Chapter 8

Commerce and Industry in a United Germany, 1871–1914

The nineteenth century is sometimes referred to as the long nineteenth because of events that clearly marked the beginning and end of this era. It began abruptly in May of 1789 with the storming of the Bastille and the start of the French Revolution and ended in 1914 with the advent of the World War I. When this period began, there was no German state as we know it today. Rather, Germany was still a diverse agglomeration of large and small independent states, free cities, and tiny principalities. At the close of the period, however, a fully unified Germany felt strong enough to take on most of Europe in the first truly modern, industrialized war.

The history of German business during the long nineteenth century was shaped by three central themes: (1) revolution and restoration, (2) nationalism, and (3) industrialization. Each of these themes will be examined in turn. The most important event during this period was the unification of the German state under the leadership of Prussia.

A nationalist movement had existed in the independent German states since long before the 1870s, but conflict between Austria and Prussia for leadership got in the way of a final resolution of the question. Unification had to wait until Prussian armies defeated Austrian troops on the Silesian plains and until after Prussia’s decisive victory over France in 1870. Industrialization had, of course, been occurring for some time prior to unification, but in odd bits and pieces, without any overall direction or plan. After the German unification, however, industrialization proceeded at a rapid pace under Prussian leadership.
A series of revolutionary events occurred throughout Europe at this time, driving change in the economies and business systems of most of Europe.

**Events Driving Change**

Two key revolutionary events occurred in Europe during the late eighteenth and early nineteenth centuries that changed society forever. The first, a social upheaval, was the French Revolution. Not only did this revolution change the way people and their governments interacted, it also restructured the political face of Europe. The second revolution was economic in nature, and changed how things were produced and the way people earned their livelihoods; it was the Industrial Revolution, which began around 1780 in Great Britain. The English economic historian E. J. Hobsbawm (1965) referred to the combined effect of the two revolutions as a victory for capitalistic industry and the emergence of a middle class, largely entrepreneurial, society.

In the late eighteenth and early nineteenth centuries France was the most powerful and most industrialized nation on the European continent, second only to Great Britain. Under Napoleon, France took up arms against nearly all of Europe. Germany, whose economy was still largely agricultural, both benefited and suffered from France’s military aims. The revolution in France affected all the German states both directly and indirectly.

The lands along the Rhine were first to enjoy the fruits of French military successes. Throughout most of the nineteenth century Prussia and Austria competed bitterly for leadership rights in the German states. However, for a period at the beginning of the century, a confederation of Rhenish states was created by Napoleon as a buffer between France and Germany. Its strategic location enabled business and agriculture to thrive on sales to France. Until Waterloo, it threatened to usurp Prussia’s and Austria’s leadership positions, at least economically.

The French Revolution and its aftermath produced other benefits for Germany. First, it triggered a final end to serfdom across all but the most eastern of the landed estates. Second, it consolidated numerous smaller, economically nonviable states and duchies into larger, more rational units. Third, it established a common body of commercial law across many of the German states with the introduction of the Napoleonic Code. Fourth, it provided ready markets for many of Germany’s farms and new factories, both directly as customers and indirectly through establishment of the Continental System, a systematic boycott of English goods on the continent. With these goods harder and