directly to the practical in all parts of the sciences, this has always been a striking characteristic of this university. Thirdly, if it were possible to banish all pedantry from learning, Göttingen must be praised for contributing its share to this."

[1] *Cf.* Roscher, W., *Geschichte der National-Oekonomik* (München, 1874), p. 598: "That the *Göttingische gelehrten Anzeigen* took notice so quickly of Smith's work, is due to the following circumstances: the great significance of the University of Göttingen at that time in history and the sciences of state (Gatterer, Schlözer, Pütter, Feder, Meiners, etc.); the political connection between Brunswick and Great Britain, which brought such numbers of English students to Göttingen, that a man like Lichtenberg could announce courses for them alone."

service in the bureaucracy. The close relationship between Hanover and Prussia, the character of the training in the University of Göttingen, and the liberal policy of the Prussian kings in inviting into their service men of outstanding ability, thus made possible the state activity of Hardenberg and Stein.

II. EARLY TRANSLATIONS AND REVIEWS

The first translation[1] of Adam Smith's Inquiry into the Nature and Causes of the Wealth of Nations, which was published in the spring of 1776, was made by J. F. Schiller, a German who lived in London.[2] The first review of the translation, which appeared in the *Göttingische gelehrte Anzeigen* for March 10, 1777, by J. G. H. Feder,[3] professor of philosophy at the University of Göttingen, was very favorable.[4] In the words of the reviewer: "It is a classic; very estimable both for its thorough, not too limited, often far-sighted political philosophy, and for the numerous, frequently discursive historical notes," but the exposition suffers from too much repetition.[5] Smith's opposition to Steu-

[1] *Untersuchung der Natur und Ursachen von Nationalreichthümern von Adam Smith. Weidemanns Erben und Reich,* Leipzig Bd. i, 1776, Bd. ii, 1778. *Non vidimus.*

[2] *Göttingische gelehrte Anzeigen* for Aug. 22, 1778, p. 544.

[3] *Allgemeine deutsche Biographie,* vol. 6, p. 596.

[4] Feder upon comparison of the translation with the original found it good. "Of this important work (for such it is, even though much is open to objection, especially in the latter part) the first volume, to which our present review is devoted, has been published by Weidemanns Erben and Reich in translation, and indeed in a right good one." *Göttingische gelehrte Anzeigen,* March 10, 1777, p. 240. Not so the second reviewer, G. Sartorius: "Schiller has not always translated correctly, as the writer of this review has discovered from comparison; but the original is extremely difficult, and the language, by reason of the technical and juridical expressions, difficult and obscure even to a native Englishman." *Göttingische gelehrte Anzeigen,* Oct. 19, 1793, p. 1661. If the translation of the title is characteristic of the whole, the translation is poor.

[5] *Göttingische gelehrte Anzeigen,* March 10, 1777, p. 234.

art and his favorable attitude towards the Physiocrats are both noted.[1] The review takes up each book chapter by chapter with occasional comments. The argument for *laisses faire* evidently impressed the reviewer, but he is not disposed to yield the point without question, for he says:

> The inferior goods and deceptions which result from too great competition, since customers can be obtained only through low prices and easy credit; the ruin of many who under such freedom choose attractive but unprofitable trades; and the result that many an able man, especially if he is likewise honest, is forced under through excessive competition, appear to be evils that outweigh any gains of such complete freedom.[2]

The reviewer also objects to Smith's use of the terms productive and unproductive, as well as to his attacks on a policy of regulated consumption.[3] The review is remarkable for its knowledge of and sympathetic attitude towards Smith's work as well as for the doubts it cherishes as to the universal applicability of its principles; for the reviewer declares "many of his propositions dare not be incorporated in the universal principles of state, but are valid only at a certain stage of industry, wealth and enlightenment."[4] The review, coming from the University of Göttingen, reflects

[1] *Ibid.*, p. 234: "The author on various main points holds views quite different from those of Stewart, and rejects his principles at times with strong expressions, but without mention of his name. He is less removed from the system of the French school."

[2] *Ibid.*, p. 237.

[3] "The author appears to limit this idea [of productive] somewhat too narrowly, when he counts the occupations of the learned, and consequently that part of the national wealth devoted to their maintenance among the non-productive." *Ibid.*, p. 238. "He finds it quite vain and impertinent when kings and their ministers watch the economy of private persons, and seek to limit their expenditures by sumptuary laws and embargoes on foreign goods (a judgment, whose very expression be-

a keen interest in and knowledge of English affairs together with the prevailing Cameralistic attitude of mind.

Two other reviews appeared about the same time, one in Nicolai's *Allgemeine deutsche Bibliothek* for 1777 and 1779, and the other in the *Ephemerides der Menschheit* of Isaak Iselin for 1777. Both are by men of the Physiocratic persuasion, who find Smith's views more or less in accordance with their own. Thus the writer in Nicolai's *Bibliothek* finds that, although Smith nowhere employs the language of the Economistes (Physiocrats), he is in full accordance with their views in his main thesis that the rise or fall of land rents is a certain indication of increasing or decreasing well-being.[1] Iselin also in his lengthy review by the skillful use of extracts from Smith's work conveys the impression that Physiocratic doctrines have received further corroboration.[2]

Until 1794, a period of nearly twenty years after these first discussions, the work of Adam Smith received scant attention in Germany. While Frederick II was living, Cameralism held undisputed sway in Prussia, and the economic changes which began with the outbreak of the French Revolution had still not gained sufficient momentum to awake the economic theorists from their dogmatic slumber.

[1] *Allgemeine deutsche Bibliothek*, 1777, vol. 31, pp. 588: "All [the books of Smith's work] however show that, in the words of our author, every improvement in the circumstances of society leads either directly or indirectly to the rise of real rent, and to the increase of the real means of the landowners to purchase the labor or the product of the labor of others; and that every decline in the condition of society lessens the rent of land. We have accordingly a sure indicator of increasing or decreasing social well-being, the rising or the falling of the rent of land." Again, *op. cit.*, vol. 38, p. 300: "The Economistes and he are fundamentally of the same mind, and, with the exception of the theory of taxes, he makes no statements which they do not accept. Blessed be the Briton, who thinks so justly and wisely!".

[2] Isaak Iselin, *Ephemerides der Menschheit*, vol. 2, 1777, pp. 170-206

During this period, accordingly, the references to Smith's work by both Cameralists and Physiocrats are inconsequential and betray no real understanding of his position.[1] In 1793 a second review appeared in the *Göttingische gelehrte Anzeigen,* this time by George Sartorius,[2] dealing with the additions to the third edition of Smith's work.[3] In reply to the publishing company's complaint of the small sales of the translation, although such sales had slightly increased, the reviewer remarked: "' Smith will not remain long on the shelves, for reason will assert itself in the end."[4] The reason for the lack of interest was to be found in the difficulty of the work.

> A work that requires so much effort and thought will at first find little sale. The faith in old principles, which are to be found in so many compendia, is so mild and sweet, and thinking and comprehending a new, darkly worded doctrine requires so much time and effort, that a book of Cameralistic theory can be thrown together in less time than it takes to gain a comprehension of Smith.[5]

[1] Roscher, W., "*Die Ein- und Durchführung des Adam Smith'schen Systems in Deutschland,*" in *Berichte über die Verhandlungen der königlich sächsischen Gesellschaft der Wissenschaften zu Leipzig,* vol. 19, 1867, pp. 1-74. In this report Roscher treats the subject of the introduction of Smith's doctrines into Germany somewhat more extensively than is the case in his *Geschichte der National-Oekonomik.* He cites, pp. 17-21, the names and views of some sixteen Cameralists and Physiocrats, who refer to Smith's work, but betray little or no understanding of its contents.

[2] *Allgemeine deutsche Biographie,* vol. 30, p. 391.

[3] *Göttingische gelehrte Anzeigen* of October 19, 1793, pp. 1661-1662. Feder's review had appeared in three parts, *ibid.,* March 10, 1777, April 5, 1777, August 22, 1778.

[4] *Op. cit.,* p. 1662.

[5] *Ibid.,* p. 1661. This review by Sartorius, as well as the one which follows, is inconsequential in comparison with Feder's judicial review, for the former makes no attempt to estimate the value of Smith's work or compare it with others. Feder is content to shake hands with Smith.

In 1794 appeared the second German translation of Smith's *Wealth of Nations*, this time by Christian Garve.[1] In the same year there appeared in the *Göttingische gelehrte Anzeigen* a review of the new translation, in which, in addition to favorable comment on the felicity of the translation,[2] the reviewer made the following significant comments:

> Smith's principles must be more widely disseminated, and if they are false, they must be thoroughly refuted; this has as yet not occurred, and has not even been attempted here. Even if one does find his book cited here and there, it really seems that aside from the easy chapters, he had nothing to say and his book had never been read. He has yet had no influence whatever on the change of economic doctrine in our country; he has indeed been cited and praised, but the compendia continue as before; others are preferred, for they can be understood with greater ease.[3]

And yet in 1796 the translation received a second impression; a second edition was issued in 1799, and a third in 1810.[4]

III. CHRISTIAN GARVE

Christian Garve,[5] although not a member of the Göt-

[1] *Untersuchung über die Natur und Ursachen des Nationalreichtums von Adam Smith. Aus dem Engl. der vierten Ausgabe neu übersetzt.* Vol. i, 1794, xx + 476pp. in 8.

[2] "As to the intrinsic merit of the translation, one need only open the book and compare in order to be convinced upon the first glance that this more recent work in respect to correctness, clarity, fidelity and diction is to be preferred." *Op. cit.*, Nov. 29, 1794, p. 1901.

[3] *Ibid.*

[4] Roscher, W., *op. cit.*, p. 21.

[5] The life of Christian Garve is singularly devoid of incident. He was born in Breslau, Silesia in 1742, and died there in 1798 in his fifty-sixth year. His academic training he received partly at the University of Frankfurt an der Oder, partly at the University of Halle, therefore entirely within the Prussian kingdom. He was for four years, 1768-1772,

tingen University group, must be considered as among the important contributors to the spread of Smith's views. Himself a popularizer of philosophic doctrines, he was early attracted by the Scotch writers and became one of their foremost exponents in Germany.[1] Long before making his translation of Smith's work he had translated A. Ferguson's *Essay on the History of Civil Society* (1772), Burke's *On the Origin of our Ideas of the Sublime and Beautiful* (1772), and J. MacFarlan's *Inquiries Concerning the Poor* (1785), as well as works from the French, Greek and Latin. His first acquaintance with Smith was through Schiller's translation and the poverty of that rendering stimulated him to produce a better.[2] The translation was accordingly under-

ausserordentlicher Professor der Philosophie at the University of Leipzig, but retired to Breslau on account of ill health. In Breslau his time was devoted to writing and to his friends. The most memorable event in his career is his acquaintance with Frederick II, of which he gives a lengthy account in his writings. *Allgemeine deutsche Biographie*, vol. 8, pp. 385-392.

[1] *Ibid.*, p. 385.

[2] In a letter to his friend Weisse in March 1791, he says: "Smith's book on national wealth I consider one of the classic works of recent times. The German translation is so wretched, that it is hardly intelligible, let alone readable. It would be worth while to translate it again. And yet work on a book already old and known is neither so pleasant nor so profitable as on a new one of equal worth. Korn [the publisher] to be sure wanted to take over the new translation of Smith, but I still have considerable doubt, to say nothing of the extent and size of the work." Garve, C., *Briefe an Weisse* (Breslau, 1796), vol. 2, p. 12. In another letter to the same friend on Aug. 26, 1791, he writes: "Korn is willing to risk a new translation of Smith on National Wealth. I, too, am rather inclined to undertake it, as I esteem the book highly." *Ibid.*, p. 32.

It is impossible to determine to what extent the following portion of a letter from Friedrich von Gentz to his friend Garve was instrumental in turning the latter to the thought of translating Smith. Gentz was an ardent admirer and great friend of Garve and the passage quoted was written Dec. 5, 1790, not long before Garve took up the idea of making a new translation. "I recently finished two extensive, but not new, readings. First, I have studied Smith on National Wealth for the third

taken in 1791, and by December he had completed the first half of the first volume.[1] But it was primarily Smith's views which influenced him in the undertaking. As he states in the introduction to his translation: "It (Smith's work) attracted me as only few books have in the course of my studies through the number of new views which it gave me not only concerning the actual object of his investigations, but concerning all related material from the philosophy of civil and social life." The translation thus begun in 1791 was completed with the help of Ober-Post-Commissär Dörrien in Leipzig, who apparently translated a considerable portion of the latter part of the work,[2] and was ready for publication in 1794. It was Garve's intention to

time with the greatest attention, and made an analysis of it to the extent of forty sheets. I recall that I have talked with you about this book occasionally, yet only incidentally; but it seems to me you have never expressed the unrestrained praise, which I have always felt it deserves. In my opinion it is in the first place by far the most perfect work that has ever been written in any language on this subject, and I cannot refrain from saying that Stewart, Forbonnais, Melon, Büsch, etc., and all others that have heretofore reached my hands, remain far behind Smith. Aside from this specific merit, however, I consider it in general, in respect to method and literary art as one of the most complete and perfect books, that exist in any science. Such clarity combined with such penetration, such a cool, calm investigation together with such ardent zeal for the welfare of mankind, such an unbroken orderliness even to the smallest parts and details of such an admirable system, and such unity throughout the whole is really found in extremely few philosophical investigations. In respect to style I confess that I consider Smith the most perfect English prose writer; neither Hume nor Ferguson, who may most readily be compared with him, and who may excell him in single qualities, in keenness, in force, in variety, do I find, when considered from all sides, so correct and faultless. Of German writers there is only one, in whose literary art I find any similarity, and indeed in many points, and he is Garve." Wittichen, F. K., *Briefe von und an Friedrich von Gentz* (Berlin, 1909), vol. i, pp. 181-182.

[1] For an account of this and of his trouble with the publishers of the first translation, *vide* Garve, C., *Briefe an Weisse*, vol. 2, pp. 36-38.

add to his translation in the form of appendices, (1) a summary of those ideas and principles of Smith which he considered new and real contributions to the sum of human knowledge, and (2) a further analysis of some of Smith's main theorems, a plan which was never carried out. The translation appeared with rather infrequent but extensive explanatory notes.

The principles which would have governed such an analysis are, however, to be found in Garve's miscellaneous essays. Among these essays are two which lie within the field of economics.[1] The first of these—On the Character of the Peasants and their Relation to the Gentry and to the Government—is a series of three lectures delivered before the Silesian Economic Society in 1786; the second—Contributions towards an Investigation of the Decline of Small Towns, the Causes, and the Means of Prevention—first appeared in the *Schlesische Provincialblätter*. It would be difficult to find in these essays any trace of Smithian influence. Garve was primarily a popular philosopher, critic, commentator and translator. His interests were chiefly in the field of philosophy and letters, and his interest in Smith is to be attributed first of all to his veneration for the Scotch school of philosophers. The translation of Smith's work was a task of Garve's leisure hours, to be undertaken when the important writing of the day was done, and incidentally to furnish the means of travel.[2] In his ideas on economic matters Garve must be considered an enlightened, rather liberal follower of the economic views prevalent in

[1] Garve, C., *Vermischte Aufsätze* (Breslau, 1796), "*Ueber den Charakter der Bauern und ihr Verhältniss gegen die Gutsherrn und gegen die Regierung*," pp. 2-228; "*Bruchstücke zu der Untersuchung über den Verfall der kleinen Städte, dessen Ursachen, und die Mittel ihm abzuhelfen*," pp. 373-444.

[2] Garve, C., *Briefe an Weisse*, vol. 2, p. 37.

the days of Frederick II. His veneration for the views of this monarch, to which his lengthy work on the life and manners of Frederick II bears witness,[1] is shown in the folowing passage from the first of the above essays:

> It is really fortunate for an author in the Prussian states that in respect to many points in state economy he is able, in any general investigation of what should be done, to agree with those rules which form the basis of the actions, or at least of the views, of his prince.[2]

In his proposals for reform of agricultural conditions he appeals to the good will of the gentry. The improvement of the landed class through better education and the attention of this class to the cultivation of its lands personally rather than through managers, will make unnecessary any sudden reforms which jeopardize property rights. The peasants on the whole are to be looked upon as the poor, even as children, and sudden reforms are to be avoided.[3] Garve was, furthermore, historically minded and inclined to stress the genetic viewpoint in economic matters. The rise and fall of the smaller cities of Germany are to be determined by an historical study of the changes in the institutions of that land.[4] Generalizations in the form of principles are avoided. The particular rather than the general is the subject of concern, especially in practical matters. Such were the views of Garve and on the basis of such views would have rested his criticism of Smith. Garve's great service to the change of viewpoint in economics in Germany

[1] Garve, C., *Fragmente zur Schilderung des Geistes, des Characters, und der Regierung Friedricks des Zweiten, Gesammelte Werke* (Breslau, 1801), vol. 10, 11.

[2] Garve, C., *Vermischte Aufsätze*, p. 196.

[3] *Cf.* Garve, C., *Ueber den Charakter der Bauern etc., passim.*

[4] *Cf.* Garve, C., *Bruchstücke etc., passim.*

was his preparation of an acceptable German version of Smith's work.

IV. GEORG SARTORIUS

The first writer in Germany to give expression to Smithian influence in an original production was Georg Sartorius,[1] in a small volume entitled "Summary of State Economy, based on Adam Smith's Principles, for Use with Academic Lectures", which appeared in 1796.[2] As a pupil and friend of Feder, the professor of philosophy, who is credited with the first reviews of Smith's work in the *Göttingische gelehrte Anzeigen*,[3] Sartorius probably obtained from him his first stimulus to study Smith.[4] Although primarily a teacher of history, Sartorius began in 1792 to give a course in the principles of political economy according to Smith and stated in 1796 that he had been entirely successful in presenting Smith's ideas to students.[5] He was firmly con-

[1] Georg Sartorius was born in Cassel in 1765, and died in Göttingen in 1828 in his sixty-third year. He was distinctly a product of the University of Göttingen, and his life activity was largely confined to that university. He studied at Göttingen 1783-1788, occupied various positions in the library 1786-1794, and became *Privat Dozent* 1792, *ausserordentlicher Professor* 1797, *ordentlicher Professor* 1802. He was very productive, especially in the field of history, his best known and greatest work being *die Geschichte des hanseatischen Bundes*, 1802-1808. *Allgemeine deutsche Biographie*, vol. 30, pp. 390-394.

[2] *Handbuch der Staatswirschaft, zum Gebrauche bey akademischen Vorlesungen, nach Adam Smith's Grundsätzen ausgearbeitet, von Georg Sartorius.* Berlin 1796, xxxxix + 234pp.

[3] *Allgemeine deutsche Biographie*, vol. 6, p. 596.

[4] The reviews of Smith's work, which appeared in the *Göttingische gelehrte Anzeigen* in 1793-1794, are the work of Sartorius. *Allgemeine deutsche Biographie*, vol. 30, p. 391.

[5] "The author of the following summary has lectured for five years on the principles given here, and he is able to say that he has also been so fortunate as to make them comprehensible to beginners." *Preface to Handbuch*, p. 44. Kraus in a letter to a friend, Jan., 1797, is in-

vinced that Smith's analysis was true, and felt the need of furthering the dissemination of the truth in Germany by preparing this summary.[1] At a time when the old order was rapidly changing he felt that such a book was peculiarly needed,[2] and that, too, in spite of Garve's excellent translation and his promise of further analysis of Smith's work.[3]

The *Handbuch,* as thus prepared, presumably the outgrowth of repeated presentation of Smith's theories to students, is based entirely on Smith's work. It is divided into two parts, of which the first, the Elements of National Prosperity,[4] has two divisions, which present summaries of

clined to question the priority of Sartorius in presenting Smith's principles: "And so, dearest friend, I too can rejoice that in all Germany such a learned course of so-called Cameral sciences has never been taught as here for some time past; and it is ludicrous to see a man living in a great pile of books, swelling with pride—on the favorite principle 'There is nothing that we don't know'—and saying that he was the first to give academic lectures on Smith in Germany, when I, right in the midst of threatening storms, have for six years past and recently entirely without subterfuge not only presented the only true, great, beautiful, just and beneficial system, but have been able to inspire with it some fine fellows, as for instance a von Schön, whom our Minister von Schrötter has permitted to travel, and my favorite, Dohna Wundlacken." Voigt, J., *Das Leben des Professor Christian Jakob Kraus* (Königsberg, 1819), p. 388.

[1] "The author is convinced that Smith has discovered the truth and he considers it his duty to contribute his share towards its dissemination." *Preface to Handbuch,* p. 4.

[2] "The time which we have chosen to further the introduction of this theory, which we considered our duty, since we are convinced of its truth, seems excellently fitted for this. A greater effort has risen among us, as is said, to test the fundamental principles of science." *Ibid.,* pp. 42-43.

[3] "However, to judge from many expressions of his [Garve], that undertaking will probably contain not a refutation, but a clarification of the system; this promised presentation will also have another purpose than this summary." *Ibid.,* p. 47.

the first and second books of the original. The second part, State Economy,[5] likewise has two divisions which summarize books four and five of the *Wealth of Nations*. Thus for the first time in German economic literature appears the distinction between the principles of economics and economic policy. Such a distinction with its emphasis on policy is entirely explainable from Cameralistic practice, and was followed by the later adherents of Smithian thought in Germany. But even in this first summary with its tone of enthusiasm and admiration for Smith's work, Sartorius is not disposed to overlook details. "In details Smith has made mistakes; many historical data referring to the continent are of course false; even some conclusions of his theory seem to lack solidarity, and have been changed."[2] But in spite of these objections and the different historical illustrations which appear in the text, the book remains largely an extract from the larger work of Smith.

A decade later the second contribution of Sartorius to economic literature appeared in two volumes, (1) Concerning the Elements of National Wealth and State Economy according to Adam Smith, (2) Essays on National Wealth and State Economy.[3] In the decade which had elapsed since the Handbuch of 1796 Sartorius had had time to develop the doubts which had found some expression even in the

[1] "Concerning state economy, or the rules which the government of a state must follow in order to enable the citizens to secure a satisfactory income, and to procure the same for the public expenditures of the state."

[2] *Ibid.*, pp. 46-47.

[3] *Von den Elementen des Nationel-Reichthums, und von der Staatswirtschaft, nach Adam Smith. Zum Gebrauche bey akademischen Vorlesungen und beym Privat-Studio ausgearbeitet von Georg Sartorius, Hofrath und Professor zu Göttingen.* Göttingen 1806, xxviii + 268 pp. *Adhandlungen, die Elemente des Nationalreichthums und die Staatswirtschaft betreffend.* Th. I. Göttingen 1806, viii + 519 pp.

earlier work.[1] Rather than develop his objections in a new work, which would be only a restatement of Smith's ideas in another form, Sartorius chose to state his objections in a separate work, leaving the summary of Smith as before. The first of these two volumes which appeared in 1806 is accordingly a somewhat lengthier summary of Smith's work, which follows the original even more closely than the *Handbuch* of 1796.[2] The second volume, which was to have been the first of a series, presents the independent thought of Sartorius on Smithian economics.

This second volume contains four essays which deal respectively with Smith's labor theory of value, with saving in its relation to the increase of national wealth, with the differences obtaining between national wealth and private riches, and with the problem of the relation of the government of a state to private enterprise. The first three essays owe their inception apparently to the work of the Earl of Lauderdale which appeared in January 1804,[3] for they discuss the same topics to which he devotes the first, second and fourth chapters of his work. After the manner of Sartorius, summaries of these chapters of Lauderdale's work are given, followed by comment or criticism.

[1] "Furthermore, he is convinced that Smith's views on the effects of trade and his examination of the Mercantile system are excellently done. But if he holds other opinions in regard to Smith's views on the value of things, and its unchanging measure, on the unconditional application of the principle of free disposal of industry and capital, on the harmony of individual and social interests, on productive and unproductive labor, on taxes, and on certain other points, this does not prevent him from recognizing the undying services of this excellent man to science; such difference of opinion did not require the development of an entirely new work, which in many respects would have contained Smith's ideas only in other forms or in other words. "*Preface, Von den Elementen*" etc., pp. 15-16.

[2] *Ibid.*, p. 51.

[3] Lauderdale, Earl of. *An Inquiry into the Nature and Origin of Public*

Smith's theory of value is found to be "partly indefinite, partly incomplete".[1] The first source of value of a thing is its use,[2] but value is also determined by the cost of production, and the rate of exchange with other things. Exchange value is, however, rather a resultant of the operation of the two other determinants, than of equal significance with them. Price, no less than value, is subject to the same complex interplay of forces,[3] hence money cannot serve as an unchanging measure of value. Labor, likewise, since it is subject to the same value determinants as all other things, for its value is determined by its serviceability, its cost of production, and its exchange value, can no more serve as an unchanging measure of value than money or corn. Thus Sartorius finds the labor theory of value "a strange and deceptive conclusion".[4]

In his second essay, however, on parsimony as a means of increasing the national wealth, he turns to the defense of Smith against Lauderdale. To the latter's objection that not parsimony but the productivity of land, labor and capital, is the source of increasing national wealth, he opposes Smith's view that only the frugality of the individual can make such productivity possible.[5]

In the third essay Sartorius presents Lauderdale's views on the differences between public wealth and individual riches. The analysis turns on the application of the paradox of value to definitions of wealth. But Sartorius is

[1] *Op. cit.*, p. 1.

[2] "The value of a thing is first estimated according to the use which can be made of it, the need which it satisfies, the pleasure which it affords." *Ibid.*, p. 2.

[3] "Price is subject to the same numerous relations as the exchange value of a thing." *Ibid.*, p. 15.

[4] *Ibid.*, p. 24.

[5] *Ibid.*, p. 88 *et seq.*

here interested in the problem of the relation of prices, both nominal and real, to the increase or decrease of the national wealth. The causes of the rise of nominal prices are not those which affect the increase of national wealth; they are the forces which determine merely the redistribution of that wealth. The rise of the real prices of goods, however, may be the effect of the increase of national wealth, or the cause of such increase.[1]

The fourth essay, on the cooperation of the government of a state in the advancement of the national wealth, betrays a more independent analysis. Sartorius takes as his starting point Smith's proposition that each individual, by seeking to further his own interests, furthers the interests of all. This proposition he shows is subject to many exceptions. The large capitalist may crush the small, and exploit the public.[2] Entirely free disposal of the lands in the hand of the individual is a doubtful policy, for land cannot be increased at will.[3] In free trade one nation may crush another.[4] The evils that attend competition are pointed out.[5] Since the proposition advanced by Smith is thus of doubtful value, it is the duty of the government to take measures to offset the disadvantageous results which may arise.[6] Were the world all one state in an advanced stage of civilization, Smith's theory might be applicable, but with so many states, as in Europe, each seeking to maintain its national existence, the employment of tariffs, drawbacks, free ports, etc., becomes necessary.[7] The intervention of the state, often on

[1] *Ibid.*, p. 178 *et seq.*

[2] *Ibid.*, p. 216.

[3] *Ibid.*, p. 217.

[4] *Ibid.*, p. 248 *et seq.*

[5] *Ibid.*, p. 223.

[6] *Ibid.*, p. 211.

an extensive scale, is thus frequently advisable. But Sartorius seeks the middle ground, and is not disposed to go to the opposite extreme from Smith.

Consequently a conditionally assumed freedom of acquisition and employment of property seems by all means the most commendable, wherever private property and inheritance exist. And so cooperation on the part of the government in advancing the national wealth, aside from protection against foreign enemies, the administration of justice at home, and the development of certain institutions, is also to be recommended, provided it remains within proper bounds. These bounds in part vary according to conditions and circumstances, but can in part be determined on general principles.[1]

Thus the objections which Sartorius raises to Smith's principles, in so far as they are his own, and not the result of the criticisms of Lauderdale, may be attributed to the continental location of their author. In the midst of European states, where the Mercantile system still largely held sway, and where its application appeared necessary to secure their economic existence, the principles of free trade developed by Smith could only seem unduly theoretical. Thus Sartorius seeks a compromise between the two systems of economic thought. Only in this one respect can his criticisms be considered as contributing anything positive to his Smithian inheritance. His remaining objections, largely conditioned by the thought of Lauderdale, were negative in character and led to no independent development of theory by their author.

V. AUGUST FERDINAND LUEDER

The second work embodying Smithian views to appear in Germany was that entitled "Concerning National Industry

and State Economy",[1] by August Ferdinand Lueder.[2] Lueder's work was primarily in the field of statistics, particularly geographical statistics, and in this connection he was editor of a sort of compendia, the first of which, entitled Historical Portfolio (Historische Portefeuille), appeared in 1787-1788, and the second, Repository for History, Statistics and Policy (Repositorium für Geschichte, Staatskunde und Politik), in the years 1802-1805. Apparently the review of foreign literature, which he was accustomed to make in connection with these compendia, brought him to the study of Smith's work.[3] A fourth work, National Industry and its Effects, an Outline for Lectures,[4] which appeared in 1808, was little more than a revamping of the earlier work. But in 1812 and 1817 appeared two remarkable productions, Criticism of Statistics and State Policy, and Critical History of Statistics,[5] in which an earnest attempt is made to show the futility of statistical analysis of a nation's activities.

The first and most extensive of Lueder's works, On National Industry and State Economy, is in part a mere para-

[1] *Ueber Nationalindustrie und Staatswirtschaft. Nach Adam Smith bearbeitet von August Ferdinand Lueder.* Berlin 1800-1802. Vol. i, 1800, xxxii + 462 pp.; vol. ii, 1802, viii + 623 pp.

[2] Lueder was born in Bielefeld in 1760 and died in Jena in 1819 in his fifty-ninth year. He also was a product of the University of Göttingen, and then became professor of history at the Carolinum in Brunswick in 1786, court councillor in 1797, professor of philosophy at the University of Göttingen 1810-1814, honorary professor at the University of Jena 1817. *Allgemeine deutsche Biographie*, vol. 19, pp. 377-378.

[3] *Allgemeine deutsche Biographie*, vol. 19, p. 377.

[4] *Die Nationalindustrie und ihre Wirkungen, ein Grundriss zu Vorlesungen*, 1808.

[5] *Kritik der Statistik und Politik nebst einer Begründung der politischen Philosophie vom Professor Lueder in Göttingen* (Göttingen, 1812), xii + 531 pp. *Kritische Geschichte der Statistik, von August Ferdinand Lueder* (Göttingen, 1817), xvi + 855 pp.

phrase of the Wealth of Nations, but also in part a much more extensive formulation of a system of economics. In the introduction Lueder pays his respects to the memory of Smith and points out the apparently slight influence his work has had in Germany in spite of an excellent translation.[1] The difficulties in Smith's work, which possibly had prevented the diffusion of his ideas, are then indicated,—the difficulties of the language, the lack of clarity and of sufficient explanation, the incompleteness of the analysis, and finally the extensive digressions, which break the force of the exposition. In the work which follows, the first book treats of the division of labor, the second of capital, and the third of nature. In that part of these books which follows Smith, Lueder's additions are chiefly in the form of illustrations drawn from his extensive reading in geography and statistics. The third book is entirely his own. Here are shown with an abundance of illustration the effects of natural conditions on the accumulation of capital, and on the development of markets, both domestic and foreign; e. g., no European state possesses so many good rivers as Prussia,[2] the imperfection of the Danube for shipping.[3]

In the remaining three books Lueder passes beyond Smith

[1] "The attempt [to portray the conditions which determine the wealth of nations] was successful to an extent which could be expected only from one of the greatest minds, but the effects of this attempt both in Germany and abroad remained as insignificant, as the attempt itself was great, bold and happy. Smith's work attained canonical standing in the foremost of all legislative assemblies; it was translated into several languages; we are able to point to two translations, one partly from the hand of Garve, whose name makes any adjective superfluous; one impression after the other has been made of both the original and the translation and yet it is only with the greatest difficulty that any trace is to be discovered, not only in the writings of our country, but also of the other civilized European nations, of the spirit which lives in Smith's immortal works." *Preface*, vol. i, p. 12.

[2] *Op. cit.*, p. 435.

to a discussion of the aim of the state and state economy in the fourth book; in the fifth and sixth books he discusses the ways in which security, which alone it is the function of the state to provide, is prevented or destroyed by the acts of rulers, representative or non-representative assemblies, or the citizens themselves. Lueder was an ardent adherent of the idea of freedom, not only in the field of economic activity, but in all phases of social life, for he had been strongly influenced by the revolution in France, as well as by Smith. In the introduction to his Critical History of Statistics, he exclaims: "I hazarded everything for freedom, truth and justice; for freedom of industry as well as of opinions, of hand as of spirit, of person as well as of property."[1] It is the purpose of the state, accordingly, to furnish protection alone.[2] In keeping with this idea of freedom Lueder offers in the fourth book an extensive discussion of the evils of slavery. Thus this work, imbued with the Smithian spirit of economic liberty, passes beyond the limits of a treatise on economics to a discussion of the state and the ways and means of attaining individual freedom within it.

In these two extensive volumes it can hardly be said that Lueder has developed any objections to the work of Smith or made any advances upon it. As he states in his introduction, his aim is to correct and coordinate Smith's principles—presumably with the principles of political sci-

[1] *Preface, Critical History of Statistics*, p. 8.

[2] "The state should afford security only; security can, however, be injured or entirely destroyed by the rulers themselves. This led to the theory of the forms of government, or to the investigation of the question: what is to be hoped and feared of every constitution and to what extent; and then to the advances and ennoblement of rulers, just as the people advances and improves. This security can also be injured by the citizens, and thus the fifth book on forms of government

ence which he develops in the second volume.[1] Only the first two books of Smith's work are used by Lueder. These, as well as the third book, contain a mass of new illustrations, largely from economic geography, but the Smithian theory is continued intact. Of the many citations of other authors, the great majority refer to geographic works or travels; only two economists are mentioned, Büsch and Steuart, and then only for illustration of special points. It was Lueder's object to unite a theoretical interpretation of man's industrial activity to an analysis of his other social relations, and for this purpose he drew upon Smith, without any modifications of the theoretical principles, unless extensive use of geographical and historical illustrations be considered such.

The influence of Smithian thought is likewise to be seen in Lueder's rejection of statistics along with state policy as it was practiced during the time of Cameralistic thought. As a consistent follower of Smith, Lueder felt that the principle of statistical investigation into the affairs of a nation had to be rejected, for it was inconsistent with that principle of individual freedom which lay at the bottom of Smith's thought. With the rejection of Cameralistic policy, there followed the rejection of Cameralistic methods. Lueder's position may be most clearly stated in his own words:

> Statistics is not what it should be; it creates anything but knowledge of the state—it does not indicate at all what is healthy, what is diseased in the state: and it never will nor can indicate

[1] "I have followed the path of my predecessor; subjected each of his assertions to a new examination; filled in the lacunae which I found; corrected errors, brought closer together and connected the parts of the whole. I have completely done over several parts, and, I may add, several of the most important parts, and also added the third book, which is lacking in Smith's work. I would have done over the whole work, had I known how to develop a better system." *Ibid.*, vol. i, p. xv.

this. Policy, however, which should teach us how the commonweal is to be maintained and increased, how the diseased is to be cured; which bears the same relation to statistics as medicine to physiology; which is drawn alike from experience and reason, is still full of ridiculous things, full of contradictions and theories, which mock sound common sense and the most common daily experiences.[1]

Lueder's despair upon realization that adherence to the principle of the greatest freedom of the individual in the state made a large portion of his lifework vain, is vividly shown in the following:

> On the strongest pillars and the firmest foundation the structure of statistics and policy seemed to me to rest. I had devoted the happiest hours of my life and the greatest part of my time to statistics and policy; . . . everything in me could not but revolt at the convictions which pressed upon me. But the current of the times flowed too swiftly. Ideas, which had entered my very marrow, had to be reviewed and exchanged for others; one prejudice after another had to be recognized as prejudice; more and more indefensible appeared one rotten prop after another, one rent and tear after the other; finally, to my no small terror, the whole structure of statistics collapsed and with it policy, which can accomplish nothing without statistics. As my insight grew and my viewpoint cleared, the fruits of statistics and policy appeared more and more frightful; all those hindrances which both threw in the path of industry, whereby not only welfare but culture and humanity were hindered; all those hindrances to the natural course of things; all those sacrifices brought to an unknown idol, called the welfare of the state or the commonweal, and brought with ridicule of all principles of philosophy, religion and sound common sense, at the cost of morality and virtue.[2]

Nowhere clearer than in these rhetorical periods of Lueder

[1] *Kritik der Statistik und Politik*, p. 421.

can we see the chaos which the swift march of events in the years following 1791 brought to those minds which were schooled in an older philosophy and could only with difficulty make any change. With the collapse of a lifework the bitterness of tone can be pardoned, while the confusion of the times concealed the illogicalness of his position.

The writings of Lueder betray an extensive reading and knowledge of literature, and like Sartorius, a keen understanding of English conditions. With his special knowledge of history and statistics he enriched his Smithian inheritance with many significant illustrations. Strongly influenced by the ideas of the French Revolution, as well as by Smith, he was an ardent disciple of the latter. But his style was strongly rhetorical and exaggerated, and his writings sketchy and more than tinged with pessimism. He was a man unable to adapt his views to a period of rapid change and his writings remain one of the most interesting phenomena of these troubled times.

VI. CHRISTIAN JACOB KRAUS

The third, and as a representative of Smithian economics in many respects the most important economist of this period, is Christian Jacob Kraus,[1] for it was through his influence upon his pupils, von Schön, the von Schrötters and von Auerswald, rather than through his writings that at least

[1] Kraus was born in Osterode in 1753, and died in Königsberg in 1807 in his fifty-fourth year. He attended the University of Königsberg for a lengthy period (1770-1779), and then became a tutor, and in this occupation spent a year at the University of Göttingen where he heard Heyne, Feder and Schlözer. While a student at the University of Königsberg he had attended Kant's lectures, later had attracted his attention and finally the two men had become warm friends, although they differed greatly in their views. In 1780 he took his doctor's degree at the University of Halle and was then called to the University of Königsberg as professor of practical philosophy and Cameralia, a position which he occupied until his death. *Allgemeine deutsche Biographie,*

one of the important reforms of Stein's second ministry, the abolition of serfdom, was accomplished.[1]

While still a student at the University of Königsberg in 1776 Kraus turned to the study of English, and in a remarkably short time, by committing to memory Bailey's dictionary, had learned the language.[2] Shortly after this he began the translation of Young's Political Arithmetick and after great difficulties completed and published it in 1777.[3] The difficulties in translating this work, which made him feel that, although he had translated, he had not understood it, led to an extensive study of economic works and gradually aroused his interest in the field.[4] That Kraus should visit the University of Göttingen rather than any of the other German universities in 1779, may have been due to his admira-

[1] "On Aug. 17 both the Immediate Commission and the Minister of the Province [von Schrötter] laid before the king projects for the restoration of the land. Both proceeded essentially from the same economic principles, which had been taught for many years at the University of Königsberg by Professor Kraus and had entered into the convictions of his numerous auditors. Kraus followed the theories of Adam Smith; he had many connections with business men, landowners, merchants, had a keen penetrating judgment, and a gift of clear presentation; the place of his activity, a commercial city, which carried on a lively trade with England; the midpoint of the province of Prussia, where most of the officials received their education, favored the entrance of his principles. The most active member of the Immediate Commission, von Schön, the Minister von Schrötter, and the provincial president von Auerswald, were his pupils." Pertz, G. H., *Das Leben des Ministers Freiherrn vom Stein* (Berlin, 1850), vol. ii, p. 13.

[2] Voigt, J., *Das Leben des Professor C. J. Kraus* (Königsberg, 1819), p. 44.

[3] *Ibid.*, p. 57.

[4] "He himself told one of his later friends that the fact that he had really understood little of Young's Arithmetick and had therefore studied with great effort the most important works on finance and several things on state economy in order to return to the translation with new views, had first aroused his interest in the study of state economy." *Ibid.*, p. 306.

tion for the English people and the greater familiarity with English affairs there than elsewhere in Germany, but at any rate he came away from Göttingen with his interests in statistics and state economy deepened and strengthened.[1] During his first years as professor at the University of Königsberg he included in the subjects upon which he lectured not only state economy, the Greek classics, history, mathematics, and practical philosophy, but also Shakespeare's plays.[2] As the years passed, however, his interests became increasingly concentrated in economics and in 1794 his lectures were devoted entirely to finance, policy, trade, industry and agriculture.

It was during these years that Kraus became acquainted with the *Wealth of Nations* and began to introduce it gradually into his lectures on economic subjects. In a letter to a friend Jan. 1797 apropos of Sartorius' *Handbuch* of 1796, a copy of which he had just received,[3] he states that for six years previous he had presented in his lectures "the only true, great, beautiful, just and beneficial system."[4] In a letter to a friend, Oct. 1795, he says:

> Adam Smith's work on national wealth is my main source. This work is certainly one of the most important and beneficial that have ever been written; and I shall not leave you in peace, in case you are not acquainted with it, until you study it in the new version of Garve. For us Prussians of today a deeper

[1] "From Schlözer he brought to the academic field a predilection for statistics and state economy; of these the former became a part of his first lectures." *Ibid.*, p. 306.

[2] *Ibid.*, p. 97.

[3] "War Councillor Scheffner sent me during the Christmas vacation Sartorius' summary of Smith, which he had expressly ordered for himself. I worried my way through perhaps a hundred pages, then brought out my summary and believed I could say to myself like the painter: 'Anche io son pittore.'" *Ibid.*, p. 386.

[4] *Vide* note *supra*, p. 73.

study of state economy is more necessary than ever, if only to be able to judge correctly the projects, which books are discussing for the good of our National Wealth and our national income.[1]

A year later in a letter to a friend his praise of Smith's work is even more unbounded:

> For truly Scheffner is right in saying that the world has seen no more important book than that of Adam Smith; certainly since the times of the New Testament no writing has had more beneficial results than this will have, when it has become better known and has penetrated further into the minds of all who have to do with matters of state economy.[2]

Although he published little, it is this enthusiastic admiration for Smith's work, which rather increased than lessened with the years, which he instilled at first quietly and then more openly into his pupils, some of whom were destined to occupy positions of importance during the years of Prussian reform.[3] It was this admiration, too, which led to his criticisms of the Frederician economic system and to suggestions for reform which left their impress upon his students.

For a German professor Kraus published remarkably little.[4] An excessive fear of the reading public,[5] uncertainty as to the correctness of his own position, and the wideness of his interests, which led to many plans never completed, prevented the appearance until after his death of any works of significance. His early articles devoted to philosophical subjects were followed by such articles as *Ueber den*

[1] *Ibid.*, p. 358.

[2] *Ibid.*, p. 373.

[3] *Vide* note *supra*, p. 73.

[4] It is a source of wonder to Roscher. *Die Ein- und Durchführung des Adam Smith'schen Systems in Deutschland*, p. 29.

Frachthandel (1786) and *Ueber das Seesalzmonopol* (1786). After his death there were published by his friends State Economy in five volumes and Miscellaneous Writings in eight volumes.[1] Although he published little, he was a most influential teacher. His lectures were crowded and he was considered the most important teacher in the university with the exception of Kant.[2]

The most significant of Kraus' works and that also which shows his conception of economic science most clearly is the five-volume work entitled State Economy. The first four volumes of this work are little more than a free paraphrase of the *Wealth of Nations*. The order of analysis is even maintained, e. g., the history of the precious metals is inserted in the theory of rent.[3] Smith's words are used, e. g., the work of musicians and actors is called frivol (frivolous).[4] But illustrations from the history of Prussia are substituted for British illustrations and a much more minute classification is employed, which frequently runs to subheadings a, aa, aaa, etc. Smith's lengthy discussion of colonial trade is repeated, although it was in little keeping with Prussian conditions;[5] on the other hand the agricultural conditions of Prussia receive the limited treatment characteristic of Smith's analysis. This part of the work is thus a slightly modified presentation of the *Wealth of Nations*.[6]

[1] *Die Staatswirtschaft von Christian Jacob Kraus. Nach dessen Tode herausgegeben von Hans von Auerswald* (Königsberg, 1808-1811), 5 vols. *Vermischte Schriften über staatswirtschaftliche, philosophische und andere wissenschaftliche Gegenstände von Christian Jacob Kraus. Nach dessen Tode herausgegeben von Hans von Auerswald* (Königsberg, 1808-1819), 8 vols.

[2] Roscher, W., *op. cit.*, p. 29.

[3] *Die Staatswirtschaft*, vol. ii, p. 200 *et seq.*

[4] *Ibid.*, vol. i, p. 22.

[5] *Ibid.*, vol. iv, p. 154 *et seq.*

The fifth volume, however, contains Kraus' original contributions to the needs of his time and of the Prussian state, in the form of an applied state economics. In sharp contrast with the preceding volumes the practical needs of Prussia, as viewed by the author in the years preceding 1807, are analyzed and remedies are suggested. This part of the work is a series of sketches, often in problem form, as prepared for the lecture room rather than for final publication. Entirely in accordance with Smith's viewpoint is the assumption of individual freedom of initiative, which is the basis of all Kraus' reasoning. It is assumed that men want to improve their lot.[1] If they do not, it is because either they cannot, or dare not, or lack the necessary knowledge, or sufficient incentive, or customary skill.[2] If laws are passed requiring certain actions or forbidding others, the question is with Kraus: why do men not do or cease doing this of their own accord? What will they do to evade the law and will they succeed?[3] In accordance with these

[1] "The desire and effort of each individual to improve his lot is the basis of all state economy, like the force of gravity in the universe." *Ibid.*, vol. v, p. 3.

[2] *Ibid.*, p. 4.

[3] As an illustration of economic method I cannot refrain from quoting at length: "Whenever it is a question of a law or an arrangement, by which men are to be brought either to do something which they previously did not do, or not to do something which they previously did, then, in the second case, the first question is why did people not cease of their own accord? Then we can discover, if we put ourselves in their position, which of the four causes previously given is operative. Then follows the second question: What will men attempt to do in order to evade the law which conflicts with their interests? Then the third question: How far will that which they undertake in order to evade the law succeed? In the case of these second and third questions many striking views will be gained, which would otherwise have quite escaped us, as soon as we put ourselves entirely in the position of these men and make their situation our own. What has here been said of ceasing to do is of even greater validity when it is a question of doing; that is, when men are to be brought (enticed or forced) by laws or arrangements to do something which they previously did not want

questions Kraus analyses the Prussian economic polity systematically from the points of view of production, manufacture and trade. In every case the evils of the current system of restraint are pointed out and greater gain is proved under a system of free enterprise. The evils of the feudal agrarian system are shown, and the necessity of provision for the division and alienation of the land is emphasized.[1] The economic waste of serfdom is shown and its removal proved necessary.[2] The evils of the land-credit institutions are investigated.[3] In the case of certain goods the reasonableness of moderate protective duties is recognized.[4] Finally the guilds are censured, and their elimination is recommended, but only with their approval and with indemnification of their vested rights.[5] This part of the work is thus the formulation of a new state policy of individual freedom, which shall take the place of the existing policy of restraint. In so far as it is policy, it continues the Cameralistic tradition of state intervention, but in so far as it is based on Smithian principles it is a new type of policy.

Of the eight volumes of miscellaneous essays the first two only are devoted to subjects of economic significance. Here are found eleven essays, written during a period of twenty-one years (1786-1807), and dealing entirely with matters of practical significance to the administration of East Prussia. Throughout these essays, written in the spirit of an advisory economist, runs the principle of greater freedom of private initiative. Again and again it is proven that the removal of restrictions will result in greater gain to the individual and the state. The practical nature of these

[1] *Ibid.*, p. 43 *et seq.*

[2] *Ibid.*, p. 45 et seq.

[3] *Ibid.*, p. 91 *et seq.*

essays precludes any discussion of their theoretical basis, which may correctly be assumed to be the principles of Smith's economics. These essays, however, are followed by a series of notes on economic matters,[1] which show that Kraus was not blind to some of the implications of Smith's principles.

The paradox of value had occurred to Kraus,. also, and he questions just what Smith meant by the term value.

> When Smith posits the national income as the value of the annual product of the soil and labor, the question arises, (1) if the product increases, will it also be greater in total value, or may it not decrease in value by that very growth in size? (2) May not its total value increase, when its volume decreases by reason of some accident, *e. g.*, national calamity? Is not the quantity of products more important for a nation than their value? The question is, what does Smith mean by value? What does he mean by product of the soil and labor?[2]

> The real exchange value of any product is defined as follows: "The original real exchange value of any ware is the cost of producing it and bringing it to market."[3] But the forces affecting market prices are various.

> The market price, in so far as it is determined by the relation of demand to supply, is influenced not merely by the quantity really desired or offered, but also by that which is known or assumed will be paid or offered. Moreover, fear, hope and almost all passions influence the prices which are given or received.[4]

Smith's measure of value is not questioned by Kraus. "The unit or measure of exchange value, which Smith discovered,

[1] *Staatswirtschaftliche Bemerkungen, op. cit.*, vol. ii, pp. 85-138.

[2] *Ibid.*, p. 125.

[3] *Ibid.*, pp. 133-134.

[4] *Ibid.*, pp. 118-119.

is as important for state economy as the unit discovered by Galileo in physics for velocity." [1] What is the true theory of the circulation of money in a country?

Smith in his discussion of banks sets down the principle that only a definite amount of gold and silver money can circulate in a given state of the national economy. But can not a new quantity of gold and silver introduced into the land increase the number of purchases and loans? As for example, the gold which flowed from America to Spain and Portugal, to France from the pillaging of conquered lands, to Rome from the victorious wars of the ancient Romans or from the superstitions of the Papists.[2]

From the above quotations it is evident that Kraus is not disposed to accept entirely without reservations the principles of Smith. These objections and comments, however, found as scattered notes by their editor, were never incorporated in any systematic work of theory, nor are they all consistent with each other or indicative of a unified viewpoint other than that of Smith. With all his keenness of argument, Kraus accepted the economics of Smith with less questioning than Sartorius, or even Lueder. His mind was set on the practical problems of his day, as is shown by his independent essays, and these problems he attempted to solve from the viewpoint of Smithian free trade. And, indeed, his life-long associations in the University of Königsberg and with the citizens of a port, the very prosperity of which depended upon freer trade, could only lead to the almost unquestioning acceptance of such a viewpoint. Of the early German economists, he alone was in a situation similar to that of Smith in Glasgow, and of these economists, he accepts with the fewest reservations the ideas of Smith.

[1] *Ibid.*, p. 102.

Such were the views of a man who was to a large extent responsible for the economic changes which took place in Prussia after 1807, in so far as they can be ascribed to Smithian influence. It is fitting to close this brief account of the man and his works with the eager defense and high praise of no less a personage than vom Stein, as given in Varnhagen von Ense's *Memoirs:*

> He [Stein] then came to the subject of the merits of professor Kraus, who had died in Königsberg. He gave me his writings, recommended them highly and angrily defended him against recent attacks. In Berlin at that time Heinrich von Kleist was editor of a paper, in which Adam Müller greatly minimized the worth of Kraus, and declared him a mere repeater of Adam Smith, whose principles were no longer to be considered valid, since they favored industrial activity to the disadvantage of the nobility. Stein, however, said of Kraus: "The man has done more than these gentlemen will ever destroy. The whole province has gained in light and culture through him, his views forced their way into all parts of life, into the government and legislation. If he has set up no brilliant new ideas, he has at least been no glory-seeking sophist; to have presented the plain truth clearly and purely and correctly expressed, and to have communicated it to thousands of auditors successfully, is a greater service than to arouse attention through chatter and paradoxes. . . . Kraus was no follower, Kraus had an unassuming but genial personality, which laid strong hold on its environment, he had flashes of new insight, of great applications, and often astonished us by his unexpected conclusions. . . . Read his writings, everything there is clear and simple, and at present you need nothing more." [1]

Thus in the field of economic thought it can be said that by the year 1808 Smithian principles were fairly launched

[1] Varnhagen von Ense, K. A., *Denkwürdigkeiten des eignen Lebens,*

in Germany. The process had been a slow one, for it continued well over a quarter of a century from the first notice of Smith's book, and well over a decade from the time of active propaganda in its favor. The contemporaries and successors of Sartorius, Lueder, Kraus—such men as Hufeland, Soden, Lotz, Krug and Jakob—accepted the Smithian tradition only with important modifications. During the years 1805-1808 the works of these men and of many others were appearing, testifying to the intense interest in economic affairs that the rapid changes in the political and economic life of Germany were causing. At no time before had so many books on economics appeared in so short a time. But during this time the Smithian principles were making themselves felt in another direction, in the activities of such statesmen as Stein, Hardenberg and von Schön, and to them we shall now turn.

CHAPTER IV

Social and Economic Reforms

I. THE STATESMEN OF THE REFORM PERIOD IN PRUSSIA

The reforms which occurred in the social and economic organization of Prussia after its disastrous collapse in 1807 can no more be attributed to the influence of one theorist than their introduction can be attributed to the superior powers of one statesman. Not only the *Wealth of Nations*, but Physiocratic doctrines and the influence of the French Revolution, as well as the consciousness in all Prussians that reforms had to be made if the state were to be revived, may be looked upon as antecedents of significance in the changes which occurred. Stein was not averse to many views of the Physiocrats,[1] and the French Revolution left its impress upon the thoughts of Hardenberg[2] and Lueder. In the welter of influences which were to shape the reforms of the Stein-Hardenberg period the part played by the *Wealth of Nations* was important, but its significance can seldom be measured. That the direction taken by the reforms coincided in large measure with the direction indicated by Smith as the best to follow in the development of the wealth of the state, is evident; for any revival of the Prussian state could only proceed by liberalization, by the loosening of the fetters of the Frederician system. But those reforms did not always

[1] Lehmann, M., *Freiherr vom Stein* (Leipzig, 1921), p. 96.

[2] Meier, E., *Die Reform der Verwaltungsorganization unter Stein und Hardenberg* (Leipzig, 1881), p. 167.

result from Smith's teaching, nor did they go to the lengths indicated as best by him or by his ardent followers in Germany. In what follows, then, only those facts will be stressed which show the direct influence of Smith or in which the importance of such influence can be inferred.

It was through the universities, as we have seen, that the ideas of economic liberalism entered Germany, in the west through the University of Göttingen, in the east through the University of Königsberg. Not by his writings, but by his enthusiastic presentation Kraus was able to instill these ideas into the minds of men who were afterwards to be of importance in the development of the Prussian reforms. Stein and Hardenberg from the west, von Schön, the Schrötters, and many minor officials from the east were thus to have a hand in the development of the reforms, and it is through them that the Smithian principle of economic freedom exerted its practical influence.

I

Of all these men the man who stands out as the most striking figure in this period of Prussian history is vom Stein.[1] It would be a task beyond the limits of this study

[1] The best source for the life of Stein is his autobiography, written in 1823 when he was sixty-six years of age. It is to be found in Pertz, G. H., *Das Leben des Ministers Freiherrn vom Stein* (Berlin, 1850), vol. vi, pt. ii, pp. 155-197. It is the biography of a man of action and throws almost no light on those influences which developed Stein's thought. The life of Stein by Pertz is largely a collection of undigested documents, but is valuable for that reason. J. R. Seeley's *Life and Times of Stein*, 3 vols., (Cambridge, 1878), is based largely on Pertz, although more emphasis is laid upon interpretation of the materials. The best modern account of Stein is by Max Lehmann, *Freiherr vom Stein*, 3 vols., (Leipzig, 1902-1905), also the one volume edition of 1921. In English the best modern account of Stein is to be found in a small volume by G. S. Ford, *Stein and the Era of Reform in Prussia, 1807-1815* (Princeton, 1922). It is of value also for its interpretation of the reforms which occurred in connection with Stein's second ministry, 1807-

to give even a brief account of the life of Stein, for it was a life of stirring activity and to be fully understood must be studied in connection with the rapidly changing political and economic life of this period. Only those phases of his life can be noted which bear directly upon the development of his thought or upon the reforms introduced by him.

There were four influences upon the early life of Stein which must be considered of paramount significance in making him a Prussian official of a relatively liberal turn of mind in comparison with many of his equals or superiors. He was born into a family of the old Imperial Knights (Reichsritter), those nobles who owed their allegiance directly to the emperor rather than to any of the numerous kingdoms, principates, duchies, or religious principalities of the empire.[1] Independent in their position, the Imperial Knights were likewise independent in their thought; they constituted at once the greatest weakness of the empire by reason of their particularism and individualism, and yet its greatest strength, for they thought in terms of the empire rather than in terms of the selfish interests of any one of its numerous parts. Although the youngest son in a family of seven children, he was chosen by his parents to become the head of the house.[2] His service in the Prussian state was undertaken because he thought he could thereby best serve the interests of the empire and the interests of that wider Germany he always had at heart.[3] To his position as an Imperial Knight is likewise to be attributed that independence of character which appeared so often in his dealings with the rulers of Prussia.

His early views of the world were shaped by the study of history, and this continued to be his favorite study at the

[1] Ford, G. S., *op. cit.*, p. 3.

[2] *Ibid.*, p. 6.

[3] *Ibid.*, p. 15.

University of Göttingen and throughout his later life.[1] Although he devoted himself to the study of law at the University of Göttingen in the three and one-half years which he spent at that university (1773-1777), his predilection for English history, developed during his boyhood, was increased and strengthened by a study of the statistical, economic and political works of the English while at the university.[2] Although Stein continued at the university until the spring of 1777, at a time when the *Wealth of Nations* had been before the public for a year, there is no indication that he became acquainted with it here. But in 1784, when he became head of the department of mines and mining in Westphalia and director of manufactures in Mark he was studying Adam Smith.[3] While holding this position he made a trip to England, which lasted from November 1786 to August 1787. This trip, which he describes as a "mineralogical and technological journey," undoubtedly contributed still further to confirm his predilection for English institutions; but of the impressions which he received there aside from those of a technological nature he leaves no account.[4] That Stein in the busy years which followed his acceptance of the ministry of excise, tolls, man-

[1] "His interpretation of the world and of human relations was drawn by the boy and youth in the solitude of country life from ancient and modern history, but he was especially attracted by the events of the turbulent English history." Pertz, *op. cit.*, vol. vi, pt. ii, p. 155.

[2] "In the autumn of 1773 in company with my tutor I entered the University of Göttingen, where in obedience to the will of my parents I studied law most earnestly, but at the same time acquainted myself with English history, and its statistical, economic and political works, and in general through intimate association with several young men of like mind, such as Rehberg, Brandes, my predilection for this people was confirmed." *Ibid.*, pp. 155-156.

[3] *Ibid.*, vol. i, p. 24.

[4] "... and made a mineralogical and technological journey to England in November 1786, from which I returned in August 1787." *Ibid.*, vol.

ufacturing and commerce in 1804 in succession to von Struensee, was still occupied with the study of Smith is shown by his letter of January 20, 1806, to his friend Vincke. Apropos of the issuance of a limited amount of government paper money to finance the expenses incidental to the impending war, he wrote that he had before him in the preparation of the edict "the principles of Smith's Wealth of Nations, Book II, cap. 2."[1] We hear no more of Stein's preoccupation with Smith until after his retirement from his second ministry and his services in the work of reform were over. While in exile in Brünn in Moravia in the year 1809 he turned again to history and economics, and from his reading there we have a series of comments on Adam Smith partly supplementing, partly contradicting his views.[2] From these comments it is evident that Stein,

[1] "By the following mail you will receive the edict concerning redeemable treasury notes. A redemption agency is being established with the bank in Münster. In this matter I have had before me the principles of Smith Wealth of Nations Book II, cap. 2." *Ibid.*, vol. i, p. 328.

[2] "From the period of his sojourn in Brünn written comments on world affairs as well as on economic matters have been preserved, which show Stein's constant preoccupation with significant works such as those of Adam Smith, Ganilh, Herder, and express his partly dissenting convictions." *Ibid.*, vol. ii, p. 442. These comments are a series of notes apparently made on Garve's translation of Smith. In the *Wealth of Nations*, bk. iii, ch. i, where Smith discusses the natural progress of opulence, Stein objects that this order of progress in Germany applies only to the region east of the Elbe. *Ibid.*, p. 453. In bk. iii, ch. iii, on the rise and progress of cities and towns after the fall of the Roman empire, Stein adds further historical facts on the development of cities in the German empire. *Ibid.*, p. 455. In the same chapter apropos of the relation between cities and country, Stein remarks that eastern Europe is agriculturally still in the Middle Ages. *Ibid.*, p. 455. In this same connection he adds somewhat later: "The improvement of the legal position of the peasantry was the serious object of the years 1807 and 1808." Further comment on the agrarian reform: "... it [legislation] removes personal serfdom and arbitrary eviction from the peasant lands. It is justified in this, for the former is opposed to the

although an admirer, was by no means a slavish follower of the Scotchman. The extent of Stein's indebtedness to Smith is a point to which we shall return later.

That liberal tendency which is to be discovered in Stein at the opening of his career in Berlin in 1804 was further strengthened by his years of service in the westermost and least Prussianized territories of the kingdom.[1] When Stein entered the Prussian service in 1780 he was assigned to service under Heinitz in the department of mines and mining. Here he came under the influence of one of the most gifted and liberal Prussian officials in the service of Frederick II. Heinitz was thoroughly versed in his field and an excellent administrator, but his leanings towards the Physiocrats and his outspoken opinions cost him his position.[2] Under the careful tutelage of this man, for he was a friend of the family, Stein made rapid progress in the department and by 1786 was made superior privy councillor for mines.

peasant lands secures the owner little advantage and maintains the peasant in a constant state of legal minority; the latter's land, buildings and inventory continue wretched, for they do not belong to him as his property, and every incentive is lacking to improve them and accumulate capital." *Ibid.*, p. 456. Apropos of agriculture in the same chapter Stein remarks that the limitation of the sale of land in Prussia had done little harm so far as noble land (adelige Güter) was concerned, but much harm in the case of lands held by peasants and citizens. *Ibid.*, pp. 456-457. In connection with Smith's discussion of colonies in bk. iv, ch. vii, Stein remarks at length that the degree of economic regulation of a country must depend upon the degree of economic development of that country, constantly lessening as the country develops. *Ibid.*, pp. 461-462. In connection with Smith's discussion of the Mercantile system, bk. iv, ch. viii, Stein justifies the use of a protective tariff, for the greater expense which it lays on luxuries will turn the nation from them to the greater production of necessities. Ibid., pp. 462-463. Finally, Smith's discussion of the guilds, bk. i, ch. x, provokes the observation from Stein that the discussion of the benefits of the guilds overlooks an important point, the moral side, the maintenance of a certain sense of civil honor. *Ibid.*, pp. 467-468.

[1] Ford, G. S., *op. cit.*, pp. 19, 37.

[2] Lehmann, M., *Freiherr vom Stein*, (Leipzig, 1902-1905), vol. i, p. 35.

In the western provinces of Prussia the relative freedom from the feudal incubus of eastern Prussia could not but leave its impress upon a thoughtful observer. From 1784, at which time he settled in Wetter in the county of Mark, until 1804, when he was called to the General Directory in Berlin, Stein's residence was in one or the other of the western territories.[1] These territories, Mark, Cleves, Minden, Ravensberg, Gelders, Lingen, Mora and Tecklenburg, in order of size, were scattered over northwestern Germany from the Weser to the Rhine, and comprised a territory of about four thousand square miles with a population of half a million, or about one-tenth of the total population of the kingdom of Prussia.[2] These territories were rich in iron and coal, and mining and smelting were important industries. Agriculture also flourished, for the soil was richer than in eastern Prussia. Large estates were the exception, and small holdings with fixed tenures and independent cultivators the rule, although conditions varied greatly in the different territories. Here, too, domestic industries flourished by the side of agriculture, for the distinctions so carefully observed in the east between city and country had broken down. The general prosperity of these territories and their close proximity to the Low Countries had led to a relative freedom of individual initiative.[3] All inhabitants of these territories were citizens of the state, and not subjects of the feudal lords or guilds. There was, accordingly, a greater degree of representation of their interests in the assemblies of the estates, although the lords and cities held the preponderance of power. The affairs of government were settled by conference between the local assemblies and the representatives of the central government, especially in all matters pertaining

[1] Ford, G. S., *op. cit.*, p. 22.

to taxation. It was the duty of Stein, as a representative of the central government, to attend these assemblies and take part in their deliberations. Such experience, together with his training in the freer economic life of the west, undoubtedly left its impress upon Stein and strengthened that spirit of liberalism with which he was possessed. "By every instinct of birth and training, by official association with such an independent non-Prussian chief as Heinitz, and by two decades of service in the least Prussian of the Hohenzollern possessions, Stein was fitted to direct the fortunes of his adopted land from the standpoint not of her history and social traditions, but rather from the standpoint of Germany and humanity." [1]

It is natural to suppose that a man with Stein's liberal training and energy would seek to improve conditions wherever he went, and such was the case. But these changes must be looked upon as improvements rather than reforms. During his period of service in the western provinces of Prussia, the production of coal and iron was increased, the system of factory inspection was rehabilitated, internal tolls and tariffs in the county Mark were abolished in 1791 and a moderate protective tariff established to be collected at the borders, waterways—the Ruhr river and canals—were improved and roads were built, and the system of taxation modified.[2] But all these changes were rather improvements of an existing system than modifications of it in the interest of economic freedom. Likewise, during his first ministry in Berlin from October 27, 1804 to January 4, 1807, when he was Minister of Excise, Tolls, Manufacturing and Commerce, or in modern terms, Secretary of the Interior, he was instrumental in making many needed improvements. The administration of the salt monopoly

through the Seehandlung was modified in the interests of simplicity and efficiency, the operation of the bank was improved and Niebuhr was called from Denmark to take charge of it, roads, waterways and harbors, especially the harbor of Stettin, were improved, and the tariff and excise administration was modified in the direction of greater simplicity, but only in certain of the provinces.[1] An improvement of great significance was the establishment of a statistical bureau with J. L. Krug at its head. The continuance of such improvements, however, was cut short by the collapse of Prussia in 1806 and the dismissal of Stein in January, 1807.

The economic views of Stein have been characterized as in agreement with the teachings of Adam Smith,[2] and indeed the improvements introduced by him into the stagnant economic organization of the state during his twenty-five years of service previous to 1807 seem to point to the acceptance of Smithian principles. But Stein cannot be looked upon as a follower of Smith in any strict sense of the word. Although he was for many years active in the field of economic organization, he was an intensely practical man, and cared little for general principles, such as are embodied in Smith's work. It is extremely doubtful whether he even appreciated the difference between the viewpoints of Smith and other economists, for we find him during his exile in Brünn commenting on Ganilh, the Mercantilist, on Lauderdale and Sismondi, as well as on Smith, in a way which suggests no appreciation of their fundamental differences.[3]

[1] *Ibid.*, pp. 82-89.

[2] "Stein's economic views may be most briefly characterized by the statement that as a rule his agreement with Adam Smith is assumed, and only the deviations from this rule are specially emphasized." Roscher, W., "*Die Nationalökonomik des Ministers vom Stein*," *Deutsche Vierteljahrschrift*, 1866, pt. 3, p. 82.

While he was a practical economist, Stein was even more interested in the organization and administration of the state. His liberalism was due in even greater measure to the influences of his early training, than to the study of Smith. He admired English institutions, but the study of history, to which he was devoted throughout his life, made him aware of the fundamental differences between the institutions of England and those of Prussia. The Edict of Emancipation of October 9, 1807, his political testament, and the Government Instructions of 1808, which bear the most evident traces of Smithian influence, were not the products of Stein's hands, although some of them received his signature.[1] During his second ministry (Oct. 1, 1807-Nov. 24, 1808) his chief effort was to rouse the spirits of his countrymen to overcome the French oppressors, and in this respect his statement in his autobiography is of fundamental significance:

> The chief idea was to arouse a moral, religious and patriotic spirit in the nation, to instill into it again courage, confidence, readiness for every sacrifice in behalf of independence from foreigners and for the national honor, and to seize the first favorable opportunity to begin the bloody and hazardous struggle for both.[2]

In order to attain this object something more than improvements was necessary, but of the reforms which were accomplished during his second ministry only those which concerned the administration of the state were the work of his hands. He favored the emancipation of the peasantry,[3] but it was the reform of their legal position in which he was

[1] Meier, E., *op. cit.*, pp. 144-145.

[2] Pertz, *op. cit.*, vol. vi, pt. 2, p. 165.

interested.[1] Each class in the state was to be maintained, only its powers to oppress others was to be removed.

Each class is in a false position, when it leads to the oppression and contempt of the other, and each class has a false and harmful power, when it can oppress and despise the other. The true honor of each class is entirely consistent with the true honor of every other class.[2]

During his second ministry no changes were made in the guild system. He favored its preservation for its service in maintaining standards of civil honor.[3] In this respect the clearest light is thrown on the fundamental difference between his position and that of Smith and his followers in Germany in the following passage from a letter to Kuhnt, November 8, 1821:

To your attacks upon the guilds I make the following objections. I will not undertake their defense as technological institutions, for to my mind the state is no union for the production and manufacture of raw products, no combination of agriculture and factories, but its object is religious, moral, spiritual and physical development. Whether more or less shoes, wagons, etc., are produced by guilds or others is a matter of indifference to me.[4] Stein was equally far removed from the acceptance of free

[1] *Cf.* in this connection the remarks of Varnhagen von Ense, *Denkwürdigkeiten des eignen Lebens*, (Leipzig, 1871), pt. iii, p. 176: "Although devoted to the ideals of the knightly class, and insistent upon a strong and rich nobility, Stein was at the same time a most ardent friend of the peasants and desired to have a peasantry entirely free and independent. In this connection he praised highly the new Prussian legislation, which did not originate with him, as is almost generally believed, but had received every assistance from him." Stein's high appreciation of Kraus rested not on his advocacy of Smithian economics, but on his services towards the reforms in Prussia.

[2] Pertz, *op. cit.*, vol. v, p. 239.

trade, although he was well aware of the necessity of further simplifying the internal toll and tariff system of the kingdom. In his remarks on Smith during his exile in Brünn he points out that a moderate protective tariff might best suit Prussia's present needs,[1] and later justifies his position by remarks which again reveal his historical-mindedness:

> If a nation enjoys a fortunate government, which directs it to independence of action, and assures it freedom and property; if its geographic position is advantageous and it possesses in rivers and seas an easy connection with other developed nations; and if, finally, it has already gained a general fund of technological and commercial knowledge, its government can without fear leave to it free choice of occupation and undertakings, for it will choose the most suitable and profitable. If, however, the greater part of the nation is in a state of rudeness and low development; if its position in the middle of a continent makes communication with its neighbors difficult; if freedom and property are the lot of only the upper privileged classes; then the government must guide, instruct, encourage, by laws, rewards, schools, advances of money and by travel.[2]

In the field of finance Stein turned to the study of Smith in connection with the preparation of the edict for the issuance of paper money (1806), but even here his comprehension of Smith's position was weaker than that of his opponents.[3] The influence of Smith upon Stein must thus be considered as part of the influence of his historical studies, which confirmed his admiration and predilection for the history of the English people, but in no sense made of him an imitator of their institutions, or a disciple of Adam Smith.

[1] *Vide* comments, *supra*, p. 100.

[2] Pertz, *op. cit.*, vol. ii, pp. 461-462.

[3] Lehmann, M., *op. cit.*, vol. i, p. 420; *cf.* Schön, T. von, *Aus den Papieren des Ministers und Burggrafen von Marienburg Theodor von Schön* (Halle, 1875), vol. i, pp. 34-35; *vide* note *supra*, p. 99.

II

Of the coadjutors of Stein in the task of restoring the state, F. L. W. P. Vincke[1] must be mentioned, who, although he played a minor role, was Stein's favorite subordinate. Like his superior he was a man of indefatigable energy, equally practical-minded, and equally interested in administrative organization. Born in 1774 in Minden, he received his university education at Marburg, Erlangen and Göttingen in law and Cameralia (1792-1795). But he turned from the prevailing Mercantilistic theories and became greatly interested in Adam Smith, to whom at one time he applied the term "godlike" (göttlich). A great traveler, he undertook two journeys to England, one in 1800 for seven months, and one in 1807 for four months. His practical mind, however, and keen observation, rather than confirming him in his admiration for Smith, showed him the great differences between Prussian and English institutions, the relativity of the Smithian theories, and he returned from his second journey with his ardor for Smith considerably cooled. His interest in the English management of internal affairs led him to write "A Statement of the Internal Administration of Great Britain" (*Darstellung der innern Verwaltung Grossbritanniens,* published by Niebuhr in 1815) with the hope that it might be of influence in the reform of the administration of Prussian internal affairs.[2] Although out of the service after his return from England in 1807, for his office and lands in western Prussia were occupied by the French, he assisted Stein with a number of reports on the reorganization of the state administration, the chief of which was "Aim and Means of the Prussian

[1] *Allgemeine deutsche Biographie,* vol. 39, pp. 736-743.

[2] *Allgemeine deutsche Biographie,* vol. 39, p. 739; Meier, E., *op. cit.,* p. 151.

State Administration" (*Zweck und Mittel der preussischen Staatsverwaltung*, August 8, 1808.)[1]

III

The title which is usually given to the series of modifications in the political and economic organization of Prussia after 1806, the Stein-Hardenberg Reforms, is a misnomer in so far as it implies the joint action of the two men. There is no single reform measure which bears the signatures of both men.[2] Although both were officials in the central government at Berlin during the years 1804-1806, they were in services with little contact with each other, for Stein was Minister of Excise, Tolls, Manufacturing and Commerce and Hardenberg was Minister of Foreign Affairs. Upon Stein's dismissal in January, 1807, Hardenberg remained until July of that year. His withdrawal from service at that time, due to the suspicions of Napoleon, led to the recall of Stein. With the conclusion of his second ministry Stein's withdrawal from the service was permanent; Hardenberg, after the short and uneventful ministry of Altenstein and Dohna, which followed Stein, reentered the service as State Chancellor, a position which he occupied until his death in 1822.

And yet the title given to the reforms is of significance, for it indicates the predominant position of the two men who by reason of their power were able to accomplish such changes. Great as were the differences in their characters and their personal viewpoints, both were of one mind concerning the necessity of accomplishing reforms in the state which would enable it to resist the power of Napoleon. Both were liberals, both had come under western influences; but their views of the methods, and in part also, of the ob-

[1] *Cf.* Meier, E., *op. cit.*, pp. 148-152.

jects to be attained, differed widely. The reforms consummated under Stein's leadership, especially those which were due to his own activity, lay largely in the field of administrative organization; the reforms of Hardenberg were rather in the field of social legislation. Stein's interest was in the state, rather than in individuals, and his object was the strengthening of the social group through the machinery of the government; Hardenberg's interest was in the individual, for through measures which would increase individual initiative he sought to strengthen the state.[1]

These different viewpoints rest upon differences in character and training. Stein was a man of great energy, practical-minded, outspoken to the point of bluntness, with high standards of morality, of private and public duty, patriotic as a German, not as a Prussian. With all this he possessed the pride of caste and the views of his class, the nobility, and with all his energy a large measure of irritability and hastiness. His mind turned to the larger aspects of all problems, not to the details.[2] Hardenberg, although possessed of the same pride of caste, was amiable and courteous, generous in his views towards his opponents, talented and broadly cultured; although a man of ideals his moral life was loose, his views often superficial, and his efforts inconstant. Although he always maintained a high regard for Stein, the latter in his later years came to cherish very unfavorable opinions of Hardenberg.[3]

Hardenberg, like Stein, was educated under liberal influences from the west, but his liberal views were due rather to the impressions which the revolution in France had produced upon him than to his admiration for English institu-

[1] *Cf.* Meier, E., *op. cit.*, pp. 135-136.

tions.[1] Born in Essenrode in Lüneberg in 1750, he was educated under the liberalism of the Enlightenment,[2] and in 1766 entered the University of Göttingen, where he remained for two years. After some time at the University of Leipzig in 1768, he returned to Göttingen and became one of the most diligent students of Pütter.[3] After some years of service in the Hanoverian chancery of justice, he traveled in England, but his unfortunate marriage destroyed his hopes of entering the English service, or even of continuing in the Hanoverian service. His following years of service in Brunswick and as Prussian minister to Ansbach-Baireuth were marked everywhere by the application of the principles of the Enlightenment.[4] Upon his withdrawal from the Prussian ministry of foreign affairs in July, 1807 at the insistence of Napoleon, he, as did Stein, turned to the problem of regenerating the state as the surest means of securing personal satisfaction and curbing Napoleon's power.[5] Thus as the second leader of the state in its period of storm and stress appeared a man with a training partly English, partly continental, and with the rationalistic views of the Enlightenment.

Throughout his early life his economic views, far from coming under Smithian influence, of which there is no trace, were developed under the prevailing Cameralistic views of

[1] The best material on the life of Hardenberg is to be found in Leopold von Ranke's *Denkwürdigkeiten des Staatskanzlers Fürsten von Hardenberg* (Leipzig, 1877), 5 vols. *Vide* also *Allgemeine deutsche Biographie*, vol. 10, pp. 572-590 by Heinrich von Sybel.

[2] Ranke, *op. cit.*, p. 12.

[3] *Ibid.*, p. 15.

[4] "Here, as elsewhere, Hardenberg proved himself filled with the tendencies of the Enlightenment, critical toward the traditional church, but far more inspired with the idea of a beneficent, organizing, pater-

the day, as they were taught at the universities of Leipzig and Göttingen. But under the impress of the French Revolution his early views had undergone a profound change. In his Memorial on the Reorganization of the Prussian State of September, 1807, he says:

> The fancy that the Revolution may be most surely opposed by adherence to the old and by strict observance of principles based upon it, has especially contributed to the furtherance of the Revolution and its wider expansion. The force of these principles is so great, they are so generally recognized and disseminated, that the state which does not accept them must look forward either to its fall or its forced acceptance of them. . . . A revolution, then, in the good sense, leading directly to the great aim of ennobling mankind, by the wisdom of government and not by forceful measures from within or without—this, therefore, is our goal, our guiding principle.[1] Every position in the state without exception must be open, not to this or that caste, but to merit, skill and ability in any class.[2] By opening to each and every one access to all positions, industries and occupations, the civilian class gains, and in its turn must yield all advantages from which other classes have been excluded.[3] The exercise of one's individual powers in every industry or trade must be free and all taxes upon them equal, both in the cities and in the country. The abolition of the guilds, if not at once, at least gradually, must be assumed . . . , as well as the greatest possible removal of all existing monopolies; the granting of new ones must cease. But it is especially necessary that all forced rights be abolished. Their burdensomeness and oppression are well known and it is only a question of discovering compensation, a solution to which can indeed not fail.[4] In our commercial policy laissez faire must be considered above all, a

[1] Ranke, *op. cit.*, vol. iv, *Anhang*, pp. 7-8.

recommendation which a representative of the merchants, when asked for his opinion, gave to Colbert.[1]

Such were the views of Hardenberg on some important economic questions at the opening of the reform period. Liberal as these views are, it is evident that their origin is to be found not in the influence of Smith, but in that of the French Revolution.

IV

Of all the statesmen of the reform period the one who stood closest to Hardenberg in both personal esteem and in economic views was Altenstein.[2] Karl Freiherr von Stein zum Altenstein was born in Ansbach in 1770, and studied law in Erlangen and Göttingen, thereupon becoming *Referendarius* in the Chamber of War and Domains in Ansbach. It was here that he gained the favor of Hardenberg, who in 1792 as Prussian Minister had taken charge of the territories of Ansbach-Baireuth. Through the influence of this minister he entered the Prussian service and became Superior Privy Councillor of Finance in 1803, remaining in this position until he was called to serve on the Immediate Commission in 1806. In 1807 and 1808 under the stimulus of Stein's leadership he performed important services in the preparation of reports on the reorganization of the administration, the most important of which was "On the Administration of the Prussian State" (*Ueber die Leitung des preussischen Staates.*)[3] With the fall of Stein in 1808 he became Minister of Finance in the new ministry, a position which he occupied until the advent of Hardenberg in 1810. With the stimulus of Stein's presence gone, however, little

[1] *Ibid.*, p. 49.

[2] *Allgemeine deutsche Biographie*, vol. 35, pp. 645-660.

was accomplished during his ministry to restore the finances of the state in spite of worthy attempts. Of all the younger statesmen, Schön, Vincke, Dohna, Friese, he appears to have been least influenced by Smith's ideas. These liberal ideas, however, were so widespread among the younger statesmen that he could not remain wholly unaffected, and his writings show that he was filled with the spirit of industrial freedom and equality of opportunity. His most important service aside from those already mentioned was the assistance which he gave as Minister of Finance in the establishment of the University of Berlin in 1810.[1]

V

The remaining men, all of them subordinates, who took part in the task of restoring the state, came from eastern Prussia, and had been the students of Kraus or had associated with such students. With the collapse of Prussia in 1806 the province of East Prussia was the only province to remain free of the French invaders and here the reform measures were first applied.[2] With this one province remaining unoccupied, its needs became more prominent and this alone made possible reforms which would not have occurred under other circumstances.

The economic condition of East Prussia had been rapidly changing in the decade preceding 1807.[3] With the second and third partitions of Poland in the years 1793-1795 there had been added to Prussian territory over 37,000 square

[1] *Allgemeine deutsche Biographie*, vol. 35, p. 650.

[2] "East Prussia immediately following the Peace of Tilsit stood alone, for French administration still continued west of the Vistula; the special needs of this province, therefore, came into great prominence, and its condition made important reforms easy." Hoffmann, J. G., *Nachlass kleiner Schriften staatswirtschaftlichen Inhalts* (Berlin, 1847),

miles and over two million inhabitants. The provinces of East and West Prussia lay across the valley of the Vistula and effectively blocked access to the sea. Odessa was still an unimportant port and Riga possessed none of its present commercial importance. The long overland route by way of Breslau, Frankfurt an der Oder, or Leipzig could not compete with ocean traffic through the ports of eastern Prussia. The vast hinterland of the valley of the Vistula, from the Carpathians and Warsaw to the Niemen, part of which was now new Prussian territory, was tributary to the merchants of the eastern Baltic ports. Here came English vessels for lumber and for grain; from here Holland and Sweden obtained rye, and southern Spain its lumber; and with the advent of the war the exports increased rapidly and prices rose.

But import tariffs hindered the flow of imports, and the money which passed into the hands of the landowners in Poland for grain, passed out again by way of Leipzig. Salt was a government monopoly, Swedish iron was discriminated against in favor of Silesian iron, and tariffs likewise hindered the import of herrings from the North Sea region. Sugar, coffee, tobacco were all burdened with high import and transit duties. Under such conditions the advantages of freer trade became evident to the merchants and landholders of eastern Prussia, and Smithian economics made its appeal.[1]

With the rise in the price of grain, ground rents rose, the peasants were pressed for more work, the absorption of the peasant lands increased, and large investments in Polish lands were made. Private estates in East Prussia were

[1] "It was accordingly the needs of the place and time, which secured for Adam Smith's theories, two decades after their first appearance, the universal approval of the educated landowners, merchants and business men of East and West Prussia and the special favor of the minister

usually of large size, and the crown lands were exceptionally extensive there and in Lithuania. The decree issued by Frederick William I in 1722 providing for the abolition of serfdom on the crown lands in these provinces[1] had resulted in an unusually large number of free peasants, which made the comparison between the productivity of free peasants and serfs more striking. The uncertainty of time-leases and the resulting failure to improve the holdings led to the advocacy of hereditary leaseholding, if not holding in fee simple. To insure better work from the peasants the abolition of the lords' rights in milling and brewing was likewise advocated. The province of East Prussia was a part of the great agricultural area of eastern Prussia, there were few factories of importance, compared with the regions to the west and southwest, and the demand for low import tariffs, or even free trade, could well be made. The import tariff of East Prussia was accordingly lowered during this period to only one-twelfth of the value of the goods, although such reduction was not made west of the Vistula until 1819.[2] Such were the conditions which led to the acceptance of the views of Smith and to the demand for greater economic freedom; with the collapse of Prussia and the limitation of the unoccupied territory to the land east of the Vistula, the hindrances which had stood in the way of such reforms likewise collapsed.[3]

With the stage thus set for reform through the economic changes in eastern Prussia, Professor C. J. Kraus prepared the characters with inconspicuous but often important parts. During the fifteen-odd years since 1790, when Kraus had turned with increasing interest to the field of economics, he had by his enthusiastic admiration for Smith instilled in

[1] *Ibid.*, p. 698.

many young men the belief in free trade and freedom of initiative in economic matters: several of these young men were afterwards to move into high positions in the administration of the state. Kraus with his kindly and benevolent nature and hatred of oppression in any form, had come under suspicion as a teacher of rather radical ideas in politics. He had accordingly been somewhat cautious in his public lectures, only to open his mind with the greater zeal in his private lessons.[1] By 1795, however, all this was changed; for von Schrötter, formerly a student of Kraus, had become Minister of the Provincial Department of Old Prussia and New East Prussia, and proposed that all men preparing for administrative activity in the field of economics should be certified by Kraus.[2] The latter with some hesitation approved the plan, for, as he wrote his friend Auerswald, it would mean more work, but also an opportunity to serve the public. In 1796 he wrote a friend: "But tell me, how does it come that so many counts are turning to the study of Cameralia, which so far as I know has never happened be-

[1] "I have the most glorious opportunity to avenge myself for so many offenses done me by reason of accusations of political heresy, by incurably infecting my pupil with those very heresies which he then as my apostle will spread among the politically orthodox." Letter to a friend, December 28, 1795. Voigt, J., *op. cit.*, pp. 360-361.

[2] "What chiefly hindered me from taking a rest this summer at Faulen [Auerswald's estate] was the preparation of a plan by which the study of the so-called Cameral sciences could be put into operation in our university. The Superior President [von Schrötter] requested me to prepare it, and I shall count myself fortunate if I should succeed in helping to further his purpose which aims to remove the ignorance of the officials in Cameralia and at the same time to control the overflow of young people, who are all going in for Cameralia. What particularly pleases and comforts me, is that, although I shall have some new work, I shall have the opportunity to serve the public more directly than through my previous lectures, in return for the salary which I receive from it." Letter to Auerswald, October, 1795. Voigt, J., *op. cit.*, p. 357. *Cf.* also Auerswald, H. von, *Vorbericht zur Staatswirtschaft von Kraus*, vol. i, pp. iii-iv.

fore? . . . Is law losing its former position of honor? Have the Cameralia risen in power and glory?"[1] Thus with the shift in economic events, the nobility also shifted its interest from law to economics.

VI

Of the men who came under the influence of Kraus and became ardent followers of Adam Smith, the most important by reason of his activities in the legislative reforms is Theodor von Schön.[2] Born in Schreitlaugken in Lithuania in 1773, he attended the University of Königsberg in the years 1788-1791 and became an admiring follower of Kraus.[3] After three and one-half years at the university, he applied to von Schrötter for a position in the Chamber of War and Domains in Königsberg, with the statement that he had read Adam Smith, Arthur Young and Busch.[4] He was accepted, but was sent for a year to Councillor of Domains Peterson in Tapiau to acquire a practical knowledge of agricultural economy. After several years as *Referendarius* in the Chambers, "with difficulty enduring the clouds of dust, with which everything good was surrounded,"[5] he decided to travel and received the hearty approval of his superior.[6] An extensive journey in Germany

[1] Voigt, J., *op. cit.*, p. 381.

[2] Schön, T. von, *Aus den Papieren Theodors von Schön* (Halle, 1875), pt. i, autobiography for the years 1773-1827, pp. 1-110. Although this autobiography is not to be trusted for the later years of Schön's life, because of the excessive emphasis which the writer lays upon his own contributions to the cause of reform, the account of his early years may be accepted as fair and reliable. Meier, E., *op. cit.*, p. 159.

[3] "Kraus was my great teacher; he took complete hold of me and I followed him unreservedly." Schön, *op. cit.*, p. 6. *Cf.* note *supra*, p. 73.

[4] Schön, *op. cit.*, p. 7.

[5] *Ibid.*, p. 7.

was first undertaken, during which he met many prominent men, e. g. Garve, and observed more clearly the evil of serfdom.[1] In 1798 after studying English and reading everything which bore upon the peculiarities of England, he travelled for nearly twelve months in England with his friend Weiss. His appreciation of English institutions was most enthusiastic. "England, in the matter of the state, its division of powers, its organization, its legal and financial arrangements, made visible to my eyes what until then only science had shown me. Through England I finally became a statesman."[2] But the public life of England also impressed him, for "the picture of its public life was the chief result of my twelve months' stay in England."[3] After a year's service in Bialystok in New East Prussia, Schön came to Berlin in 1800 as a councillor in the General Directory, where he remained until the formation of the Immediate Commission after the fall of Hardenberg in June, 1807. Thus in von Schön the leaders of the reform found a man with Smith's economic views, with strong English sympathies and an extensive knowledge of agriculture—points of great importance—since von Schön was largely responsible for the form of the first great piece of reform legislation under Stein, the Edict of Emancipation of October 9, 1807.

Aside from his services in the preparation of this edict, to which we shall return later, the views of von Schön found expression in the document which Stein signed upon retiring from his second ministry, and which is generally

[1] "Erbunterthänigkeit, Leibeigenschaft, or however else the branches of slavery may be named, will never do honor to the education and worth of the gentry; they are in direct contradiction to the idea of nobility, and therefore weaken its value." *Ibid.*, p. 24.

[2] *Ibid.*, p. 25.

[3] *Ibid.*, p. 25.

known as Stein's political testament.[1] Although the common interests of the work of reform had brought these men together, there were fundamental differences between them. Schön, a doctrinaire disciple of Adam Smith, represented the landed interests of eastern Prussia; Stein, a member of the nobility of western Germany, possessed economic views based far more on his social position and far less on Smithian economics than was the case with Schön. The latter, a pupil not only of Kraus, but also of Kant, was a builder of systems and a follower of systems; he was, in Stein's words, a "metaphysicus," a sufficiently strong term of opprobrium;[2] Stein, with his keen sense of historical relations and historical change, was a practical man and would have none of philosophy.[3] Schön's views of his superior ran the gamut from harsh criticism to unbounded eulogy.[4] But in spite of their great differences in character and point of view, the two men had worked together in the development of important reforms, and it was with deep regret that Schön accepted the departure of his superior. In order to insure the progress of Stein's ideas in the work of reform, he turned to. Stein with the request that he write out his ideas of future steps. When Stein hesitated, Schön turned to the task himself and prepared a statement of further reforms, which after considerable hesitation was signed by Stein on the day of his withdrawal from the service (November 24, 1808).[5]

[1] Pertz, *op. cit.*, vol. ii, pp. 309-314; translated in Seeley, *op. cit.*, pp. 286-289.

[2] Schön, *op. cit.*, p. 52.

[3] "He would have nothing to do with any philosophical system and at the bottom of his diplomacy lay only knowledge of earlier times and cunning. Even in the year 1813 he told me in Gumbinnen that he had come to consider trickery as the chief of all sciences." *Ibid.*, p. 52.

This document, after referring to the reforms already accomplished, the emancipation of the serfs and the reestablishment of city government, indicates what further changes are desirable: (1) government can only proceed from the central power, the king; (2) justice can be dispensed only from the central government; (3) the removal of forced peasant service as servants; (4) the necessity of national representation; (5) a reformation of the nobility to bring it into closer connection with the civilian class; (6) universal military service in order to accomplish the preceding object; (7) the abolition of forced labor dues from peasants; (8) the religious revival of the people; (9) the development of education. Of these suggested reforms, the first was directed against the noble landowners and the local authority vested in their position as landholders; the second was directed against the patrimonial courts (Patrimonialgericht) of the landholders. These proposals, together with the third, which suggested the abolition of the *Gesindedienst,* or forced peasant labor as servants, and the sixth, which proposed the abolition of the *Frohnen,* or forced labor of

and so, because all that had been proposed and prepared, would perhaps be laid aside, I requested him to communicate in the form of a political testament the main features of all that should be successively realized to the members of the the council about the king and to the royal princes. Stein was not ready to enter into this at once; but the idea that duty to king and country required it of him, and that his fame would thus be made certain, caused him to appear willing. Had that, which lay in the plan, come from his soul, Stein with his keenness of mind could have best prepared this political testament himself; but this was not the case, and in order to settle the matter, I undertook to do it, with the exception of the points on church and school, in which Nicolovius willingly aided. It met Stein's approval, and yet there was a certain hesitancy noticeable in him; perhaps he was troubled by reason of the old friends, who had other ideas. At any rate several written copies of the political testament were prepared and laid before Stein for his signature. This he postponed until the morning of his departure, and ordered the secretary who remained behind to distribute the copies only after his departure."

the peasants on the lords' lands, would go far towards removing all distinction of class or caste in Prussia. They are proposals which accord more with Schön's views and his democratic spirit than with Stein's views. Stein, however, as well as Schön, had favored universal military service,[1] and national representation.[2] It is noteworthy that no proposals appear in the testament for the reformation of the guilds. Thus, although the testament bears the approval of Stein, the thoroughly liberal character of its proposals and Stein's hesitation in approving it point to the predominance of Schön's views, and indicate that Stein, liberal as he was, was reluctant to go to the lengths suggested in it.

VII

Although von Schön has taken unto himself the chief merit for the preparation of the Edict of Emancipation, the brothers Schrötter and even Hans von Auerswald must be considered as equally important not only in the preparations for this edict, but also in carrying out the reforms. The elder von Schrötter, Friedrich Leopold,[3] was born in 1743, and devoted the early part of his life to the military service. Changing from the military to the civil service, he became Superior President of East and West Prussia in 1791 with his residence in Königsberg. Here he took up the study of economics and became the friend of Kraus, as well as of Kant. As the owner of extensive estates he was thoroughly acquainted with agricultural conditions in the province, and aided with his knowledge Kraus, who was comparatively little acquainted with agriculture.[4] When he became Min-

[1] Pertz, *op. cit.*, vol. ii, pp. 352, 462.

[2] Ford, G. S., *op. cit.*, p. 138.

[3] *Allgemeine deutsche Biographie*, vol. 32, pp. 579-582.

ister of the Provincial Department of Old Prussia and New East Prussia in 1795, he showed his appreciation of Kraus' work by requiring certification through him of all applicants for administrative positions in these provinces.[1]

The younger brother, Karl Wilhelm von Schrötter,[2] born in 1748, chose the law as his profession. He received his training at the University of Königsberg, was imbued with the same liberal ideas as his brother, and came to occupy high positions in the state, in 1806 Minister of Justice *ad interim*, and in 1807 in the Department of Justice.

Hans Jakob von Auerswald,[3] who in 1806 became councillor to the Chamber of War and Domains in Königsberg and curator of the university, was born in 1757 and attended the University of Königsberg for one year in 1773, during which time he was a roommate of Kraus.[4] The friendship thus formed continued throughout the life of Kraus, as an extensive correspondence testifies,[5] and upon Kraus' death in 1807 Auerswald became the editor of his most important works. His relation to von Schön is shown by the fact that the latter married von Auerswald's eldest daughter in 1802.[6] When the Prussian court moved to Königsberg at the close of 1807 to remain there nearly two years, Auerswald, as

"Only the Superior President seemed to me to follow a higher idea. He had taken it up without any training, and only the results of his idea were often opposed to my convictions. He was, however, an unusual character, as is shown by the fact that he preferred to associate with Kant, Kraus, Scheffner, and Hippel." Schön, *op. cit.*, p. 7.

[1] *Vide* note *supra*, p. 116.

[2] *Allgemeine deutsche Biographie*, vol. 32, pp. 583-585.

[3] *Allgemeine deutsche Biographie*, vol. i, pp. 645-650.

[4] "He [Kraus] first became acquainted with von Auerswald in 1774 and for a time had occupied the same room with him." Voigt, J., *op. cit.*, pp. 30-31.

[5] Voigt, J., *op. cit.*, *passim*.

a high official in the service, came under the special favor of the king. His sympathies, due to his association with Kraus, Schön and Schrötter, were entirely on the side of reform and he, too, assisted in the preparation of the edict of October 9, 1807.[1]

VIII

The remaining men of importance in the reforms may be dismissed in a few words. Dohna,[2] whom the king appointed to follow Stein in 1808 as Minister of the Interior at the latter's request, was born in 1771 and received his education partly at the universities of Frankfurt an der Oder and Göttingen, and partly at the Handelsschule in Hamburg, which was then under the guidance of Büsch, the German free-trader. Here he had as his classmate Alexander von Humboldt, an association which was to find its culmination in the assistance which Dohna gave the latter in the establishment of the University of Berlin in 1810. His sympathies were strongly English and his service in the province of East Prussia first as Director (1801) and then President (1807) of the Chamber of War and Domains at Marienwerder was such as to strengthen them.[3] Although a man of considerable energy, his attention to details, and the consequent distractions of opposing views, so occupied his attention that little was accomplished in the way of reform during his ministry.

The most important of the lesser men in the work of reform is Karl Ferdinand Friese.[4] Born in 1770 in Kanten,

[1] *Allgemeine deutsche Biographie*, vol. i, p. 647.

[2] Friedrich Ferdinand Alexander Burggraf zu Dohna-Schlobitten, *Allgemeine deutsche Biographie*, vol. 5, pp. 299-302.

[3] *Cf.* Meier, E., *op. cit.*, pp. 163-165.

[4] Hoffmann, J. G., "*Necrolog des Staatssekretärs und Chef-Präsiden-*

East Prussia, he turned to the study of law first at the University of Frankfurt an der Oder and later at Halle. His economic views were acquired not through the university, but in association with such men as Auerswald and the Schrötters, of whom he was a close friend. Like these older men, he was an outspoken supporter of Smithian views, the clearest expression of which is to be found in the Instructions for the Governments of All Provinces (*Die Geschäfts-Instruktion für die Regierungen in sämmtlichen Provinzen,* December 26, 1808), written at the instance of von Schrötter.[1] Rising steadily in office he became Privy Councillor of War and Domains for East Prussia, and in this position was of great service to von Schrötter in the preparation of the reform legislation.[2]

Johann Gottfried Frey[3] must also be mentioned as of importance in the work of reform, especially in the formulation of the city ordinance. Born in the city of Königsberg in 1762 and a student of law at the university there, he rose steadily in municipal office until in 1806 he occupied the position of adjunct to the city president, von Auerswald. It was the latter who introduced him to Stein and the two lived for a time in the same house. A friend of Kant and von Auerswald, Frey imbibed the liberal economic views of the latter, but to a much greater extent the views which had been made prevalent through the French Revolution. Through von Auerswald he became acquainted with Stein's second project for administrative reform, the Nassau Mem-

[1] *Ibid.*, p. 690: "The economic views which Friese formed at the very beginning of his official life and to which he adhered to the end, were not developed in him through academic lectures, but arose through the free appropriation of ideas, which prevailed at that time. He accepted of them whatever attracted him by its illuminating truth, and whatever unconstrained observation of life itself confirmed."

[2] *Cf.* Meier, E., *op. cit.*, pp. 155-156.

[3] *Allgemeine deutsche Biographie*, vol. 48, pp. 744-747.

orial of June 1807. When requested by Stein to draw up his views on the matter of municipal reform, he replied with "Proposals for the Organization of Municipal Constitutions" (*Vorschläge zur Organisirung der Munizipalverfassungen of July 1808*), which with two further proposals, "Concerning Administrative Organization" and "Concerning the Police and its Relation to the City Commune," was handed to Stein for his consideration.[1]

Thus of the men engaged in the work of reform a considerable number, Schön, the brothers Schrötter, Auerswald, Friese, Frey, are found to be intimately associated with Königsberg, its university, and the teachings of Kraus, either directly or at close remove. During the two years in which the court was located in this provincial city, from the latter part of 1807 until December 1809, the remaining reformers were brought into close contact with the peculiar problems of this province of East Prussia and in this province the reforms had their first application. The affairs of one province assumed a peculiar importance and the men trained in the liberal economic views of Smith wielded an influence which could hardly have been theirs in more peaceful times with the capital at Berlin and the whole monarchy in the scope of the survey.

2. The Reforms

I. Administrative reform

The only phase of the reforms which it is the object of this study to investigate is their relationship to Adam Smith's doctrines and the principles of economic liberalism, which, as we have seen, were fairly well known in Prussia by the year 1807. It is not the effects of these reforms, therefore, important and far-reaching as they were, with which we are

[1] Cf. Meier, E., *op. cit.*, pp. 293-299; Lehmann, M., *op. cit.*, vol. ii, pp.

concerned so much, as with the genesis of those reforms and the ideas of economic liberalism which in the interplay of opposing forces they incorporated more or less successfully.

It must again be emphasized that specific influences are difficult to trace. The revolution in France, Physiocratic views, the great war, as well as Smithian doctrines, all left their impress on the statesmen of this period. Only a preponderance of evidence can be adduced to show that Smith through his German expositors was often of great importance in the formulation of legal change. As has been shown, many of the important statesmen of the reforms were filled with his ideas, and the economic changes which were occurring in this troubled period were in part largely favorable to his theories, especially in East Prussia, which a combination of circumstances had raised in importance above its neighboring provinces.

The motives which animated the reformers are often to be read in the introductions to the edicts promulgated during this period. The difficulties of communication and transportation in the Prussia of those days and the total lack of public discussion in the preparation of the edicts made necessary some explanation from the throne of the aims and purpose of each edict. Whatever the ultimate *arrière pensée* of the rulers and the ruling class may have been, the edicts throughout this period emphasize in their public exhortations from the throne the necessity of modification in the greater interests of economic freedom, so far as this was to be attained by a gradual change in the existing legal structure.[1]

Such statements, however, appear only with the legislation following the year 1807. That the necessity of extensive reforms was evident to some of the more enlightened bureaucrats even before this time is clear, but even as late

[1] Cf. Meier, E., *op. cit.*, pp. 136-137.

as 1807 the great majority were content with the existing formalism.[1] Struensee, whom Schön praises as the first statesman of his day,[2] was indeed aware of the necessity of change even before 1804, the year of his death, but he was content to let well enough alone; "the cake will still be good for a few years."[3] It was the collapse of the monarchy which awakened the reformers to the necessity of reform.[4] With the advent of Stein the men of vision rallied about him and the work of reform began.[5]

Stein must be looked upon as the directing force in the work of reform during his second ministry. True, little was accomplished in direct legislation, aside from the Edict of Emancipation, which was chiefly the work of other hands, in the first half of those active fourteen months, for Stein was busy with the pressing problems of foreign affairs; but during these first months the basis was largely laid for the subsequent administrative reforms of his last month in office. It was he who saw events and relationships in the large and made the fruitful suggestions, leaving to others the struggle with petty and often refractory details. This trait his opponents were not slow to notice and he was

[1] *Ibid.*, 133-134.

[2] "He was probably the greatest statesman, which the Prussian state has ever had." Schön, *op. cit.*, p. 30.

[3] *Ibid.*, p. 30.

[4] "The battle of Auerstadt and the misfortunes which followed gave the death blow to empty formalism." *Ibid.*, p. 35.

[5] *Ibid.*, pp. 36-37: "The at first very insignificant difference which Stein's presence made in Königsberg was for internal affairs the start of the struggle between the good old times and the idea that the old dough was sour. There were even at that time some, even if very few in number, who were saying that with the inclination of our king to approve something better, the thought would have to be developed that only merit could bring about a better condition of affairs. Among these

called the great sketcher, stronger in proposals than in their execution.[1]

Stein's first statement of the need of administrative reform is to be found in his "Memorandum on the Deficiencies in the Organization of the Cabinet and the Necessity of Forming a Ministerial Conference" of April 27, 1806.[2] In it he points to the necessity of investigating the condition of the state because of the danger which threatened its independence and the sources of its national wealth.[3] He then portrayed the weakness of the cabinet government and of its officials in such scathing terms as to earn the king's severe rebuke.[4]

The second and more extensive of Stein's projects is the Nassau Memoir, written in the period between his first and second ministries, and finished in June, 1807. Far more extensive than its predecessor, it brings to the forefront one of Stein's fundamental ideas in reform, that of the greater participation of the individual in the government. "If the property-holder is excluded from all participation in the provincial government, the tie which binds him to his country remains unused."[5] But for this purpose suitably educated estates are necessary.[6] It is worthy of note that in these memoirs there is an entire lack of discussion of any economic measures of reform, with the exception of those

[1] *Cf.* Meier, E., *op. cit.*, p. 147.

[2] *Darstellung der fehlerhaften Organization des Cabinets und der Nothwendigkeit der Bildung einer Ministerial-Conferenz.* Pertz, *op. cit.*, vol. i, pp. 330-338.

[3] "To the investigation of the state of affairs of this monarchy every important public official is summoned by the danger which threatens it of loss of independence and by the displeasure of the nation at the loss of its old and honorably acquired fame." *Ibid.*, p. 331.

[4] *Ibid.*, p. 329.

[5] *Ibid.*, p. 425.

relating to Poland. But in view of his later actions, it may well be assumed that what Stein says concerning this country in his Nassau Memoir, applied equally to the older provinces of Prussia. "If the nation is to be ennobled, then freedom, independence and property must be given the subjected part of it, and the protection of the laws must be granted it."[1] Stein was, however, too interested in the reform of the administrative organization to develop these ideas further.

Stein's projects of administrative reform were followed by a series of others, by Vincke, Altenstein and Hardenberg. Of these the extensive report by Altenstein, covering all departments of the government, is the most important.[2] Although a favorite of Hardenberg, Altenstein was also a confirmed follower of Stein, and incorporated many of the latter's ideas in his report.[3] Upon the formation of the Immediate Commission Altenstein and Niebuhr, both members of it, went to Riga, where Hardenberg had retired from office in June, 1807, and assisted him in the preparation of his extensive project for the reorganization of the state.[4] These two projects are distinguished by their treatment of the whole field of reform, economic as well as political, and may be considered as the program for the later reforms of Hardenberg.

In "Notes on the Proposals of the Privy Councillor of

[1] *Ibid.*, p. 435. Further: "The law must grant the peasant class personal freedom and declare that the peasant's land with its inventory is his property upon payment of the previous dues to the land-holder, upon failure to pay which, however, he will be evicted and the land sold. The peasant's dues and services must not be increased and their amount must be fixed and the privilege of purchasing freedom must be legally made." *Ibid.*, pp. 435-436.

[2] *Ueber die Leitung des preussischen Staats*, Riga, September 11, 1807. Meier, E., *op. cit.*, p. 161.

[3] Meier, E., *op. cit.*, p. 161.

[4] *Ueber die Reorganisation des preussischen Staats*, September 12.

Finance von Altenstein,"[1] we find Stein discussing the proposals of Altenstein. Shall there be a prime minister or a state council? Shall the prime minister hold the portfolio of the interior? Heré, too, appears the suggestion that the affairs of the state shall be organized on the basis of subject matter, rather than of provinces, or groups of provinces. In the report of November 23, 1807 to the king, in which an extensive plan of reorganization is laid before him, the two main points of Stein's administrative reform are clearly formulated: (1) the greatest posible unity and power in the government of the state, and (2) participation by the citizens of the state in the work of government.[2]

After the protracted and unsuccessful negotiations with the French during the first half of 1808 Stein again returned to his favorite plans. Vincke's report on the administration of the internal affairs of Great Britain, as well as a series of other reports by him, which were placed before Stein during June, based as they were upon English experience, received very favorable comment from him, but at the same time he doubted their practicability.[3] On October 28.

[1] Pertz, *op. cit.*, vol. ii, pp. 31-36.

[2] "...to combine the greatest possible unity and power in the supreme control of the state administration." *Bericht über die oberste Leitung der Geschäfte*. November 23, 1807. Pertz, *op. cit.*, vol. ii, p. 643. "The fourth main point finally from which I have proceeded in the whole plan of organization was to avoid the disadvantages which arise when the administration is placed solely in the hands of salaried servants and the nation is excluded from all participation. A hireling spirit often enters easily the administrative bureaus, especially those of lower rank, which consist entirely of salaried officials." *Ibid.*, p. 646.

[3] "Further, an essay by President von Vincke on the organization of the lower administrative offices. He proposes after the example of the justices of the peace in England the appointment of many rural councillors with equal authority. I am adding an essay by the same writer, Statement of the Internal administration of Great Britain—

1808 the final plan was then handed to the king and received his approval November 24, the day of Stein's departure from the service. The plan as thus formulated and approved by the king was never carried out. When revived in Hardenberg's ministry, it was modified chiefly by way of establishing a prime minister, or chancellor, and appeared in this changed form as the Order of October 27, 1810.[1]

Although Stein's chief measure of reform thus failed of fulfillment, one measure in the field of central organization was approved and placed in effect on December 26, 1808, four weeks after his fall. Since the positions of ministers to the chief districts of the kingdom in the General Directory of War and Domains had been eliminated, they were revived in the positions of Superior Presidents, each to serve as representative of the central government over a group of the provinces, and to mediate between the court and the chambers in his area. But this office fell into neglect before 1810 and was only later revived.[2]

The "Order Concerning the Improved Organization of the Provincial War and Domain Chambers" (*Die Verordnung wegen verbesserter Einrichtung der Provinzial-Polizei- und Finanz-Behörden,* December 26, 1808), although also an object of Stein's thought during his second ministry, was issued only after his fall. The measure is largely the product of von Schrötter, who prepared it through Friese

organization of the rural councillors. It were greatly to be desired that all circumstances—the condition of the people, our legislation and our whole situation—permitted the execution of this plan; but with the lack of experience of the nation in public affairs, with the little interest of a large part of even the educated classes in such matters and our sadly neglected education in this respect, it might be difficult to obtain at once the required number of qualified individuals." Letter to von Schrötter, June 27, 1808. Pertz, *op. cit.*, vol. ii, p. 671.

and Wilkens, whose ideas on local government agreed closely with those of Stein. Here were incorporated those views of local self-government which Stein had first sketched in his Nassau Memoir. Hastily drawn, owing to the pressure of his impending fall, it finally appeared on December 26, 1808, one month after Stein's resignation.[1]

At the same time appeared the "Instructions to the Governments," which were likewise drawn up by Friese under Schrötter's supervision, and which contained the general instructions for governmental activity, just as the order contained the new organization. The instructions as thus prepared in all probability did not come under Stein's eyes, nor receive his approval.[2] Here are to be found in a form which reached the heads of the various chambers of war and domains, the clearest statement of those principles of Smithian economics which had captured the allegiance of the reformers of East Prussia.[3]

[1] Meier, E., *op. cit.*, pp. 215-218.

[2] *Ibid.*, p. 145.

[3] Sections 34 and 50 of these instructions are so typically Smithian in their expression of the new views of economic freedom that they deserve quotation in full. *Die Geschäftsinstruktion für die Regierungen in sämmtlichen Provinzen*, December 26, 1808, Sections 34 and 50: "In all views, operations and proposals of the governments this must be the guiding principle: to limit none in the enjoyment of his possessions, his civil rights and freedom, so long as he remains within the limits of the law, further than is necessary to the advancement of the common weal; to permit to each and every one, within legal limits, the freest development and application of his abilities and powers, both morally and physically; and to remove in a legal manner all hindrances still operating against this as quickly as possible.

"50. The activity of the governments in the exercise of the police power must apply not merely to the removal of dangers and disadvantages and to the maintenance of what already exists, but to the increase and furtherance of the common welfare. This can be accomplished only through the firm exercise of the principle contained in Section 34 and through the greatest possible freedom of industry in respect both to the

Of the changes which were accomplished by Stein during

It is always most advantageous to the state and to its single members, to permit its industries always to take their natural course, that is, to favor and aid none of them by special support, as well as to hinder none of them in their establishment, activity and expansion, in so far as the principle of justice is not violated, or they do not offend against religion, morals, or the constitution of the state. It is not economical to set other than the above mentioned limits to industry or to require that beyond a certain point it pass into other hands, or be carried on by certain classes only.

"Beside this non-restraint in the production and manufacture of products, ease of communication and freedom of trade both within the country and with foreign nations is a necessary requirement, if industry, trade and welfare are to thrive, and at the same time the most natural, effective and permanent means of furthering them.

"Then those industries which can be carried on with advantage will be established and they will be those which are most necessary to the existing state of production of the country and to the state of civilization of the nation. It is not correct, when it is believed that it is advantageous to the state to produce goods itself, when they can be obtained cheaper abroad. The additional costs, which domestic production causes, are entirely lost, and had they been devoted to other production, they would have brought great gains.

"It is a false view to assume that in such a case we must seek to hold the money in the country and not purchase. If the state has products for disposal, it can purchase gold and silver and have them coined.

"The more advantageously the producer and manufacturer can sell his products, the more he will strive to produce, and the greater the production, the less danger will there be of lack of supply. Freedom of exportation aims therefore directly at the prevention of deficiency of supply, instead of causing it, as is generally believed. Freedom of trade arouses the speculative spirit of the merchant. The latter will not sell his wares at once, if there is prospect of possibly more advantageous sale later, or he will await the rise of prices willingly, if he has bought his wares at higher prices; he will also not export, if he dare hope to sell within the country to advantage. In this manner the state creates supplies and stores within the country, without special expenditure for this purpose. Ease of transportation and communication will always bring the wares in the country to the place where they are most needed, for there they will be paid the highest price.

"It is not necessary to favor trade; it must only not be hindered.

"This very freedom in industry and trade creates at the same time the greatest possible competition in respect to the producing and selling

his second ministry or as a result of his efforts, none was more beneficial or more lasting in its results than that which reformed the city governments. At first an integral part of his general plan of reorganization, and thus held subordinate to his chief aim of reform in the central government, it was later pushed to the front and completed during

public, and is therefore the greatest protection for the consumer against high prices or excessive rise of prices.

"It is incorrect to want to limit industry in any place to a definite number of subjects. No person will undertake a trade, if he does not expect to find advantage in it; and if he does profit, it is proof that the public needs his products; if he does not profit, he will withdraw from the industry of his own accord.

"Let each person therefore be permitted to pursue his own interest in his own way, so long as he does not exceed the previously mentioned limits, and to bring both his industry and his capital into the freest competition with the industry and capital of his fellow citizens.

"These are the principles according to which the governments are to proceed in the administration of industrial and commercial policies.

"Not economic, but merely political reasons (or at any rate needs of the moment, which, however, as a rule can always be avoided, if these maxims are followed) can make it necessary and advisable to take other measures. In such a case the governments will aways be informed from above, especially in respect to the export of grain.

"Their attention must be directed to furthering freedom of industry and trade to the greatest extent possible, and to considering the removal of the various hindrances to which it is still subject, only gradually, however, and in a legal manner and with the greatest possible consideration of prejudices, since every new arrangement is accompanied by friction, and a too hasty transition from oppression to freedom often produces more harmful effects, than the oppression itself. In no case, however, must the governments from the present date grant concessions or rights to industries, no matter of what kind they may be, through which exclusive or monopoly rights will be established. The latter shall from the present date not be granted under any circumstances, and exclusive rights likewise shall be avoided so far as possible, and at the most be granted only for certain years, when in the case of a new industry it is desired to discover whether it will succeed. For this the approval of the higher officials shall always be necessary." Rohrscheidt, K. von, *Vom Zunftzwange zur Gewerbefreiheit* (Berlin, 1898), pp. 366-68.

his ministry.[1] Here was again incorporated that fundamental principle of Stein's, that local affairs should be managed by those most interested in them and best acquainted with them. In his Nassau Memoir Stein had pointed out the possibility of electing unpaid officials from the citizens to manage the city affairs. But with the pressure of state affairs upon him and the more important reforms in the central government before him, he could devote relatively little time to the city ordinance,[2] and he turned to von Schrötter in a letter (June 27, 1808) with the request to prepare a plan.[3]

Of the numerous suggestions which were laid before von Schrötter—Vincke's reports, Brand's plan, the plan of the city of Königsberg, and Frey's essays—the last alone are of importance.[4] Upon the basis of these essays, the Provincial Department for East Prussia through Wilkens prepared a draft which was presented to the General Department (September 9, 1808). In the discussion which followed, the work of the Provincial Department remained substantially

[1] *Cf.* Schön's vivid description of the events: "Soon after everybody went to Königsberg, and here, where the gifted Stein found men to his liking, the great skeleton of the state was to be developed, and single parts were gradually to come to life. The part first to be pursued with zeal was the city ordinance... This was to be followed by the land ordinance, but at the same time and most important of all, national representation for legislation and control of the administration was to be introduced to the king's loss. The development of this was most difficult, for in our country public life had never existed, and so the matter itself as well as the historical information of some persons was not clear to any of us." Schön, *op. cit.*, pp. 48-49.

[2] Meier, E., *op. cit.*, p. 147.

[3] *Ibid.*, p. 278.

[4] *Ibid.*, pp. 292-299; *cf.* Stein's letter to Schrötter, July 17, 1808: "I have the honor of enclosing for your Excellency's consideration an essay which Privy Councillor Frey has prepared at my request. I am for the most part in agreement with his proposals." Pertz, *op. cit.*, vol. ii, p. 68b.

unchanged and was finally enacted into law on November 19, 1808.[1]

2. AGRICULTURAL REFORM

The reform in agricultural organization,[2] inaugurated by the issuance of the Edict of Emancipation of October 9, 1807, cannot be considered as wholly due to the changed conditions in which Prussia found itself as a result of the war. The possibility of abolishing serfdom not only on the crown lands, but on the private estates as well, had been the subject of serious thought by Frederick William III shortly after his accession to the throne, and of official correspondence with von Schrötter in 1798.[3] Kraus had early turned against the evil of serfdom, and discussed it prequently with his friends.[4] In 1802 he wrote "On the Abolition of Serfdom."[5] The reforms on the crown lands

[1] Meier, E., *op. cit.*, pp. 299-304. Those provisions of the city ordinance, which may be considered most important, and which embody Stein's ideals, are (1) the provision for a council of aldermen, who served without pay, and who assumed the duties of the former royal tax commissioners. They elected (2) the executive council of the city and proposed the names from which the central government selected the burgomaster. (3) A series of commissions, composed of city officials and citizens serving without pay, were placed in charge of schools, fire protection, charities, etc. In these provisions of the ordinance Stein's ideal of local self-government was most clearly expressed. *Cf.* Ford, G. S., *op. cit.*, pp. 248-256.

[2] On the agricultural reforms, *vide* Knapp, G. F., *Die Bauern-Befreiung und der Ursprung der Landarbeiter in den älteren Theilen Preussens* (Leipzig, 1887), pt. i, pp. 115-146, pt. ii, pp. 147-178; Rohrscheidt, K. von, *Vom Zunftzwange zur Gewerbefreiheit*, ch. v, pp. 220-247; Ford, G. S., *op. cit.*, ch. 7.

[3] Knapp, G. F., *op. cit.*, pt. i, pp. 123-125, pt. ii, pp. 102-107.

[4] "Serfdom was afterwards also very often the subject of discussion with various friends of his; and he opposed it with an ardor, such as can be imagined only in a spirit pure, free and hostile to all forms of oppression and servitude." Voigt, J., *op. cit.*, p. 315.

[5] "In 1802 he prepared the essay on the abolition of serfdom on the private estates, since the abolition of serfdom had been brought up for

had continued in spite of the war,[1] but with the fall of the kingdom the question of the abolition of serfdom on the private estates arose with greater intensity than ever.

The Continental Blockade, established by Napoleon in the Berlin Decree of November, 1806, had indeed furnished a further stimulus to agricultural production in the Prussian lands east of the Vistula, for here French domination was most precarious; but the Russian campaign of 1807 in East Prussia had done great damage to the estates, and had made it impossible for some of the nobles to support their peasants. Stein in his autobiography gives a vivid picture of the conditions in East Prussia at that time:

> The right bank of the Vistula was free from the French troops, but here one could see the results of the devastating campaigns fought here in 1806 and 1807. All the resources of the region were exhausted; horses and cattle had been destroyed; many villages and several cities had been burned down; many thousands of families were in want, so that in one district five hundred children whose parents were either poverty stricken and dispossessed or dead of putrid fever were being fed by contributions at the public cost.[2]

Under these circumstances the selfish interests of the East Prussian nobles led them to favor willingly the emancipation of the serfs, provided the absorption of the peasants' lands could at the same time be accomplished; for thus would be created a landless class of day laborers more than ever dependent upon the lords for their subsistence.[3] They went still further with the request that compulsory menial service (Zwangsgesindedienst) for five years be required of the peasant, thus creating a supply of cheap labor to meet the

[1] Knapp, G. F., *op. cit.*, pt. i, p. 126.

[2] Pertz, *op. cit.*, vol. vi, pt. ii, pp. 165-166.

growing needs of agriculture, a request which von Schrötter refused to consider.[1]

Upon the establishment of the Immediate Commission in the summer of 1807 at the instance of Hardenberg, the matter of the abolition of serfdom was placed before the commission in a memorandum (Gutachten) written August 12, 1807 by Schön, who was himself a member of the commission.[2] After favorable consideration by the commission, a report was submitted to the king on August 17[3] with the following recommendations: (1) limitation of the Indult (moratorium of May 19, 1807 on mortgage payments to the institutions of agricultural credit); (2) withdrawal of the exclusive right of the nobility to the acquisition of noble lands (Rittergüter); (3) abolition of the distinction between noble and non-noble landholders; (4) abolition or limitation of the privileges of primogeniture (Majoratsrecht); (5) permission to nobles to buy lands of free peasants; (6) abolition of serfdom and the protection of peasants (Bauernschutz). Von Schrötter had likewise submitted to the king on August 17 his report of the best means to restore the provinces under his control.[4] His recommendations included: (1) abolition of serfdom; (2) abolition of

[1] *Ibid*., p. 130.

[2] *Cf.* Schön, *op. cit*., pp. 41-43.

[3] Pertz, *op. cit*., vol. ii, *pt.* 15 *et seq.*

[4] "I must lay before your Royal Majesty those points, upon which, as I believe, rests the restoration of the provinces of East and West Prussia, entrusted to my care. By reason of the peace dictated by the superior power of the enemy and by reason of the war which preceded it the provinces of my department have been placed in such a position that everything must be done, without regard to any personal or class interest, to use the gifts of nature and the fruits of the cultivation of the land and of our reason, which alone are ours, in such a way that with care we may hope again to raise the inner strength of the state to that point, of which the land is capable." Rohrscheidt, K. von, *op. cit*., pp. 228-229.

all laws limiting the possession of noble or non-noble lands; (3) abolition of the guilds and freedom of occupation to all classes; (4) abolition of all import embargoes (Einfuhrverbote); (5) abolition of the general mbratorium of May 19, 1807; (6) hereditary leasing of the crown lands. Such recommendations show the extent to which the nobility of eastern Prussia, as represented by one of its leading men, was prepared to go in the introduction of liberal economic principles.

The king, in a cabinet order of August 23, approved the recommendations of von Schrötter and ordered him with his brother to prepare a draft of a law embodying their proposals.[1] In a further exchange of opinions between von Schrötter and the king (report of August 28, and cabinet order of September 3), the former desired the new legislation to be limited to the Prussian provinces (East and West Prussia) and that some method of protecting the dignity of the nobility be devised in view of the new economic freedom proposed. In regard to the guilds he desired that those dealing in the necessities of life be absolutely abolished, and all forced entrance into other guilds be prohibited.[2] The king suggested, however, that in view of the importance of the guilds, legislation regarding them should be deferred.[3] The first draft of the law, which was entitled: "Edict, through which the General Means for the Reestablishment of the Provinces of East and West Prussia are Fixed" (*Verordnung, wodurch die allgemeinen Mittel zum Retablissement der Provinzen Ost- und Westpreussen festgesetzt werden*), and which embodied the ideas of the Schrötters for the restoration of the Prussian provinces not only in the

[1] *Ibid.*, p. 230.

[2] *Ibid.*, pp. 231-233.

[3] "The abolition of the guilds is a very important matter, which for that reason demands a much more careful examination and therefore deserves to be made the object of special legislation." *Ibid.*, p. 234.

field of agriculture, but also in industry and finance, was accordingly modified and laid before the Immediate Commission for consideration. The introduction to the draft, which explained the proposed change in terms of changed institutions, was declared weak by Altenstein and in its place he proposed a positive expression of economic freedom.[1] He further proposed that all discussion of the guilds be omitted until further consideration had clarified the matter. The extension of the edict over the entire monarchy was urged by the commission. The revised draft, with a second title by the commission: "Edict Concerning the Arrangements Necessary for the Reestablishment of East and West Prussia in Respect to the Easier Occupation and the Free Use of the Land and to the Personal Relations of the Workers on the Land" (*Verordnung über die für das Retablissement der Provinzen Ost- und Westpreussen erforderlichen Bestimmungen in Rücksicht auf den erleichterten Besitz und den freien Gebrauch des Grundeigenthums und auf die persönlichen Verhältnisse der Landarbeiter*) was submitted to the king on September 30. On October 8 the draft was approved by Stein with the suggestion that it be extended to the entire monarchy and that the Bauernschutz must be maintained to restrain the greed of the nobles.[2] With the approval of the king the draft now entitled: "The Edict Concerning the Easier Occupation and Free Use of Land, and Concerning the Personal Relations of the Inhabitants of the Land" (*Das Edict, den erleichterten Besitz und den freien Gebrauch des Grundeigenthums, sowie die persönlichen Verhältnisse der Landbewohner betreffend*) was modified to apply to the entire monarchy and approved by the king October 9, 1807. It was signed by the two Schrötters and Stein.

[1] *Ibid.*, p. 236.

[2] *Ibid.*, p. 238.

The first of the great reform edicts was thus passed and legislation was put into effect which had a far-reaching influence on the social and economic organization of the kingdom. In explanation of its purpose the following words are used:

> With the return of peace we have above all else been concerned with the decreased well-being of our faithful subjects, its earliest possible restoration and increase. We have considered that the universal need exceeds the means at our disposal for aiding each and every one; that it is in keeping with the unceasing demands of justice, as well as with the principles of a well-ordered public economy, to remove everything which has hitherto hindered each individual from attaining that well-being which he is capable of attaining according to the measure of his powers. We have further considered that the present limitations, existing partly in the possession and enjoyment of land, partly in the personal relations of the laborer on the land, especially oppose our benevolent purpose, and in the restoraton of the state destroy a great part of its force, the former by exerting a highly unfavorable influence on the value of the land and the credit of the landholder, the latter by lessening the value of labor. We wish, therefore, to restore both to those limits which the common weal makes necessary.[1]

In accordance with this introduction the aim of the edict was twofold: (1) to remove all restrictions upon the holding, acquisition or alienation of land, and (2) to abolish serfdom. A third object might be added, the opening of occupations to all classes,[2] the only result of the original attempt to include legislation on the guilds in the edict.

[1] *Ibid.*, pp. 220-221.

[2] Section 2: "Every noble is, without loss of his position, empowered to engage in city industries; and every citizen or peasant is entitled to move

Schön called the edict the Habeas Corpus Act of the state,[1] and so with his feeling of fatherly pride he might well call it, interested as he was in the abolition of serfdom. But it went further. It was the first expression in Prussia of the principle of freedom of ownership and occupation, a cardinal principle of the Smithian economics. Through the terms of this edict the bonds of the feudal caste system of the Frederician state were loosened and the way was prepared for further reforms. It was not a reform in the field of agriculture alone, and many further changes were necessary to place that industry upon a footing comparable with its condition in England. It was the first and only act in the field of social legislation approved by Stein, for his remaining reforms were in the field of administrative organization.

3. INDUSTRIAL REFORM

The reform in industry in the shape of a modification of the guild system, unlike the other great reforms, was not consummated during Stein's second ministry, but considerably later. The most pressing needs of the East Prussians under the leadership of von Schrötter and von Schön had been met in the Edict of Emancipation, and Stein's great interest in administrative reform had led to the comparative neglect of the question of guild reform. Although this latter question was perennial and modifications of the system in the direction of greater freedom of the individual from the restraints of the guilds had been made even during Stein's first ministry, as well as his second, and had been approved by him,[2] the decisive steps in the dissolution of the guild system were left to Hardenberg in 1810 and 1811.

[1] "Thus arose the law of October 9, 1807, that Habeas Corpus Act of our state." Schön, *op. cit.*, p. 43.

Stein's attitude towards the guilds, as we have seen,[1] was one of approval; for in spite of the evils connected with them, they served as centers for the development of citizenship, and as such could not be superseded by any other social institution.[2] Under these circumstances it is clear that extensive modification of the guild could hardly be expected during Stein's term of office.

Nothing more was accomplished in the way of guild reform in the ministry of Altenstein and Dohna, which succeeded that of Stein, although both ministers were in principle thoroughly in favor of the abolition of the guilds. The difficulty and complexity of the task, and the realization that reform in this field must be gradual if chaos were to be avoided, were sufficient deterrents for men possessed of neither the energy of Stein nor the ideals of Hardenberg. This ministry, which lasted from the latter part of 1808 until the appointment of Hardenberg as chancellor of the state (Staatskanzler) June 4, 1810, is commonly considered as one of entire inactivity, if not of exhaustion, in the state administration. This inactivity may well have been of service, however, in permitting the reforms of 1807 and 1808, rapidly executed as they were, to work their effects upon the masses of the population. The enlightened views of the minority at the head of the state throughout the reform period were not shared by the mass of the people, and among the more enlightened and influential strong opponents of the new legislation had risen to challenge its usefulness. It behooved the reformers to move more cautiously,

[1] *Vide* notes *supra*, pp. 100, 105.

[2] "Civil life will develop better from the guilds, which are bound by a common interest, manner of living, education, the honor of the masters, and the strength of youth, than from topographic city wards, where neighbor has no connection with neighbor, nor one dweller in the same house with another, but is kept apart by the general egotism." Letter

especially in the more complex problem of industrial reform. The headlong force and haste in reform, so apparent during Stein's second ministry under his energetic leadership, came to a stop during the ministry of Altenstein and Dohna, and then the forward pace was resumed more slowly under Hardenberg, until its force was spent in the later years of his chancellorship.

Dohna's attitude toward the difficult problem of guild reform is best to be seen in his lengthy report of March 29, 1810 to the king.[1] The ineffectiveness of all former legislation in removing or mitigating the evils of the guilds is emphasized, and their gradual abolition is recommended as the best solution of the problem. This object may best be attained by removing the necessity of membership in a guild, which hitherto existed as the prerequisite to industrial production, and by opening all trades to all citizens.[2] The guilds, thus deprived of their power (Zunftzwang), will gradually pass out of existence. The views here expressed by Dohna were shared by Altenstein,[3] but they did not come into effect until later in the year under Hardenberg's leadership and then by way of a taxation edict (Gewerbesteueredict, Nov. 2, 1810).

With the advent of Hardenberg as Chancellor of the State in June, 1810, steps were at once taken to put into effect the views which he had expressed so clearly in his Memorial on the Reorganization of the Prussian State.[1]

[1] Rohrscheidt, K., von. *op. cit.*, pp. 388-394.

[2] "Each and every one shall henceforth be free to engage in any industry hitherto permitted in the place and under guild control without joining the guild but upon the basis of mere official grant, and also to make use of labor of either sex with or without guild connections according to choice." *Ibid.*, p. 392.

[3] *Ibid.*, p. 348.

Von Raumer, appointed to a special commission for the preparation and development of legislative projects, prepared during the month of June a platform of the new policies of the state, of which article seven proposed: "With the introduction of a license tax, industrial freedom for city and country will be introduced. The guild system will accordingly be reformed." [1] The task before Hardenberg was the further reform of the tax system in such a way that the exactions of the French could be more readily met. It was his purpose to improve the system of taxation and increase the state revenues by way of social reforms, which would distribute the burden of the new taxation more equitably over the entire population. The license tax was accordingly promulgated in the edict of November 2, 1810. But this edict was little more than a temporary provision to increase the revenues and further legislation was necessary if any real reform of the guild system was to be accomplished.

In 1811 Hardenberg called the first assembly of the estates for February 23 in order to consider the new financial measures which he proposed. In his address to the assembled delegates the views of his earlier memorial again appear.

> The new system—the only system, through which prosperity can be established—is based upon the principle that every citizen of the state should be personally free, and at liberty to develop and use his powers freely, without hindrance through the arbitrary action of others. . . . Universal freedom of industry is an important prerequisite to prosperity. It can only exist where taxes have been equalized between city and country.[2]

In these utterances of Hardenberg, Dohna and Altenstein

[1] Rohrscheidt, K. von, *op. cit.*, p. 356.

[2] *Aus dem Nachlasse* von F.A.L. von der Marwitz (Berlin, 1852) vol. ii, p. 317. *Vide* Rohrscheidt, K. von, *op. cit.*, p. 403.

it is not difficult to see the coincidence with Smith's views on the guild system.[1] There is no evidence, however, that Hardenberg was at any time directly influenced in his views by study of Adam Smith's work, and the same conclusion is apparently true of Dohna and Altenstein. The Cameralist writers, such as von Justi,[2] and those of Physiocratic persuasion[3] were likewise oposed to the guilds and advocated, if not their complete removal, at least an extensive limitation of their powers. Hardenberg, as we have seen, was probably more influenced by the views made prevalent by the revolution in France than any other of the German reformers; and yet there were those who classed him with the followers of Smith. His position, in the eyes of his opponents, can probably best be seen in the words of General von der Marwitz, one of the most bitter opponents of the reform legislation:

> As a result of his frivolous life he was surrounded by common people (for no true member of the nobility, imbued with noble manners, became intimate with him, for they filled him with a kind of timidity). These men plunged into the most common-place method of improvement, with money as their starting point. They had studied Adam Smith without realizing that he speaks only of money, because in a country such as England, with its legal machinery and living constitution, the study of money can be carried to the extreme, without overthrowing the constitution; but in a country without a constitution and without living legislation, which is groaning under the most severe pressure from outside, a state organization based on this money theory can either not be brought into existence, or must destroy the state. In accordance with the theories of Smith and his followers many arrangements were made which were to

[1] Smith, A., *Wealth of Nations*, bk. i, ch. x, pt. ii.

[2] *Staatswirtschaft*, pt i, pp. 292 *et seq.*

[3] Schmalz, *Encyklopädie der Kameralwissenschaften*, 2nd ed., (Kön-

bring prosperity to the people and by new and heavy taxes on this prosperity fill the state's coffers and pay the state's obligations to Bonaparte. Unfortunately, the latter, if the prosperity had been realized, would have appropriated it; but its realization was not awaited and so what prosperity there was was destroyed.[1]

Such views of the reform movement might well be expected from those who felt that their interests were imperiled by the new legislation; but they show that Hardenberg was classed, whether correctly or not, among the German disciples of the Scotchman. Such an assumption may well be justified, for whatever Hardenberg's relations to the writings of Smith, he could hardly escape the influence upon his thought of those associates who had been filled with Smith's views.

The earlier reform legislation of 1807 and 1808—the Edict of Emancipation, the City Ordinance, and especially the Instructions of December 26, 1808—had, moreover, carried with it the implication of further change, especially in the guild system.[2] The three Prussian provinces, which economic conditions had made especially favorable to the introduction of Smith's doctrines, had definitely declared for the abolition of the guilds.[3] The edict of November 2, 1810, which provided for a license tax upon industries (Gewerbesteueredict), appropriately referred to these antecedent conditions as a partial explanation for its existence.

In the Edict concerning the Administration of the Finances of 27 ult. we have explained to our faithful subjects the necessity in which we find ourselves placed of giving thought to the increasing of the state's revenues. Among the means of attaining this object the introduction of a general tax on industry has

[1] *Aus dem Nachlasse von* F.A.L. von der Marwitz, (Berlin, 1852), vol. i, p. 322.

appeared to us least burdensome to our faithful subjects, especially since we unite with it the liberation of industry from its most oppressive bonds, grant the complete freedom of industry assured them at the beginning of the reorganization of the state, and thus are able to further the well-being of all in an effective manner.[1]

The legislation thus promulgated provided that upon payment of a yearly license tax any person could practice a trade in any part of the monarchy. The necessity of membership in a guild (Zunftzwang) was thus eliminated, but the guilds were not dissolved nor were their rights and privileges otherwise affected. This legislation was thus largely negative in character, in that it abolished the necessity of guild membership in the practice of a trade, but failed to define the relationship between the ancient institution of the guild and the new freedom of the trades. This weakness of the law, however, was remedied less than a year later by the edict of September 7, 1811 (Gewerbepolizeigesetz), which, as the result of a more mature study of the situation and of extensive hearings from all sides, definitely determined the future status of the guilds. By this edict the methods were established by which the guilds could dissolve or be dissolved by the government, and by which the financial interests vested in guild rights or property could be satisfactorily liquidated. But this is a phase of the reform which lies beyond the limits of this study.[2]

Thus were accomplished in the Prussian state by 1811 the chief reforms, the impetus to which may in part be ascribed to the influence of Adam Smith's work. Although the influence of this work entered Germany by way of the University of Göttingen and spread through the academic world from this center, it was the peculiar economic and political

[1] *Ibid.*, p. 375.

situation of East Prussia throughout two years of the greatest activity in reform, which made the Smithian views, accepted there by men in authority, of paramount importance in the reforms. With the withdrawal of the French troops of occupation in 1808 for the Peninsular War, and the return of the court from Königsberg to Berlin a year later, the interests of the province of East Prussia merged into the wider interests of the kingdom, and the economic views of the followers of Smith lost some of their force. Hence the apparently slighter significance of Smithian thought in the period beginning with Hardenberg's chancellorship. But the stimulus had been given and the reforms had been acomplished, and now it was left to forces operating in Germany to fit them more closely to the economic life of the Germans. As the first stimulus of Smith's work was reflected in the works of Sartorius, Lueder and Kraus, to be followed later by the more independent analysis of Hufeland, Soden, Jakob, Krug and Lotz, so the initial reforms in the economic life of Prussia, due in large part to the stimulus of Smithian thought, were in time gradually modified in keeping with the social institutions of the German people.

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