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The Weimra Republic

Overture to the Third Reech

GODFREY SCHELCE'

This work is not a study of petty political intrigues, hut aims to give a broad, though closely documented account of the trends and tendencies, moulding the history of Germany from the Armistice of 1918 to Hitler. The consolidation of the German 'Machtstaat' as a necessary preliminary for the Third Reich is set in the framework of Europe. We are shown the moral bankruptcy which bred the generation of Buchenwald and Belsen. The inflatory dispossession of the middle-classes lead to economic concentration in the hands of the plutocrats, who were in turn delivered by the depression into the power of the State. The mechanical perfection but practical futility of the Weimar Constitution—the most rational and progressive in the world—becomes clear: democracy without democrats leads logically to Hitler.

We see the consequences of the supersession of the moral basis of Versailles by the Economic Reason of the Dawes' Plan. 'Appeasement' took, its fatal course. And the paper settlement intended to render Germany politically innocuous was economically exploited to make of the Reich with its central position the directive focus of an integrated Europe organized against maritime Britain.

The leading actors in the drama are the three great Liberals: *Seeckt*, the peer of Moltke and Schlieffen, the strategist of mobility, the organizer of the Reichswehr; *Schacht*, the ablest financial genius in the Age of Devaluation; *Stresemann*, the Bismarck with a broken sword, exposed by the light of his own diaries. We see also Stinnes, the wizard of Inflation; *Schleicher*, the overreaching intriguer; *Hugenberg*, the fatal genius of the Junkers, the squabbling party bosses who subverted parliamentaryism, and those masterful bureaucrats, the *Oberbuergermeister* of the great industrial cities. And dominating the whole scene is the lure of the Idea of the Reich, owing to which Germany's idealism was perverted to the service of materialistic schemers, whether military, industrial or agrarian.

This book not only fills a vacant place in the history of modern Germany, but is an instructive illustration of a 'democratic' régime in which democracy was misused, misunderstood, and corrupted, while the nations which professed that they had fought for democracy remained supine and inert.

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**TO
MY MOTHER**

'You have been admiring flowers about whose roots you knew as little as about the meaning of their symbolical language. You have only seen the colours; you have only breathed the perfumes.'—HEINE: *History of Religion and Philosophy in Germany*.

'Out of the force of the victorious revolution, it behoves you to mould the new State of Law, because there can be only one enduring source of Law in Germany: the will of the entire German nation. That was the meaning of the Revolution.'—PRESIDENT EBERT to the Congress of Soldiers' and Workers' Councils. 16 Dec, **1918**.

'We stand alone in the world. Let us not forget one thing: any recovery of Germany must and will arise from the moral experience of the German people.'—CHANCELLOR STRESEMANN. 25 Oct. 1923.

'The end is the rehabilitation of Germany as a power, that is of the position which is the due of her history, greatness and inner worth.'—GENERAL VON SEECKT, CHEF DER HEERESLEITUNG.

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THE WEIMAR REPUBLIC

REICHS PRESIDENTS

Feb. 1919-Feb. 1925	FRIEEDRICH EBERT
Apr. 1925-Aug. 1934	PAUL VON BENECKENDORFF UND HINDENBURG

REICHS CHANCELLORS

Feb.-June 1919	SCHEIDEMANN (Social Democrat)
June 1919-Mar. 1920	BAUER (Social Democrat)
Mar.-June 1920	MULLER (Social Democrat)
June 1920-May 1921	FEHRENBACH (Centre)
May 1921-Nov. 1922	WIRTH (Centre)
Nov. 1922-Aug. 1923	CUNO (Non-Party)
Aug.-Nov. 1923	STRESEMANN (People's Party)
Nov. 1923-Dec. 1924	MARX (Centre)
Jan. 1925-May 1926	LUTHER (Non-Party)
May 1926-May 1928	MARX (Centre)
May 1928-Mar. 1930	MÜLLER (Social Democrat)
Mar. 1930-May 1932	BRUENING (Centre)
May-Nov. 1932	VON PAPEN (Non-Party)
Nov. 1932-Jan. 1933	VON SCHLEICHER (Non-Party)

REICHSBANKPRESIDENTS

1907-Nov. 1923	HAVENSTEIN
Dec. 1923-Mar. 1930	SCHACHT
Mar. 1930-Mar. 1933	LUTHER

CHEF DER HEERESLEITUNG

June 1919-Mar. 1920	Generalmajor REINHARDT
Mar. 1920-Oct. 1926	Generaloberst von SEECKT
Oct. 1926-Oct. 1930	Generaloberst HEYE
Oct. 1930-Jan. 1934	General der Infanterie Freiherr von HAMMERSTEIN-EQUORD

CHEF DER MARINELEITUNG

Mar. 1919-Mar. 1920	Admiral von TROTHA (Chef der Admiral- ität)
Aug. 1920-Sept. 1924	Admiral BEHNCKE
Sept. 1924-Sept. 1928	Admiral ZENKER
Oct. 1928-Jan. 1943	Admiral RAEDER

PREFACE

'Je ne propose pas, je constate.' This work makes no attempt to propound a solution to the German problem, but seeks rather to throw light on the results of the failure to solve it a quarter of a century ago. Knowledge is strength, and nowhere more so, than in dealing with that nation which has made of science the first handmaid of politico-military power. It is essential, if a solution is to be found this time, that the truth should be realised now, that there was a direct and logical road from the Republican constituents of 1919 to the totalitarian tyranny of Hitler. Weimar was the overture to Berchtesgaden.

The German problem embraces within itself the problems of the modern age: economic, social and philosophical. No nation has been more dependent on its industries than was post-war Germany, burdened with reparation and deprived by the war of colonial raw materials, in a world which had ceased to believe in Free Trade. Only the ingenuity of her chemists working on her coal, could give Germany the raw materials to compete against the natural wealth of the American Union or the maritime Empire of Britain. Every aspect of German life came to depend increasingly on the industries focussed by I.G. and the Vereinigte Stahlwerke. In the same way urban proletarianisation, the product of industrial capitalism, became more accentuated in Germany than elsewhere, by reason of the monetary inflation which annihilated the financial independence of the middle classes. The financial cataclysm forced all classes into dependence on the State as a provider in face of needs, destroying any traces of the sturdy individualist tradition of Western Man, while at the same time the mad struggle to survive the flood, swept away the code of moral scruples, which it had been the especial pride of the German bourgeoisie to maintain in face of aristocratic decadence. Moral license entered where financial independence went out and so cleared the way for the bread and circuses of a socially provident tyranny founded on brazen immorality.

The triumph of such doctrines was made possible in Germany, because nowhere had the philosophic scepticism of the eighteenth century gone further. A nation trained by philosophic and economic Liberalism to reject Christian restraints, came to accept Socialistic regimentation from rulers who accepted the Marxian

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organisational means, while rejecting the ideals of Liberal internationalism associated with them in the West. Where Christianity receded, German philosophy crept in, and belief in human progress was soon focussed in German Nationalism, a firm faith in the destiny of one nation, conscious of its superior knowledge and organisation, to lead on the way of progress a world which might be reluctant.

The problem of modern Germany must therefore be envisaged not only politico-economically, whether in terms of Karl Marx, transfer payments or the Polish Corridor, but geographically, historically, culturally and morally. It must be seen, not as an isolated phenomenon, but in its integrity against the entire European background, Eastern as well as, if not more than, Western, emerging logically with increasing intensity from the development of the German nation, impregnating all those aspects of human activity, which the totalitarian state of National Socialism made subservient to its purposes.

The German Republic was never able to deny its birthpangs amid the defeat of the Imperial Armies in the West. The lost war—the war which had failed to go according to plan—conditioned the developments of the subsequent decades. But all was not lost in defeat, because as Seeckt, the cleverest of Germany's generals, recognised, France had failed to achieve her real end: the destruction of the German Reich. The importance of that fact can only be appreciated, if it is understood that, just as the Holy Empire was enveloped with the aura of Roman Christianity, so the German Reich was adorned with the intellectual pride of German moral philosophy. When the Reich threatened to collapse in 1923, it was that moral power that served, together with the bayonets of the Reichswehr, to preserve it. It was that very moral power, which inspired the banking genius Schacht, who rebuilt its firm financial foundations, to write on the 9th November 1918:

'Gewalt nicht, noch Geld
formen die Welt.
Geistige Kraft und sittliches Handeln
vermogen Welten zu wandeln.'¹

It was by building on this autonomous moral tradition, that Schacht and Stresemann were to destroy the military and financial shackles of Versailles and to prepare the way for Hitler.

¹ Not power nor gold give form to the world. The force of ideals and the action of morals alter the course of the universe.

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If the moral factors have been emphasised, it is because the moral force of the Germans, founded on the tradition of German 'Kultur', deriving through Kant and Goethe from Luther, refused absolutely to accept the verdict of Versailles. It was not so much the territorial concessions or the economic penalties, as the implicit admission of guilt and therefore of a transcendent moral law, both perpetuated in the very term Reparations, which infuriated the German spirit. 'Trotz' and 'gelehrte Gründlichkeit', the German spirit of opposition and love of scientific thoroughness, worked hand in hand to undermine the 'War Guilt Lie', the basis of Versailles, and so to destroy the entire treaty from its foundations. Because the German nation believed in the vocation of the Reich to leadership, it refused to accept a settlement which was implicitly founded on a dogma of liberty, equality and fraternity.

The 1919 settlement marked the triumph of the dogmas of 1789, and the subjection of insurgent Germany to the moral absolutes of the French Revolution. But despite this, or even because of this, Germany was able to find her way to the triumph of her interests over those of Europe. The Balance of Power had been dying since 1870. The Versailles settlement was a victory for Liberal individualism on the national plane, and in these circumstances, the German Reich, strongest of the European national units by her combination of economic power, political organisation and demographic vitality, inevitably won despite her temporary evanescent handicaps. Versailles had not deprived her of her central position, strategically advantageous so long as she was strongly ruled. Nor did it prove able to change the character of the German people with their blind faith in material mechanical efficiency and their preference for that before the Western tradition of personal liberty over against the State. Nor did the compelling force of bankruptcy prove as effective among nations as had been imagined from its efficacy among individuals.

The dogmas of 1789 implied too, the sovereign independence of the capitalist to invest his money to his best personal advantage. The impact of modern warfare on a Liberal society, owning the unquestioned sway of supply and demand, had led to a rapid rise in interest rates. The return of peace, because it failed to integrate the new nation-states economically in a positive political peace system, only sent them higher. Capital which demanded abnormally high rates in London, set the price ever higher as it migrated further East in Europe. There was no co-ordination of the politically liberated states, to safeguard them against anaemia of capital,

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just as there had been none for individuals under the dispensation of 1789. In the hour of Liberal triumph, neither Clémenceau's France nor Free Trade England could be expected to become the champion of European reintegration. Moreover the governments of Great Britain and France could not supply the necessary capital, because both were themselves on the verge of bankruptcy. The failure to take determined and concerted international action in face of the economic problems of the post-war' decades, undoubtedly caused a very high proportion of Europe's troubles.

The system of Geneva, intended to provide a framework of international life, failed completely just like the German Republic, because both were too neutral to inspire in their members positive constructive ideals. Indeed it was Germany under Stresemann which was able to exploit most cleverly the opportunities provided by Geneva. Geneva with its morally constructive deficiencies was followed by the frank amorality of Basle, where the Bank for International Settlements recognised no moral sway but that of cold 'Economic Reason'.

Three men steeped in the National Liberal traditions of German 'Kultur', Seeckt, Schacht and Stresemann, without being very enamoured of each other, were the pilots who steered the Reich through the worst reefs. Each in his own sphere was abler and more logically far-sighted than his counterparts in the states of the Entente. (These men took full advantage of the fact that the logical implementation of the covenants of Versailles, Geneva and Basle—once divorced from the war guilt question—could be exploited to the especial advantage of that German Reich, which was the magnet of their ardent faith. Once these possibilities had been fully exploited to restore German power, it only remained for Hitler to defy nakedly the penalties and restrictions of Versailles.)

The German nation after the November Revolution was dominated by the yearning for a 'Volksstaat'—a People's State. It was such a solution, bereft of any vestiges of traditional organic institutions, which the National Assembly sought by mechanical inventiveness to find in Weimar. The constitution enacted was universally acclaimed as a triumph of democratic principles: the freest, fairest and therefore most progressive in the world. But being human, it was also fallible, and so it merely paved the way for the iron tyranny of the demagogic 'Volkskaiser' Hitler, with his satellite Gestapo.

National Socialism is both Nationalist and Socialist. It is Nationalist in its ends, the achievement of the world leadership of

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the German nation, Socialist in the means to attain those ends, the totalitarian organisation of that nation. So during the Republican period, while the Nationalists of the Right worked to nurture the sacred flame of German Nationalism against the system of European peace, the Socialists of the Left worked to centralise all the powers of the German nation in the hands of the Reich government. The triumphant National Socialism of 1940 was just another version of the synthesis of 1866-71. Then the militarism of the Junkers and the new power of Krupp provided the means, while Bennigsen and the Liberal Party of the Professors pointed out the end: the German National Reich. So it was that Treitschke described the National Liberals as both the victors and the vanquished of Sadowa: victors, because Prussia's victory consummated the triumph of German Nationalism, vanquished, because it had been achieved by means which were alien to them. Bismarck and Hitler each achieved a synthesis between those who looked to Potsdam and those who yearned for Weimar, because Potsdam and Weimar are but two sides of the same medal.

A synthesis was found between the religious faith of German Nationalism and the organisational methods of revolutionary egalitarian Socialism, and not between the institutional tradition of the lesser—non-military—monarchies, deriving from the federalism of the *Holy Empire*, and the tolerant compromise of parliamentary democracy according to the Anglo-Saxon model. The Third Reich combined instead the militarism of the Prussian Monarchy and the *German Empire*, with a party or mob dictatorship, outstripping the worst Jacobin precedent.

In regard to the relations between Germany and Europe, the tragic fatalism lay in the fact that the Republican parties which were more ready to accept the Versailles settlement, were foremost in placing ever increasing power in the hands of a central Reich government, which was to use that power to destroy Versailles in the endeavour to annihilate Europe. The conservative forces which were more federalist in internal questions, were on the other hand most emphatic in their denial of the war guilt of the Hohenzollern Empire, on which the Versailles settlement was founded. They confused the Conservative monarchic legitimism, which had been the defeated and despoiled party of 1866, with the military robber-monarchy of the Hohenzollerns. German Catholics in rejecting the Liberalism of Versailles and Geneva, failed to appreciate that it lay within the choice of Germany above all, to render the deficiencies of those covenants innocuous or

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deadly. It was on this basis that the traditionalist 'Blue-White' government of Bavaria welcomed and allied itself with the Prussian Ludendorff and the stateless Hitler. In their anti-Catholic, Pan-German militarist totalitarianism, they went counter to all the traditions of Royalist and Catholic Bavaria, but in their hostility to the 'Socialist Republic of Jews and November Traitors' they were at one.

The policies of the Republic were dominated in internal affairs by the egalitarian, centralising tide sponsored by the Left, and in external relations by the stubbornly refractory nationalism of the Right—even when disguised in the honeyed words of Stresemann. It was on this basis that the Marx, Luther and Müller governments of the era of superficial stability and reconciliation (1924—30) found a *modus vivendi* which gave temporary satisfaction to both wings, because each achieved the object of its primary ambition. No conservatively minded government dared to revoke the elementary educational equality enforced on all classes at the birth of the Republic, nor did the Social Democratic Chancellor dare to countermand the building of the pocket-battleship, despite the electoral pledges of his party and the Reichstag votes of its deputies. This compromise gave stability politically, but it prepared the way perfectly for National Socialism, which in its own way, more economic in dissipation of energy, continued the synthesis.

To deplore the failure of the Parliamentary Republic in Germany, is perhaps really to deplore the failure of the Germans to learn the Anglo-Saxon political way. Lord d'Abernon remarked the unhappy truth that those sections of German opinion in the post-war era which were temperamentally most in sympathy with English life, were politically the most adverse to the English policy of European pacification. No other nation of the Latin cultural tradition has understood as well as Britain, to graft the good in modern technical progress on to the venerable tree of her inherited institutions, and it is perhaps in this way that the nations which speak the tongue of Shakespeare have most to teach the Germans. In the words of Milton: .

'Let not England forget her precedence in teaching nations
how to live'.

I would like to take this opportunity of thanking all those who have helped me in the writing of this book: first of all my Mother

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for her unfailing encouragement and interest in face of difficulties; secondly Miss E. W. Bobby, who has given me valuable help and criticism all through, and did the lion's share of the typing; for the maps I am indebted to Mr. W. J. King; I would like to thank Mr. E. F. Peeler and Mr. Bernhard Menne who have read the proofs, and other friends also, who have given me help and advice on different sections, and to acknowledge my debt to the Library of Chatham House, whose resources have been invaluable.

GODFREY SCHEELE.

Bromley, Kent, May 1945.

THE SOCIAL BACKGROUND

I

ATOMISATION AND POLARISATION

The rôle of the Weimar Republic in the development of German history has been insufficiently appreciated both in Germany and abroad. The years between 1918 and 1933 formed a period of reconstruction and preparation which were of vital importance in the ripening of the German nation for the Third Reich of National Socialism. Conscious preparations, aiming to reverse the verdict of the battlefields, interacted with the course of external events to make smooth the path for Hitler. Count Keyserling pointed out in 1922 already the direct thread of development in the German Idea from Fichte's self-contained Commercial State, by way of Bismarck's unified Empire to the semi-socialist commonwealth rising around him. The Revolution of 1933 was not a reversal of that of 1918; both were logically consequent steps in the evolution of the German nation towards National Socialism.

It is significant, if apparently paradoxical, that the same Weimar Constitution, vaunted by its authors in 1919 as that of the freest republic in the world, served later for the most iron tyranny. Hitler erected no constitutional edifice like the Italian Corporate State or the Russian Soviet State. A constitution based on the optimistic belief that the free play of human forces would lead to the triumph of Reason, resulted in the complete defeat of Reason at the hands of Force, guided by Emotion. All that was necessary was a new interpretation of the fundamental rights of the individual German, in accordance with an ideology which deified him in the mass. The principles accepted as self-evident without reference to any extraneous absolute in 1919, were merely brought into line, or 'gleichgeschaltet', to suit the new moral absolute, which was the German nation.

It has been argued with considerable justice, that the real evils of the Republican regime resided in those very things which were acclaimed contemporarily as its glorious freedom. All standards

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and restraints were abandoned, the idea of authority was derided and weakened by the subversive work of a certain type of intellectual. Bereft of social and political guidance in the name of libertarianism and egalitarianism, the nation became a structureless mass-collective of purposeless atoms.¹

Politically, democracy triumphed over autocracy, the monarchies were overthrown and the Hohenzollerns, who had prided themselves on being the embodiment of German unity, were cast off like an outworn, outmoded garment. This was in accordance with the prophecy of Constantin Frantz, when the Empire was founded. Ever since Luther had surrounded their authority with the aura of divinity, the princes had successfully prevented the emergence to political authority of any other social class. The rise of bourgeois National Liberalism, providing the popular basis for the achievement of German unity, had been skilfully and successfully harnessed by Bismarck to the supremacy of the Prussian monarchy and its all-powerful Vizier, the Imperial Chancellor. The political ambition of the bourgeoisie was satisfied by a Reichstag elected by universal suffrage, to which the executive power was not, however, responsible. As Max Weber pointed out in November 1918, the prestige of the Reichstag had been so much reduced that it was unable to take the reins of power when the dynasties broke down. The absence of an authoritative popular representation rooted in the confidence of the nation opened the path for a revolutionary dictatorship. The 'Obrigkeitsstaat' (Autocratic State) had reconciled to itself wide sections of all classes by the political and economic security which it offered. It had been Caesarean rather than hierarchical, and so its disappearance left no independent socio-political hierarchy to withstand the revolutionary egalitarianism of the Spartacists of 1918 or the Nazis of 1933—for the bureaucracy provided what was definitely a structure dependent on the ruler, 'the first servant of the State'.⁵ Sovereignty must pass to the people, but the people were a mass of atoms, suddenly deprived of their structural shelter, seeking a new coalescence and organisation.

This process of political atomisation was accentuated by the financial experience of the inflation and the collapse of the mark. From the Reichstag session on 4th August 1914 onwards, which voted the original war credits, it became clear that Germany intended to cover her war expenditure by inflation of her currency and not by the taxation of her people. This was the significance

¹ See H. Rauschnig: *Make and Break with the Nazis*, p. 159.

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of the creation of the 'Darlehenskassenscheine' (Loan Bank notes) and of the authorisation to the Reichsbank to cover its note issue with three-month Treasury bills. In the event of victory Germany would have loaded on the shoulders of the vanquished the cost of the war and of this monetary inflation. Until March 1916 the General Staff and the industrialists dissuaded the government from imposing higher direct taxes. As the golden mirage of victory receded, the government lacked the courage to admit the demoralising truth by imposing adequate taxation. During the war the amount of currency in circulation, together with daily maturing liabilities of the Reichsbank, rose from 7,400 to 44,400 million marks, while private deposits in the credit banks rose from 4,900 to 19,100 million marks. The political disorders of the years 1918-23 and the incidence, or threatened incidence, of Reparations only served to accentuate the inflationary process, which was already in full swing and enjoyed the benevolent patronage of the Reichsbank President Havenstein.

In all countries nineteenth century bourgeois Liberalism substituted for the political hierarchy of birth an economic hierarchy of wealth. Wealth acquired a moral value as a measure of merit and of dignity. The economic and consequently the political independence of the individual, characteristic of bourgeois Liberalism, rested on his monetary wealth, expressed on the basis of the world-wide gold standard. The power of the French bourgeoisie which emerged after 1789 was founded on the Napoleonic franc, which liquidated the financial chaos of the Revolution. That power slipped away after 1918 as the franc was eroded by successive devaluations. The comfortable solidity of the English upper middle class was founded on the gold sovereign and the Bank of England note; the financial emblems of the Whig Revolution of 1688 and of the Bank Act of Sir Robert Peel, who abolished the Corn Laws. So the prestige of the German bourgeoisie was linked to the mark, the creation of Bismarck and Delbrück in the heyday of National Liberalism and of the German Empire. The mark, with its gold backing, superseded the silver thaler and gulden, financial emblems of princely particularism. It was equally the symbol of German unity and of bourgeois economic power, and in its collapse it destroyed the one and came within an ace of destroying the other.

The Nationalist middle classes, the protagonists of German culture and industry, devoted themselves wholeheartedly to the triumph of the Reich of their ideals in the war of 1914-18, and

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they were the principal sufferers in **the** subsequent economic cataclysm. The inflation wiped but their capital and savings, the basis of their economic strength and social well-being. Stresemann never tired of reiterating that Germany's most grievous loss lay in the pauperisation and proletarianisation of the intellectual and industrious middle classes. They had suffered expropriation by reason of their complete devotion to the State in war, and now it was incumbent on the State to aid them. Their faith in a false ideal had caused them to be expropriated in favour of the public authorities and the plutocrats, who in the War had gulled their confidence and now callously made them pay the bill.

The inflation wiped out small capital, the sheet-anchor of bourgeois security and independence, and it was soon followed by the deflation of 1930-32, which exposed the middle class to the further and unaccustomed insecurity of unemployment. The youth of the universities saw scanty prospects of employment, higher employees were exposed to axeing at the very age when they might expect advancement. Business was subjected to the twin screws of public retrenchment and rising taxation. So, first the inflation, and then the depression, served to proletarianise and atomise the "German middle class in a ruthless struggle for existence. Meanwhile unemployment impaired the skill of the artisans and annihilated the value of that workmanship which had ever been Germany's pride.

Elementary economic notions were upset by the collapse of the mark, which had been the standard measure for fluctuating values amid the intoxicating material successes of the Wilhelmian era. The Republic witnessed the Nemesis of this outlook in the shape of moral disintegration, since the moral order had come to depend on a material foundation. The amorphous mass of the nation abandoned itself apathetically to alternate fits of violence and enervation. Professor Henri Lichtenberger noted the disappearance of that respect for authority, that administrative probity and strict discipline, which had been the pride of Imperial Germany. Law no longer enjoyed respect, crime flaunted itself with impudent cynicism.¹ The highest quarters in the land were morally rotten in 1914 and the War brought official encouragement to the lower vices. It was no wonder that the stage reeked of coarseness, witnessing to the prevalence of education without refinement.

Marxist propaganda had long denounced the traditional moral and religious order as an emanation of specific economic condi-

¹ *Relations between France and Germany*, p. n o .

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tions. It sought to destroy Christian morality with its virtues of respect, pity and gentleness as being bourgeois and therefore ephemeral. So now the collapse of the bourgeois economic system brought into question the whole order of life associated with it. Perhaps the best description of the intellectual and moral chaos prevalent in Republican Germany, which paved the way for National Socialism, is to be found in M. Pierre Viernot's *Incertitudes allemandes* (1931).

Already in the decade before 1914 the 'Jugendbewegung' (Youth Movement) had marked a growing revolt of German youth against traditional standards of behaviour. While it encouraged abstinence from alcohol and tobacco, it gave rise to abuses through the often unbridled companionship of the sexes. The 'Freideutsche Jugend' (Free German Youth), founded in 1913 by 2,000 students gathered on the Hohe Meissner near Cassel to celebrate the centenary of the Battle of Leipzig, proclaimed its faith in the spiritual liberty of the individual, as the 'Burschenschaften' of 1817 theirs in the political liberty of the nation. Declaring its intention to determine its life on its own initiative and responsibility, it rejected the ugly conventions and moral inertia of the established order in favour of inner freedom. As a libertarian movement the 'Jugendbewegung' was in the line of development from Hutten and Sickingen, the 'Lutzow Jaeger' and the 'Burschenschaften'. Influenced by Nietzsche it set up a cult of blind devotion to the personality of group leaders. It had wished for the collapse of bourgeois society but, in the resulting chaos, it proved quite unable to contribute constructively. This revolt of youth was accentuated by the demobilised soldiers of 1918, seeking escape from the rigidity of military discipline and demoralised by the example of the war profiteers. Egotism and cynicism ran riot amid the general lack of standards. There was no longer any social norm since the dethronement of the officer. So restraints were relaxed, laughter itself hesitated, because there were no more standards by which to measure the ridiculous. In a restless tolerance German life gave unbridled rein to a chaos of anarchically sincere expression. In a world where nothing seemed solid or indisputably valid, the initial idealism gave way to acceptance of the rule of physical violence and national self-interest. In the post-War 'Bundische Jugend' a quasi-military discipline crept in and a revolt against 'economic society', whether Marxian or capitalist, exalted the mystic virtues of 'Blut und Boden' (blood and earth). The original 'Wandervoegel' had been strongly impregnated with enthusiasm

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for the ancient Germans and like the bardic Göttinger Hain had celebrated the summer solstice.

Morality came to be divorced from sexual matters, and in Berlin all manner of sexual license and aberrations could be indulged without shame or restraint. Virginity lost its esteem and contraceptive practices gained official recognition. Nudism, homosexuality, sadism and masochism flaunted themselves with an immoderation which shocked visitors from Latin countries. The repulsive license of Republican Germany was a preparation for the callous immorality indoctrinated by the Nazi creed. The ascendancy of cruelty had begun. A generation which rejected the authority of moral laws, accepted as divinely inspired by its own parents, could have little cause to abide by the code of international conduct or humanitarian ethics laid down by a collection of elderly bourgeois gentlemen at Geneva.

But, while the events of these years atomised and disintegrated the fabric of the German nation, the framework of the State remained absolutely intact. Its official services continued to function so smoothly that even the most attentive observers often overlooked the material and moral anarchy beneath. All classes had been eroded by an insidious disease, and so the nation was ready to surrender to radical political doctrines, while the machine of State was ready to hand for the demagogue-dictator.

While the monarchic and federal political structure and the socio-economic bourgeois hierarchy of wealth were shattered by the Revolution and the Inflation, the bureaucratic administrative structure of the Reich survived. The bureaucracy was prepared to serve any government which might achieve power and be willing to guarantee it in its positions. The Republican governments, faced with a choice between technical experience and political reliability, preferred the former and retained the bureaucracy in office. They dared not accentuate the economic difficulties of the post-war years by filling the administration with a team of new and inexperienced officials. The administrative structure of Imperial Germany adapted itself and continued to provide a firm national framework to serve as a new focus of coalescence for the German atoms.

The urgency of such a polarisation was increased especially by the German evaluation of the individual. Ever since the German religious revolution of Luther deprived the individual of the spiritual dignity inherent in his freedom of will, the Germans had come increasingly to conceive of him as merely part of a mass-

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collective. In face of the Latin esteem for the innate worth of the individual, the Germans came to exalt the collective value of comradeship. The German regarded the fulcrum of energy as reposing in the community rather than in himself. He was buoyed up, not by self-confidence, but by a placid faith in solidarity of effort. Energy became not a radiation of the individual being, but an effect of mass disciplining. The Germans were a nation of regimented soldiers rather than of free citizens.

This regimentation was not restricted to the Prussian State and its armed forces, it characterised equally the Social Democratic movement, regarded before 1914 as the principal enemy of the established order. Despite their hostility, German Socialism and the Prussian monarchy had a marked psychological similarity. Socialist demonstrations were as disciplined and orderly as military parades and lacked only the bands and uniforms. August Bebel, who built up the party organisation in such away that it became a preparatory school for militarism, never lost the impress of his own barrack square youth as the son of a Prussian N.G.O. Prince Bulow remarked once on the impossibility of understanding German politics, if the fact were overlooked that the Social Democratic Party was built up on the exact model and spirit of the Prussian Army. While Social Democracy before 1914 won popularity as a form of protest against the rigidity and militarism of the Prussian State, it included in its ideals the same subordination of individual liberty to the exigencies of the community. This appeal of strict organisation was reinforced by the materialistic economic dogmas which Marxism offered as a substitute for religion.

At a time when the churches were reeling under the blows of scientific criticism and the old philosophies had lost their force, the Marxist promise of a better future attainable through the rational medium of the Socialist State seemed to offer once more a positive faith.¹

The German working man lacked the frankness and independence of his British counterpart. In the army, discipline was founded on abuse and threats, while comradeship between officers and men could only be engendered by familiarity. The patriarchal relationship to his men, characteristic of the better type of British officer, was lacking. Discipline was inculcated in all classes of Germans. The children of the workers imbibed it successively from father, schoolmaster, foreman and drill-sergeant. When they emerged from their three years of military service, they were regi-

¹ See Wickham Steed: *Through Thirty Tears*, I, 30.

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mented in the big battalions of the trade unions and the Socialist party. This triumph of organisation and discipline was at once the strength and the weakness of German Social Democracy. If it was the means through which it became by 1914 the world's most powerful Socialist movement, it was also the means through which the whole edifice could be dissolved at one decapitating stroke by Adolf Hitler in 1933.

Ever since 1870 industrialisation and urbanisation had been growing in Germany, which became thereby increasingly a nation of masses. By 1931, of 62 million Germans, 35 per cent lived in rural areas, 24 per cent in towns of up to 20,000 inhabitants and 40 per cent in larger towns, while a quarter of all Germans lived in towns of over 100,000. It was calculated that 33 million Germans depended on the head of the family or worked with him, 15 millions were manual workers, 5 millions clerks or officials, 3 millions rentiers or pensioners of industry or the State and 5 millions independent peasant proprietors, artisans, professional workers or business executives. Thus 75 per cent were dependent on the external power of the State or of industry, while the independence of the remaining 25 per cent was severely threatened by professional and black-coated unemployment. Stresemann realised fully the dangers implicit in this development of trusts with millions of dependent employees. In a noteworthy speech to the Central Committee of the German People's Party (26th February 1929), he touched on these perils. He recognised that the competitive resources of German industry would be stimulated at the expense of individual personality and independence. The continued rise in government expenditure, and therefore of taxation, would hasten this tendency.¹ The great corporate organisations could stand their ground amid the economic storms, where the solitary individual was helpless, and in the ensuing struggle social distinctions would only be intensified. Economically a nation of subjects rather than of free citizens, the Germans sought political security. Political theory did not correspond to economic reality: a Republic in name, Germany was in fact a capitalist despotism.

So the post-war years, which proletarianised the German middle classes, induced in them, too, an increased feeling of dependence and a desire to find political anchorage within a group. The Germans did not think politically as individuals, but only through the corporate party to which they adhered.

The triumph of political Liberalism in the Republican system

¹ *Diaries*, III, 463.

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coincided with the collapse of the economic foundations of bourgeois society, which ensured individual independence. The new political liberty seemed empty and unattractive, so that there was a refusal to recognise the primacy granted by bourgeois democracy to the citizen, as an independent rational being, over the member of the nation as a social, and therefore dependent, being. Rather was the individual impelled to seek the comradeship of a collectivity, which for the ex-soldiers should replace that of the trenches. So Republican Germany came to exalt the ideal moral value of group life and those virtues of obedience, loyalty and devotion which favoured it.

In place of the individualist ideals and ambitions of rationalist bourgeois Liberalism, exposing men to the secret power of wealth, the new socialistic tendencies instilled corporate or class ideals and ambitions. The worker came to regard as illusory the liberty to escape as an individual from his class by study or thrift. The equality of individuals must be realised through the equality of classes and the individualist ideal of bourgeois social morality was replaced by a new morality of solidarity.¹ Moral values were no longer absolutely valid, but rather made relative to class interests. When all groups and classes were exposed equally to the economic depression after 1929, the nation was united in a feeling of frustrated proletarianisation. Conflicts of party or class were fused in the community of misery, uniting all Germans in face of a hostile world. Morality, from being relative to a part of the nation, became relative to the whole.

¹ See P. Vienot: *Incertitudes allemandes*, p. 59-60.

II

THE CULT OF FORCE AND PROGRESS: POST-LIBERALISM

Republican Germany was the land of organisations; under National Socialism it was to become the land of organisation. The decisive factors in the Weimar Republic were the organised bodies such as the great landowners and industrialists, the bureaucracy, the banks, the Catholic Church, the Trade Unions and above all the Reichswehr. In this struggle of the giants, material force was the dominant factor and the atmosphere of Germany in the Twenties was redolent of it. A Spanish Liberal observer was amazed at the dynamic force of Germany's resurrection, the very soil seemed pregnant with menace to the European equilibrium.¹

The exaltation of force is endemic among the Germans. They have no appreciation for the Latin quality of measure, which implies the subjection of material power to spiritual restraints. Their liking for the massive and the colossal is a form of this instinct which knows no bounds. Ever since 1871 the Germans had been power-drunk as they watched the increase of the Reich's strength and discounted its potentialities, founded on a prolific birthrate, a perfectly disciplined population and the application of technical science to industry. Germany had entered on the conflict of 1914 convinced that, in a struggle where machinery was decisive, her war machine would be superior in order, method and discipline to that of her enemies. It was this confidence in mechanised perfection which was so especially repulsive to the French. They loathed the Germans as the incarnation of scientific war, as mechanised, not human, beings.

In the eyes of Republican Germany, the machine was the means to achieve ever greater force. The progress and application of science appeared most impressive and it was thought that 'die Technik' would solve all problems. The rationalisation of industry was regarded with a religious awe and machinery evoked lyrical rapture. Señor Chaves Nogales was shocked at this mechanical superstition of the Berliners. Denying their humanity, even the

¹ M. Chaves Nogales: *La Vuelta a Europa en avion*, p. 109.

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intellectuals, artists and writers became voluntarily hypnotised by the new idolatry of the machine.¹ This supremacy, achieved at the expense of the human spirit, was symbolised in the popular film *Berlin, the symphony of a great city* (1927), which depicted purely by mechanical means, without any human actors, the daily life of the capital. In the same year Fritz Lang's *Metropolis*, with its huge geometric buildings and contrasts of light and shade, its slow treading workers and massed masses, marked a triumph of the architectural over the human.

Señor Chaves Nogales pointed out that the man of true genius asserted his personality in face of the machine, thus emphasising the supremacy of the spiritual over the mechanical. In the same way, in his letter to Friedrich Sieburg, appended to that writer's *Dieu est-il français*, Bernard Grasset stigmatised Germany's crisis as being only superficially economic, but fundamentally spiritual. The Germans attributed to materialist economics a primacy which belonged to the spiritual.

The cult of force, size and power served to encourage enormously the cult of progress. The progressive increase in Man's mastery over nature during the nineteenth century was a source of especial pride for Germany, since the territory which had sustained 25 million inhabitants in 1800 sustained over 60 million a century later: a poor and divided agrarian land had been transformed into a united and wealthy hive of industry. Progress was understood to imply constantly increasing output and constantly diminishing effort: the triumph of organisation. The Germans prided themselves already before 1914 on the superiority of their technical progress over that of other nations. Mechanical perfection became the German aim and in the later Twenties German industrialists rationalised their plant ruthlessly, often without reckoning whether the more improved machinery would pay its way in a land where capital was rare and dear, and labour excellent and abundant. So M. Grasset wrote to Sieburg: 'Triumph by Force emerges as the supreme advantage assured to nations by a rapid adaptation to Progress. Thus you have diverted the word Progress from its individual and pacific meaning to a national and warlike meaning. For you, culture ... is a collection of knowledge and methods, which all together permit and justify the domination of one country over the others.'² Culture and progress became a monstrous combination of telephones and tanks with Kant and

¹ *La Vuelta a Europa en avion*, p. 86—87.

² *Dieu est-il français*, p. 349.

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Goethe. Progress implied a readiness to scrap the old as a handicap to the advent of the new.

Ever since Herder, the Germans had been enamoured of a cult of permanent evolution ('ewiges Werden'). Sieburg, one of the leading Republican journalists and a member of the staff of the Liberal *Frankfurter Zeitung*, admitted that Germany consciously integrated herself in the universal economic movement and awaited liberty and happiness from the perfection of machinery, the amelioration of work, collectivization and progress. Not in being, but in becoming, he discerned the proper state of Germany, who, to her misfortune gave way one day to violence. 'Whoever prefers persistence courts the danger of immobilisation; but whoever knows that movement, creative evolution, is at the source of his nature, can yield to the temptation of giving a false direction to this evolution and accelerating it by violence.'¹

Similar sentiments were voiced by Dr. Jäckh, a founder of the 'Hochschule für Politik': 'The new Germany of to-day knows the historical inevitability of this development. The new Germany believes that she is able to understand the true inward meaning of the old paths. We now believe and know that the World War was only a part, only one form of expression of a world-wide upheaval which we are able to understand cosmically. During the last few decades, in every sphere of life we see a revolution of the mind, seeking and finding a new form of expression of rhythm. . . . For us the World War is also an outward expression of this inward upheaval, albeit the most drastic, the most cruel expression, but precisely for this reason palpable and salutary.'² In these words, spoken in 1927 at Geneva by a Liberal enthusiast for the League of Nations, we can already discern how the cult of progress was preparing the German mind for Nazism with its creed of violence.

Both Viénot and Grasset showed how the Germans envisaged the setting for human activity as a fluid world, in which the past had dissolved and there were no restraining absolutes whatever. Life had become a headlong flight into the future as to a refuge. Professor E. R. Curtius recognised that, while for the Germans progress developed by a process of substitution, for the French it came by accumulation or filiation. The democratic absolutes accepted by the French were in German eyes merely the out-moded bourgeois values of 1789. France and Western Europe were behind the times and had nothing to offer to young Germany,

¹ *Dieu est-il français*, p. 316.

² *The New Germany: Three Lectures*, p. 72-73.

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which accepted the law of progress. There was nothing definitive in life, except death—certainly not the French Revolution.

The French Revolution had marked the overthrow of medieval corporatism by individualistic Liberalism, now in German eyes the individual must give place to the group. France might have led Europe in the age of individualism, Germany must lead in the new post-Liberal society of groups. In the collective discipline of the national or the party armies, the Germans could enjoy fraternity and equality, since prince and peasant performed the same military evolutions. Liberty for the individual gave place to the more 'progressive' idea of liberty for the collectivity. Already before 1914 the anti-individualist parties in the Reichstag were strong, and under the Republic the representatives of individualism shrivelled to a mere handful.

Writing in 1918 of the coming post-War problems, Walter Rathenau crystallised his views in the maxim: 'Economy is no longer a matter for the individual, but for the community.' His foresight was realised when the Inflation swept away the capital and so the independence of individuals, making a mockery of the bourgeois' virtue of thrift. Capital no longer endowed its owner with the aura of moral righteousness, but inspired rather the respect shown to force or cunning. Deposits might flow into the savings banks, but on a rainy day men had recourse to the State.

The patriarchal functions of the State were old-established in Germany. Since Luther's time the State had regarded itself as the guardian of its subjects' souls. The princes, not the merchants or the squirearchy, profited from the expropriation of the Church, and mercantilism had been closely connected in Germany with State control of economic enterprise. It was in this sense that Spengler argued that Frederick William I, rather than Karl Marx, was the first Socialist. The initiative for the abolition of inter-German trade barriers had come from the Prussian State rather than from the German bourgeoisie, and the Zollverein was used as a weapon of State policy. As long as economic Liberalism favoured the interests of the Prussian State, it enjoyed Bismarck's favour, but in the last decade of his rule he returned to the Prussian tradition of the provident State, which served at the same time to challenge the rise of Marxian Socialism. Thus already in the Eighties German workers enjoyed insurance against sickness, accident, infirmity and old age.

Everything conspired to turn the individual into a standardised 'Homo Economicus'. The uprooted urban industrial population

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lapped up the mass-produced pleasures, the cult of comfort and utility which arrived in the train of the external levelling of social life. The breakaway from the inhibitions of tradition left a mental void. The German mind was ripe for a totalitarian regime, nor were there wanting those who foresaw the dénouement of the Republic—violent for Germany, disastrous for Europe.

After the short initial phase of apathy following on defeat, Republican Germany pulsed with a feverish activity. The immense vitality and fertility of her people, imbued with a boundless faith in their own possibilities, had provided the dynamic force for her industrial ascension after 1871. The disaster of 1918 only damped this flame momentarily, so that it burned the more fiercely as a result. In France there was widespread awareness of this dynamic fertility, the motive force for the renaissance of German power. Within a few years the Reich had recouped the casualties of the war, and by 1933 the population once more approximated to that of the larger Reich of 1914.

Germany had not yet found the hand strong enough and skilled enough to guide her. In 1922 Sir Alfred Zimmern wrote of her as 'tougher in fibre than her Western neighbours yet equally shaken and exhausted; a land of sheep without a shepherd, rushing hither and thither seeking for a direction and a "Weltanschauung", her amazing powers of industry and concentration and her rich and turbid life of feeling running to waste for lack of channeled guidance.'¹

That a nation of sixty odd millions, seething with vitality, equipped with a powerful industrial productivity, should allow itself to be bound interminably by a treaty which organised Europe for the benefit of less populous neighbours, and held her disarmed and paying tribute, was a vain hope. The German refusal to accept the 1919 verdict as final was strengthened, when it became apparent to political realists that in virtue of American isolationism and British aversion to continental commitments, the balance of forces which had imposed the 1919 settlement was no longer available to maintain it. The Germans refused to see the Treaty as the fruit and sanction of their transgression, nor the tribute as reparation for their misdemeanours. Jacques Bainville saw this all clearly, as soon as the terms of the treaty were published—even before their signature.² Forecasting exactly what was

¹ *The Legacy of Greece*, p. 339.

² Jacques Bainville was foreign editor of the *Action Française* until his death early in 1936. His articles on Germany, collected after his death, are remarkable for their prophetic insight.

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to come to pass, he recognised that as soon as the occupation of the Rhineland ceased, and France enjoyed once more the frontier which had been designed in 1815 to thwart her, 70 million Germans would default on the payment of Reparations to 40 million Frenchmen. Pressure on the Rhine could not for ever guarantee Eastern Europe, where the Allies had sanctioned a mosaic of small states, far from themselves, as a standing temptation to a united Germany. It was a challenge to common sense, as the Austrians, the Czechs and the Poles were to learn to their cost twenty years later. Everything in the Treaty presupposed the sincere goodwill of the Germans in executing it. There was a tragic and prophetic irony in Bainville's words: 'What has been sacrificed is what at first sight costs the least, the future.'¹

M. Véniot recognised that the dethronement of absolute truths implicit in the affirmation and acceptance of realities, presaged a reign of tragic violence. In the triumph of some form of tyranny lay the only solution. The abandonment of absolute ideals took away all chance of any political, moral or social arbiter, unless it were the Nation, the collective ego. Nationalism alone could bring order to the Germanic chaos and, divided over internal questions, the parties were united over foreign policy, differing only as regards the methods or speed requisite for achieving the purpose in view: the liberation of Germany from Versailles and her achievement of European hegemony. Thus by the violence of its attacks on Versailles and Reparations, the Communist Party, too, testified to the gospel of German Nationalism and helped to prepare many of the workers for the foreign policy of Hitler.

Max Weber had pointed out in 1919 that the growing nationalism of the masses was only natural in an age which increasingly democratised participation in the riches of a national culture incarnate in the language. The German educational system served to permeate the multitudes with the spirit of German 'Kultur'. Descending to the popular masses through the mediation of the professors and the publicists, these cultural ideals acquired a new religious value, whose acceptance became a moral duty. From the masses they rebounded in the shape of Nazism, weighed down with all the confused desires and enthusiasm of the multitude. So enthusiasm for German history and its heroic figures was widespread among German youth, whether they adhered to the Prussian tradition of Frederick or envisaged the Holy Empire as a form of German power-hegemony over Europe.

¹ *Action Française*, 8th May 1919.

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M. Vienot attributed Republican Germany's crisis to her excessive self-consciousness, and the egocentric guiding thread of German philosophy had a decisive effect in collusion with the cult of Power and Progress. It led the Germans to identify the increase of their own power and well-being with the progress of the human race. In an introduction to a pamphlet of the 'Deutsche Liga für Völkerbund'¹, Stresemann wrote of 'a world where new forms and ideas germinate. The current of evolution carries Europe away. Germany will regain her high position by following the current. Germany grows within a universe increasingly interlinked.' His successor, Dr. J. Curtius, gave vent to similar sentiments in a speech after the evacuation of the Rhineland: 'If differences should arise among the governments about the fundamental principles of international politics, we shall always be found on the side of those Who defend equality of rights and the evolution of progress.' Thus Germany's claims for the revision of the Treaty of Versailles were identified with the cause of human progress. Together with her cult of technical advance, this won for her the sympathies of many Western Liberals, who did not discern whither the Weimar Republic was inevitably leading. But their firm adherence to the principles of 1789 as absolutes, was to prevent their sympathetic acquiescence in the version of progress and force embodied by the Third Reich.

¹The German equivalent of the League of Nations Union.

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THE ROAD TO POWER

THE SHADOW OF SEECKT

III

THE PEOPLE'S STATE: THE VOLKSSTAAT

A rising out of the atomisation of collapse, the Germans had become more than previously receptive to the concept of an organised life and society. It remained to weld them into a strong state which should not be fractured, as had been the Hohenzollern Empire. The fashioning of a new and powerful Germany did not wait until 1933 as the Nazis pretend; it began on the very morrow of the Revolution and the Armistice. It is imperative that this fact should be recognised. The Nazis obscure it, because they do not wish to acknowledge their debt to 'the system'⁵ of the 'Jews and November traitors', which was, with Versailles, the principal butt of their electoral propaganda. Nor have the epigoni of the Republic, insofar as they emigrated voluntarily or obligatorily, been generally anxious to spoil their own prospects in the eyes of the Allies, by encouraging the recognition of the extent to which their Republic contributed to the appalling and monstrous regime from which they have sought refuge.

Under the Hohenzollern Empire there had been a steady tendency for the central power to gain at the expense of the federal states. The 'Wehrbeitrag' (Arms contribution), a Reich tax on property for military purposes, secured by the Liberals and Socialists in 1913, was not only a severe blow to real estate and so especially to the East Elbian Junkers, but equally to the fiscal independence of the federal states to whom direct taxation had hitherto been reserved. The constitution of 1871 had provided that in time of war the armies of the federal states should pass under the supreme command of the Emperor. So, since the Reichstag and Chancellor abdicated their civil power to the High Command, the whole federal Empire passed between 1914 and 1918

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under the virtual dictatorship of the Emperor, who became after 1916 the mouthpiece and tool of the Supreme Command. In 1916 the exigencies of war finance forced the states to accept a direct Reich tax on wealth. In the same year a central food rationing system was introduced to prevent the rise of inter-state barriers to the export of food, which would have undone the unifying work of the Zollverein, just as the Hungarian veto on exports of food to Austria contributed so materially to the collapse of the Habsburg Empire.

Bismarck suffered from the nightmare that the Empire he had created might, by errors of foreign policy, provoke a European coalition which would destroy it. But, as Bainville remarked, he never imagined a coalition sufficiently stupid to use its victory to consummate the work of German unity.¹ It was Bismarck's greatest triumph that the German unity, which he had achieved by armed force, should survive military defeat. This became apparent as soon as the elections to the constituent National Assembly took place (19th Jan. 1919). Less than a quarter of the members represented a primarily federalist or particularist viewpoint—if indeed the Centre Party could be regarded as federalist. The two guiding principles of Bismarck, German unity and State power, inspired the mass of the deputies.

Bainville, whose acute perspicacity with regard to Germany's policy was as uncannily prescient as it was tragically unheeded, wrote of the Germans: 'They know that they can do nothing against the will of the victors. But it is the future which interests them. Provided their future possibilities are not restricted, they resign themselves to the accomplished fact of the moment. Their true source of anxiety is the dissociation and partition of the Reich. The object of their most ardent desires is to recoup their territorial losses by uniting Austria to Germany. The Germans know well that nothing will be irrevocably lost for them as long as they possess, with a unitary state, a vast and populous territory. They begin from that basis. It is from that basis that the Conference too should set out.'² Military disaster and economic stress, together with financial burdens, had convinced the Germans that they could rebuild the basis of their strength only by concentrating the vigour and unity of the State in a strong central government.

Henri Lichtenberger discerned that the Weimar Constitution, rather than inaugurate a new era, marked a transition between

¹ *Action Française*, 9th May 1919.

² *Action Française*, 12th Mar. 1919.

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the past and the future. The Constitution of 1871 and the Hohenzollern Empire marked the recognition that the Liberal middle class had been satisfactorily inoculated with the spirit of the Prussian State. The Constitution of 1919 and the Weimar Republic were a similar testimony to the loyalty of the working class Social Democrats. 1919 marked the accession of Social Democracy to power and its adherence to the ideal of the Reich, as did 1871 that of National Liberalism. Both Constitutions alike represented compromises between a core of traditional Prussian absolutism and a facade of Western parliamentarism.

Just as in Frankfurt in 1848 the keenest supporters of a unitary state sat on the Left, so in 1919 the Socialists were the most ardent partisans of centralisation, judging the question on economic grounds. There were federalist vestiges—albeit sometimes very slight—in all the other Parties. The dominant rôle in the formulation of the Constitution fell to the Democratic Party, then at the zenith of its power and prestige, which represented the fine flower of enlightened German bourgeois culture. Among its founders in November 1918 were Walter Rathenau, Hugo Preuss, Max and Alfred Weber, Sombart, Schacht, Naumann, the author of *Mittel-europa*, the scientist Einstein, and the painter Max Liebermann. The Democrats embodied the spirit which sought inspiration for a new Germany in the town of Goethe and Schiller. With their programme embodying national sovereignty, universal suffrage and the rights of the individual and of private property, they sought a strong bourgeois and parliamentary republic, which should avoid both a Junker militarist reaction and a revolutionary socialism. The chief architect of the Constitution was Hugo Preuss, the Minister of the Interior, who sought especially to unify the Reich and dismember Prussia, to create confidence in democracy and the parliamentary regime. He said of his handiwork: 'It was to be feared that military defeat would destroy an artificial unity acquired as the prize of military victories. The Weimar Constitution is not content to preserve this unity, it consecrates, reinforces and strengthens it. The French wish to divide Germany. They will realise that the Constitution consolidates her. They will perceive that if ever the monarchy is restored in Germany, it will be unitary.'¹ Hausmann, the Democrat, who presided over the Constituent Committee of the Assembly, said of the Constitution: 'Engendered in suffering, this Constitution is the law of a people oppressed by the enemy. It is, therefore, necessary to

¹ 29th July 1919.

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concentrate all the forces of the nation and to realise German unity once and for all.¹

The preamble to the Constitution reads thus: 'The German People, united in all their branches, and inspired by the determination to renew and strengthen their Reich in liberty and justice, to preserve peace both at home and abroad, and to foster social progress, have adopted the following Constitution.' Whereas the Constitution of 1871 began by stating that the Empire consisted of twenty-five states, monarchic and republican, that of 1919 began: 'The German Reich is a republic. Political authority is derived from the people.' (Art. I). Thus the principles of centralisation and the plebiscitary popular source of power became immediately apparent. There was no mention either of the federal states or of the popular parliamentary representation. It is in accordance with these two questions that the Constitution especially deserves study. The Constitution of 1871 had a contractual basis in an agreement by the states to associate their sovereignty. The Constitution of 1919 derived from a popular sovereign assembly and proceeded to delegate certain authority to the states members of the Reich. The Republic was not like the Holy Empire, a 'Staatenbund' (federation of states), nor like the Wilhelmian Empire a 'Bundesstaat' (federal state), but rather a superficially decentralised unitary state.

In the debates Preuss insisted on the retention of the title 'Reich' because of its popular sentimental significance as the symbol of unity. The term 'Republic' implied that sovereignty had passed from the princes to the people and that the new regime should embody the current ideal of the 'Volksstaat'. But the German term 'Reich' took precedence over the Latin idea of the Republic. The unity of 1871 had found its apex in the Emperor, who represented the old princely ideal of the 'Obrigkeitsstaat'; the Republic represented the ideal of national integration through the popular organisation of the 'Volksstaat'. As Preuss declared (29th July), the ideal of the unitary Reich transcended the republican or monarchical form, the essential factor was the integration of all national energies in the organic state. Ebert had appointed him head of the preliminary constituent commission after his article in the *Berliner Tageblatt* (15th Nov. 1918) 'Volksstaat or inverted Obrigkeitsstaat', which insisted that the Social Democrats must seek to rule only with the left bourgeoisie. Martin Spahn, the Centrist, emphasised that the Revolution of 1918

¹ 2nd July 1919.

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might have ruptured historical continuity, but it had not ruptured the nation, and so on this popular basis depended the hopes of the persistence of the Reich in republican form. The monarchy of organisation gave place to a democracy understood in Professor Lamprecht's sense as 'integration in the nation'⁵ ('Einordnung in das Ganze der Nation').

In the memorandum accompanying his project for the Constitution, Preuss envisaged the Republic as a unitary popular state ('Einheitlicher Volksstaat') founded on the right of the German nation to organise itself, and deriving its spiritual and moral power from its consciousness of its own national existence. This organised democracy implied the harmonious co-operation of all national forces and the elimination of any partial hegemony inside the framework of the Reich. The hegemony of Prussia, the supremacy of the legislature and the intangibility of private property, must all be sacrificed on the altar of the 'Volksstaat'. In his study of the Weimar Constitution, Professor Vermeil laid especial emphasis on this aspect as providing the link between the Imperial and Republican regimes. In the organic ideal of the Volksstaat the parties could communicate as in a Eucharist.¹

So the entire constitutional structure with its carefully devised checks and balances was founded on a popular plebiscitary basis, intended to ensure the prevalence of the nation's will. It was a most perfect creation of human ingenuity, but it was fallible, by non-German standards, because it gave no place to extraneous absolutes. Alternatively, by German standards, it succeeded triumphantly, because the only absolute it recognised was the sovereign will of the German nation, and so it prepared the way for the triumph and apotheosis of that nation in National Socialism.

This ideal of the 'Volksstaat' dominated the division of powers by the Constitution between Reich and 'Länder' (States), President, Reichstag and Reichsrat. The relations between the Central or Reich power and the Federal or State powers were regulated by Articles 6 to 19. The Reich assumed *exclusive* jurisdiction over foreign and colonial affairs, citizenship, travel and residence, national defence, currency, customs duties, posts, telegraphs and telephones. (Art. 6.) This Article, together with Arts. 89 to 97, which provided for Reich ownership of railways and waterways, made short shrift of the diplomatic representation, military sovereignty, postal and telegraphic autonomy and State railway systems, which had constituted the bulk of the 'Reserved Rights'

¹ *La Constitution de Weimar*, p. 272.

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of Bavaria and Württemberg since 1871. Prussia demonstrated that with the disappearance of the contractual character of the old federal Reich, the 'Reserved Rights' in military affairs had lost all value.

Article 7 guaranteed to the Reich priority, despite concurrency of legislation with the states, in a variety of matters. These included civil and criminal law, judicial procedure, population problems, including maternity and child welfare, labour and social insurance, expropriation and socialisation, banking, issue of paper currency, weights and measures, dealings in the necessities of life, insurance, navigation, railways, roads and waterways, the Press, theatre, cinema, associations and public meetings. 'The Reich also has jurisdiction over taxation and other sources of income, insofar as they may be claimed in whole or in part for its purpose.' (Art. 8.) For the purpose of establishing uniformity of rules, the Reich also claimed to regulate the promotion of social welfare and the protection of public order and safety. (Art. 9.) In addition, it assumed the normative right to prescribe fundamental principles in matters concerning religion, education, land and housing and the validity and mode of collection of state taxes. (Arts. 10-11.)

The supremacy of Reich laws over state laws was guaranteed by Art. 13, while Art. 14 made the states' authorities the executors of federal laws, unless otherwise provided by Reich law. For this purpose the Reich government was empowered to send commissioners to the states. 'Every state must have a republican constitution. The representatives of the People must be elected by the universal, equal, direct and secret suffrage of all German citizens, both men and women, according to the principles of proportional representation. The state government shall require the confidence of the representatives of the People.' (Art. 17.) Art. 18 empowered the Reich to alter state boundaries by constitutional methods, varying only according as the states affected were willing or not. Thus the states were deprived of the right to determine their own form of regime, their own boundaries or their own citizenship—all specifically characteristic traits and attributes of state sovereignty. The continued existence of monarchic government within the federal framework seemed to the architects a condemnation of their own principles; and in any case there was no provision for any power within the states whose actions were not narrowly circumscribed by Reich jurisdiction and subject to popular vote. The existing states being of dynastic origin, the sanctity of their frontiers appeared a matter of minor importance from a republican

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and democratic standpoint. In his study *The German Constitution*, Professor René Brunet remarked that the centralising tendency had gone as far as possible without completely suppressing the reason for the existence of the states, (p. 62.)

The supremacy of the Reich over the Länder was consummated by the Erzberger financial reforms of 1919. In 1871 direct taxation was reserved to the States, which made 'Matricular Contributions' to the Reich. Only the customs duties belonged to the Reich and to these were later added death duties and the Reich stamp tax. But the latter were collected and administered by the States, as the Reich had no fiscal administration. The Defence Contribution of 1913 and the special war taxes were the first direct taxes imposed by the Reich, but they continued to be assessed and collected by the States. The task of spreading equally the burden of War debts and Reparations finally enforced a change. So in 1919 the Reich took over the direct taxes on income, capital and turnover, while it left certain indirect taxes to the States. A uniform Reich fiscal administration was created in 1920 to carry this out. In accordance with the Financial Equalisation Law of 1919 a percentage of the direct taxes was to be paid over by the Reich to the States and municipal authorities. The independence of the local authorities in taxation matters was severely restricted, but no check was placed on their borrowing powers. In 1925, however, they were refused permission to borrow abroad without the permission of the Advisory Bureau (Beratungsstelle) for foreign loans. Of the total tax revenue of public authorities, the Reich took 40·3 per cent in 1913 and 49·6 per cent in 1932. This was principally at the expense of the municipalities, whose portion shrank from 37·3 per cent to 28·3 per cent and was largely caused by the enormous Reich expenditure on police, social welfare, housing, roads and canals. To the Reich postal administration, the Republic added Reich administrations for railways, finance and (in 1927) labour. All other officials came under the Lander.

In reducing the powers of the federal States, many deputies were influenced by memories of the Imperial regime, which was dominated by the Prussian monarchical state. Professor Schucking told the Assembly that German history might be summarised thus: 'Up to 1867 Prussia was against the Reich; from 1867 to 1918 Prussia was above the Reich; the Reich must hereafter be above Prussia.'¹

¹ Heilfron: *Die deutsche Nationalversammlung im Jahre 1919*, 11, 1176—quoted R. Brunet: *The German Constitution*, p. 73.

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The Constitution of 1871, which owed its origin to Bismarck, was an apparent compromise between the conservative and traditionalist principle represented by the twenty-two monarchies and the three Hansa republics on the one hand, and the liberal and nationalist principle of universal, direct, secret suffrage on the other. The reality of power remained, however, as Bismarck intended, in the hands of the Prussian King, who was also German Emperor, and under him, in the Reichs Chancellor, who enjoyed the Emperor's confidence and was also—except for a very short period—Minister-President and Foreign Minister of Prussia. There was no Reich cabinet and the departmental secretaries of state were individually responsible to the Chancellor. The Reichstag could not legislate without the prior consent of the 'Bundesrat' (Federal Council), which passed decisions on the Reichstag's resolutions. Nor could it overthrow the Chancellor and, in any case, Bismarck was an expert in governing against parliament. But Bismarck saw that an assembly directly elected by all Germans would prevent the centre of gravity shifting outside Germany or to any element of a separatist tendency. The Prussian Landtag, with which the Chancellor had to deal as Minister-President, was elected by open indirect voting with a three-class franchise favouring wealth, and so ensuring the domination of the East Elbian landowners and the industrialists. Thus in 1913 the Social Democrats only had 10 deputies out of 450 in the Prussian Landtag, while they had 110 out of 397 in the Reichstag.

The Bundesrat represented the princes, and here the King of Prussia had 17 votes out of 61. Moreover, he also controlled the 3 votes of Alsace-Lorraine, the 1 vote of Waldeck and, for some years, the 2 votes of Brunswick. Another 15 votes were distributed among the small duchies and principalities of North Germany which were very much exposed to Prussian pressure, economic or military, in case of non-compliance. Prussia was, therefore, sure of a majority and, in any case, 14 votes were sufficient to veto constitutional changes.

The dominant position of Prussia in the Reich was consummated and symbolised by the union of personalities at the top: the King-Emperor and Minister-President—Chancellor. This personal union was terminated by the Weimar Constitution, to the distress of Otto Braun, the Socialist Prime Minister of Prussia from 1921 to 1932. In a great and firmly knit Prussian state he saw the strongest expression of the unitary and progressive idea, because equal suffrage had made the Prussian Government the

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champion of Republicanism and the bulwark against particularism and reaction. But the Weimar Constitution, by divorcing Prussia from the Reich, made it rather the potential leader of centrifugal, federalist tendencies. The occasion for it to stand forth in this light came on June 20th, 1932, when Reichs Chancellor von Papen substituted a Reichs Commissioner for the Braun government. But in the interests of that very unification desired by Herr Braun and the Socialists, the state governments had been constitutionally shorn of the power to withstand the Reich executive. The Prussian Braun was faced by the alternative of resisting a government supported by the Prussian-German Army or of yielding his place that a strong and unitary Prussian Reich might come to fruition, even if it was ruled by other men than he. It was the fatal old German dilemma of the means and the end which faced the Prussian Liberals after Sadowa and Dr. Renner after the Anschluss. Only Potsdam seemed able to realise the ideals of Wemiar.

In 1923 President Ebert and Chancellor Stresemann had recourse to federal military execution against the Socialist-Communist Coalition governments of Saxony and Thuringia. This action was widely disapproved in Republican circles, not so much in itself as an attack on state liberties, but rather because its manner contrasted so much with the mildness and consideration shown to the conservative Bavarian government. Nor were the particularist conservatives very much exorcised by this application of centralist force to Red state governments.

The maintenance of Prussian unity had discouraged the growth of strong regional feelings in the outlying provinces, such as the Rhineland, Westphalia, Hanover or Silesia, which might otherwise have become separate states. They remained dependent on Berlin, and it mattered little whether it was a Reich government or a Prussian government there which ruled them. At the testing time in 1932-33, the champion of state rights against the interference of a tyrannical Reich executive was not the Socialist government of Prussia, which really believed in centralisation under its own guidance, but rather the Catholic Conservative government of Bavaria. But the constitutional provisions, intended by the Republicans of 1919 to clip the wings of the reactionary Prussian eagle, had in fact served to deprive the Bavarian lion of his teeth and claws, and so made the path smooth for Papen and Hitler.

The place of the Bundesrat as the expression of state power under the Empire, was taken by the Reichsrat under the Republic.

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but with very much diminished influence. Its members were nominated by the State governments: Prussia had 26 seats out of 66, but half of these were to be filled by the provincial assemblies. Its right of veto over legislation by the Reichstag could be Overridden by a two-thirds majority of that body or by a national referendum on the initiative of the Reichs President. The Bundesrat's right to issue administrative regulations passed under the Republic to the Cabinet. Thus it was much the weakest of the three in the division of government between Reichsrat, Reichstag and Reichs President.

Legislative power resided in the Reichstag, whose members were elected by universal, equal, direct and secret suffrage by all men and women over the age of twenty, in accordance with the principles of pure proportional representation. (Art. 22.) In place of a fixed number of single member constituencies the country was divided into thirty-five large electoral areas. For every sixty thousand votes obtained in an area, a party secured the election of one member on the party list. Odd votes were pooled and applied to Reich lists of the parties on the same principle. Thus the Reichstag represented faithfully the divisions of the country and varied its numbers according to the total of votes cast. The Reichstag was elected for a period of four years; the Reichs President had the right of dissolution, 'but only once for the same cause'. New elections must take place within sixty days and the house assemble within a further thirty days. (Arts. 23, 25.)

The Reichs Chancellor and, on his proposal, the ministers, were appointed and dismissed by the Reichs President, but they each required for the administration of their offices the confidence of the Reichstag and must resign if that confidence was formally withdrawn. (Arts. 53, 54.) The Reichstag was empowered to impeach the Reichs President, Reichs Chancellor or Ministers before the 'Staatsgerichtshof', the Supreme Judicial Court. Parliamentary government was accepted but mistrusted, and so the powers of the Reichstag were liable to be overridden or circumscribed by a series of measures providing referendums on popular or presidential initiative, and nomination and impeachment of the Reichs President by the people. (Arts. 73-75.) Amendments to the Constitution required a two-thirds majority of the Reichstag members present, and these must constitute two-thirds of the legal membership.

The weakness of the legislature in face of a popular referendum or of the power of the Reichs President is at once apparent. Real

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power was vested in the people and in their direct nominee, the President, rather than in the parliament of elected deputies. The power of the legislature was further weakened by its system of election. Proportional representation made it extremely difficult for any party to win a majority and so condemned the Republic to a succession of coalition governments. The absence of stable parliamentary majorities led to frequent dissolutions. Between 1920 and 1932 there were seven Reichstag elections and four presidential elections, besides general elections for the various State legislatures, referendums and popular initiatives. Elections became economically disturbing nuisances and reduced the general respect for the value of the franchise.

'The National Assembly wished to create a strong president; in fact it has given him almost absolute power,' wrote Professor Brunet.¹ He enjoyed more real power than the Emperor had *qua* Emperor. He was chosen by a plebiscitary vote for a term of seven years and was eligible for re-election. According to the electoral law subsequently enacted, a first poll was to be held, in which a candidate must win a majority of the votes cast in order to be successful. Failing this, a second poll was held, in which the candidate winning the most votes won. The President could be removed from office by a referendum on the proposal of a two-thirds majority of the Reichstag. (Arts. 41, 43.) But a refusal by the people to remove the President was deemed to have the effect of a new election and to entail the dissolution of the Reichstag. The Reichs President's powers in face of the Reichstag have already been noted. He represented the Reich, concluded treaties and alliances, accredited and received ambassadors, and exercised the right of pardon. He had supreme command over the armed forces of the Reich, and appointed and dismissed all civil and military officers.

The President's most far-reaching powers were enshrined in the famous Article 48. This gave him the right to order military execution against any federal state contravening the Constitution or the Reich laws. It also empowered him to suspend constitutional guarantees temporarily and to intervene, if necessary by force of arms, to restore public safety and order, should he deem these to be disturbed or endangered. Measures adopted under this paragraph must be notified to the Reichstag and must be revoked at its demand. By Article 50 these ordinances must be countersigned by the Reichs Chancellor or the appropriate minister. Article 48 opened the way for a government drawing its power from the

¹ *The German Constitution*, p. 122.

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Reichs President, and securing a majority, by varying means to suit the needs of the moment.

The vital points of the Republican Constitution were the complete subordination of the State authorities to the Reich authorities, and the dominant position in the Reich itself of the President. This key-rôle was principally a fruit of the influence of Max Weber (1864-1920); the most outstanding German political theorist of modern times, and received support from the Nationalist wing of the Assembly. The constitutionally strong position of the plebiscitary Reichs President was greeted by Prince Max of Baden as Weber's greatest political act. 'Through it he introduced into the Constitution something which might become the germ for the possibility of a new democratically founded authority and a true leadership in Germany.'¹ These words of Karl Jaspers were written in 1920, shortly after Weber's death, but in the light of subsequent events they have an ominous ring.

Professor of Economics at Heidelberg, Weber had a family background typical of the triumphant National Liberal German 'Kultur' of the Seventies. As a boy he knew Bennigsen and Miquel, Sybel, Treitschke and Mommsen. In youth he was a supporter of the National Socialism of Naumann and a member of the Pan-German League and the Verein für Sozialpolitik. This last, embracing professors, business men and bureaucrats, who were attacked as 'Kathedersozialisten', marked with its projects for socio-economic controls, a transitional step from Liberalism to the Provident State of the twentieth century pregnant of totalitarianism. In maturer years, he distrusted the apparent democracy of the Empire as a mask of Caesarism and became in 1919 one of the leading lights of the Democratic Party. But he resigned from it shortly before his death, because it seemed too ready to compromise with Marxism. A party intrigue prevented his candidature for the National Assembly, but his influence was directly exerted through the unofficial drafting committee convoked by Preuss (9th-12th Dec. 1918).

Jaspers describes Weber as embracing the whole vast extent of German culture and life in that German Reich, which he regarded as the decisive factor for the future. Politics appeared as a struggle: 'A struggle demands a leader who cannot lay the responsibility on another, like an official whose duty it is to execute conscientiously the behests of his superior and of the law. The political

¹ Max Weber, *deutsches Wesen in politischen Denken, in Farschen und Philosophieren*, p. 30.

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leader 'carries responsibility himself. But as he acts" in the world and as force is his specific ultimate means, he cannot suit his actions to an absolute moral law, reckless of the consequences and leaving success to God. This would be ethical but irresponsible action.'¹ Politics implied a quest for worldly success and so in Weber's own words, its devotee 'must compromise with the diabolic forces which lurk in every act of force'. The Reich, whose unity he considered supremely important in November 1918, he envisaged as a socially responsible 'Machtstaat' (power state), and this last concept runs like a guiding thread through his writings. The rise of Germany became for him the measure of all success: 'For the resurrection of Germany in its old splendour I would certainly ally myself with every power on earth and even with the very devil himself, only not with the power of stupidity.'² These lines are all rather prophetic of Nazi doctrine, and having regard to Weber's position as a leading member of the Democratic Party and to his influence on one of the vital aspects of the Weimar Constitution, they warrant some attention being paid to him.

Weber's views on the presidential power were set out in an article in the *Berliner Borsenzeitung* (25th February 1919) reproduced in his *Gesammelte politische Schriften* (p. 390-92). He argued that in face of the Bundesrat (or Reichsrat), representing the centrifugal tendencies of the state governments, there must be set up a head of the State, depending immediately on the will of the whole electorate. The indirect election of the President—as in France by the parliament—'would rightly work to discredit the principle of democracy in the interest of parliamentary huckstering and discredit the Reich in its unity'. Thus the presidential power was linked up with unitary tendencies. 'Only a Reich President, supported by the votes of the millions, can possess the authority to blaze the path to socialisation. For this end legal paragraphs can do next to nothing, but a strictly unitary administration everything; Socialisation is: administration.' Weber reminded the Social Democrats that the dictatorship of the masses demanded imperatively a dictator, elected to embody their confidence, and to whom they would submit as long as he retained it. A president dependent on the States or parties would be weak, like the French President, and would be unable to bring about the unification necessary for economic revival. Plebiscitary election would counter the interests of the party bosses and force parties to be national, not regional, in their appeal and organisation.

¹ Ibid., p. 51.

² Quoted Ibid., p. 35.

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Regional parties might develop further and react on parliamentary majorities and cabinets, so that particularism demanded a representative of the idea of Reich unity. Weber did not foresee that the party best able to spread over the whole nation would be that which set up that nation's interests as the paramount ideal of life: the National Socialist German Labour Party. (N.S.D.A.P.) From it would arise the new type of leader who should send the old party bosses packing. He argued that, while under the Empire increased power, and so prestige, was imperative for the parliament, there now existed the undemocratic peril of a belief in the infallibility and omnipotence of a parliamentary majority which was not a national majority. So presidential power must be founded in the suffrage of the millions and this alone would provide the solid basis necessary to enable the President to be more than a tolerated neighbour of the Prussian government in Berlin.

When the initial destructive wave of the 1918 revolution had spent itself, the Democrats and many Social Democrats became increasingly apprehensive of the presidential power they had set up, and sought in vain to clip its wings by constitutional amendments. Ebert, the Social Democrat, who was the first Reichs President, was elected by the National Assembly and not by a plebiscite. His character and past life did not make him a potential dictator? Moreover, by the time the Constitution was enacted, the power of the Reichswehr, which was ultimately the arm of presidential power, had revived in strength and precluded any use of that power in a sense contrary to its own nationalist and militarist traditions. Professor Brunet in 1921 considered that the working class, while permitting its own dictatorship, would probably oppose any return to the abolished personal regime. Others thought that a plebiscitary dictatorial presidency might open a legal way for a popular general or even a member of one of the reigning families to restore the old regime. Social Democratic attempts to exclude these families under the terms of the Constitution were defeated by the bourgeois parties, who denounced any exceptional laws of this nature as sacrilege against democracy. The presidential elections of 1925 and 1932 were indeed won by such a general and they prepared the way for a Third Reich, blending the militant nationalism of the lost Empire with an egalitarian 'Volksgemeinschaft' (people's community) of the proletariat. Ebert owed his election to the National Assembly and he made use of his wide powers principally to preserve the unity of the Reich in 1923. Hindenburg was the elect of the millions and of

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the Reichswehr, and in his hands the full extent of the presidential power became manifest.

The Weimar Constitution was promulgated at a time when the power of the legislature seemed everywhere in the ascendant. The victory of the Allies seemed a victory for parliamentary democracy over Caesarism, and this became apparent, when the United States Senate rejected Wilson's treaty, and when the French Senate and Chamber preferred as President, Deschanel, who used his mandate to climb the Elysees fruit trees, rather than Clemenceau, the 'Father of Victory'. To many observers, German and foreign, the preponderance of the Reichstag seemed equally assured. But the human factor upset these calculations, because the Reichstag members were essentially numbers on a party list, rather than individual and independent representatives of a moderate-sized area, enjoying the personal confidence of their constituents. They were easily outshone by the personal prestige of a President like Hindenburg, enjoying a semi-religious personal confidence on the part of the whole nation.

It was hardly the intention of the men who framed the Weimar Constitution to prepare the way for a plebiscitary dictatorship, and so they thought to restrain the powers of the government by the 'Grundrechte' or 'Fundamental rights and duties of Germans' (Arts. 109-181). These began by asserting the equality of 'all Germans, male and female', before the law. (Art. 109.) All German citizens within and without the Reich were assured of protection against foreign governments and might not be surrendered to these. (Art. 112.) This clause was obviously aimed at what Otto Braun terms 'the senseless claim for the surrender of the Kaiser and over 800 so-called "War Criminals" ¹ which aroused resentment among Republicans and militarists alike. The surrender of the war criminals for trial was demanded by an outraged Europe, ignorant as yet of the even more criminal generation which lay in the womb of Germany's future. Citizenship was to be acquired and lost in accordance with the provisions of a national law. (Art. no.) Freedom of migration within and across the borders of the Reich was guaranteed, subject only to limitation by a national law. (Arts. III and 112.)

The inviolability of personal liberty, of the German home, of the secrecy of postal, telegraphic and telephonic communications were guaranteed by Articles 114, 115 and 117. But in each case exceptions were specifically permitted by national law. Freedom

¹ *Von Weimar zu Hitler*, p. 86.

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of expression in word, writing or picture was guaranteed 'within the limits of the general laws' by Article 118, and in this case censorship was only permissible on moral grounds. Freedom of assembly was guaranteed by Article 123, though 'previous notice may be required by national law for meetings in the open, and such meetings may be forbidden in case of immediate danger to the public safety'. The right of association 'without limitation by preventive measures' was guaranteed by Article 124, though only 'for purposes not contrary to the criminal law'. The right of private property was also guaranteed, though its nature and limits were defined by law, and expropriation was permitted for the communal benefit, subject to just compensation 'insofar as is not otherwise provided by national law'. (Art. 153.) Moreover, Article 48 permitted the temporary suspension of all or any of these fundamental rights and liberties by the Reichs President in the interest of public safety and order, subject to the subsequent ratification of the Reichstag, as previously mentioned.

The rights implicit in these Articles (114, 115, 117, 118, 123, 124, 153) are the basis of civic liberty as it is understood in Western Europe or the Americas. But it will have been noticed that in each case a restriction or violation is envisaged by authority of a national law or even by presidential decree. (Art. 48.) The equality of all Germans before the law could become under Hitler an equality of slavery rather than of liberty. The right of German citizenship, which was the condition of all these liberties—except Article 114 (personal liberty)—was specifically dependent on 'the provisions of a national law', not on birth or ancestry. (Art. no.) Such a law could therefore quite constitutionally be passed to exclude from this precious right of citizenship, the palladium of liberty, persons who might have been born in Germany, of families which had lived in Germany for centuries and were of unimpeachable patriotism. Complete liberty of conscience and religious worship and the independence of civil and political rights from religious belief were specifically guaranteed by Articles 135 and 136. But a regime inspired by racialist doctrine could nevertheless disfranchise and civically degrade persons of Jewish race without contravening the letter of the Constitution. The expropriation, with derisory compensation, of Jewish or other property could be similarly justified and legitimised. In the same way an egocentric nationalist philosophy could interpret moral grounds (Art. 118) and the scope of the criminal law (Art. 124) according to its own ultimate moral absolute: 'Right is what benefits the German

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nation.⁵ So the whole edifice of fundamental rights could be shorn of its real value and yet remain as the shell of tyranny rather than the palladium of liberty. The foresight of the constitutional fathers proved sadly fallible, and the Germans reaped a harvest which was doubtless far removed from that which many of them intended to sow.

Further articles guaranteed the liberty and secrecy of the ballot, the right to petition or complain, the eligibility of all citizens for public office and the equal obligations of all citizens to serve the State or pay taxes. (Arts. 125, 126, 128, 133, 134.) Civil officers, 'servants of the whole community, not of a part of it', were to be appointed for life. Their suspension, retirement or transfer to a lower position was to be permissible 'only under the legally prescribed conditions and forms' (Arts. 129-130). Economic liberties were safeguarded by Articles 151-165, though several Articles insisted on the accordance of these liberties with the laws. Just as the basic personal liberties could be and have been rendered illusory by a regime in firm control of the presidency and the legislature, so these civil guarantees could equally constitutionally be overcome or be rendered purely theoretical.

Besides the rights of the German, the Constitution also enumerated his duties. In place of the Liberal individualism of the nineteenth century, enshrined in the legal principle *qui jure suo utitur, nemine laedit* (he who uses his right harms no one), it set up the principle of the duty of the individual to the State, which harmonised with Prussian tradition and accorded with the ideal of the 'Volksstaat'. The American and French Declarations of Rights had been essentially individualistic in their inspiration. The individual prerogatives maintained under the German Constitution must be placed at the service of 'the community. Individual liberties, whether of property, intellect or means of production no longer enjoyed any independent value, but were limited and conditioned by their social function. The individual owed these duties to the State as forming an independent being, rather than as the representative of his fellow men.

It was laid down that 'every German has, without prejudice to his personal liberty, the moral duty so to use his intellectual and physical powers as is demanded by the welfare of the community.' (Art. 163.) The restrictions imposed by these communal duties incumbent on the individual, were compensated by duties imposed on the State for the protection and economic sustenance of the individual. 'The individual owes the duty of working but the

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State owes him the chance to work, must protect his work and, according to circumstances, must furnish him with the necessities of life. From this is derived for the individual the right to work, the right to protection of his work and the right of subsistence.¹ Thus the principle of the provident State (*Fursorgestaat*) was foreshadowed.

The Weimar Constitution was intended to be the charter of an advanced democracy, representing the latest creation of progressive mankind. It was claimed to be the most libertarian and egalitarian and therefore the most free in the world. Its unitary tendencies represented the final defeat of the conservative federal power of the states, its legislative and electoral provisions enshrined the principles of popular sovereignty and of Rousseau's 'General Will'. All restraints and brakes on the irresponsible sovereignty of the masses vanished. The traditional monarchic power was gone, there was no organ to represent, like the American Supreme Court, an ideal of absolute justice or, like the French Senate, the principle of continuity with the past. The guarantees of individual liberty were subject to suspension by the executive and legislature, but the principle of the duties of the individual to the State remained immutable. There was nothing to prevent a majority of the nation, in a frenzy of enthusiasm, voting for the enslavement of the whole: *quos Deus vult perdere, prius dementat* ('whom God would bring to ruin, He first makes mad.') The Constitution recognised no absolute value beyond the will of the German nation, as expressed at the polls. Bereft of conservative stabilising checks, it recognised no other regulative than numbers. It paid lip service to the principles of internationalism in education and labour (Arts. 148, 162), but even these could hardly be effective in restraining a government which believed firmly that it was the destiny of the Germans to rule the world for the good of humanity. With the presidential power firmly wielded by, or through, the aged hand of Hindenburg, and a majority of the Reichstag ranged behind Hitler and Hugenberg, the way was clear for the Third Reich—the negation of liberty, the denial of reason.

¹ R. Brunet, *The German Constitution*, p. 208.

IV

THE DECAY OF THE PARLIAMENTARY REPUBLIC (1919-23)

Ever since Kant finally dethroned the Absolute in favour of the Ego and Fichte transmuted the Ego from the individual to the nation, in whose endless chain each individual was a link, the Germans had become increasingly obsessed with a consciousness of their own world destiny as a nation. Out of German thought emerged the ideal of the German Reich. It was their ability to implement this subjective ideal and to maintain objective world respect for it, which won for the Prussian Kings the regard of the German nation. The collapse of 1918 and the ignominious flight of William II undermined completely the position of the Hohenzollerns as the incarnate champions of this ideal.

It was the defeat of the Army in the West, sharpened by consciousness of the blockade exerted by superior British sea power, which engendered the November Revolution among the army and navy stationed in Germany. The stimulus to revolution came from events outside Germany and outside German control. The 'Revolution' responded to a widespread yearning for peace, and when it was made by the armed forces it was accepted passively by a nation, which had not sought actively to overthrow the existing order. The Social Democrats came to power, not by their own efforts so much as by the collapse of a regime which Ebert and Scheidemann hoped to the last to save. At the Munich 'Stab in the back' trial in 1925, Scheidemann insisted that he and his colleagues had neither wanted, nor prepared a revolution, while General Groener affirmed that he and Ebert fought the revolution together. There was no flight from the revolution, except that of the Kaiser and Crown Prince to Holland, and of Ludendorff, disguised by blue spectacles, to Sweden.

German self-consciousness and egotism, so far from abdicating in the hour of military defeat, were only stimulated by it. The constitution of 1871 had implemented nationalist ideals inside a framework of princely authority—the 'Obrigkeitsstaat'—disguised by parliamentary forms. The rulers owed their power to heredity and not to popular conferment, but they were subject to

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the dictates of the new nationalist faith of the people. The source of power remained non-popular, so that there was a definite duality between 'Staat' and 'Volk'. 'die Obrigkeit' and 'die Untergeordneten' (the rulers and the ruled). 1918 was a defeat for the military monarchy founded on the victories of 1866 and 1870. So amid defeat there arose the ideal of the 'Volksstaat', in which the rulers should be the carriers of the popular will. It was founded on the national unity of the war effort, the community of suffering of the trenches. It was this New Germany, stronger because it was more firmly united, which the Republic, proclaimed by Scheidtmann, aspired to realise.

The Imperial regime passed because it was defeated in the very sphere from which it derived its glittering prestige: the battlefield. The German nation was ready for a new leader, a new system, which should give a new substance to the form of the Reich. Could the Republic supply this? The façade of bourgeois parliamentarism was no longer enough. Social Democracy, with its economic ideals founded on popular sovereignty, seemed in 1918 to answer widespread desires. It seemed to combine the ideal of a national economic community with a repudiation of princely and bourgeois political morality, such as would sanction the military and naval mutinies which initiated the revolution.

But the war which had brought about the community of the trenches and culminated in the collapse of the 'Obrigkeitsstaat', had equally been the culminating event in the inoculation of German Social Democracy with Nationalist ideals. In the Reichstag, on the battlefields and in the workshops the Social Democrats had proved themselves 'nationally reliable'. This was recognised by the lifting of the ban on the circulation of *Vorwärts* on railway bookstalls and in barracks. William II proclaimed that he recognised no parties but only Germans, and before the end had accepted Social Democratic under-secretaries and sent Socialist leaders on official missions. In the years before 1918 there was even a widespread belief in the party that the economic and social interests of the workers could be more solidly assured by a strong monarchy, than by a democratic republic subject to capitalist influences.

Lassalle had promised that German democracy would itself carry Prussia's standard against Denmark and crush all opposition. This was in line with the ideal of a social and revolutionary People's Monarchy, outlined in his correspondence with Bismarck. Marx and Engels had been ardent German nationalists in 1848

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and with many German Socialists they had supported the war against France in 1870. So it was not surprising that the Social Democrats should vote for the war credits in 1914. Victory in the war would bring not only increased wealth to all classes in Germany, but to the highly organised German Social Democratic Party, uncontested supremacy in the field of international Socialism. A small fraction of the party under Liebknecht broke away, however, on this issue, forming later the Independent Social Democratic party, which alone voted against the Treaty of Brest-Litovsk in 1918. The Majority Social Democrats, who abstained from voting on this occasion, supported the equally savage Treaty of Bucharest imposed on Roumania in the same year.

While the Social Democrats thus vindicated their national reliability in questions of foreign policy, there had never been any doubts regarding their support for the greatest possible internal unification of the Reich. In the Parliament of 1848 already, the Left was the home of the most thoroughgoing unitarist sentiments. German democrats desired to level all thrones in the interests of national unity, while Socialists saw in the federal rights of the states an obstacle to the realisation of a strong and united economy. In 1918-19 the Left was again the stronghold of unitarism, harbouring an especial fear of particularism and separatism. Here too were to be found the most ardent partisans of the policy of reaping the Danubian harvest, by including Austria and the 'Sudeten German' territories in the Reich.

Stresemann abhorred Socialism with all his Liberal individualist fervour, and, true to his veneration for the High Command, regarded the November Revolution as the initiation of a period of national shame and moral degradation. Yet in an article in *Die Zeit* (2nd Mar. 1924) under the pseudonym 'Rene', he denounced the attacks of the Hitler putschists against Marxism: 'They direct these attacks against ideas, without taking the trouble to examine the effect of these ideas on the life of our people; if General Ludendorff would examine these, he would find that in all votes where the German fatherland was at stake, the "Marxian Socialists" had German sentiments and voted, as good Germans. If he wishes to maintain German unity, he must recognise that the Rhineland would not remain German, nor Hanover, Prussia, without this "Marxian Socialism", just as the struggle for liberty of which all these Rightists dream, would only be possible with the assent of the entire nation.'¹ This was a high tribute from the architect of

¹ Quoted F. de Brinon: *France-Allemagne*, p. 123-4.

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Germany's diplomatic resurrection, and he assured the radical nationalist Free Corps leader Ehrhardt (28th Feb. 1926), that it was utterly incorrect to assume that the German trade unions, for instance, did not share the general view on national defence.¹

In the dark hour of military defeat in November 1918, when the edifice of Frederick and Bismarck, reared in the spirit of Luther, Fichte and Hegel, threatened to dissolve into chaos, it was the German Social Democrats who took the helm and, calming popular storms, guided the ship of state into placid waters, with the approval and aid of the generals and bureaucrats who had brought it on the rocks. In that sense Hugo Preuss described the revolution as being not the victory of a new order, but rather a hastily constructed defence against the despair and disorder arising from the sudden collapse of established values. The sight of a saddler at the head of the Reich would assuage the wrath of the deluded masses, while the prospect of a 'democratic' Germany led by pretended internationalists might serve to hoodwink an indignant and injured world, and avert from Germany the retribution merited by her misdeeds. Unfortunately both these hopes were attended with a considerable degree of success.

On the morrow of the Armistice, Bainville discerned already the implications of the advent to power of those whom he described as 'les sociaux-nationaux' (Social-Nationalists). He recognised that by adopting the Wilsonian phraseology of democracy and national self-determination, they would preserve and reinforce the German State which they venerated more than anyone. They were inspired by the dual ideal of Bismarck's work: German unity and the power of the State. Future German historians, inspired by the cult of eternal evolution (*Ewiges Werden*), would see in the Hohenzollerns and the lost war, the unconscious architects of 'the Republic of all Germans, the vast and powerful politico-economic state which is at the basis of Marxian doctrine.' If the Allies allowed Germany thus to rejuvenate Bismarck and to profit from defeat, their diplomatic ineptitude would make even that of Napoleon III in 1866 pale into insignificance.² Bainville's prescience was vindicated when Neville Chamberlain and Edouard Daladier accepted the dictate of National-Socialist Germany at Munich just twenty years later, in the name of the right of the Sudeten Germans to national self-determination and to participation in the social ideals of all Germans.

The Social Democrats could hardly offer a new ideal to the

¹ *Diaries*, I I, 390. ² *Action Française*, 15th, 20th Nov. 1918.

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German nation, since their regime adopted in its "general policy the conceptions and practices of its predecessor. They blamed the 'Diktat' of Versailles for all evils and permitted the absolution of the authors of disaster: 'How should they repel, since they dared not disavow, the memory of past glories'? asks M. Georges Weill.¹ To saddle Ebert and the Social Democratic leaders in 1918 with full direct and conscious responsibility for the policy of the Third Reich would be excessive, although their Nationalism was unquestioned. Theirs were sins of omission even more than of commission. The party chiefs were officials rather than leaders and their personalities were overshadowed by the cause, which made a rational rather than an emotional appeal. These party officials had been overmuch interested before 1914 in narrow working class problems and in the means to achieve power, rather than in studying the broader national problems, which it would subsequently befall them to tackle. This emphasis in interests, for which responsibility accrues rather to August Bebel than to Ebert or Scheidemann, determined the post-revolutionary successes and failures of the Social Democratic party.² Thus lack of understanding for agricultural problems, together with attachment to large-scale management and the pressing need to maintain food production, accounted for the failure of the Social Democrats to break up the East Elbian Junker estates. Even the manorial administration and jurisdiction of landlords and squires (Rittergutsbesitzer) persisted in the East Elbian countryside down to 1928, because the Prussian Cabinet could not agree on a general measure for rural self-government.

The collapse of grain prices in the later nineteenth century made landowning in East Elbia not merely insecure but the royal road to bankruptcy. So the traditional hold of the Junkers over the higher administration of Prussia became doubly important, not only as a source of revenue for individual families, but even more as a means of influence to buttress a disintegrating economic power. Forced to seek political recompense for their economic setbacks, the Junkers organised the 'Bund der Landwirte' in 1893 as a pressure group. This body alienated them politically from their King and transformed the old Prussian Conservative party from a standard bearer of monarchic principles to a demagogic representative of the narrowest class materialism.

In the same way the Republic maintained in office a bureau-

¹ *Le Probleme allemand*, p. 42-3.

² See Arthur Rosenberg: *History of the German Republic*, p. 38-9.

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crazy in which previously, men whose views were not of Junker Conservative or National Liberal orthodoxy, had stood no chance of preferment. In the name of the inviolability of Justice (Arts. 102, 104), the Republic maintained a magistracy trained in loyalty to the Prussian State tradition and the moral autonomy of the Reich. Therefore separatists, pacifists or internationalists received savage sentences, while radical Nationalist thugs and rebels such as Hitler were leniently treated, on the ground that they had the interest of the State at heart, even if their ardour was tactlessly excessive. In the sphere of education Socialist tendencies were satisfied by increased standardisation, secularisation and state control. But there was little or no attempt by a higher teaching body, which continued intact from the Empire into the Republic, to interfere with the nationalist and militarist bias of German education. They had been the priests of Germanism in the heyday of the Empire and now they felt adorned after defeat with an aura of national martyrdom.

The first Republican government under Ebert consisted of 3 Majority and 3 Independent Social Democrats and acknowledged its responsibility to the Congress of Soldiers and Workers' Councils. With the enforced resignation of the 3 Independents and their replacement by Noske and Wissel (27th Dec. 1918), the new government could be said to derive its power from the sanction of the General Staff at Cassel, rather than from the Soldiers' Councils in Berlin. The way was clear for the bourgeois partisans of the old regime to rally to the Republic. The co-operation between Ebert and Groener, the Social Democrats and the General Staff, must be separately studied. The Social Democrats had aspired to realise their economic programme by parliamentary methods, and now that power had been literally forced upon them, their first thought was to endow Germany with a parliamentary republic which should express the popular will. Frightened by the fate of Kerensky in Russia, Ebert and Scheidemann rejected the system of Workers' Councils and decided in favour of a National Assembly to determine the constitution of the Republic. This marked the first great setback to the prospects of thoroughgoing Marxian Socialism. Insofar as the November Revolution was Marxian, the counter-revolution may be said to have begun with the election of the National Assembly. Bismarck had combated all particularisms, whether regional, religious or social, in the interests of the unity of the Reich, and this national integration of all parties was the hallmark of the National Assembly's work. Hausmann, the

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president of the Constituent Committee, rejoiced (2nd July 1919) that all the parties had collaborated in the common work and discerned in this the especial value of the Committee's work. The Constitution was not the child of a single party or coalition, but the collective fruit of the efforts accomplished by all the political tendencies represented in the Assembly and the nation.¹

The National Assembly elected Ebert as Reichs President and gave its confidence to a government of Majority Social Democrats, Democrats and Centrists under Scheidemann. The same division of the Liberals and leftward orientation of the Centre were apparent in this 'Weimar Coalition' as in that which had supported Erzberger's Peace Resolution in 1917. His was the dominant figure as the regime of middle class democrats emerged, when the Scheidemann cabinet was succeeded by a Social Democratic and Centrist combination under Bauer in June 1919.

There was a bourgeois anti-Socialist majority in the Assembly, and so the Republic to which it gave legal birth was a compromise, bourgeois and liberal in its institutions while Socialist in its aspirations. The Constitution was not a victory of Socialism, but rather an act of faith in the Social State, even if this was widely recognised as the means to a Socialist reorganisation. As Bainville pungently remarked later: 'the check to the Republican idea in Germany is striking. Whence has it arisen? From the fact that democracy could only be realised through Socialism and that Socialism ripened matters' (for National Socialism).² The German Republic was fundamentally a regime of neutrality, not so much representative of bourgeois civilisation as of the possibility to transcend this. The true significance of the constitutional compromise would be decided by the future interaction of power factors. It was for this negative reason that it was tolerated by the various political and economic groups—including the Socialists—proportionately as it tolerated their aspirations and activities.

For a nation obsessed with the cult of progress, the Republic represented outworn individualist ideas, and it seemed too antiquated and inadequate to express politically the moral and material crisis of a bourgeois civilisation. This was especially the case after the inflation had destroyed the financial basis of bourgeois liberal society. The Republic as such had no hold over German youth and seemed retrogressive rather than progressive. Its

¹ 'Die Kollektivarbeit der in diesem Hause und in unserem Volke vertretenen Richtungen.'

² *Action Francaise*, 7th Mar. 1933.

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forms were tolerated as a neutral streambed along which Germans could 'endure realities' by allowing themselves to be carried forward. When National Socialism won the adherence of a great part of German youth, it was with the pretence of giving a new and positive substance rather than a new form to the State.

The Bauer government lasted until the nationalist and militarist Kapp Putsch (Mar. 1920), which was defeated by the working class in the name of the Revolution, rather than of the Republic. The bourgeoisie was hesitant, the army divided and defeated. But although Bauer and Noske were forced to go, the workers did not succeed in achieving power or reversing the political trend in favour of a restoration of the old regime under new forms. In the Reichstag elections of June 1920 the Weimar Coalition parties were completely defeated and the Right Wing Nationalists and Populists emerged stronger than their counterparts had been in the last Imperial Reichstag of 1912. The Social Democrats could no longer maintain their leadership, and the Weimar Coalition government of Hermann Müller gave place to the Middle Block cabinet of the Centrist Fehrenbach (Populists,¹ Centre, Democrats). This cabinet marked the final failure of the Social Democrats to impress determinatively the form of the State. They were never again in their brief spells of power to attain to such influence as in the first eighteen months of the Republic.

The Fehrenbach government, which lasted until the London Ultimatum of May 1921, and the Wirth government (Weimar Coalition), formed to accept that ultimatum, marked a period of moderate middle class parliamentary rule which lasted until November 1922. During this period the ascendancy of Erzberger waned, and with it that of the democratic wing in the Centre party. His antagonism to the Imperial regime, his Peace Resolution of 1917 in the Reichstag, and finally his signature of the Armistice and advocacy of a policy of fulfilment made him anathema to the Nationalist bourgeoisie. Helfferich, the former Imperial finance minister, led an agitation which fastened on his personal failings, and Erzberger's murder as a traitor by two men of the 'Brigade Ehrhardt' (26th Aug. 1921), who escaped to Munich afterwards, was widely acclaimed in Nationalist bourgeois circles. Bainville shrewdly remarked that the hatred of Germany for this unfortunate man was the measure of her hatred for the Allies.²

¹ The party representative of industrial interests.

² *Action Française*, 27th Aug. 1921.

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After the Kapp Putsch the Democrat Walter Rathenau emerged to prominence, first as Minister for Reparations and then for Foreign Affairs under Wirth. Head of the mighty 'Allgemeine Elektrizitäts Gesellschaft' (A.E.G.), this Jew achieved distinction as an industrialist, philosopher, politician and connoisseur of art. One of the most brilliant men of his day, he had organised a great part of Germany's economic war effort. He described himself as a German of Jewish descent: 'My people is the German people, my fatherland Germany, my religion that German faith which is above all religions.'¹ With his admiration for the Prussian officer caste, Rathenau was the perfect type of the assimilated German Jew and his death was the climax of a life of tragic non-recognition. He came into collision with Stinnes, Thyssen and the great industrialists by his advocacy of fulfilment as the means to inspire confidence abroad and so secure loans to finance Reparations. He was an ardent believer in the supremacy of economics over politics and regarded industry, transcending frontiers, as a step towards the future. He envisaged a new order in which property would be totally depersonalised and human collectivities obey a supreme economic authority, more powerful than any political executive. Germany was for Rathenau an economic rather than a political unit, which he sought to integrate in a world system subject to economic laws. This was the tyranny most odious to the Free Corps, who wished to conquer the wealth of Russia militarily, rather than to penetrate her economically as Rathenau sought by the Treaty of Rapallo (16th April 1922). This treaty formed the basis of the German-Russian entente which endured until after Hitler's advent to power and provided the background for Stresemann's policy towards Poland and the Western Powers. Both Erzberger and Rathenau realised the futility of a policy of open resistance to the Allies, and both paid the penalty of their advocacy of fulfilment, by death. Rathenau's murder as a traitor and a Jew (24th June 1922) by two Nationalist students, who subsequently committed suicide, provoked widespread resentment. Wirth declared boldly 'the enemy stands on the Right' and secured the passage of an emergency Law for the defence of the Republic, which, however, proved of little value.

The death of Rathenau was the climax of a campaign of murder by radical Nationalists, which began with the shooting of Liebknecht and Rosa Luxemburg by their Free Corps captors during the Spartacist troubles (15th Jan. 1919). Eisner and Gareis

¹ *An Deutschlands Jugend*, p. 9.

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in Bavaria, besides a number of lesser known men and women who had worked for pacifist or internationalist ends forfeited their lives. The Republican governments, unable or unwilling to protect their supporters and impose their authority on Nationalist fanatics, proved equally weak in face of powerful economic interests, which helped to subsidise those fanatics. As monetary inflation progressed, the income and power of the government declined while that of the industrialists grew.

Marxism is founded on the predominance of economic factors over political, and so the advent of Social Democracy to power gave an impetus to belief in the salutary virtues of economics. This idea was reflected in the Workers' Councils and in the economic structure culminating in the Reich Economic Council, which was embodied in the Republican Constitution. This body was widely regarded as likely to develop into an upper chamber and some observers considered it likely that the political parties would be ousted or absorbed by vocational organisations. The Kapp Putsch was to a large extent frustrated by the general strike of the workers, and the trade unions subsequently demanded influence over political questions.

At the same time the immense contribution of American industry to the Allied victory, and the efficient and successful administration of their businesses by German industrialists, won for them the admiration and confidence of the middle classes. These German captains of industry were not so much possessive capitalists as power-avid technicians. Devoting themselves with jealous fanaticism to the enterprises they had nursed to greatness, they had little care for the luxuries of wealth, regarding money but as the fuel to set new furnaces ablaze. Men like Stinnes imagined they were doing public service by administering their businesses.

So, when the Wirth cabinet, beset by Reparations and inflation, fell in November 1922 owing to the refusal of the Social Democrats to collaborate with the Populists, a government of 'non-political experts' was formed under Dr. Cuno, the managing director of the Hamburg-America line. Dr. Cuno was a member of the Reich Economic Council, not of the Reichstag, and his cabinet consisted in fact principally of Populists and right wing Centrists. Its task was to organise resistance to the claims of the Entente, and this Cuno sought to achieve, not by the acceptance of ultimatums followed by requests for postponement, but rather by the adjustment of reparations to Germany's capacity to pay.

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The Chancellor was highly esteemed personally and his cabinet, which was supported by the Nationalists in the Reichstag, enjoyed widespread bourgeois confidence. It is noteworthy that Cuno was the only politician under the Republic who was on terms of personal intimacy with General von Seeckt. It was this cabinet which led the passive resistance to the French in the Ruhr. The Cuno government was an important step away from the parliamentary republic of 1919-22 towards the presidential dictatorship of 1930-33 which served as a prelude to the Third Reich. Only once again, under Hermann Müller (1928-30), was Germany to have a cabinet which derived its power primarily from the Reichstag and could be described as a genuinely parliamentary regime. The Cuno government testified to Ebert's loss of faith in the party system.

The endeavour to defeat the French occupation of the Ruhr by passive resistance failed. In subsidising the idleness of Germany's arsenal and workshop, it annihilated the nation's currency. As money, the medium of exchange, dwindled in value between morning and night, the masses of an industrial nation hungered because the notes in which they were paid would not buy their daily bread. A general strike was declared in Berlin and the Cuno government fell (12th Aug. 1923).

The next Chancellor was Gustav Stresemann, leader of The People's Party and the ablest politician and diplomat of Republican Germany. It was the Hundred Days of his two cabinets which witnessed the crisis of the Reich. The inexorable demands of Poincaré threatened to separate from the Reich its richest provinces, and to reduce it to a secondary power; financial bankruptcy menaced the social order as men listened to radical agitators of Left and Right. The desperadoes of Nationalism gathered in Munich around the former Imperial Quartermaster-General, Ludendorff, and the demagogic Viennese house-painter, Hitler. In Saxony and Thuringia Communism rose to share the reins of government with Social Democracy. On the estates of East Elbia men of the nominally disbanded Free Corps waited for the signal to rise, which Major Buckrucker sought to give by seizing the citadel of Küstrin. There was a Communist rising in Hamburg. As the tide of chaos rose, the armies of France and her allies were ready. Germany succumbed to superior power and pressure, the struggle in the Ruhr had to be given up in order to save the last and highest German ideal, German Unity.

[continued on page 76]

TABLE I. THE HUNDRED DAYS OF STRESEMANN:
THE CRISIS OF THE REICH, 1923

BERLIN	BAVARIA	SAXONY and THURINGIA	OCCUPIED TERRITORIES	OTHER REGIONS
AUGUST 10. Noteprinters strike. 12. Cuno government resigns. 13. Stresemann cabinet formed. 17. Reichsrat authorises increase of note issue by Bavarian, Saxon, Wurttemberg and Baden banks to 5 not 20 times current amount.	18. Hindenburg enthusiastically welcomed in Munich. Proposal for election of State President fails to secure necessary three-quarter majority in Diet. 25. Stresemann coolly received in Munich. Stinnes visits Bavaria and sees Ludendorff.		16. Rhineland High Commission prolongs indefinitely the travel barrier between Occupied and Unoccupied Germany.	11. Strike in Danzig against the Mark currency.

SEPTEMBER

16. Reichsbank advances to be on stable value basis.

18. Kohlensyndikat fixes coal prices in gold.

2. 'German Day' to celebrate Sedan anniversary at Nuremberg: 70,000 reviewed by Hitler and Luderdorff. 'Deutscher Kampfbund' formed by Nationalist organisations.

Hitler carries on incessant propaganda for a March on Berlin.

16. 'German Day' at Hof, near Thuringian frontier: aimed against the Republic and the Left.

11. Socialist government of Thuringia resigns.

26. Disturbances at Separatist meeting at Miinchen-Gladbach.

29. French seize 1.3 billion marks leaving Dusseldorf printing press.

18. Article by Prof. Jung in Cologne *Tageblatt*, reputed to reflect Otto Wolff's views, attacks Berlin's Ruhr policy as dictated by Social Democrats against international capital.

15. Major Buchrucker orders mobilisation of Black Reichswehr for 29-30th Sept. to seize Berlin and replace government which was surrendering the Ruhr.

BERLIN	BAVARIA	SAXONY and THURINGIA	OCCUPIED TERRITORIES	OTHER REGIONS
SEPTEMBER 26. Ebert invokes para. 48 in answer to von Kahr. Army exercises power through Reichswehr Minister Gessler and Gen. von Seeckt.	25. Hitler named Political Director of Deutscher Kampfbund. 26. To forestall Hitler and Ludendorff Von Kahr assumes full power as State Commissioner of Bavaria and declares state of Emergency on cry of 'Away from Berlin'. Bans Nazi meetings billed for next day. Von Kahr refuses to recognise Ebert's proclamation and names Gen. von Lossow 'Landeskommandant' of Bavarian Reichswehr after his refusal to close Völkischer Beobachter on Seeckt's orders. 28. Von Kahr abrogates Law for the Protection of the Republic.	28. Conversation; between Saxon Communists and Socialists for anti-Fascist front against Ebert.	26. Stresemann, with support of State Premiers conference, declares end of Passive Resistance.	24. Agreement by Danzig with League and Poland for Gulden currency, linked to Sterling from Jan. 1924. 26. Ebert's proclamation by giving power to Army vitiates need for Buchrucker's action.

OCTOBER

3. Fall of First Stresemann cabinet.

6. Second Stresemann government formed: Luther (non-party) replaces Hilferding (Soc.-Dem.) as Finance Minister.

1. Von Lossow again refuses to obey von Seeckt.

5. Socialist - Communist front demands

- (i) Creation of Red Militia
- (ii) Democratisation of Reichswehr
- (iii) Socialist Civil Commissioner for Saxony instead of Gen. Mueller, commandant of Wehrkreis IV.

Gen. Mueller bans Communist press.

8. Zeigner government in Saxony. Communist ministers for Education (Böttcher) and Finance (Brandler). Red Militia created.

12. Gen. Mueller orders dissolution of Red Militia.

30. Red Sunday at Düsseldorf; police, Separatists and Communists clash—many casualties.

Ruhr mineowners, led by Stinnes, decide at Unna to defy 8 Hour Day law.

5. Ruhr mineworkers open negotiations with Gen. Degoutte and M.I.C.U.M.

8. Posters in Ruhr mines announce working day of 9 hours underground, 12 hours on surface.

1-3. Buchrucker fails to seize Kustrin. Black Reichswehr at Spandau and Hahneberg surrender.

BERLIN	BAVARIA	SAXONY and THURINGIA	OCCUPIED TERRITORIES	OTHER REGIONS
OCTOBER 13. Reichstag grants Enabling Act to Government. 15. Luther publishes decree creating Rentenmark.	16. Von Kahr declares Bavarian People's Party does not favour separatism, but if North Germany comes under Bolshevik influence a healthy state would have to be created in the wholesome atmosphere of Bavaria.	13. Before mass meeting at Dresden Bottcher incites to defiance of Gen. Mueller's orders and continued formation of Red Militia. 16. Socialist - Communist government formed in Thuringia. 17. Gen. Mueller gives Zeigner 24 hours to break with Bdtcher. Diet votes that Mueller should obey Saxon government, thus questioning para. 48 and primacy of Reich over states. 19. Communists in Saxon diet demand resignation of Gessler. Social Democrats seek to negotiate with Ebert. Red Frontier guard formed in Thuringia. Bavarian traditionalists mass around Coburg.	17. German railwaymen report <i>en masse</i> for service with Franco-Belgian railway Regie.	

26. Reichsbank authorised to issue notes with 1/3 gold cover.

30. Decree reorganises legislation on collective contracts, making awards by Conciliation boards binding.

27. Stresemann demands resignation of Zeigner government. Reichswehr and demonstrators clash at Freiberg.

29. Reichswehr occupies Dresden ministries and deposes Zeigner government. Reich commissioner installed. Socialist press banned and Red Militia dissolved.

21. Rhineland Republic proclaimed at Aachen.

21-24. Separatists attempt to seize Town Halls of Speier, Bonn, Coblenz, Crefeld, München-Gladbach.

22-23. After instigating dockers strike, Communists attempt to seize Hamburg. Crushed by police and navy. Careful Communist preparations remove Seeckt's scruples towards Saxony.

25. Buchrucker condemned to 10 years fortress arrest. Black Reichswehr dissolved.

Riots with casualties at Aachen, Berlin, Erfurt, Kassel, Harburg, Essen, Marienburg, Frankfurt a/M, Hanover, Beuthen, Lubeck, Brunswick, Allenstein.

BERLIN	BAVARIA	SAXONY and THURINGIA	OCCUPIED TERRITORIES	OTHER REGIONS
NOVEMBER 2. Social Democratic ministers resign in protest against deposition of Saxon government. 3. Cartel Decree: Decree against the Abuse of Economic Power. 4. Seeckt's proclamation that Army will act against all anti - constitutional movements.	6. Von Kahr in presence of von Lossow forbids Kampfbund leaders to stage Putsch. 8. Von Kahr addresses meeting at Bürgerbräu in Munich. Government flees to Regensburg. Hitler kidnaps von Kahr and Lossow, but releases them on parole. 9. Hitler's putsch, though defeated by Lossow's troops, unmasks von Kahr's separatism.	Order fully restored by mid-November in Saxony.	2. Separatists storm Aachen Town Hall. Belgian support for Separatism withdrawn.	

15. Schacht named Currency Commissioner. Rentenmarks issued.

17. Decree abrogating Eight Hour day.

20. Reich offers dollars at 4-2 billion marks.

23. Stresemann government resigns after no confidence vote by Reichstag. **Marx** cabinet formed.

DECEMBER

14. Reichsbank offers 1 Rentenmark for 1 billion marks.

FEBRUARY

13. Ebert ends State of Exception.

11. Hitler arrested.

18. Agreement ends conflict of von Lossow with Reichswehr Ministry.

23. M.I.C.U.M. agreements with Ruhr mine-owners.

30. Reparations Commission accepts creation of a Committee of Experts to determine German capacity to pay Reparations.

JANUARY

9. Murder of Heinz, Separatist leader in Palatinate at Speier.

FEBRUARY

13. Separatists burned to death in Town Hall of Pirmasens. End of Separatism, abandoned by the French.

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Three men saved the Reich, the symbol and shrine of German power: STRESEMANN, SEECKT and SGHACHT. The Chancellor and Foreign Minister, the Commander of the Reichswehr and the Commissioner for the currency were the saviours of the Reich in its greatest crisis after the initial military defeat of 1918 and the ensuing uncertainties. The two governments of Stresemann supported by the 'Great Coalition'⁵ (Social Democrats, Democrats, Centre and Populists), invoked the emergency powers conferred on the President by Article 48 of the Constitution. The second cabinet lasted until November 23rd but when it fell the Reich was saved and for the ensuing six years of comparative stability the three men who had saved it were to shape its destiny.

V

THE REHABILITATION OF MILITARISM

'On the fear inspired by this Army, depends the peace of Europe'

—GENERAL VON SCHLIEFFEN, 1911.

The Inflation was the real German Revolution and its decisive point came when in the last three months of 1923 order was restored out of chaos. That was the German Thermidor, prelude to the Brumaire of 1933. The power of the Reich was reasserted against the industrial feudality, with its partially separatist leanings in the west, against the conservative particularism allied with Brown terrorism in Munich, against the rising tide of Red Marxism in Saxony, Thuringia and Hamburg, against the national anarchism of Buchrucker's Black Reichswehr in the north-east. But the Reich government could only assert its power through the instrumentality of the Reichswehr, whose commander-in-chief, General von Seeckt, was invested with executive authority. Under military protection the currency was stabilised, the economic independence of the cartels brought to heel, the Eight-Hour Day abolished, the principle of compulsory arbitration enforced. Reichswehr intervention in the critical hour made possible the years of stability. Those years served to perfect the Reichswehr for the tasks set it by von Seeckt. By facilitating the rationalisation of industry, they provided the economic basis, which he recognised to be indispensable for modern military power.

Throughout the history of the German Republic, the Army played a key role. The November Revolution was essentially the work of the armed forces. Public opinion was ready for a more liberal, democratic and republican regime, which should bring peace, but it was the refusal of the soldiers and sailors to obey their officers which entailed the deposition of the princes and of the Emperor, the Supreme War Lord. This mutiny was a criminal offence by bourgeois standards and so the soldiers, who sought primarily peace, came to adopt the banner and forms of Socialism. The Red Flag replaced the Imperial Black-White-Red.¹

The Soldiers' Councils were the constitutional expression of the

¹ See A. Rosenberg: *A History of the German Republic*, p. 9.

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Army's dissatisfaction. Side by side with them arose the Workmen's Councils, but the workmen alone would have been unable to carry out a revolution. The bourgeoisie had no force with which to oppose either soldiers or workers, and so, while its right wing elements had to accept in silence their temporary impotence, the more progressive elements were fain to allow the Social Democratic leaders to take over the Government. Just as the Revolution would have been impossible without the Army, so there was no possibility to oppose it overtly, because it was the work of the Army.

The fact that the Revolution was primarily a military mutiny spelled of course the disintegration of the Imperial and Prussian Army, the backbone of the Reich. That army was founded on the rigid obedience of all ranks to the Supreme War Lord and, under him, to his advisers, the Great General Staff.¹

The officers of the Prussian General Staff have, since its creation by Scharnhorst, formed a unique caste. Napoleon abandoned the eighteenth century tactical manoeuvring for position, in favour of an operational strategy aiming at a decision in battle. This new warfare, with its planning by map, and direction by written orders, necessitated the creation of a corps of specialist officers trained in these methods. Attached to unit commanders, they would ensure the co-ordination of action. This idea of a specially trained General Staff was first realised in Prussia under Blücher and Gneisenau. It combined Prussian military discipline with the scientific thoroughness of the German Universities. Its most able members were not only men of deeds, but also teachers. In this way Prussia adapted to the nineteenth century the heritage of military science bequeathed by Napoleon and the French Revolution. Schlieffen attributed Napoleon's defeat to the fact that his Marshals did not enter into his ideas: he lacked a highly trained General Staff.²

As warfare became increasingly intricate with industrial development, so a personal acquaintance with General Staff methods became almost indispensable to commanders. The War Academy of Clausewitz, founded in 1810, became the first stage in the train-

¹ Known as the 'Great General Staff' to distinguish it not only from army and corps staffs, but also from the Bavarian General Staff, from which officers were seconded for service with the Great General Staff—and in equal numbers during the first years of the Empire to the Austrian General Staff. The training syllabus at the Bavarian War Academy before 1914 embraced more civilian than military lectures and was not so purely professional.

² See H. Rosinski: *The German Army*, 1939, p. 117.

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ing of the officers who, after a process of rigorous intellectual selection, entailing intense physical strain, achieved the coveted wine-red trouser stripe of the General Staff. There resulted from this severe testing a limited body of men of exceptional *esprit de corps*', high individual ability and amazing homogeneity of outlook, who carried out the staff work accomplished by rather larger bodies in the other great continental armies. The power of these men lay in their complete self-sacrifice to the point of anonymity, in favour of the transcending patriotic ideal. With this ascetic self-discipline went the most complete freedom of expression within the caste in all service matters. The members of this *corps d'élite* did not return to their units after training, but remained as members of the Great General Staff or as staff officers at divisional or corps headquarters. As members of the General Staff they owed a caste loyalty to its chief, besides that to their own unit commanders, thus causing a peculiar duality. The chief of staff of a corps became more than a subordinate executive, but rather an adviser, with a right to notify to a higher quarter his objections to a commander's decisions. As confidential adviser to a commander, the chief of staff was entitled to issue orders, even to commanders of subordinate divisions or brigades who might be senior to him in service, age and rank. Hence the importance at all the higher levels of smooth co-operation between the commander and his chief of staff. The position of the chief of staff was enhanced by the German monarchical tradition that a reigning or royal prince should command armies in battle, despite insufficiency of military experience. In the case of the Emperor and King of Prussia as Commander-in-chief, this elevated the Chief of the General Staff (Hindenburg) to the rank of *de facto* Commander-in-chief in war, with the Quartermaster-General (Ludendorff) as virtual chief of staff to him.

In November 1918 the General Staff, seeing the props of its power and its very livelihood crumble, realised nevertheless that direct opposition to the Revolution would be fatal. The Social Democrats must not be frontally attacked, but split up. For such a policy General Groener, one of the General Staff's ablest technicians, who had organised the mobilisation of 1914 and, as Quartermaster-General¹ must organise the retreat of the army now, appreciated the value of Ebert, the head of the Provisional Government. Withdrawal behind the Rhine was only possible

¹ Since 29th Oct. 1918, when Ludendorff resigned in protest against the capitulation which he had himself forced on the government only a month before. In this way the onus of defeat was shifted by the General Staff on to the civilians.

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with the co-operation of the new government, and only by the ability to stand behind the Rhine did Groener see a chance to avoid a dictated peace. Already in the summer of 1917 he had ceased to believe in the possibility of decisive victory and foresaw revolution in the train of defeat. He reasoned that the war was a democratic tidal wave which must be ridden, not opposed. 'Consequently, the steersman and the course must be so chosen that we may be carried on this wave into harbour, even if the war goes against us'.¹ The Army, though retreating, had not been annihilated or surrounded, and it was to avoid such a fate that Hindenburg and Ludendorff pressed urgently for an armistice. By throwing on the new-born Republic the responsibility for making peace, the General Staff would further its own ends by a brilliant double coup. It would at once evade the responsibility of defeat and saddle the pacifist Republic with the odium of a stern peace, which had been deserved by the crimes of the militarists. Unable publicly to maintain their hold on the helm, the military leaders could even profit handsomely, while they yielded it, with pretended acquiescence, to the new regime. Ebert and his colleagues might well need their covert enemies on the Right to shoot down their overt enemies on the Left, who regarded the November Revolution as a process rather than an accomplishment.

Before 1914 the Great General Staff had been responsible solely to the Emperor and King of Prussia. Now that he had gone they acknowledged no further master—certainly not the saddler who presided over the Council of People's Commissaries. Their prestige was founded on their claim, justified in 1864, 1866 and 1870, to hold the secret of victory—a factor of vital importance with a power-worshipping nation like the Germans. It was essential, if the power of the military leaders was to survive, that this myth of invincibility should not be destroyed. Since 1914 they had assumed the supreme direction of all the forces of the nation and so theirs was in reality the responsibility for defeat. But now, disclaiming all political or economic responsibility, they asserted that, since the Front was unbroken, the Army was undefeated. The Republic of the political parties which could not deny its origin amid the disintegration of the Home Front, had dealt a stab in the back to the victorious army. Thus arose the legend which, by solacing the nation's pride, achieved successful currency.

The first task of the General Staff must be to secure the support of Soldiers' Councils at the Front. This it achieved by impressing

¹ Quoted Gen. Leut. E. Kabisch: *Groener*, p.52.

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on them that its technical skill alone could bring the Army safely back across the Rhine. The methodical, orderly retreat of the German Army with all its weapons intact, led by Hindenburg, was a triumph of organisation, so the Staff garnered victory as the fruit of defeat and began the re-establishment of the nation's confidence in the officers' corps. Already on 12th November the Council of People's Commissaries, including the three Independent Socialists, telegraphed to the High Command urging better relations between officers and men, but emphasising that discipline, obedience and order must be maintained under all circumstances to facilitate the Army's withdrawal. The Soldiers' Councils were to have only an advisory voice in questions of food, leave and disciplinary punishment. The matter was consummated when Ebert greeted the returning legions at the Brandenburger Tor on the 11th December with the words: 'I salute you, who return *unvanquished* from the field of battle.' With this sentence, intended to gratify the soldiers, he absolved the General Staff and condemned the Revolutionary Republic.

The German Republic originated in a mutinous soldiery seeking ideological justification for its demand for peace. Expressing itself politically through the Soldiers' and Workers' Councils, it inevitably went much more Leftward than the staid Majority Social Democrats like Ebert, who since 1914 had done their utmost to sustain the war effort. Faced by murmurings of separatism in the Rhineland and Bavaria, by Polish claims in the East and Allied insistence in the West, the Republican government, bereft of any organised force to impose its orders turned perforce to the general headquarters of the Army which took up its abode at Cassel. The General Staff saw in this alliance a chance to evade responsibility, while re-establishing itself behind the facade of the Republic. The alliance was symbolised and embodied by the secret telephone wire linking Ebert's room at the Chancellery with Groener's at G.H.Q.. The government did not insist on Hindenburg swearing allegiance to the Republic. From the first the General Staff acted as master, secure in the knowledge that the Independent Socialists and the extremist elements would never forgive Ebert his alliance with the generals. Ebert was trapped and was forced to fall in with Hindenburg's insistence (8th Dec.) that the prestige of the officers must be re-established and the Soldiers' Councils abolished, if the government was to maintain itself. Groener and his protégé, Major von Schleicher, came to Berlin in full dress uniform, flaunting their decorations, and

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especially their wine-red trouser stripes. The protection of the criminal police enabled them thus to bait the Berlin mob only a few weeks after the so-called Revolution of November 9th. They forced the government to annul the decree of the Congress of Soldiers' and Workers' Councils abolishing the officers' disciplinary powers and insignia of rank, and providing for their election by the troops. (20th Dec.) The National Assembly and not the Congress of Councils must be the foundation of executive power. On 27th December when the three Independent Socialists were manoeuvred out of office at Groener's demand and replaced by Noske and Wissell, the government could be said to enjoy the investiture of the General Staff.

On Christmas Eve, the mutinous Marine Brigade and the Spartacist mob had defeated the counter-revolutionary attack on the mews of the Imperial Palace. The Revolution seemed triumphant and might have imposed its will, had the Spartacist leaders been clearer about their aims and more determined to achieve them. Noske, charged with the maintenance of order, must choose between anarchy and the counter-revolution. Meanwhile General Maercker had formed the first Free Corps out of loyalist remnants of the old army, and it was these troops which between January 11th and 15th mastered Berlin for Noske, murdering the Spartacist leaders, Liebknecht and Rosa Luxemburg, in the hour of victory. On the 19th, the Majority Socialists and moderate bourgeois elements won a sweeping victory in the elections to the National Assembly which met, far from Red Berlin, in Weimar under the protection of Maercker's bayonets.

One of the first measures enacted was the Law of 6th March, 1919, creating the Provisional Reichswehr on a voluntary long-service basis. The principle of voluntary service permitted the elimination of unreliable elements, and the new army was recruited from the Free Corps, which had risen steadily in numbers. The guiding spirit was that of General Maercker, who aimed at making it an elite which should permeate the youth of the nation with its spirit. By June 1919, according to Noske, the Reich government had a well equipped army of 400,000, while in December it had been unable to equip 4,000 Free Corps men. Obligated by Allied threats to renounce attacking the Poles, the Free Corps and the Provisional Reichswehr, which grew out of them, turned their arms against the revolution at home. By May 1919 General Maercker's troops had overcome by force the Left wing elements in Bremen, Brunswick, Bavaria, Central Germany and Saxony. The Reichs-

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wehr had preserved the unity of the Reich, overcome the menace of civil war, and above all restored the prestige of its own leaders.

In October 1919 the National Assembly appointed a committee to enquire into the causes of the German defeat. Helfferich, the Nationalist leader, moved brazenly from the defence to the attack and blamed 'all the misery and the shame of Germany' on Erzberger, who at Hindenburg's insistence had signed the Armistice at Compiègne. On 18th November, Hindenburg was called in evidence. With sublime contempt for the president of the Court, he addressed himself to the nation. Attributing the defeat to civilian demoralisation and disunion, he described the Revolution as a stab in the back (*Dolchstoß*) to the irreproachable army; it was the first public use of that historic phrase. The Field-Marshal was acclaimed and the session suspended. The inquiry, intended to discredit the High Command, was dropped, having served only to complete its rehabilitation, exactly a year after the collapse. Next month Field-Marshal von Mackensen was ceremonially received by General von Seeckt at the Anhalter Bahnhof. Between the tracks stood a cavalry guard of honour, the platform was thronged with officers. It was a militarist demonstration in the face of Red Berlin, rather than a mere act of courtesy.¹

Meanwhile, on 7th May 1919, the Allied peace conditions had been handed to the German delegates. The technician and realist Groener secured acceptance of these by the military chiefs on the plea that the unity of the Reich must be maintained above all and that its only guarantee lay in the unity of the officers' corps. The army was to be reduced to 100,000 men, recruited for 12 years—except for the 4,000 officers, serving for 25 years. Germany might possess no military aeroplanes, tanks or weapons of offence. The Great General Staff, the War Academy, and various training establishments, such as the Lichterfelde Cadet School, must be dissolved. The occupied Rhineland and a strip 50 kilometres wide to its east, were to be demilitarised and there were restrictions on other fortifications. The Allied statesmen fondly imagined they were destroying German military power, whereas in reality they were pruning the tree that it might grow the stronger. The unification of German forces in a single Reich army was connived at; the principle of long-term volunteering endowed the democratic Republic with a handpicked monarchic army as its élite. The conscripts and reserve officers who had provided a certain Liberal element in the old army vanished.

¹ See Gen. F. von Rabenau: *Seeckt*, I I, 210.

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The most invidious task would be the selection of 100,000 out of the 400,000 men of the Provisional Reichswehr. This condition was implemented against the background of the Kapp Putsch of March 1920, when General von Lüttwitz, with a part of the Reichswehr and the Brigade Ehrhardt, a naval free corps, seized Berlin and installed a counter-revolutionary Nationalist dictatorship. The army and the bourgeoisie were divided—although General von Seeckt declared that the loyal Reichswehr would not fire on its rebellious colleagues. Ebert and the government fled to Stuttgart, the working class, swept by martial ardour, declared a general strike and in the Ruhr there was a proletarian rising. The Putsch collapsed and the demand went up for a labour government and a republican militia. But the Majority Socialists and the Independents were unable to agree, and although Noske was sacrificed to the fury of the Left, a new 'Weimar Coalition' government was formed. Generals Lüttwitz and Maercker were forced to retire, while Ebert moderated the demands of the Left for the punishment of the rebels and amnestied the lower grades. The working class had once more proved incapable of constructive political action, and so the Kapp Putsch ended in the victory rather than the defeat of the Reichswehr, which wreaked its vengeance on the Ruhr revolutionaries. The generals had learned that their power must not be expressed nakedly, but rather through the intermediary of a civilian government, which they could sustain or let fall.

Noske was replaced as Reichswehr Minister by the Democrat Gessler. The man who came out with the most heightened prestige was Seeckt, who was given command of the Reichswehr¹ by Ebert (18th Mar. 1920). He had prevented internecine strife in the army and so avoided an open breach in the officers' corps, while finally he had secured the peaceful evacuation of Berlin by the rebels. Thanks to his able waiting game, he managed to emerge as a saviour of the Reichswehr and to reconstruct it for the second time since November 1918. Like Hindenburg, he knew how to bide his time and in rebuilding German military power he was no hurrying hothead. To his coolness he added a deep knowledge of Allied policy and a true appreciation of the German internal situation. The Provisional Reichswehr had been built from the bottom upwards out of the Free Corps, the Reichswehr of Seeckt was built from the top downwards and bore throughout the marks of his own genius.

¹ Chef der Heeresleitung.

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Hans von Seeckt (1866-1936), though the son of a general, descended from a Pomeranian family which was professional rather than military, and so he came to have the incongruous crest of a dove with an olive branch in its beak. After entering the 'Kaiser Alexander Garde Grenadier Regiment Nr. I', whose officers were reputed as good soldiers and polished gentlemen with a flair for diplomacy, he had joined the General Staff with a unique juniority as a mere lieutenant. His advance during the war was as rapid as it was merited. He served throughout as a Chief of Staff, largely with the Austro-Hungarian and Turkish armies. He served in this capacity under Field-Marshal von Mackensen. Count Bernstorff considered these two unique among German generals in their appreciation of the political side of the War.¹ Thus Seeckt learned to work discreetly, perseveringly and diplomatically, without attracting attention: qualities which were to characterise his work in the Reichswehr. The collapse of November 1918 was a terrible blow to him; according to his own admission it was the only occasion in decades when he wept, but withal he never lost hope or faith. In January 1919 he was sent to Königsberg as chief of staff, with Major von Fritsch² as *la* (G.S.O.I.), to organise the return of the German armies from the Ukraine and Bielorussia, to protect the Reich frontiers against Bolsheviks and Poles, and to suppress Communist agitation. To counter these dangers he regarded attack as the best form of defence and began offensive operations in the Baltic provinces, which culminated in the capture of Riga (May 1919). It was the first victorious military action by German forces after the November catastrophe, and it endowed with the chrism of confirmation Seeckt's belief in the future of the German Reich and nation. Sent to Versailles as G.H.Q. delegate, he remained discreetly at the Hotel des Réservoirs and on 5th July 1919 was named President of the Preparatory Commission for the Peace Army. Already in 1916 he had begun work on such a plan and in a memorandum for the High Command in February 1919, he proposed an army of 200,000 volunteers serving for two years: a professional, not a national army. At the same time he succeeded Hindenburg as Chief of the General Staff, a post which was doomed by the freshly signed Treaty of Versailles (28 June). Charged with the

¹ *Memoirs*, p. 205.

² Fritsch is regarded in military circles as the ablest German soldier since Seeckt. He was forced by a Nazi Party intrigue to retire from the command of the Army in 1938, and was killed under mysterious circumstances during the Polish campaign of 1939.

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official liquidation of the General Staff he transformed it into the Truppenamt, which he directed from November 1919 until the Kapp Putsch.

Lord D'Abernon described him as possessing 'a broader mind than is expected in so tight a uniform, a wider outlook than seems appropriate to so precise, so correct, so neat an exterior.'¹ Seeckt had the hands and the gifts of an artist, and the Reichswehr, preserving the spirit of the shattered Prussian army for the Wehrmacht of the future, was his *chef d'oeuvre*; his artistry created something Possible out of the seemingly Impossible of Versailles. He noted the analogy of genius at work as linking Leonardo's sketch book with Frederick's plans for manoeuvres. As an artist he was endowed, in shrewd Tsar Ferdinand of Bulgaria's words 'with the clearest head in Germany', together with an indefatigable industry, which enabled him to overcome the stresses of his emotion.

The clay of Seeckt's artistry was human, and in the interests of its malleability he laid overriding stress on obedience. In his icy, domineering personality, he embodied the traditional Prussian cult of discipline, service, duty and responsibility. In his first order of the day as Chief of the General Staff, Seeckt wrote: 'The Form changes, but the Spirit remains as of old. It is the spirit of silent, selfless devotion to duty in the service of the Army. General Staff officers remain anonymous.' The vital factor in his character was the strong will which knew how to win mastery over others, but first over himself. An immense self-discipline enabled him to work undeviatingly towards his objective: the restoration of German military power. In this interest cool judgment forced him at times to make concessions. For these he was assailed and forced into isolation by the emotional nationalists, with whom at heart he sympathised. In his own personality he brought the spirit of the Prussian Guard into the service of German statesmanship.

In the voluntary subordination of the individual in the architectural unity of that State of which each individual was a necessary component, he discerned the essence of the Prussian system: '*L'état c'est moi* is the device of every Prussian'. There was much of Frederick in this, but also much of the mature Goethe. Authority must be restored in the Army, unquestioningly obedient to its chief, as a preliminary to its restoration in the State, in which that Army should be exalted above all attack. Because of this Seeckt condemned and opposed attempts from any quarter to upset by

¹ *Portraits and Appreciations.*

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force the existing regime. For this reason, despite his own overweening nationalism, the action of the officers and cadets of the Munich Infantry School in adhering to the National Revolution of Adolf Hitler in November 1923 roused him to unwonted fury, so that he almost lost his self-control. Yet curiously enough it was the one act of military disobedience in the life of this paragon of discipline—his refusal to oppose the Reichswehr to the Kappists—which cleared the way for his name to be put forward for supreme command by what was virtually a Soviet of officers, unique in Prusso-German history!

Seeckt is a supremely interesting key-figure, both militarily and politically. The creator of the army which was ultimately to carry the victorious swastika of National Socialism to the four corners of Europe, he was, like Schacht and Stresemann, one of the epigoni of German National Liberalism. In that tradition, his Liberal ideas are always qualified by Nationalist exigencies, and so he forms a bridge, both politically and militarily, between the victorious crusades of 1870 and 1940. In him were fused the spirits of the Prussian Guards and the German universities, whose marriage had borne fruit in the German Reich, Imperial and Republican. After his retirement Seeckt sat in the Reichstag (1930-32) as a member, of the People's Party, which hoped after Stresemann's death, to gain a new aura of prestige from the former commander-in-chief. Seeckt had been at odds with the German Nationals since 1923, and the People's Party attracted him as being the heir of Bismarck's National Liberal allies, but the Reichstag proved a sad disillusionment and he never spoke once in the house. He expressed his political beliefs in *'Die Zukunft des deutschen Reichs'* (trans. *'The Future of the German Empire'*). Like the old Tarty of the Professors', he recognised the need for a spiritual preparation and mobilisation of Germanism (Deutschtum), the bedrock of national culture. Pacifism appeared to him a worse menace than Bolshevism. He recognised that the spiritual disarmament of Germany was more important to the Allies than her physical disarmament, and in this Versailles had failed.¹ On accepting the post of Chief of the General Staff, he wrote to Hindenburg: 'If I succeed in preserving, not the form but the spirit, then I shall be able to see in my work more than merely the burial of the General Staff.'²

As a Liberal, he saw the development of all states to lie in the

¹ *Die Reichswehr*, p. 13

² Gen. F. von Rabenau: *Seeckt*, I I, 188.

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struggle between freedom and the state: 'The starting point is the individual with his natural right to Freedom, not the State conception with its right to Might. In the same way the ultimate end is the individual, not the State.'¹ As a Liberal, he rejected the subordination of religion to the State and deplored the undermining of commercial morality and of the principle of private property by the State's inflationary bankruptcy. In the difficulties consequent on the triumph of democracy, he foresaw the advent of dictatorships, though personally he rejected equally Communism and Fascism as international ideologies. As a Liberal too, he had little understanding for the political mass movements which these ideologies invigorate. But in the tradition of Treitschke, Seeckt recognised within the nation only State justice, externally only Might. Code, law and justice derived from Might and had no immanent value. In 'the community of free and responsible citizens, whose political insight and national education render to the State the things that are needful to ensure the weal of the community at home and the might of the Empire abroad',² he discerned the goal of German history. Though a monarchist, Seeckt welcomed the abolition of the dynasties as a step towards national unification. But the primary aim of internal policy must be the construction of a powerful state, the prerequisite instrument for the paramount foreign policy. Seeckt recognised and pursued as the goal of all policy 'the restoration of Germany as a Great Power (Machtstaat).'

He took the view that a state stood or fell according as it represented an Idea. In the very word 'Reich' he sensed something supernatural and he believed in its permanence 'with the faith of a Luther.' In 1919 therefore he supported Groener in his recognition that the Treaty of Versailles must be accepted, so as to maintain the unity of the Reich and its western oceanic window. He rejected then, as in 1921 after the Upper Silesian award, the advice of those who would abandon the Reich and Western Germany for a Prussian policy of resistance in partnership with Bolshevik Russia at the immediate expense of Poland. The same care for the paramount interest of the Reich took him to Königsberg in October 1919, to persuade the Baltic Free Corps to yield their conquests in face of the Entente's ultimatum. The vital importance of the Baltic provinces as a bridge to Russia must yield place to the palladium of Reich unity.

Seeckt saw in the army the foundation of the Reich, the iron

¹ *The Future of the German Empire*, p. 163. ² *ibid.* p. 165.

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clamp of its unity, and he regarded the disarmament clauses as being intended to destroy Germany through her army. His aims were therefore to turn the clauses of the Treaty, neutralising their effects without alarming the Allies, and so to enable Germany at the right moment to regain her liberty of action and reintroduce universal military service. He was ready for concessions in everything else, so long as the unity of the Reich and the maintenance of its army were not endangered. He saw in the Army the nerve-centre of Germany, the bridge from past achievements to future possibilities. Military service had been in his view the means to instil in the masses discipline, comradeship, self-sacrifice and, above all, service to the 'State-Idea'. His was the directive genius, which Brigadier-General Morgan discerned behind the preconceived plan to defeat the Disarmament clauses of Versailles.

The Reichswehr must be at once a sharp instrument ready for instant use and the embryo of a further development. 'The error of all those who organise armies is to mistake the momentary for the permanent state.'¹ Adaptability to changing conditions was essential and quality was more important than size or immediate armament. While making a virtue of necessity, Seeckt was fully alive to the changing character of warfare, brought about by the rapid development of technical progress. He realised that a small army could enjoy the most up-to-date weapons without incurring the risk of national bankruptcy. Strategical principles maintained their validity, but tactical methods were changing rapidly and the Reichswehr Ministry studied these carefully, unmoved by the momentary Treaty restrictions. The chains of Versailles which curtailed Germany's freedom of action must not be allowed to bind her spirit.²

Writing in 1934, Colonel de Gaulle saw the future development of warfare in the addition of mobility to machinery.³ Seeckt pointed out that the vast size of conscript armies hindered their mobility, thereby diminishing the possibilities of decisive victory, except by sheer weight. 'The human mass was opposed not only to its like, but also to the material mass, and in this struggle of the masses, the material must emerge victorious. This superiority became more evident in proportion to the increase in the human mass, inasmuch as the target offered to the material grew in size.' At the same time there was no limit to the increase of the material, as there was to that of the human mass. 'Science wedded to

¹ *Die Reichswehr*, p. 31.

² *Landesverteidigung*, p. 11.

³ *The Army of the Future*, p. 135.

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engineering produces ever new weapons, nor can any end of this process be foreseen.¹

Material had prevailed over human masses, but not over *Man* and it never would, because it only became animate in human hands. In his *Grundlegende Gedanken für den Wiederaufbau unserer Wehrmacht*² (1921), Seeckt already emphasised the need to achieve technical superiority by linking science with military preparation. 'The mistake lies in opposing an immobile and almost defenceless human mass to the brutal action of material. The more we increase the mass of combatants, the more certain is the triumph of material, for its capacity is far wider than that of the richest reservoir of men. The only possibility lies in the struggle of the human mind against lifeless material. The greater the advance of technical science, the more effectively can it devote its inventions and instruments to the service of the army and the higher will be the demands it makes on the soldier who manipulates these technical aids. . . . Material is superior to the living, mortal human mass, but it is not superior to the living and immortal human mind.'³

Seeckt, the cavalryman, had won his laurels in the mobile warfare of the Eastern Front, not in the static trench deadlock of the West. He was the architect of the break-through at Gorlice in May 1915, which drove the Czarist armies out of Galicia and Central Poland. When the breakdown of the Schlieffen Plan at the Marne led Falkenhayn to dig in defensively, he was abandoning the Prussian mobile tradition of a century, founded on the readiness to exploit opportunities and to take decisions amid uncertainty. These two factors are closely connected with the emphasis laid by Clausewitz and Moltke on the ability to form a clear, comprehensive view of the situation as an organic whole (*totale Anschauung des Gegners und der Lage*) and the consequent importance of the 'Schwerpunkt' or decisive point, where the supreme effort must be made. Reinhardt, the last Prussian Minister of War, and Seeckt's predecessor as *Chef der Heeresleitung*, regarded the semi-mobile warfare of 1918 as the basis of future development. So the Kapp Putsch, displacing him in favour of Seeckt, the disciple of Schlieffen, was a turning point in the strategic, no less than in the political development of the Reichswehr. Already in January 1920 the 'Truppenamt' under Seeckt's direction, had turned from a

¹ *Die Reichswehr*, p. 35-36.

² *Basic Ideas for the Reconstruction of our Armed Forces*,

³ *Thoughts of a Soldier*, p. 59.

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war of position in favour of a war of movement. Decisive annihilation could only be achieved by mobility. 'In this way he not only reorientated all training in accordance with a war of movement and so established the supremacy of the attack over the defence, but what was almost equally important—he practically obviated all useless controversy on this problem.'¹

German military experts early realised that the Reichswehr's lack of numbers must be compensated by mobility coupled with good communications. Seeckt therefore adopted the expedient of skeleton manoeuvres consisting of the command and communication services, often without forces. Careful attention was paid to the potentialities of tanks and motorcycles in warfare. Seeckt was one of the first to recognise in the enrolment of the internal combustion engine in the service of war a task of transcending importance, though the Treaty terms might seek to cripple Germany in this sphere and even prohibited military aviation altogether. The first practices with motorised units were held in the Harz in October 1921. The first light armoured divisions were tried out in embryo in manoeuvres, with police armoured cars playing the role of the prohibited tanks. Swarms of motorcyclists were used to exploit the advantage after the 'tanks' had broken through. Seeckt sent officers to study at the Berlin Technische Hochschule and by 1928 a special training centre for staff officers in handling large scale mechanised formations had been opened.² By the mobility of mechanised warfare, Germany could overcome her haunting fear of static trench warfare, the while she was starved by the inexorable blockade of superior sea power and time robbed her of the initial advantage of her trained cadres. Urging France to create just such a force as Seeckt had conceived, Colonel de Gaulle wrote in 1934: 'One sees, then, how the professional army, ready to march anywhere at any moment, capable—thanks to the internal combustion engine—of reaching the battlefield in a few hours, able to produce every effect of surprise or destruction that it can furnish from the material at its disposal, in short, constructed in all its component parts with a view to obtaining the most complete and the swiftest local results, is in accordance with modern political conditions. There is a grim relationship between the properties of speed, power and concentration which modern weapons confer upon a well-trained military élite, and the tendency of nations to limit the objects of dispute, in order to be

¹ Gen. F. von Rabcnau: *Seeckt*, I I, 505.

* See W. E. Hart: *Landmarks of Modern Strategy*, p. 58-60.

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able to seize them as rapidly as possible and at the least possible cost.¹

Quality not quantity must be the keynote of such a striking force, it should be 'an army of leaders, not an army of mercenaries'. (Nicht ein Soldnerheer, sondern ein Führerheer.) The improved power of modern weapons was decreasing the number of troops needed in any given area and laying increasing stress on the quality of the individual soldiers handling them. 'The further we depart under the influence of increased fire power from the tactics of closed formations, the greater the supremacy of the material over the human mass, the more urgent it appears to raise the combatant value of the individual. From this recognition, arises a conviction of the superiority of the small, carefully trained army over the less trained numerical mass.'² He recognised in morale and character the foundations of the army: 'All military training is in vain unless it is accompanied by an augmentation of the moral value of the troops. . . . Appreciation of technical factors may not lead us to overlook the fact that it is always the man who decides the battle.'³ 'This army—Germany will make it a real jewel', prophesied a French deputy in 1920. Seeckt made his Reichswehr qualitatively the finest army in the world. It was not a small army but rather a great army in miniature. It was intended to provide a striking force to cover the mobilisation of the 'Volksheer' or national militia and at the same time provide the cadres for such a body. 'In a few words, then, the whole future of warfare appears to me to lie in the employment of mobile armies, relatively small but of high quality, and rendered distinctly more effective by the addition of aircraft, and in the simultaneous mobilisation of the whole defence force, be it to feed the attack or for home defence.'⁴

This 'Volksheer', specifically forbidden to Germany, was arising in embryo in the paramilitary party organisations, especially the Stahlhelm and the Nazi 'Sturm Abteilungen' (S.A.). The Reichswehr might regard these with the cold contempt of the polished professional for the noisy amateur. Nevertheless, they served to accustom youth to discipline and to instil 'the right ideas'.

In August 1919 Seeckt secured the continuation of the system of

¹ *The Army of the Future*, p. 67-68.

² *Die Reichswehr*, p. 109.

³ *Gen, Quoted F. von Rabenau: Seeckt, I I*, 509.

⁴ *Thoughts of a Soldier*, p. 62.

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Kreiskommissare (district commissioners) which he had introduced in East Prussia to counter any influence by pacifist bureaucrats. 'From this organisation of Kreiskommissare arose later a network which spread wide over Germany and while maintaining military ideas, even frequently organised effective resistance. It was the first beginning of a corps of reserve officers, of a frontier guard and even of a later reserve army.'¹ At the same time the craze for sport was encouraged with Seeckt's blessing as a means for 'die Ertüchtigung der Jugend' (toughening of youth). Sport was not a relaxation, indulged in for its own sake, but a serious item, integrated in national policy. Hence such terms as 'Luftsport' and 'Wehrsport' for air or paramilitary training. In its own organisation the Reichswehr was careful to shadow that of the Imperial Army, companies representing and carrying on the traditions of regiments. This tendency had begun already in the first Free Corps and the Provisional Reichswehr, preserving the continuity from the Kingdom of Prussia into the Third Reich. The field-grey uniform recalled the war of 1914-18 which had forged German military unity under one supreme command.

¹ Gen. F. von Rabenau: *Seeckt*, II, 200.

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The high standard of the Army was set from the top, where the Reichswehr Ministry imparted a unity of direction lacking before 1914. Then there were four armies: those of Prussia, Bavaria, Wurttemberg and Saxony, subject only in war to the supreme command of the Emperor. The law on the Provisional Reichswehr and the Republican Constitution provided for a single Reich army under the supreme command of the President, who was entitled under paragraph 48 to use it as an executive organ. This unitary army was tacitly endorsed by the Versailles Treaty and its functions were constitutionally defined, thanks to Noske, as the preservation of the security of the frontiers and of order within the Reich.

In September 1923 Seeckt defined the task of the Reichswehr to be the maintenance of the unity of the Reich against threats from any quarter. In this capacity its own unity and stability were more important than the constitutional facade of the parliamentary Republic and must not be compromised by parliamentary vicissitudes or regional jealousies. So politics were rigorously coanned in the Army and its members even lost their civic franchise. This conception explains Seeckt's refusal to break the unity of the Army by firing on the Kapp Putschists in 1920 and his willingness to fire on the Red miners of the Ruhr. It was his handling of this situation which had brought him the confidence and command of the Reichswehr.

The unified direction of the Reichswehr overcame too the rivalry previously existing in the Prussian Army between the Minister of War, the Chief of the General Staff, the Chief of the Military Cabinet and the inspectors general of the various arms. This rivalry derived largely from the attempt to combine popular parliamentary control, as the voice of the nation, with the Prussian tradition of a military monarchy wedded to German intellectual culture with its 'grundliche Gelehrsamkeit'. The Minister of War charged with the organisation, equipment, training and mobilisation of the army, had to secure from parliament the necessary budgetary votes. But, in surrendering part of his civilian authority

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by the grant of a constitution in 1850, the King of Prussia determined all the more to retain control over the real source of his power: the Army and its officers' corps. The loyalty of the officers to the King, whose coat they wore, rested on a unique personal bond. So all entries, appointments, promotions, pensions and favours were reserved to the King, acting through his Military Cabinet. Moreover, to prevent the Minister of War interposing between the Army and its King, the corps commanders and the inspectors general of infantry, artillery and cavalry enjoyed direct access to him. Finally, in the wars of 1866 and 1870 Moltke, as strategic adviser to the royal commander-in-chief, obtained virtual operational control for the Chief of that General Staff which had carried out the preliminary intellectual preparation. This position was continued in peacetime, so that Moltke obtained the right of regular and direct audience with the King and control of manoeuvres and war plans. To make confusion worse confused, the Minister of War represented before parliament both the Chief of the Military Cabinet and the Chief of the General Staff. The rivalry which this system engendered on all levels can easily be imagined.

The Reichswehr of von Seeckt restored a unity of control lacking *de facto* since the age of Frederick the Great. The 'Chef der Heeresleitung' concentrated policy, command, administration, selection, training and research under himself. The domination of Seeckt marked the ultimate triumph of the General Staff and the realisation of Schlieffen's dream of personally organising and training the army he was to command in the field. In Seeckt's view the Chef der Heeresleitung should be more than a mere G.O.C. Reichswehr, he should replace the monarch as the personal focus of the army's allegiance and devotion, and the spirit of the General Staff, permeating the Reichswehr Ministry, should be his instrument. The supreme command of the Reichspresident remained a dead letter under Ebert, to whom Seeckt successfully denied even the right to a march past. The presidency of Field-Marshal von Hindenburg inevitably altered all this and both induced and facilitated the eclipse of Seeckt. Seeckt despised most of the parliamentary politicians and the Reichswehr Minister became virtually a permanent official, so long as he retained the confidence of the army, for whose commander he provided a convenient screen.

Noske was forced to resign as Reichswehr Minister, having forfeited the confidence of the workers by his alliance with the Free

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Corps and of the Reichswehr by his treatment of the Kapp Putsch. His supersession by Gessler initiated the reign of stability and insulation against party changes at the Ministry. Amid parliamentary vacillations and ministerial changes the Reichswehr Ministry was held by only three men between 1920 and 1933: Gessler 1920-28, General Groener 1928-32, General von Schleicher 1932-33. Stresemann once said that the German people could neither understand nor admit that a civilian should be Minister of War.¹ The manner in which the Reichswehr Ministry maintained its autonomy certainly bore this out. Gessler, a former Oberbürgermeister of Nuremberg, was for some years nominally a member of the Democratic Party. Though his relations with Seeckt were never too harmonious, he watched over the interests of the Army and was only driven out of office through the public scandal created by the bankruptcy of the Phoebus film company in which Reichswehr funds had been ventured. Groener was appointed as the nominee of President Hindenburg, who claimed as commander-in-chief the right to choose the Reichswehr Minister.²

General Groener, who held the Ministry of the Interior also for six months under Brüning, was forced to resign as Minister for the Reichswehr, because it was intimated to him that he no longer enjoyed the confidence of its leaders, although the Reichstag had on the very day before expressed its confidence in the government by 287 votes to 257. This move by the military leaders gives the measure of the power of the Reichswehr and the impotence of the Reichstag. It was the first time since the Kapp Putsch that the Army broke away from its representative in the cabinet. Faithful to the principle enunciated by von Hammerstein that the Army cannot exercise power itself, but can sustain or overthrow a government in its own way, the General Staff re-entered the political arena by forcing the Reichswehr Minister to resign his office.³ It was clear that even a general must bow to the will of his peers and not be swayed by civilian influences.

Groener's successor was General von Schleicher (1882-1934), who had spent most of his life on the General Staff, served as political adviser to Groener and Hindenburg in 1918 and 1919, and as intermediary with Ebert, Noske and Gessler. At a meeting

¹ In this connection it is noteworthy that the Nazi government was the very first to impose civilian supremacy on the Prussian or German Army, a fact exemplified by the military adoption of the civilian Hitler salute after the failure of the 20th July putsch.

² R. T. Clark: *The Fall of the German Republic*, p. 222.

³ Benoist-Mechin: *Histoire de l'armée Allemande*, I I, 432.

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of General Staff officers in Berlin (20th Dec. 1918) he proposed that after the restoration of order with military help, economic life must be restored before Germany could hope again to restore her external power. Seeckt, rising 'like an ice-cold pillar of fire', argued that economic life could not be restored in a defenceless land and that the primary requisite was to make Germany once more a valuable ally.¹ It was the clash of two generations, of the Prussian soldier Seeckt with the political opportunist. Schleicher had quickly understood the value of the Free Corps as a means to overcome the Revolution and championed their cause with the General Staff, at a time when their rough Landsknecht² habits were still rather suspect to many old-school officers, including Hindenburg. Schleicher foresaw that they could soon be brought to heel by reliable officers—as was later the case under the iron discipline of the Reichswehr. He supported Groener in accepting the Treaty of Versailles, and realised that the supremacy of the Army in the State must be achieved, not by violent revolutionary adventures, but by a process of steady penetration over a period of years.

The military leaders regarded Schleicher as their expert in political affairs and he enjoyed the confidence and favour of Seeckt in this respect, until he failed to win for him the candidature of the 'National' parties for the Presidency after Ebert's death. Schleicher often represented the Reichswehr Ministry at cabinet meetings, when matters even remotely connected with the Army came up for discussion, while Seeckt always sought to avoid such attendance.³ While Schleicher rose from Major to General, his work brought him into contact with most of the actors on the political stage and familiarity bred in him contempt,

Schleicher had been a fellow subaltern of the ambitious and unscrupulous Oskar von Hindenburg in the 3rd Regiment of Foot Guards, and so after 1925 he enjoyed a ready welcome at the Presidential Palace. With one foot in the political world and another in that of the Army, this consummate intriguer became the key-man, linking and advising the Army Command, the Government and the President, after the 'Ministeramt' had been formed by Groener in 1929 for his especial benefit. Staffed by personnel from both the Army and the Navy, it dealt with all

¹ Gen. F. von Rabenau: *Seeckt*, I I, 117.

² The German mercenaries of the sixteenth and seventeenth centuries, noted for their plundering. They and their famed leader Frundsberg have been held up to admiration by the Nazi Party.

³ K. Caro and W. Oehme: *Schleichters Aufstieg*, p. 173.

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matters concerning both services and also served as a liaison between the forces and other Reich ministries.¹ As the political department of the Reichswehr Ministry, Schleicher's Ministeramt guided the political attitude of the 'non-political' Reichswehr as a whole and even the personal adjutants of the Minister were subordinated to it. Schleicher contributed very largely to the fall of Hermann M^uller, and it was he who proposed Bruening as Chancellor to Hindenburg in 1930. He negotiated on behalf of Bruening with Hitler for a peaceful re-election of Hindenburg in 1932 and turned against the Chancellor when he refused to ally himself with the forces of the 'National Renaissance'. He broke a lifelong friendship with Groener over the banning of the Nazi S.A. and S.S. in April 1932 and became the primary engineer of his former mentor's fall. Schleicher was an able opportunist, working for the supremacy of the General Staff in a powerful state and coincidentally—but by no means less—for his personal advancement and power.

The November Revolution had apparently replaced the rule of the military by that of the civilians, but the General Staff had not been slow in reasserting its power. As Hindenburg became President in 1925, Groener Reichswehr Minister in 1928 and finally Schleicher Chancellor in 1932, so the great posts of state passed once more into military hands. In these circumstances it is hardly surprising that the Reichswehr was always able to secure all the budgetary grants it required and to become as Scheidemann said in December 1926, 'a state within the state'. Itself exercising an increasing influence, it was in fact politically irresponsible, except to the leaders of the Army. It was relieved of fear of criticism, thanks to a judicature which always accepted the Ministry's representatives as the infallible voice of national interest. Consequently, anyone who denounced the military preparations of the Reichswehr as conducive to war, or lifted the veil of secrecy covering its machinations, was liable, like Carl von Ossietzky, to conviction for treasonable activity.

Seeckt recognised that the organisation of the Reichswehr Ministry would have sufficed for a larger Army, but it could not be reduced without impairing the efficiency of the existing force. 'It would have been extremely difficult', comments General von

¹ It is worthy of note that the 'Ministeramt' was the first attempt in the history of the German Reich to create an inter-service directive body. In this way it became a precursor of the 'Oberkommando der Wehrmacht' (O.K.W.) to which Hitler nominally subordinated all three services.

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Rabenau, 'to accomplish the work of 1935-39 if the directive organs of the Army had been proportioned to its small size between 1920 and 1934.'¹ The Great General Staff, whose dissolution was laid down in the Treaty, survived, however, disguised as the 'Truppenamt', a homogeneous closed body from which civilians were excluded, working for the military renaissance of the Reich. The recreation of such a General Staff appeared to the Democrat Max Weber in 1919 as an object worthy of focussing all his intellectual energy.² Although the Inter-Allied Control Commission devoted especial vigilance to preventing the training of new General Staff officers, this was continued at the headquarters of the seven Wehrkreise. In order to maintain the homogeneity of outlook, on which so much of their efficiency depended in Seeckt's view, this was completed by further training at the Ministry. Already in June 1920 all officers were examined in military science and general culture as a disguised way of re-introducing the War Academy examination.

Seeckt was the prototype of the Prussian Staff officer, and the complete unification of military authority under him marked the unprecedented triumph of General Staff influence. The Truppenamt represented the persistence of the militarist spirit in face of the ineffectual menaces of the Entente and the mild protests of the parliamentarians. Beyond the General Staff training for junior officers Seeckt initiated training courses for generals under his personal direction. Such trips, which took place in different areas each year, were unheard of previously, but they marked another step towards unification and homogeneity. Seeckt took the view that generals must regard themselves to the end of their careers, far more than previously, not only as teachers, but also as pupils.³ He understood the task of peacetime training to be, not imitation of the last war, but preparation for the next. In this sense, with his demand for 'Geistigkeit' (intellect) in the officers' corps, he laid emphasis on the theoretical rather than the practical study of war. He recognised that no art or science could dispense with theory. Every war brings new lessons which enjoy for a time absolute validity, but need to be readapted relatively to technical development, social evolution, political and cultural changes. That is only possible if the basic enduring lessons are drawn as theory from the past, and to deal with these abstracts, intellectually

¹ Seeckt, II, 449.

² J. P. Mayer: *Max Weber and German Politics*, p. 82.

³ *Thoughts of a Soldier*, p. 92; *Landesverteidigung*, p. 66;

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trained minds are needed. Seeckt banished too the disrespect for the technical arms which had reigned in the Army before 1914.

Seeckt, like Groener, had pondered well Moltke's and Schlieffen's teaching on the vital role of transport in war. Automatic weapons and mechanised warfare need vast quantities of ammunition and petrol. 'It is perhaps in such respects that the mechanical era has had its greatest influence on strategy. These tactical changes have introduced complicated problems not always apparent to those outside the armed forces. The tactical conception of a military operation is simple compared with the administrative details. Administration comprises four-fifths of the business of modern war.'¹

The decisive element in the Reichswehr was recognised by Seeckt to lie in its leadership, founded on the old officers' corps. The percentage of aristocrats here was even higher than it had been in the Imperial Army. Although there was a higher proportion of 'ranker' officers than in 1914, this was offset by the fact that almost all these men came from families previously regarded as eligible. In fact the educational standard of the Reichswehr 'other ranks' was rather higher than that in the Imperial Army.

In general the rigid impenetrable barrier which had existed right down to 1918 between the officers and the 'other ranks' of the Imperial Army and had so signally contributed to its ultimate demoralisation, was considerably weakened. The new Reichswehr came to be founded not only on a new conception of strategy and on new instruments of war, but also on a new conception of discipline. Morale began to replace drills and parades as the foundation of the Army. In the Nazi Wehrmacht a new species of equalitarianism between officers and men finally overcame the rigid caste differences of old.

In selecting his original 100,000 men Seeckt had an invidious choice among the 350,000 men and 40,000 officers of the Provisional Reichswehr. Ever since the collapse the officers' corps had been divided into the irreconcilables, who looked to Ludendorff and Luttwitz, and the moderates, who followed Hindenburg and Groener. At one in their aim to restore German military power, they differed in their methods. In making his choice Seeckt must above all avoid the fate of Luttwitz, who was impelled by his subordinates into taking part in the Kapp Putsch. Seeckt sought a perfectly disciplined instrument, and so he retained the reliable moderate elements and excluded the Gondottiere types of

¹ *The Times*, 1st Dec. 1943.

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the Free Corps, such as Ehrhardt and Rossbach—uprooted soldiers of fortune and perennial trouble-makers. Henceforward the *devstoy* ; of German militarism and nationalism were divided between. the legal Reichswehr, enjoying like the industrialists or bureaucrats, property and secure positions, and the organisations of varying degrees of illegality, from the semi-official 'Einwohnerwehr' to the outlaws of the Organisation Consul who had no security or stake. The illegal elements could be ignored, if necessary and must suffer in silence. It was from them that the first of Hitler's S.A. were recruited. The Army would never take them back as a body, only as individuals. The Reichswehr never lacked for volunteers, and by a decentralisation of the recruiting organisation into the hands of commanders of lower units, the exclusive enrolment of men of proved 'National' reliability was assured.

Apart from the Reichswehr, the German states built up beside the old city police, the 'Schutzpolizei', a large militarised police force equipped with armoured cars, heavy machine guns and machine pistols. The number of this body in Prussia alone was fixed in 1921 at 85,000—besides 9,000 Landjaeger. It was enlisted for twelve years, quartered in barracks with special staffs, and did collective military training.

By the time of his resignation in October 1926, Seeckt had laid firm foundations for the renaissance of German militarism.¹ In his concept of the high quality striking force wedded to the maximum use of air power and armour lay the secret of victory over the conscript millions of France, while Colonel de Gaulle shared the fate of Cassandra. It was such a limited striking force, sustained by the human and industrial reserves of Germany, which overcame Poland, the Low Countries, France and the Balkans.

¹ The election of Field-Marshal von Hindenburg to the presidency inevitably reduced the military pre-eminence of Seeckt, who was no longer the first soldier of the Reich. Moreover, the fact that the former Imperial Commander-in-Chief was the first citizen of the Republic—a post to which Seeckt had himself aspired—precluded any military coup against the régime. So when the presence of a Hohenzollern prince at the autumn manoeuvres of 1926 aroused an uproar on the Left, Seeckt had to bow to the storm, though he recognised in it the occasion rather than the cause of his fall. He appreciated that the President could not have acted otherwise and that the time was not ripe for the forcible replacement of the Republican system by a dictatorship. The republican democratic system had won a victory—however barren of enduring results—over the old military system and its representative, who insisted on standing outside the parliamentary structure. When the decision hung in the balance, it was Stresemann who insisted on the departure of Seeckt, because like Bismarck he resented independent action by masterful generals as an infringement of his own control over foreign relations.

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The Army of millions which attacked Russia was the striking force not merely of Germany, but of a whole continent which she had enslaved to feed and maintain her Armies. That fact accounts for Germany's ability to provide the vast armies stretching from the Arctic to the Caucasus.

The force of 100,000 men had been consciously developed as the cadre of a larger Army and in this, rather than in any matters of detail, Marshal Foch discerned Germany's real infringement of the Treaty. The Inter-Allied Commission of Control, which proclaimed its task completed, and withdrew in January 1927, had secured the demobilisation of Germany's Army and the destruction of her armaments, but it could not prevent their reconstruction as soon as political circumstances allowed. Its President, General Nollet, recognised that defeat did not take away from a nation the advantages of numbers and of national equipment. The disarmament of a great nation could only be ephemeral unless its moral strength were annihilated. But the Army was too deeply rooted in the tradition of the German people and provided a refuge for their idealism. Moral disarmament Germany had avoided, and so, secure in her numbers and her industrial power, her military leaders confidently followed Seeckt's adaptation of technical progress to war.

VII

DOMINION OF THE SEA AND AIR

Already before 1848 German Nationalists had regarded sea power as the barometer of national strength. The seizure of the Danish duchies of Schleswig and Holstein was the condition of German maritime power and so, of her 'Weltpolitik'. Kiel was the prize for which Bismarck strove in 1864, and it became the secure basis of Germany's sea power and the head of the canal which should enable her to switch it at will from the Baltic to the North Sea. Nevertheless the Navy remained the junior service of the Reich. In the restoration of German power after 1918 the Navy, whose mutiny at Kiel had initiated the November Revolution, played less part than the Army, though the same tendencies were at work.

The Treaty of Versailles set out to cripple German maritime power by internationalising the Kiel Canal—its spinal cord—forbidding all fortifications within the 'Kiel Rectangle' or on Heligoland and restricting the development of other coastal defences. The fleet was limited to six heavy cruisers, six light cruisers and twenty-four destroyers and torpedo-boats, while submarines and aircraft-carriers were entirely banned. The personnel was restricted to 15,000, of whom ten per cent might be officers, while the Admiralty Staff was to be dissolved, like the General Staff, and all preparations for mobilisation were forbidden. During the first years after the War attention was concentrated on the training of personnel rather than the replacement of obsolescent craft. The original core was provided firstly by the crews of the minesweepers which, working in all weathers, had cleared the northern seas by 1923, and secondly by the Brigade Ehrhardt and Brigade von Loewenfeld, Free Corps of well disciplined U-boat and torpedo boat crews. As in the Army, there was no difficulty in obtaining recruits, despite the rigorous tests of character and physique. Admiral von Trotha, the first commander of the Republic's Navy, who had restored its self-confidence, was however constrained to depart after the Kapp Putsch, which had led to renewed conflict between the upper and lower decks. There was a widespread and successful propaganda campaign, led by the

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semi-official *Marinerundschau*, to erase the memory of the Kiel mutiny by exalting that of the 'undefeated Imperial Navy' and its 'Victory' at Jutland.¹ In 1924 Mr. Hector C. Bywater, one of the foremost British naval critics, considered the German naval personnel to be 'in all respects as good as, if not better than, that of 1914.'² The Admiralty formed a part of the Reichswehr Ministry where, just as for the Army, a large and elaborately organised staff was maintained. The shore organisation was on such a scale as to suggest that it was intended for a far larger future navy. As in the Army, control was centralised under the Chef der Marineleitung, who ranked with the Chef der Heeresleitung. Under the Imperial regime, there had been seven distinct naval bodies whose heads each had the right of direct access to the Emperor. While the Imperial 'Marinekabinett' and the Asiatic squadron fell away, the rest were subordinated to the 'Marineleitung'.

Post-war naval construction began with the five 6,000 ton cruisers of the Köln class. But Germany's naval architects were not idle in designing new warships of unique offensive properties. This witnessed to their confidence that her fleet would once again be a powerful maritime factor. Among the first fruits of their ingenuity was the 10,000-ton pocket-battleship *Deutschland* laid down in 1928, launched in 1930 and commissioned in 1932. Armour was sacrificed to guns and speed; lightness was the guiding principle of her design, so that with her six 28-cm. guns she might be able to stow enough fuel to travel 10,000 miles at twenty knots. To reduce weight the hull was not riveted but electrically welded; the first large warship to be motor driven, she was generally regarded as too fast for a battleship to overtake and too powerful for a cruiser to tackle. At large on the trade routes, she could defy anything but a battlecruiser, and Britain's supply of these was limited to three by the London Treaty of 1930. Useless for a fleet action, the pocket-battleship was therefore a menace primarily to Britain with her dependence on world trade, rather than to France, which opposed its construction more vigorously. By 1932 three of these craft were laid down. Influenced by the rapid development of air power and of lighter naval craft and mines, German naval opinion came to place faith in the expansion of land power over the sea and in the idea of coastal zones in

¹ Every year on the anniversary of the Battle of Jutland (Skagerraktage) the Navy mounted the sentries outside the Presidential Palace in Berlin.

² *The Observer*, 14th Sept. 1924.

³ Later rechristened *Lutzow*.

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which sea power would be neutralised and overwhelmed by these coastal weapons. Beyond this the Germans reacted against the fleet actions of the Great War in favour of a 'Guerre de course' dubbed 'Oceanic Warfare'.

Admiral Raeder, who was in supreme command of the German Navy from 1928 to 1943, had served as director of Naval Archives from 1920 to 1922 and left them as fine in quality as those of the Reichswehr. Here he studied the development of tactical and strategical naval questions during the War of 1914-18 as they affected Germany. This confirmed him in the belief that the maintenance of a High Seas Fleet in imitation of the British Grand Fleet was too expensive and outmoded. Germany's future as a sea power must depend on cruiser and submarine warfare. While outwardly a Republican, Raeder as inspector of training and education fostered the idea of revenge as a means to eradicate the shame of the Kiel mutiny.¹

Among the contributions of the Navy to the renaissance of German power and prestige lay the foreign cruises, which were initiated in 1922 in Scandinavian waters. These cruises served to engender respect among foreigners, to strengthen the links of the 'Auslandsdeutsche' with the Fatherland and above all to provide valuable intelligence reports for eventual warlike action.

In the spring of 1930, while the financial difficulties of the Reich contributed to the replacement of the parliamentary Müller cabinet by the deflationary presidential regime of Brüning, almost the entire fleet was sent, at considerable cost in coal and oil fuel, covered by a supplementary Reichstag vote, on a cruise to Spanish, Italian and Greek ports. It was the largest fleet of any nation to have undertaken a cruise in foreign waters since the war, and aroused widespread political speculation. 'It must be affirmed that the purposeful maintenance and fostering of the idea of sea-power has brought notable and indeed important

¹ W. E. Hart: *Hitler's Generals*, p. 199-202. Evidence brought forward at the Nuremberg War Guilt trials and drawn principally from a secret official publication *Der Kampf der Flotte gegen Versailles 1919 bis 1935* (The Fight of the Navy against Versailles) gives interesting information on secret naval rearmament. Submarines were secretly built and crews trained in Holland, Spain, Finland and elsewhere, while a submarine training establishment in Germany was disguised as an anti-submarine school. Already in 1932 the construction of E-boats, whose torpedo tubes should be hidden, was planned. In interrogation Raeder admitted that the German Navy always sought, while fulfilling the letter of the Versailles treaty, to circumvent its spirit. He admitted that the preliminary training of personnel for a year outside the Navy enabled the numerical limitations to be overcome. (*The Times* and *Associated Press*, 28th Nov. 1945.)

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advantages to the German Republic. Without the Navy we should not have achieved our present position', wrote the anonymous author of *Reichsmarine und Seemachfragen der Gegenwart*. (p. 21).

The Armistice terms banned all air activity and the manufacture of aircraft in Germany. The Treaty of Versailles forbade the maintenance beyond 1st October 1919 of any military and naval aircraft or air force personnel (Arts. 198-99). Virtually all aeronautical material of the armed forces was to be delivered to the Allies and no more aircraft, aero-engines or parts might be manufactured or imported for six months after the treaty came into force (Arts. 201-2). Delays in delivery and other difficulties led the Allies to extend this last ban until 1922. It was not until 1st January 1923 that Germany regained aerial sovereignty, subject always to the proviso of Article 200 of the Treaty that Allied aircraft should enjoy freedom of passage, transit and landing in the Reich as long as the period of military occupation lasted. Moreover the Council of Ambassadors had imposed its Nine Definitions (14th April 1922), which limited German aircraft to engines of 60 h.p. with a maximum speed of 170 kilometres (105 miles) per hour, a load of 600 kilograms (1,300 lb.) and a ceiling of 4,000 metres (13,000 ft.). The Allies were to enjoy the same facilities as were granted to German aircraft. By a cunning piece of legalism the Reich government retaliated by imposing on them the limitations enacted for German planes. The central position of Germany made this particularly inconvenient for the British and French airways companies, anxious to extend their activities to Eastern Europe. French planes of a power exceeding the limitations were seized when they force-landed on their way to Czechoslovakia. So a vested interest in favour of relaxing restrictions on German aviation was built up in the Entente countries. This led up to the Paris Air Agreement (22nd May 1926), which waived all restrictions on German civil aviation, finally permitted the retention of the Friedrichshafen airship works and hangars and allowed the construction of all types and sizes of civil aircraft.

The Treaty restrictions had if anything only stimulated popular interest in flying and this was expressed in aero-clubs and the aeroplane Press. The veto on aeroplane construction encouraged interest in gliding, which centred in the revived Rhön competition. Gliding was cheap, made youth air-minded and had considerable navigational value. All this was recognised by von Seeckt, who installed Capt. (later General) Student as director of the air technical group in the Reichswehr Ministry with the purpose of foster-

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ing gliding. Seeckt had taken over 180 air force officers into the Reichswehr, a sign of his confidence in the future of the air arm. All former flying officers were collected in the Aeroklub and all air force personnel in the Ring der Flieger. Capt. (later General) Wilberg became head of the special 'Fliegergruppe' or air department in the Reichswehr Ministry and the secret air training of Army officers was encouraged. As the Entente would only permit five officers to be trained in flying each year, 35-40 cadets were trained annually before being commissioned. There was also considerable flying training in the Soviet Union as a part of the secret collaboration between the Reichswehr and the Red Army. Russian engineering and aviation developed thanks to the Germans, and a large aircraft factory was built by Junkers at Fili, near Moscow, on the instigation of the Reichswehr Ministry. The aircraft designing staffs were kept together in Germany and the plans whose implementation there was prevented by the Inter-Allied Commission, were carried into effect in Russia. During 1923 ten million gold marks were expended on the construction of 100 Fokker fighters. By 1926 two fighter squadrons, one bomber squadron and one auxiliary bomber squadron of the Lufthansa could be set up. By 1931 this number had been increased to four squadrons of fighters, eight of observers and three of bombers.¹ All this at a time when officially Germany possessed no aerial armaments.

The control of civil aviation was vested in the air section of the Reich Ministry of Transport created by Article 7 of the Constitution. On the initiative of General von Seeckt², Capt. Ernst Brandenburg, who had led the heavy daylight raid of forty Gothas on London and, unlike so many German war pilots, was no friend of Great Britain³, was made chief of this civil air section (1924). It was he who inspired the foundation and development of Lufthansa, the civil airways monopoly. Immediately after the lifting of aircraft restrictions a number of small airlines had arisen, but by 1924 these had coalesced into two groups, Deutsche Aero-Lloyd, financed by the Deutsche Bank, shipping and industrial interests and the Ministry of Posts, and the Junkers airlines created by Prof. Hugo Junkers, partly as a research and experimental organisation for his famous aircraft works at Dessau. Prof. Junkers understood the vital dependence of industrialised Germany on world goodwill, to be achieved by speedy communications, and saw in

¹ See Gen. Edmund Wachenfeld in *Die Deutsche Wehrmacht, 1914-1939*, p. 534.

² Gen. F. von Rabenau: *Seeckt*, I I, 530. ³ C. G. Grey: *The Luftwaffe*, p. 59.

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successful airlines an inexhaustible market for his productive plant. In 1925 Junkers formed the 'Europa-Union', linking German and foreign airlines in northern and eastern Europe. Capt. Brandenburg realised that the Junkers airlines were an outstanding step toward the federation of Europe, but he made it clear that official backing would only be forthcoming if such was to be under German hegemony. The Russian venture had got Junkers into financial difficulties, and so he was forced to sell his airway interests to Lufthansa, formed 15th June 1926, a month after the Paris Agreement.

Under the presidency of Dr. von Stauss of the Deutsche Bank and Aero-Lloyd, Lufthansa's board included Brandenburg and various Oberbürgermeisters and bankers. The management was divided, but soon came under the domination of chubby-faced Erhardt Milch (later General der Luftwaffe), who had deserted Junkers and enjoyed Reichswehr support. Lufthansa enjoyed generous subventions from the Reich and when these were cut by the Reichstag in 1929 it could still depend on credits from the Deutsche Bank.¹ The interest and support of the German municipalities were obtained in this heyday of the Oberbürgermeisters, and soon all sizeable German cities had their airports, efficiently organised and interlinked for sharing and transmitting information. Air-minded Germany thus became the strong hub of a Lufthansa network extending over Europe and beyond across the Soviet Union into Eastern Asia. A transatlantic service was developed to South America to link up with Condor (in Brazil, Uruguay, Argentina and Chile), Scadta (in Colombia) and the Lloyd Aereo Boliviano, all German controlled companies. While Imperial Airways concentrated its scant resources on British Empire routes, only France contested with Lufthansa the air routes of Europe and South America, before the rise of Pan-American Airways. Civil aviation was an ideal means to train bomber pilots and navigators, taught to work not only by directional beams, but also by the sun and stars. Already in 1927 Lufthansa had six training schools, conducted on military lines and each producing 100 pilots annually.

The aircraft industry was organised in the 'Reichsverband der

¹ It is interesting to note that in the electoral campaign of 1932 Lufthansa planes were placed gratis at the disposal of the Nazi leaders by Milch. (Hauptmann Hermann: *The Rise and Fall of the Luftwaffe*, p. 54). Already earlier Dr. von Stauss had been in the habit of sending his private chauffeur to fetch Goering from the station when he came to visit Goebbels in Berlin, and to take Frau Karin Goering out for drives twice a week.

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deutschen Luftfahrtindustrie' which enjoyed state subsidies for research purposes—a euphemism to cover a multitude of sins. Heinkel, Messerschmitt, Dornier and Junkers developed models which were to become the forerunners of the Luftwaffe's planes. In any case passenger planes could easily be converted into bombers of a sort by the fitting of bomb racks. The aero-engines of Daimler-Benz, B.M.W., Junkers and Siemens went through their paces with Lufthansa. In 1930 Junkers completed the first four-engined monoplane, the G.38, out of which was developed within a few months the Ju. 52, the classic troop transport of the Luftwaffe, which was to serve in Holland and Crete. Dornier developed the experimental monster Do.X piloted by the war ace Christiansen, later military governor of Holland. Scientific air research was concentrated, while the value of aero-science and aero-engineering received full recognition in the universities and technical high schools. 'All in all, the German aircraft industry in 1933 was in a position to build without any effort twenty planes a month and had a capacity for building at least fifty, including all necessary engines. This does not seem a big output in comparison with to-day's production figures, but the point is that German industry contained all the elements necessary for the purely quantitative expansion which the Nazis carried through during the next few years and for which they were so much admired by themselves and the rest of the world.'¹

The scrapping of old plants, designs and aerodrome installations under the Treaty provisions turned out a blessing, as it enabled the Reich to build anew on firm foundations, while Britain and France were saddled with obsolescent models. The Luftwaffe, like the Third Reich, arose from the *tabula rasa* made of traditional obsolescence by the events of 1918-19 and consummated by the monetary inflation.

¹ Hauptmann Hermann: *The Rise and Fall of the Luftwaffe*, p. 56.

VIII

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Seeckt's ability to integrate military science with technical progress was shown in his recognition that the crux of modern warfare lay in possessing the most up-to-date material rather than the largest armies. In fact he discerned an antithesis between large armies and modern weapons. 'So rapid is the advance of technical science that every weapon becomes obsolete at the very moment of its distribution to the troops. The equipment of a large army with a new type of weapon is so enormously costly that no state undertakes the task, unless compelled. The smaller the army, the easier it will be to equip it with modern weapons, whereas the provision of a constant supply for armies of millions is an impossibility.'¹

It was not sufficient merely to equip the Army, there must also be replacements and sources of supply. Seeckt realised that the basis of modern armaments lay in industrial plant, capable of rapid transformation to produce the latest weapons at the right moment. It was the industrial aspect of military deployment in an age of total war. 'The arming of masses must be placed on a totally new basis. It becomes impossible to stock modern equipment for armies of millions when it is urged, and with justification, that these masses, in view of their inferior military training, are most particularly in need of the support of material. The accumulation of great reserve stocks is the most uneconomical process imaginable. It is also of doubtful military value owing to the natural obsolescence of material. . . . There is only one way to equip masses with weapons, and that is by fixing the type and at the same time arranging for mass production in case of need. The army is able, in co-operation with technical science, to establish the best type of weapon for the time being by constant study in testing shops and on practice grounds. An agreement must be made with industry to secure that this fixed type can be produced at once and in the necessary quantities.'² Raw materials must be acquired, factories selected and equipped through the co-operation of soldiers, manufacturers and government. The expenses to cover

¹ *Thoughts of a Soldier*, 1930, p. 65. * *Ibid.*, p. 66.

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this would be far smaller than those disbursed on the accumulation of obsolescent war materials. So Seeckt in his own way worshipped at the shrine of American industrial mass-production.

As technical progress made armaments more complicated and, therefore, harder to produce, so it made them more rapidly obsolescent. For this reason the destruction of her 1918 equipment by the Disarmament Commission turned out advantageously for Germany. The Reichswehr was not handicapped by the millstone of antiquated material, costly to maintain, with its inevitably retarding influence on tactical methods.

German preparations in the sphere of arms manufacture followed the lines sketched by Seeckt. The Treaty of Versailles banned the manufacture by Germany of military aeroplanes, tanks and the other forbidden heavy armaments. It also limited the quantity of smaller arms manufactured or in stock, and forbade their export. Since the prototypes of heavy armaments could not be made in Germany, they were manufactured abroad from blueprints provided by research and experimental centres inside Germany. The system of liaison adopted was that of anonymous limited companies with foreign subsidiaries. In this way aeroplane and chemical factories were founded in Russia, submarines were developed in Spain and Russia, field guns and tanks in Sweden, other weapons in Holland, Denmark, Switzerland and Turkey. Thus by 1927 Krupps had acquired 63,000 out of the 198,000 shares of Bofors. When the Allies stipulated that Krupp's machinery and equipment must be disposed of, the most valuable patents, licences and secret manufacturing processes were sold to Bofors in return for a substantial block of shares which was increased by market purchases subsidised by a Reich grant.¹ This period of study and the production of prototypes was concluded by 1929. The debt of the Wehrmacht to the technicians of those years has been officially recognised by Hitler, as is evident from the honours recently paid to Waninger, the technical manager of Rheinmetall-Borsig, who has publicly boasted of having developed artillery under the eyes of the French.

The German factories built during the war for arms production had been subsequently converted, not scrapped, as in England. Brigadier General Morgan wrote in 1924: 'After a most careful estimate by our experts in all the industrial districts of Germany, we found that, from the moment control is withdrawn, it would

¹ Benoist-Mechin: *Histoire de l'armée allemande*, I I, 379, and B. Menne: *Krupp or the Lords of Essen*, p. 367.

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take the German authorities only one year to attain their maximum production in 1918 of guns and munitions.¹ The rationalisation of German industrial production, completed by 1929, served to facilitate the mass-production at the requisite moment of the prototypes produced abroad. In 1914 Germany had the biggest machine tool industry in Europe and after the war she increased its productive capacity by 40 per cent. In this way plant was replaced and modernised and the specialist personnel trained. Thus by the time of the Disarmament Conference of 1932-33 all was ready, and it was only necessary for Germany to import the raw materials—then obtainable at rock bottom prices owing to the slump—in order to begin mass production of the prototypes and to re-concentrate within her frontiers the manufacturing energy dissipated abroad.

The necessary funds for this 'industrial rearmament' by shadow plants were obtained from the Reichswehr budget—insofar as they did not serve non-military productive purposes. This was facilitated by the system making certain budgetary grants transferable (*übertragbar*) to subsequent years, if the original object were fulfilled and they remained surplus. This was especially the case with Reichswehr estimates, so that a veil was cast over the Ministry's operations and an increasing fund was made available for them. Its grants between 1924 and 1930 amounted to 4,668 million Reichs marks besides sums disguised under other heads:—

1924	RM. 459 million
1925	588
1926	642
1927	706
1928	728
1929	757
1930	788

The Bruening cabinet's budget for 1930 aroused especial comment: the *Berliner Tageblatt* wrote (6th May 1930): 'More than 500 million marks for an army of 100,000 men, whereas in 1913, the year of the armament mania, only 750 millions were expended for 500,000 Prussian soldiers, who were by no means ill equipped. Whence does this increase arise? It will be argued that the transition from a conscript to a professional army is responsible. This contention is overcome by comparing the expenditure on personnel in the two budgets, 185 millions in 1913 and 227 millions to-day, a terrifying omen. To-day in an epoch of absolute peace,

¹ *Quarterly Review*, October 1924.

when the Reich treasury is empty, when taxes weigh heavily and there is considerable unemployment, the cost is 2,800 marks per head. In 1913, in a time of acute threats of war and an alarming situation, it was only 1,200 marks. Even admitting that the cost of living has risen by 50 per cent—a generous estimate—there is an increase of 60 per cent in armaments expenditure, compared with 1913.¹ Germany was spending little less on her army of 100,000 than France on hers of 750,000, scattered from Senegal to Indochina.

In a recent article in the *Royal United Services Institute Journal*, Colonel G. G. Vickers pointed out that of the raw material production of the world 75 per cent was food and 10 per cent fuel, all of which was expended in the production of energy and could not be replaced. War becomes, therefore, a marginal charge on the remaining 15 per cent of production. Industrialisation, while increasing the amount of surplus energy available, becomes itself a prior charge dependent on the maintenance of industrial plant and of a high degree of specialised skill in production and planning. The German campaigns in Poland, Western Europe and the Balkans (1939-41) demonstrated that, while the decisive action of modern war may be a mere matter of weeks or even days, the necessary preparations last months or even years before the arms come off the production lines. Foch said: 'Preparation in modern war is more necessary and must be pushed farther than in the past. . . . One thing alone is of import: the point of preparation reached at the actual outbreak of war.' Technical developments, making arms more complicated and effective, only increase this antithesis. In modern mechanised warfare the human combatant element forms a very small proportion of the national man and woman power, compared with the industrial population, much of which must be very highly skilled. This is especially the case with the air arm, where the air-crew is far outnumbered by the ground staff, quite apart from the industrial workers needed for construction and replacement.

Modern warfare depends primarily on the metallurgical, engineering and chemical industries, which it is very difficult to expand in war-time, so that their initial size limits a country's war effort. But while a deficiency of industrial power would limit production, an excess could not compensate for deficient raw materials or skilled labour. Efficient mobilisation of human and material resources and their correct distribution between the

¹ Quoted P. Tirard: *La France sur le Rhin*, p. 170-71.

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armed forces, the arms factories and the supply of consumer needs and services becomes as vital as correct deployment of troops in the field, and like that is conditioned by the time factor. A nation's economic power must be mobilised for effect at the critical moment, so that its deployment becomes an act of generalship. This is one reason why the chiefs of government, rather than the generals, are the dominant figures of present-day war: they are the super-generals of total war. It is the culmination of Moltke's and Schlieffen's teaching, that decision in war is determined rather by preliminary operational planning than by tactical manoeuvres on the battlefield. Industrial preparation is an antecedent stage to the mobilisation and deployment of armies. Victory no longer goes to the Napoleon who from his interior lines could successively defeat four separate Austrian armies, but to the Moltke whose armies, in telegraphic communication with each other, were previously deployed so as to converge on the trapped enemy in Bohemia.

For such a total war, founded on industry and science, Germany was better fitted than any other state. Already under the Republic her rationalised industrial potential, fostered by the vital need to export, was second only to that of the United States. For centuries society and the state had been increasingly held together by military traditions. Industry, with its standardisation and its monotonous repetition of the same movement, engendered in labour the same discipline as the parade ground. The economic section of the Reichswehr's Ordnance Department continued the work initiated by Rathenau in 1914 under the supreme control of Groener, and provided the core for the Wehrwirtschaftsstab of Colonel Thomas in the Wehrmacht.

The value of Germany's rationalised and concentrated metallurgical and engineering industries for arms production is obvious. Plant built to produce peace-time consumer goods could rapidly be adapted for war purposes. To turn over from the manufacture of passenger planes or touring cars to that of bombers or armoured cars was easy—nor was it impossible to adapt for the construction of tanks plant intended for perambulator building. Moreover, many of the products of peace also serve the purposes of war, from steel tubes to radio. Besides using German iron, metallurgy and engineering developed to a high degree the use of the newer light metals, so important in the age of air transport. Aluminium and magnesium enjoyed the advantages of lightness, resistance to corrosion, electrical conductivity and malleability.

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In 1925 the government-owned Vereinigte Aluminium Werke secured control over the Bauxit Trust formed to develop bauxite deposits in Italy, Jugoslavia, Roumania and Hungary. Beryllium, the fourth lightest element known, was developed as an alloy of copper by Siemens & Halske the electrical engineers, only 2 per cent being needed as against 12 per cent of tin, for bronze. As an alloy, beryllium gives a tensile strength second to none. To equip Germany's machine tool industry to cut steel hardened with tungsten, Krupps developed tungsten carbide, inferior only to diamonds in hardness. The manner in which Germany developed these metals herself and, by means of cartels and patents discouraged and checked their development abroad, is fully related in *Germany's Master Plan*, by J. Borkin and C. A. Welsh. As a consequence, when war came, her enemies lacked the machinery and the trained labour to utilise them.

Germany's chemical industry was of vital importance, not only for the production of explosives and war gases, but as the foundation of the Economy of 'Ersatz' (Substitutes) which should enable her to overcome the blockade of superior British sea-power. Although the manufacture of these substitutes was a severe drain on German economic resources, human and mechanical, it was the inevitable price to be paid, if she was not to collapse helplessly and bloodlessly in face of the British blockade. The mechanised warfare planned by Seeckt was doomed, unless Germany had ample supplies of petrol. The fact that three quarters of the world's petrol is produced in the Americas and that—outside Russia and the British-owned Roumanian fields—most of the remainder was subject to interception by the British Fleet on the high seas, seemed fatal. It has been pertinently remarked, that from the moment when Germany began experimenting in the distillation of oil from coal, she gave notice of her intention to wage a second World War. In 1926 I. G. Farben announced that the problem had been solved and that Germany could satisfy all her needs in petrol from her own coal. Second only to petrol in mechanised warfare is rubber, essential for tyres and treads. Here again Germany was dependent on overseas supplies under British control. In the later Twenties, however, I.G. filed a number of patents for the manufacture of 'Buna' or synthetic rubber from oil and coal. Thus Seeckt's mechanised armaments were liberated from their enfeeblement to British sea power.

Explosives, the basis of all ammunition, are made by the nitration of certain carbon products, obtained by the distillation of

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The use of both cyanamide and sulphate of ammonia as fertilisers was widely developed in Germany under the aegis of the I. G. Cheap and abundant electric power was the principal requisite for synthetic nitrate and aluminium production, and these two became the chief consumers of the rapidly expanding electric plants under public ownership. (See Table.) Electric power was also needed to produce calcium carbide and its derivatives such as acetylene, used for oxy-acetylene cutting and welding and as the basis for many synthetic chemical processes, including both synthetic oil and rubber. In 1927 General Denvignes estimated Germany's annual production of sulphate of ammonia or cyanamide at 2,000,000 tons, yielding 100,000 tons of pure nitrates, half for export and half for her own agriculture. Besides fertilising Germany's soil to provide nourishment for her armies of soldiers and workers, this production would supply the necessary nitric acid for the manufacture of explosives in time of war, if exports were eliminated.

In exactly the same way as her nitrogen fixation plant produced fertilisers or explosives, so the dyestuff industry of I. G. could produce both the bright colourings of peace and the deadly gases of war. For countless centuries mankind depended on vegetable sources for dyes: indigo and orchil, madder and campeachy. Around 1834 Runge derived rosolic acid from coal-tar and discerned its value for dyeing. It was in the '50's that Deschamps discovered an industrial method for producing aniline from nitrobenzene, a coal-tar product, that Perkin produced a blue dye—mauvein or Perkin's violet—by the oxidising action of bichromate of potassium on aniline—and Verguin, a red dye—fuschine—by heating aniline with metallic compounds having oxidising properties. At first the manufacture of aniline dyes remained a French speciality. But Hoffmann, under whom Perkin had studied, exchanged his chair in London for one in Berlin, and largely through his efforts, the German aniline dye industry arose from the collaboration of German industry and science and came rapidly to dominate world markets. In 1865 and 1870 German chemists produced by synthetic means alizarine, the red dye of the madder root, and indigotine, the blue dye of the indigo plant. Synthesis, the formation of a compound by the combination of its elements or constituents, would enable the artificial manufactures of German chemists to oust the natural organic products of Anglo-Indian indigo planters and French madder growers, driven into bankruptcy. It was a chemical Sedan.

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The military importance of the German aniline dye industry becomes apparent, when it is realised that the toxic gases of war are in their composition very closely allied to the colouring materials. It is only necessary to vary the treatment of the intermediates, semi-fabricated coal-tar products. These can be equally well used to manufacture as finished products either dyes or gases.

Chlorine is in wide use industrially for the production of calcium chloride, hydrochloric acid, etc., while phosgene is utilised for the dyeing of cotton. The first German gas-filled shells were made by the reaction of bromine, a by-product of the potash mines of Stassfurt, on benzene or xylene. Bromide of benzyl is used for producing dyes. But mustard, yperite, the deadliest of Germany's gases, is related, by significant coincidence, to synthetic indigo, the most successful of her dyes. Mustard gas or sulphate of ethyl dichloride, is produced in vast quantities by the German dye industry, by treating with aerated hydrochloric acid, thioglycol, the basis of synthetic indigo.

In 1914 Germany supplied around 85 per cent of the world's aniline dyes and practically all the intermediates. Consequently while her own potential for the production of war gases was enormous, that of her enemies was infinitesimal and largely dependent on German supplies of intermediates. For this reason there was a considerable time lag before the Allies could retaliate. Thus, the Germans used mustard in July 1917, the Allies only twelve months later. The Treaty of Versailles forbade Germany to manufacture poison gases, but since it left her dye industry untouched, it is clear that any ideas of her chemical disarmament were illusory. This close connection between Germany's chemical production for peace or for war has been carefully described by General Denvignes, who served as economic adviser to General Degoutte during the French occupation of the Ruhr.¹

Not only did Germany's coal supply the fuel for her transport and her steelworks, moving her armies and providing them with arms, but the by-products obtained in the distillation of coal-tar provided the basis of her chemical industry. Leuna became the beating heart of her body economic, producing synthetically the petrol and the nitrates which should enable her to defy superior sea-power and to encompass herself with a wall of fire.

Seeckt's new theory of warfare wedded to Germany's vast industrial potential was to give her the victory over France. The Reichswehr of 100,000 men provided just such a shock force as

¹ *La Guerre ou la Paix? Ce que j'ai vu et entendu en Allemagne.*

delivered the fatal blow to France's conscript millions. The effect was facilitated by the fact that German strategy concentrated on the lightning attack (Blitzkrieg), while the French with the Maginot complex concentrated on the defence. France with her stocks of obsolescent arms and her low birthrate was neither ready nor fit for aggressive war; Germany with her increasing industrial lead and her ebullient cult of human fertility was anxious only to set the pace. The initial blow by her striking force would cover the mobilisation of the mass militia and the entry into full productivity of an arms industry maintained in readiness, rather than in production.

There was only one weakness in Germany's military preparations: what if her enemies undertook a preventive war against her, before she could bring her mass-produced armaments into play? Would the victorious Allies of 1919 who had shed so much blood and treasure, endured so much devastation and suffering to break German military power, give it the necessary breathing space to rise again? Here the Germans were able to exploit the hesitations, the greed and the folly of their enemies, thanks to the consummate foreign policy connected with the name of Stresemann.¹

¹ To illustrate this it is sufficient to quote from Maj. Gen. A. G. Temperley, who acted as the principal British military expert at Geneva during the Disarmament Conference: 'The French had prepared a formidable secret dossier of their [the German] breaches of the Treaty, which they were always threatening to produce at a suitable moment. I was in possession of our own, which was not less an indictment of German good faith, backed up by unimpeachable evidence; but after all the past was past and we saw no particular point in raking it up. The dossier covered a good deal of ground. There were the secret short-service enlistments in the Reichswehr and an enormous and illegal proportion of N.C.O.'s, of whom there were something like one for every two private soldiers. There was a secret General Staff, forbidden by the Treaty, a very large number of militarised police living in barracks and carrying out military training, air pilots being trained in Russia, secret arming with forbidden weapons and a secret air force. There was also a very complete scheme of industrial mobilisation. The associations of ex-Service men, like the Stahlhelm, were giving military training and consisted of perhaps two million men. This by no means exhausts the catalogue. The Germans in fact were repeating their success in Treaty evasion which they had practised in the time of Napoleon. Yet one wondered to what extent other high-spirited nations in similar circumstances would have refrained from doing their utmost to circumvent a Treaty which had been forced upon them at the point of the bayonet. So long as there was any chance of getting an agreement I used what influence I possessed against bringing up the so-called 'secret dossier'. (*The Whispering Gallery of Europe*, p. 221-22.) With such opponents in the West Seeckt and Stresemann might well hope for success.

IX

TOWARDS THE PRESIDENTIAL REPUBLIC (1923-30)

The events of the last quarter of 1923 marked the virtual liquidation of the November Revolution. Again as in the stresses of 1919-20, the parliamentary Republic showed its lack of stability. It proved unable to maintain order in face of chaos without calling in the aid of the Army. Authoritarian and non-parliamentary methods were necessary to overcome the crisis. Lacking either the faith or the inclination to trust, as in 1920, in the protection of organised labour, President Ebert and Chancellor Stresemann could turn only to the Reichswehr and give exceptional powers under Article 48 to General von Seeckt. Thus the civil administration was once more subordinated to the military, which had itself abandoned control in November 1918, just five years previously. The Reichswehr as the sole organism extending its ramifications throughout the Reich—except for the demilitarised West—seemed alone capable of maintaining the principle of central authority. The Reich was saved, but the parliamentary Republic was sacrificed.

The loyalty of the Reichswehr was extended to the Reich and not to the parliamentary Republic, which Seeckt regarded as an ephemeral party phenomenon and as the cancer of Germany. It kept faith with the essence rather than the form of the State, loyal to the actuality of the past and to the ideal of the future. The Imperial Armies had sworn allegiance to the King-Emperor as the incarnation of the Nation-State, and there was even some doubt whether his action in releasing it from its oath in November 1918 was legitimate. An oath to the Republican Constitution would be an oath to an ephemeral human creation. A soldier could only take an oath of allegiance to the German Fatherland, because that was enduring; never to the Republic, if only by reason of the civic right to alter or even condemn it, implicit in the Weimar Constitution.¹ Seeckt believed allegiance could only be given to a person, not to a paper constitution, and so each year he found urgent work in the country to preclude his participation in the constitutional celebrations.

¹ See Major W. H. Cohrs: *Soldat im Dritten Reich*, p. 9.

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General von Hammerstein wrote in 1929 that the Revolution had taught the German officer to discriminate between the *provisional regime* of the State and its *permanent identity*, and to serve the latter, which was symbolised by the Reichspresident, elevated above ephemeral ministries and incoherent governmental bodies. Giving protection against foreign surprise or political pressure, the Reichswehr became, according to Seeckt, the basis of State power and the arbiter of national policy. It should become a State within the State, honoured by the Reich as its first servant, subordinated to the State as a whole represented by the President, but not to 'any single part of the political organism. 'The Army should be political in the sense in which I understand the word, i.e. it should grasp the conception of the "State"; but it must not be "political" in the party sense. "Hands off the Army" is my cry to *all* parties. The Army serves the State and the State alone, for it is the State.'¹

In an Order of the Day on 1st January 1921, Seeckt declared that the Army was the first instrument of the power of the Reich. Consequently, its members must be exemplary, ever conscious of their rôle and their duty. 'Such a high conception of service, of discipline and of abnegation demanded as its counterpart a State worthy of it.. The Weimar Republic was not such', commented Colonel Marcks.² In *The Future of the German Empire*, Seeckt emphasised that the parliamentary Republic had rendered the ephemeral ministers powerless in face of the bureaucracy. In the willingness of the officials to retain office under the Republic, he saw an object lesson in setting the State above the State form, i.e. Party. Of its nature, the Army could not be entirely divorced from interest in the national policy, which must determine its employment as a war-machine, but he was emphatic that it must stand above the arena of party and parliamentary politics. An Army Order of 1919 forbade soldiers to indulge in any political activity. In 1930 it was officially laid down that the Reichswehr served the State but not the parties. The subtle differences between these two statements marked the evolution which had taken place.

Seeckt's primary concern in 1923 then was to preserve the unity and power of the Reich in face of the sectional interests of states, parties or economic bodies of all complexions, foreseeing only civil war otherwise. It was in this sense that he wrote to Herr Class of the Pan-German League (24th Sept. 1923): 'The role of

¹ *Thoughts of a Soldier*, p. 80.

² Quoted Benoist-Mechin: *Histoire de l'armée allemande*, I I, 383.

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the Reichswehr is to maintain the unity of the Reich, and those who compromise this are its enemies, from whichever side they come.' In a proclamation of 4th November 1923 he emphasised that salvation could not come from abroad, nor from either extreme at home, but only from hard work on the basis of the laws and constitution. The task of the Reichswehr was to avoid civil war and enforce respect for the needs of the State; for this reason it must be above parties.

It is in this light especially that the suppression of the Black Reichswehr at Ktistrin (1st-3rd Oct.) and of the National Socialist putsch in Munich (9th Nov.) must be understood. Hitler had to fail in 1923 in order to succeed in 1933. This may sound trite but, had the Munich putsch succeeded in 1923, civil war, the separation of the Rhine and Ruhr under French aegis and the disintegration of the Reich would have followed. Stresemann, Seeckt and Schacht preserved the unity of the Reich in 1923 and so prepared the ground for the advent of Hitler to power in Berlin, not Munich, in 1933. This distinction is important also in assessing the relative guilt of Bavaria and Munich or of Prussia and Berlin as the breeding grounds of Nazism. In the putsch of 1923 Hitler derived support especially from North German immigrants, such as Ludendorff and Goering. He was foiled by von Kahr and General von Lossow, the representatives of Bavarian traditionalism, with whom he had been intriguing on the basis of common antipathy to the 'Socialist Republic'. Hitler's putsch cut short a duel between Seeckt and Lossow, whom Kahr had named 'Landeskommandant' of the Bavarian Reichswehr. Its failure prevented a conflict between Ludendorff and Seeckt, who was then able by negotiation to terminate the dispute with Lossow. The victims of Lossow's arms had been the Nazi rank and file, not the Imperial Quartermaster-General, Ludendorff, and so through this crisis, as in 1920, the unity of the Reichswehr, and especially of the officers' corps, had been preserved. When Hitler eventually came to power it was as the elect of North Germany and it was in Bavaria alone that there was even a pretence of resistance. That Munich should be maintained as the 'Capital of the Movement' was a mere sop to South German feeling.

In 1923 the Reichswehr did not merely sustain the central power of the Reich government, it also undertook administrative tasks through the generals in command of the seven military districts (Wehrkreise). It controlled prices, currency regulations and labour conditions, organised relief work for the unemployed and

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created feeding centres. At Christmas it presented gifts to the poor and by means of military concerts collected funds for charitable work. The orders issued at this time by Gessler and Seeckt gave expression to a new spirit of social community, which was to characterise the Reichswehr's outlook. Among younger officers especially, the idea of a comradeship between soldiers and workers arose. This was in line with the tradition of Prussian Socialism preached by Spengler.

In 1919 and 1923 the Republic had to have recourse to the Army to prevent complete collapse. On each occasion this enhanced the prestige of the Army, while the government seemed ready to squander its restored power by parliamentary combinations and impotence. In his Memorandum on the State of Emergency in 1923, rendered to President Ebert (nth Sept. 1924), Gessler said this could not be permanent, the Army existed to defend the frontiers, not to re-establish order: the maintenance of order must be achieved by administrative reforms which would prevent future conflicts between the Reich and the States. Since the Reichstag appeared powerless to achieve this, the Reichswehr must do so.

In view of this impotence of the Republic, two elements alone appeared to sustain the edifice of the Reich: the President, endowed with dictatorial power by Article 48, and the Reichswehr, as the executive organ of power, only permitted to exercise it in virtue of the same Article. Thus the position of the Reichswehr became inseparable from that of the President; he guaranteed its unity and it guaranteed that of the Reich. 'The President is elected by the people and so represents the will of the people. His supreme means of action will be the proclamation of the State of Emergency, because the Army is the only organ of the Reich which extends all over its territory and is able everywhere to impose the will of the Reich. That suffices to emphasise the importance of the Reichswehr for the government of the Reich and its link with the President, who alone has the right to take these emergency measures and bring about military intervention', wrote Colonel Marcks.¹

There could not, however, be any question of a direct military dictatorship in Germany immediately after the crisis of 1923, because this in itself would have alarmed France and might thus have had the same effect as a successful Hitler putsch. French hos-

¹ *Wissen und Wehr*, Jan. 1931, p. 6-7. Quoted Benoist-Mechin: *Histoire de l'armée allemande*, II, 385.

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tility was only overcome and the German currency definitively stabilised with Anglo-American help. Public opinion in Great Britain and the United States would not have tolerated a restoration of militarism in Germany. This was clear from the outcry raised by the return of the ex-Crown Prince from Holland at this time. The City and Wall Street demanded a facade of parliamentary democracy. The emergency powers were repealed (13th Feb. 1924) and the generals capitulated to the dollar.

Under the Bismarckian dispensation the Reichstag had been principally a critical and obstructive necessity. There was a gulf between the Chancellor and his secretaries, who made and executed the laws, and the Reichstag which represented the nation. There was no conception of parliament as the concrete expression of the legislative mandate of a ministry. The parties regarded themselves and not the government as the instrument of the nation's will. The members of the Reichstag had no training for government nor expectation of responsibility, and so after the first decade of the Empire parliamentary politics failed to attract the best men. In the bargaining between Chancellor and parties there developed a peculiar life of the lobbies which militated against the qualities of leadership.

After the non-parliamentary November Revolution there was a general failure to appreciate the new parliamentary problem and the necessity for organic revolution. The 'Obrigkeitsstaat' with its government imposed from above had been overthrown in favour of the idea of a government implementing the will of the people as expressed through their representatives. But the encouragement vouchsafed by the proportional electoral system to a multiplicity of parties, only served to bring about their tyranny. No single party could achieve a majority by itself in the Reichstag and so carry into effect a clear governmental programme. The parties were no longer impotent, yet they failed to realise the consequent need to develop beyond their obstructive partisan attitude. They had escaped from the rule of strong governments imposed on them and they wished to make quite sure that no government supplied by them should be strong enough to impose itself.

Governments were created, not as emanations of the parties, but rather as concessions to administrative necessity. It was their function to present questions for decision by the Reichstag. The parties never allowed a ministry to forget that its constitution depended on the voluntary surrender of a portion of the party

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power which could be revoked at will. A government was not regarded as the executive agent even of an agreed coalition mandate, it was rather a suitor to the coalition parties for a parliamentary majority which would enable it to exist and so carry on the national administration. The parties bargained with each other inside the cabinet and one of the principal advantages of being a minister was the consequent ability to threaten resignation. The utter absurdity of this system became apparent in 1928 when the cabinet introduced an education bill which was opposed in the Reichstag by one of the government parties, although its representatives stayed in the cabinet. This was repeated a few months later, when a Social Democratic Chancellor introduced a naval programme which had been the principal butt of his party's campaign in the recent General Election: the Socialist ministers voted for the bill, the Socialist deputies against it (12th Nov. 1928).

This parliamentary bankruptcy had two inevitable results: the victory of the caucus within the party and of the bureaucracy within the State. So the Republic did not succeed any more than the Empire in making parliamentary life attractive to men endowed with the qualities of leadership and ambition.

Party discipline and implicit obedience to corporate decisions were strengthened by the electoral system which substituted party lists in thirty-five vast areas for the old single-member constituencies. Such a system effectively prevented the emergence of independence among the deputies and lowered their individual prestige and that of the Reichstag generally. This contributed to its dull and heavy character and restricted severely the element of parliamentary surprise. As political questions arose, they were discussed by the party and a corporate decision, binding on all, was reached. Interfractional bargaining followed, and the sessions of the legislature became purely formal events, in which each party deputed a speaker to explain its motives. The second Stresemann cabinet, which resigned after a No Confidence vote (23rd Nov. 1923) was the first Republican government to fall in open fight. The rest had all retired after tedious party negotiations. There were no by-elections and members who died were replaced by their party. The power of the party 'machine' was further enhanced by the increased membership figures of the middle class parties after the War and the resultant need to maintain a more rational and permanent party organisation. As ever more power and patronage came into the hands of the State, so the perquisites

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which could provide for a party spoils system became more attractive.

The deputies became mere attorneys or marionettes who had secured their positions on the electoral panel thanks to some pressure group. Policy was determined by the party committees or the organisations which lurked behind them. The responsible individual was displaced by the irresponsible and anonymous organisation. The party committees became all-powerful and took care that no real leaders should emerge. The committee's first loyalty was to the party interests, which it alone could define and the supreme interest was the maintenance of party independence. The typical committee members were alike jealous of a leader arising and attracted by the illusion of power. The committees made or wrecked governments, they decided whether their parties should support or join a cabinet and selected the party representatives in it. To ensure better control the party leader was rarely sent into the cabinet and so there came to be often three leading and rival figures in the party: the chairman of the party, the president of the parliamentary party and the party representative in the cabinet. So far from being a hostage for the good behaviour of the party, the latter acted rather as a surety for that of the government and was liable to withdrawal on the least provocation.

Stresemann protested vigorously (26th Feb. 1929) against this transfer of control to the party committees: 'The Ministers are appointed by the President of the Reich. It is clear that the President will take care that the Ministers appointed shall be such as to win the confidence of the majority of the Reichstag. Moreover the Ministers' assumption of office and their resignation is dependent on their personal responsibility. . . . Ministers must ask themselves whether they shall assume office or lay it down. The Reichstag can withdraw its confidence from them. The Group can expel them from the Group, but the 'withdrawal' of Ministers means that in reality the individual no longer exists, except as the nominee of a certain organisation. This view is the final end of Liberalism. If we are no longer to have parties that can accommodate the principle of personality, then they will cease to embody the Liberal creed.'¹

Politics thus came to consist, not in a party or coalition, supported by a body of public opinion, securing the enactment of certain legislative aims, but rather in the party committees'

¹ *Diaries* III, 460.

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tactical manoeuvrings, with the result that party programmes largely lost their sense.

In face of the chaos of party bargaining, the reality of power fell back inevitably with the passage of years into the hands of those who carried on the administration of Germany under the Republic as under the Empire: the bureaucracy. Never sure of retaining office for more than a few weeks and absorbed in the party manoeuvres, cabinet ministers became mere mouthpieces for the departmental officials. At best the cabinet had a programme of ideas, while the real legislative initiative came from the departmental bureaucrats. Such legislation tended to be founded on expedients or merely formal additions to existing laws. Problems were avoided and difficulties overcome so far as possible by private negotiations. So the power of the parliament was displaced by that of the bureaucracy, but behind this last there loomed that of the Presidency.

The role of the party committee and its effect on politics is more fully explained in R. T. Clark: *The Fall of the German Republic*, p. 127-35.

When the second Stresemann government resigned in November 1923 after a vote of no confidence by the Reichstag, it was succeeded by the first cabinet of Marx. From this time until the elections of May 1928 there were a number of bourgeois cabinets headed either by Dr. Marx, a Centrist, or by Dr. Luther, a "non-party expert". Both had had distinguished careers in the civil service and Luther had been 'Oberbürgermeister' of Essen for some years, at a time when the Prussian three-class voting system enabled Krupps to control without difficulty the municipal administration. He was one of those whom Stresemann described as being, after the great industrialists, the monarchs of everyday life. Elected for periods up to twelve years, they were more powerful than ministers and provided many of the leading political figures of the Republican era. Such men, confirmed in their office by the Minister of the Interior, as the culmination of a bureaucratic career, were rulers of the public rather than servants, like an English mayor, and they felt their role.

The most prominent and powerful Oberbürgermeister were those of the Rhenish industrial cities. In contrast to the Prussian 'Magistral system entailing the joint administrative responsibility of a board, the 'Bürgermeister' system, inspired by the Napoleonic Prefecture, held sway here. Under this, besides acting as chairman at council meetings, the Oberbürgermeister took the sole ultimate

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responsibility for the entire municipal administration. There was a strong movement, exemplified by the Prussian Ministry of the Interior's draft bill of 1930 and the Deutscher Städtetag's proposal, for the general extension of this system. At the same time the general tendency under the Republic towards centralisation was unfavourable to the development of healthy organs of local self-government. The Inflation had annihilated the financial independence of that class of citizens who had previously performed honorary civic duties, while the tendency to enlarge local administrative units diminished the local patriotism of ordinary citizens.

All the Marx and Luther cabinets were supported by the Centre, the People's Party and the smaller bourgeois parties, most of them by the Democrats and some of them by the German National Party. In all of them Stresemann remained Foreign Minister and until January 1928 Gessler was Reichswehr Minister. Thus continuity was maintained in two of the key departments, while Dr. Schacht presided throughout over the Reichsbank. The first Marx government returned intact for a second spell of office a week after its resignation (26th May-3rd June, 1924), while the second Luther government returned after five days with the identical team under Marx's leadership (12th-17th May 1926). In all these cabinets there was a strong element of non-party experts or of party men serving as such without entailing the support of their party. Moreover the principle by which ministries were apportioned among the parties of the government coalition, of itself implied a certain continuity. Thus the Ministry of Posts remained most of the time in the hands of the Bavarian People's Party.

This governmental evolution was partly connected with that of the Catholic Centre Party. The 'Zentrum' was the pivot of the entire parliamentary system, without it or against it any enduring combination was virtually impossible. Its very existence prevented a clearcut victory either for the Protestant Nationalism of the Right or the materialist Socialism of the Left. It provided a bridge between the rabid Nationalism of the Right and the Marxian Socialism of the Left and also a brake on the excesses of either. It was continually in office from 1919 to 1932, both in the Reich and in Prussia. Where it was absent, as in the small states of North Germany, politics were marked by violent oscillations. But within the Centre Party the social differences of the various sections precluded any very clear policy beyond the defence of Catholic

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interests. It had arisen in defence of the liberty of the Catholic Church against the Erastian claims of the bureaucratic Bismarckian state and of the National Liberals. But subsequent events proved the extent to which the 'Kulturkampf' had led the Centre to Potsdam rather than Bismarck to Canossa. The very principle of Catholic defence, however, which held the Centre together, made the Party obnoxious to large sections of the nation—above all to those most saturated in the essentially anti-Catholic tradition of German 'Kultur'. In the Weimar Assembly the Centre provided the most powerful federalist element, although its leaders acquiesced in the centralising tendencies embodied in the Constitution. In this way the 'Zentrum' showed the extent to which it had abandoned the Christian traditions and local liberty of the Holy Roman Empire, which had inspired its foundation under Windthorst and Ketteler. It accepted in 1919 the framework of the Prussian unitary Reich, since it was liberally gilded with complete freedom of action for the Church. After early fears of a Social Democratic 'Kulturkampf' had vanished, the unrestricted right of association, granted after four hundred years of subjection to princely supremacy, gave birth to a new spring-tide of Catholicism.

The Reich, the instrument of Germanism, after barely surviving the challenge to Europe, was much too wily to risk the remnants of its strength in a challenge to Rome. Waldemar Gurian points out that the Centre failed to realise that the time was fast approaching when the 'Weltanschauung' of thorough-going Germanism—which he terms the 'Third Creed'—would lose confidence in the inevitability of gradualness and, throwing off its superficial Liberalism, would become militantly aggressive. The Reich, which had conceded liberties in its weakness, was capable of withdrawing them in its strength. The Centre, which placed its faith in the paper liberties secured within the unitary framework of the Reich, would be swept away like the Social Democrats: in the discipline of numbers lay their strength and their weakness, the germ of their rise and the seeds of their fall.

The Centre was willing to support and represent the policy of that Reich which had ever been the sworn foe of the Catholic Church and of the European system. It was just as anxious as the Social Democrats to prove its 'National' reliability. Thyssen, who went over to the German Nationals, pays tribute to the valuable

¹ *Hitler and the Christians*, p. 30.

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contribution of the Catholic clergy and especially of the Cardinal Archbishop of Cologne during the Ruhr struggle.¹ It was the bishops who really made the Rhenish Separatism fostered by Republican France unviable.

Under the influence of Erzberger, the Centre entered with the Peace Resolution of 1917 on a period of democratic orientation. It was this spirit which engendered its collaboration in the * Weimar Coalition' governments. But the Centre was a party embracing all social classes, from the great landowners and industrialists of Silesia and Westphalia to the workers of the Ruhr and the peasants of the Rhine. All along there was a strong conservative element of landowners, officials and industrialists, which resented Erzberger's policy, and after his death won the upper hand. This was facilitated by an evolution on the part of the Christian Trade Unions, who came to believe, in face of the failures of the Republic, that the vocational interests of the Catholic workers could be equally well defended in an authoritarian Reich as in a parliamentary Republic. They would form the indispensable bridge between the popular masses and their rulers. So the ascendancy passed from the parliamentary Republican wing of Erzberger and Wirth, worn out by futile struggles, to men like Marx and Bruening.² Wirth, the former Chancellor, publicly opposed Centrist collaboration with the German Nationals under the bureaucratic Marx. There were violent struggles for financial control of the Berlin Centrist organ *Germania*, which ended in the victory of industrial interests in which Papen figured. Excluded from the party Press, Wirth was forced to expound his views in the Jewish-owned, Democratic *Berliner Tageblatt*. The Centre continued as the linchpin of German government and presided over the gradual replacement of the Hohenzollern Empire by an authoritarian Presidential Republic, while it continued to collaborate with the Social Democrats in the government of Prussia.

Contemporaneous with this steady evolution of the Centre was the decline of the Democratic Party, to whose ideals the parliamentary Republic especially responded. The long alienation of the Reichstag from political responsibility under the Empire had eliminated outstanding personalities and left parliamentary politics largely in the hands of mediocrities. So under the Republic, as the economic struggle for existence became ever more intense, public life degenerated into a cynical scramble for spoils and party

¹ *I paid Hitler*, p. 100.

² See A. Rosenberg: *A History of the German Republic*, p. 176-77.

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advantages. The Democrats derived support especially from smaller industry and banking, and it was just these elements which the storms of Inflation and Deflation sacrificed to the power of big industry and of the great banks, led by the Reichsbank. These small and medium capitalists, like the manufacturers of finished goods, were unable to obtain immediate access to the fertilising manna of foreign capital. This process of slow suffocation endured through the '20's and, as the economic basis of bourgeois Liberalism contracted, so its political expression in the Democratic and Populist Parties did likewise.

The People's Party, in which Stresemann overcame all attacks in these years, was prepared to accept the Republic, the Dawes Plan and Locarno, because they were 'good for business'. But there developed in it an acute struggle between the right wing, representing heavy industry, and the left wing, formed by the producers of finished goods. Like small enterprise in a jungle of trusts and cartels, the Liberal central parties inevitably disintegrated and the frequent calls made, notably by Stresemann, for the formation of a great central bourgeois and republican party were doomed to fail, e.g. the Liberale Vereinigung of 1925. Harking back to the Liberal ideals of nineteenth century German 'Kultur', they represented an attempt to push back the clock in a land which worshipped above all at the shrine of Progress: 'Ewiges Werden'. The State Party, formed in 1930 by an amalgamation of the Democrats with the Jungdeutscher Orden (Young German Order) of Mahraun and certain Populist elements, embodied these endeavours and exposed their futility by its failure. In fact, it was just this body of bourgeois opinion, predominantly non-Catholic, the time-honoured carriers of German culture, which was to provide the vast body of National Socialist voters.

The German National People's Party outgrew the old agrarian Conservative Party of East Elbia and won support in the West and South. It became more like Tirpitz's wartime Fatherland Party and rallied to itself the Protestant agricultural interests, large sections of commerce, industry and the intellectuals, besides even some non-Socialist labour. But there was a constant struggle between its fundamental principle of resistance to the Republic and the expedient need to protect its supporters and maintain valued national traditions by co-operation in the State. The old leaders were replaced by bureaucrats such as Delbruck and Helfferich, who were unused to opposition. When the Party Congress of 1922 renounced the policy of the Kapp Putsch it shed the more radical

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Free Corps elements and gradually came to realise the inevitability of Stresemann's foreign policy.

When the Dawes Plan, which by reason of its constitutional implications had to be ratified by a two-thirds majority, came before the Reichstag, 48 German Nationals voted Aye and 54 No. This was the first step in the reconciliation of the German National party with the Republic: class and national interests had overcome doctrinaire Royalism. The process went a step further when the party joined the Right Coalition government in January 1927, thus recognising both the Republic and the policy of Fulfilment. The decision was taken by the party leaders who appreciated the decline of that blind sentiment for which the very word Republic was synonymous with the shame of a treacherous capitulation. It was taken after acrimonious discussion and in defiance of the deep feelings of a strong section of the party. After the Revolution the old aristocracy had been more intransigent than the big business wing of the party, but by 1927 the aristocrats had come to realise that they might yet aspire, especially under the presidency of Hindenburg, to play a leading role in the Republic. Many industrialists on the contrary had welcomed the Republic originally and joined the Democratic, Popular or Centre party. They appreciated the increased possibilities which were opened up for the political power of mobile capital. But the steady tendency of the Republic towards State control and the gulf created between small and big industrialists by the Inflation, led many of the latter to join the German National party. Here they hoped to find a refuge against the day when the selfishness of those who had so ruthlessly expropriated the middle class should once become clear. The storm would burst when a definitive Reparations settlement had been reached and only a deadlock of intransigence could put off this day. So while the aristocratic wing of the party, led by Count Westarp, became reconciled to a Republican regime, the intransigents found a leader in Alfred Hugenberg.

These were the parties which supported the Marx-Luther governments, but they derived support even more from the Presidency. The era of 'Presidential government by non-party experts' had begun. Ebert had steadfastly refused to use the presidential power to favour his own party: 'In his statesmanlike activities as President of the Reich, (he) had far outgrown all party dogmas and all dependence on any party faith,' said Stresemann.¹ In November 1918 he recognised that without the support of the

¹ *Diaries*, I I, 36.

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General Staff, the Majority Social Democrats would be unable to maintain order against anarchy. His personal authority as Reichs-president was weakened from the first, moreover, by the fact that he derived it from the National Assembly and not from a plebiscitary election. When he invoked Article 48 in 1923, he virtually surrendered power to Seeckt, whose deposition of the Saxon government led to the resignation of the Social Democratic ministers. This lost Ebert the support of his own party and, though he remained in office, his real power was slight, since in a conflict he could now rely neither on the masses nor on the Army. The Army, whose previous Supreme War Lord never appeared out of uniform, had no quixotic loyalty to a frock-coated saddler. Finally, his prestige suffered from the trial for slander of those who accused him of treasonable conduct in wartime. He died, worn out by a thankless task, assailed even beyond the grave by those for whom he had prepared a second chance (28th Feb. 1925).

While the Marx-Luther governments were connected formally with the moderate bourgeois parties, they enjoyed considerable support from the Reichsrat which had tended to become the organ of the federal states bureaucracies. The bureaucratic Reich governments, exposed to parliamentary instability by the manoeuvres of parties within the coalition, could find valuable co-operation and advice in the bureaucratic administrations of the Länder.

But because parliamentary Republicanism on the French, or even on the American, model failed to strike root in Germany, this did not indicate necessarily a legitimist reaction in favour of a restored Hohenzollern monarchy. Constantin Frantz had warned the Hohenzollerns, when they despoiled the Guelphs and abolished the independence of the venerable Free City of Frankfurt, that they would themselves be cast away like a sucked lemon by the same forces of German Nationalism in whose name they claimed to act. To a nation of believers in eternal evolution nothing was intangible or enduring, least of all a dynasty which had failed to stave off a military defeat almost leading to national disintegration. It was not the Kaiser who had preserved the Reich and led back the Army intact, but Hindenburg: Germany's rugged tower of strength. The Empire of the Hohenzollerns had been a creation of the mid-nineteenth century, and in its social stratification it bore the imprint of that age. It was a bourgeois military monarchy and it no longer answered to the general yearnings for a 'Volksstaat': a Reich of the People. The reaction from a parliamentary

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Republic was in favour of something Caesaro-Popular. It should respond to the general quest for a leader who would embody the will of the nation. He must be no distant princely Frederick, no Junker diplomatic Bismarck, but a man who had shared in war and peace the trials of the German nation: Hindenburg. In the presidential Republic of the Imperial Field Marshal, Germany gradually came to such a regime.

If the Reich was to overcome its internal troubles, President and Army must act in harmony in the exercise of their constitutional powers. This union was achieved in April 1925 when Field Marshal von Hindenburg, the candidate of the 'Reichsblock' led by the Nationalists, was elected President by 14,655,641 votes against 13,751,605 cast for Marx, the candidate of the Weimar Coalition, and 1,931,151 for Thälmann, the Communist. This marked the final liquidation of the November Revolution and the rehabilitation of militarism by the popular will through democratic constitutional methods. The personal prestige of Hindenburg, who had saved German unity in 1918, won the day. It was aided by the disinclination of the Saxon workers to support a capitalist and of many Liberals to vote for a Catholic. While conservative Catholics, including the Bavarian People's Party, were scared by the bogey of Marx's Social Democratic supporters entering the government, Hindenburg was depicted by many leaders of the Protestant churches as a new Luther ready to save Germany from the Roman clutches: an ever-popular theme.

Hindenburg had retired into private life after the collapse and, though taking no part in politics, he never made any secret of his Prussian monarchist loyalty. But he reconciled this with his constitutional oath to the Republic, because he regarded it as a provisional regime which continued the State. He placed Fatherland and Reich before everything. Hindenburg represented not only the 'field grey' tradition of the 'undefeated' Army, but also the rugged spirit of the German East ('der deutsche Osten'). He sprang from East Prussian Junker stock, which had served the Hohenzollerns with the sword for generations. But the family estate of Neudeck had been lost, and it was a brilliant idea on the part of wealthy agrarian and industrial interests to purchase and present it to the President on his eightieth birthday in 1927—though it was made over in the name of his son, Oskar von Hindenburg, so as to avoid the imminent death duties! Thus the interests of the President were visibly linked with those of his agrarian Junker neighbours in East Prussia, and more especially

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with the struggle against the 'untenable' frontier with Poland. In 1919 Hindenburg had taken the view that there could be no greater danger for Germany than the existence of a Polish State, if this state enjoyed a prolonged independence. Thus the presidency was in the hands of a man personally identified with agrarian Nationalism, hostility to Poland and the military anti-Western tradition of Prussia.

The rehabilitation of the old order became apparent in the following year over the question of the expropriation of the former dynasties. Bismarck had ruthlessly confiscated the property of the Guelphs and the Electoral House of Hesse, the 'enemies of German unity', in 1866. The capitalist National Liberals in the Prussian diet gave him permission to use this wealth without rendering any accounts, 'to counter intrigues against Prussia and to pursue to their lairs the maleficent reptiles'. This so-called 'Reptile Fund' served to bribe the press at home and abroad and was administered by the press bureau of the Foreign Office. But the November Revolution left the question of dynastic property in suspense. There were prolonged negotiations, especially in Prussia, between the governments of the states and their former rulers. During the twelve months following the Revolution, over seven million gold marks were paid to William II with the consent of the Ministry of Finance. Nor were the Hohenzollerns loth to institute legal action against the Prussian State in courts where the judges were almost without exception monarchists. Prof. Rosenberg contrasts this greed with the more dignified attitude of reserve shown by the Habsburgs towards the governments of the Successor States. The Social Democratic and Communist Parties instituted a popular initiative in favour of complete expropriation in June 1926. Though over fourteen million supporters were won, it failed to achieve its purpose and shortly afterwards a definitive agreement was reached with the Hohenzollerns, which left the ex-Kaiser the wealthiest man in Germany. In 1921 already General von Seeckt secured the adoption of a Reich war flag, in which the Republican black, red and gold bars formed only a small inset in the Imperial black, white and red. In May 1926 the government decreed that the mercantile black-white-red flag, with the Weimar colours in one corner, should be flown on German consulates, besides the black-red-gold of the Republic. Thus the old colours of the Empire, the emblem of German aggression, were winning their way back. In November the Republican government issued a postage stamp bearing the effigy of Frederick the Great. This was

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the first time a Hohenzollern had appeared on a stamp of the Reich.

The Protestant churches had grown up under the protective shade of the princes. Deprived of this political support, they yet remained loyal—especially in Prussia—to the memory of their former Summus Episcopus. The General Synod of the United Church of Prussia in April 1920 listened standing to an expression of thanks by its president for past benevolent protection by the Kaiser. In 1922 a German Protestant Federation was founded at Wittenberg to link together the twenty-eight completely separate churches and to protect the interests of German Protestantism outside the frontiers of the Reich. The Protestant church leaders were in their vast majority utterly irreconcilable towards Versailles and the Republic. Pastor Stoecker's hopes of winning the masses for Christian Socialism had been frustrated by William II, and so there developed a dangerous rift between the Protestant churches and the workers. Social Democracy had grown up in antagonism to the churches and its leaders tended towards materialist agnosticism. So in the hour of triumph after 1918 the Socialist governments of Saxony, Thuringia and Brunswick refused to make any allowance for the depreciation of the Mark in paying the public salaries of the pastors, who were forced to seek professional or manual work. The liberty of action vouchsafed by the Republic was slight compensation for the benevolent protection extended by the deposed monarchies. So in face of the Catholic Centre and of the materialist Liberal and Marxist parties, the Protestant churches clung to the German National party.

In 1919 Naumann foresaw the danger of ever-changing coalition governments, inherent in the system of proportional representation, and feared that they would preclude any stability of policy. This fear was vitiated, however, by a fact which had already become apparent in the National Assembly: the fundamental community of aims between the parties. Their differences were principally a matter of degree or tempo, rather than of ideals. Prof. Vermeil comments that the programmes of the parties appeared as the different aspects of one and the same political mentality, of one and the same cult for the organisation of life, for the integration of individuals and groups in the community.¹ Such a continuity was assured as the Presidential power waxed and the Reich was ruled by successive cabinets of bourgeois 'experts' devoted to the ideal of the Reich.

¹ *La Constitution de Weimar*, p. 272.

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Nationalism was the common denominator of German parties and with it was mingled a strong dose of Socialism in the way of co-ordination and control by the State. The bureaucratic authoritarian governments of Marx and Luther were generous to the industrialists, lowering railway tariffs and the taxes on turnover, limited companies, income and estates. 715 million Reichsmarks were paid as compensation to the Ruhr industries for damage¹ suffered during the occupation. But the bourgeois German Nationalists have always emphasised the primacy of external over internal policy, of militant Nationalism over Liberal Capitalism, while the appeal of Socialism to the disciplined German masses lay in the realm of organised improvements in social services rather than in concessions to international pacifism or individual liberty. So the years of financial stabilisation were marked by a *modus vivendi* leaving foreign policy in the hands of the ablest of the Nationalists, while internal affairs were marked by a forward policy in health, education, housing and social services to the taste of the Socialists. Bourgeois ministers assented to vast social expenditure, which made the defeated and supposedly impoverished Reich the best endowed state in Europe. Although in opposition, the Social Democrats were able in this way to exert an important influence on social legislation. Nor was this distasteful to the bourgeois Nationalists. Demographic dynamism was as necessary for a powerful Germany as economic dynamism. So in the interests of a high birthrate they favoured improved housing and educational services. They had not forgotten that Sadowa was a victory for the Prussian schoolmaster as much as for the needle gun. Thus Germany enjoyed a blend of Nationalism and Socialism, sustained by the prosperity of the dollar loans. It was only the advent of the economic depression, precipitated by the Wall Street crash of 1929, which upset this careful compromise. Economy in public and private expenditure became the order of the day and the masses, forced into unemployment, were attracted by the lure of National-Socialism.

The Reichstag elections of May 1928 brought an increase of twenty-one seats for the Social Democrats and of nine for the Communists and a loss of twenty-four for the German Nationals, while the Centre, Populists and Democrats all sustained smaller losses. But the voters who abandoned the older bourgeois parties turned less to the Left than to new splinter bodies, such as the Economic Party. With such a Reichstag it would be difficult to govern against the Social Democrats, and so the chancellorship

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was entrusted to their leader, Hermann Müller (29th June 1928). Stresemann retained the Foreign Office and Groener the Reichswehr Ministry, the Social Democrats held the Chancellorship and the Ministries of the Interior, Finance and Labour. The Populist, Curtius, was Minister for National Economy and other posts were held by a Centrist, two Democrats and a member of the Bavarian People's Party. This was the last Republican government which could be regarded as parliamentary. But it is noteworthy that the key post of the Reichswehr Ministry remained in 'non-party expert' hands. At the same time, the dependence of the German economy on American loans forbade any interference with the banking system or the Reichsbank.

Just as the bourgeois governments of Marx and Luther had introduced Socialist measures in internal policy, so the Müller government continued the Nationalist lines of its predecessor's foreign and arms policy. It is highly noteworthy that the first pocket battleship was laid down in 1928 by the Müller government. The Social Democratic ministers voted in favour of its construction, though the Party deputies opposed it in the Reichstag on grounds of economy, rather than of the principle of implying a new challenge to the Western Powers.¹ In internal affairs the first year of the Müller government was comparatively quiet and uneventful. When the tenth anniversary of the Weimar Constitution was celebrated (nth Aug. 1929), the Republic seemed to be firmly established. A popular initiative, organised by the Stahlhelm in favour of increased presidential powers, 'for Hindenburg and against the democratic state', had failed and the 'Weimar Coalition' government of Prussia raised the ban on public speaking by Hitler, doubtless because it no longer feared him (Sept. 1928). The Law for the Defence of the Republic was no longer renewed, so that the way was opened for William II to return to Germany as a private citizen. It was a calm before the final storm of the Republic.

The 'Zentralstelle für Gliederung des Reiches' founded in 1920 by the National Assembly to discuss territorial reorganisation, produced no tangible results beyond the unification of Thuringia and was abolished in 1929. Yet there was a widespread feeling that the constitutional settlement of 1919 had shown itself in need of reform, especially in the matter of the duality of the Reich and Prussia. Financial economy and German unity should be promoted by the absorption of the small North German states in

¹ See Otto Braun: *Von Weimar zu Hitler*; p. 261.

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Prussia and the union of her government with that of the Reich. A rigid mechanistic centralisation of the entire Reich found favour on the Left and among technicians. The Right, however, tended rather to seek a closer union of the Reich government with Prussia than with the South German states and to combine this with an increase of the presidential power. Such a solution was favoured by the 'Bund zur Erneuerung des Reichs' (League for the renewal of the Reich) founded in 1927 by Dr. Luther and Dr. Gessler with the support of many leading business and administrative personalities. Prussia should be dissolved in a new 'Reichsland' under the rule of the Reichs President and Reichstag. The Reichsland would be divided into provinces with elected legislatures and an executive confirmed by the Reich government as an intermediary between the central and municipal governments. These ideas were in keeping with the bureaucratic Marx-Luther era of the Oberbürgermeister, and the Conference of Reich and states' representatives, which sat from 1928 to 1930, made very similar recommendations.

The Muller government saw the final triumph of Stresemann's policy, with the adoption of the Young Plan and the promise to evacuate the Rhineland. But while the Young Plan was founded, like the Dawes Plan, on an international loan, Germany's credit was declining as the Reich's revenues diminished. An internal loan failed and a credit had to be negotiated on costly terms in New York. Hilferding, the Socialist Finance Minister, found difficulty in paying official salaries and the cry for economy arose, with the inevitable divergences of view concerning its victims: Capital or Labour? Stresemann prevented a breach between the Populists and Socialists over unemployment insurance, but his exertions brought on a fatal apoplectic stroke (3rd Oct. 1929).

Financial stringency and unemployment aroused popular unrest, and on May Day, 1929, the Communists set up barricades in Berlin-Wedding, causing the government to ban the militant Communist organisation (Roter Frontkämpferbund). There were peasant revolts in Schleswig-Holstein against high taxes, exorbitant interest rates and forced sales. Freak parties arose in different parts of the country to voice the middle-class and peasant discontent directed against 'the System'. They served to undermine the Republican regime and to prepare the ground for National Socialism.

Meanwhile electoral defeat and dissatisfaction with the 'moderate' policy of their leaders in the Marx-Luther era caused the

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German Nationals to choose as leader Alfred Hugenberg, the former general manager of Krupps. This scion of the National Liberal Hanoverian bourgeoisie, whom Sieburg terms an unconscious Liberal, had built up a remarkable publicity colossus and his business ability had made Nationalist political propaganda pay profits. While directing the Krupp enterprise, he had come to appreciate the formative power of the press in the age of democracy. When in 1915 a consortium of Ruhr industrialists purchased ScherPs *Lokal-Anzeiger*, which had a circulation of 200,000 among the Berlin middle classes, Hugenberg was given control and exercised it in the interests of extreme nationalism. Shortly after, he founded the 'Ala' advertising agency, which was able to influence the smaller provincial press in favour of the heavy industrialists: 'Firmly to defend the patriotic standpoint and to pursue a bold home policy, without timidly weighing its effect abroad or flattering the instincts of the masses at home.' Next he purchased and reorganised the 'Telegraphen Union' press service, which supplied news and commentaries at cheap rates to nearly two-thirds of the German press. Around this were grouped a series of other services to supply smaller papers throughout the Reich with tendentious raw material. Among these was the 'Wipro', which supplied papers ready printed, except for the local news. Finally, there was the 'Vera', founded to help newspapers in financial difficulties—no rare phenomenon in the inflation.¹ The whole complicated system was linked up with a series of East Elbian agrarian banks, all sustained by the Ruhr industrialists. They supplied too, in 1927, the capital with which Hugenberg secured control of Ufa, the largest German film producer and owner of the leading chain of cinemas throughout the Reich and Austria. Built up out of the profits of the war and inflation, the Hugenberg trust was unique in its vastness, variety and organic unity. Rivals such as Ullstein might achieve higher circulation figures,

¹ This was facilitated by the fact that the German press was local rather than centralised. In 1917 there were 3,227 dailies appearing in 2,066 places and of these only 60 were published in Berlin. In 1931 over 70 per cent of the German dailies had a circulation of less than 5,000. Only Ullsteins' *Berliner Morgenpost* had a circulation of over half a million, three other Berlin dailies and the *Dortmunder Generalanzeiger* exceeded 200,000, four other papers exceeded 100,000. *Vörrwärts*, the official Socialist paper, only had a daily circulation of 80,000, the *Frankfurter Zeitung* of 86,000, the *Kölnische Zeitung* of 60,000. This was one of the strongest surviving vestiges of German particularism, but in the days of worldwide news services, these small circulation figures forced the local papers into dependence on the agencies for news, commentaries and even finance.

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but their political independence was limited by profit and loss calculations. Hugenberg succeeded very largely in making his press ventures profitable, but he could give free rein to his 'political idealism', transcending vulgar profit motives, because it was backed by the ultimate guarantees of heavy industry. That is the secret of his success and effectiveness in inculcating Nationalism in the press and on the screen.¹

Hugenberg was possessed by a ruthless greed for power and was utterly unscrupulous in his methods. A successful business executive and a great admirer of Lord Northcliffe, he despised and hated the aristocratic leaders of the German Nationals who patronised him and had higher moral standards than he. He had been one of the first members of the Pan-German League and enjoyed the full support of that body. In 1907 he had resigned a high official post because of his advocacy of a general expulsion of the Poles. From the first he had been an uncompromising foe of the Republic and of the policy of Fulfilment. He was shrewd enough to sense the potential strength of extreme nationalism and the alienation of youth from the Republic. He realised that the successes 'achieved' by Stresemann's policy, so far from satisfying the German nation were only whetting its appetite. So he seized the supreme chance which offered itself, when the party leaders temporised and acknowledged the regime. He realised that the policy of Fulfilment would react in his favour on the party leadership. Like a Cassandra he prophesied disaster for the middle classes from the incidence of Reparations and of a rising social service expenditure. He was a fervent partisan of a return to the old Prussian authoritarianism and urged a personal union of the administration and legislature of the Reich and Prussia. In April 1929 he prevailed on the German National party committee to adopt a plan for Reich reform which would do away with the parliamentary system.

Hugenberg was elected as leader of the party, but Count Westarp remained leader of the parliamentary party, which was in its majority antagonistic to Hugenberg. The opposition was led by the old aristocracy and Hugenberg set out ruthlessly to crush it by Big Business methods. Even at the cost of ruining the German National party, he would be its master. The advent of Hugenberg marked the transfer of its support by heavy industry from the Populists to the German Nationals. Through his interests in East Elbian land banks Hugenberg had direct links with the Junkers

¹ See R. Lewinsohn: *Das Geld in der Politik*, p. 162-199.

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and the 'Bund der Landwirte' (renamed 'Reichslandbund'). Now the alienation of Prussian conservatism by that body from idealistic royalism in favour of class materialism began to bear fruit. The domination of the German National party by the unscrupulous industrialist Hugenberg was a turning point in German history in favour of Resistance and against Fulfilment. Henceforward the German Nationals refused in blind obstinacy any co-operation with the Republican system. Any chance of the party developing along popular conservative lines was doomed and it lost the support of many farmers, salaried employees and professional men. Westarp resigned his parliamentary position and faded out. So there began the *Via dolorosa* of the Junkers which ended after the 20th July 1944, when some of the oldest families in Germany were eradicated like vermin and a Prussian field-marshal was hanged with a meat-hook for the cinematographic delectation of an Austrian lance-corporal.

In the autumn of 1929 Hugenberg launched a popular initiative against the Young Plan, as implying the economic integration of Germany in the Versailles system. He found an ally in the Nationalist Stahlhelm of Seldte. This organisation honoured Hindenburg as President and sought to instil in the new generation the patriotic enthusiasm of the War and the virtues of militarist Prussia. This initiative was supported, too, by Hitler and the Nazis, to whose propaganda it had opened the Scherl organisation, with its nationwide publicity. It had brought him moreover into alliance with Schacht, who had dissented from the Government over the Young Plan and attacked it in a memorandum printed officially by the Reichsbank. The popular initiative failed to secure more than just the barely requisite 10 per cent of the electorate's votes (3rd Nov.). The victor was Hitler, who had become for the first time a figure of national significance, the vanquished was Hugenberg, who lost a portion of his party, when Treviranus and several of its abler deputies quitted it to form the new Popular Conservative Party (Dec. 1929). More resolutely than ever Hugenberg worked for a collapse of the regime, in which he might emerge as saviour of the Reich.

So the necessary preparations went forward to win a Reichstag majority for the ratification of the Young Plan. Financial difficulties, however, dogged the Government, and after it had been forced to accept stringent terms from the Reichsbank for a credit to cover current expenses, Hilferding resigned and was succeeded by Moldenhauer, a Populist, ex-Stahlhelmer and director of I.G.

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(Dec. 1929). The impact of the world depression made economies necessary, if the German budget was to balance. In order to strengthen Hermann Miiller's hand in enforcing these on the Social Democrats, Heinrich Bruening, the newly elected leader of the Centre deputies in the Reichstag, induced his party to make its support for the Young Plan conditional on financial reforms.¹ The Young Plan was ratified by the Reichstag (13th Mar. 1930). But meanwhile the Wall Street crash (Oct. 1929) had obviated the need to conciliate the American lenders.

President Hindenburg, bitterly attacked by his old friends for accepting the Young Plan, sought to propitiate them by making his acceptance conditional on the enactment of his proposal for R M. 300 millions to be given for the relief of the Eastern provinces (Osthilfe). A commercial treaty ending the tariff war with Poland was signed 17th March 1930, but on the very next day Hindenburg wrote to Chancellor Müller, demanding an immediate vote for the Osthilfe, from funds to be derived from industry and higher customs duties.² Hermann Müller was forced to accept this in a letter which was made public. But if the Reichstag discussed financial reforms, this gave the Left a chance to set off the Osthilfe expenditure against unemployment cuts. So Bruening was constrained to withdraw his insistence on economies in return for Hindenburg's assurance that he would use all his influence, and even Article 48, to effect them later.

But still the need for economies grew, while Miiller's position was weakened by the rumours of his impending resignation, fostered by interested quarters. At a critical party meeting (27th March) he was faced by a crisis similar to that faced by Ramsay Macdonald a year later. For the first time trade union representatives were present with the parliamentary deputies and their resolute objections secured a large majority against cuts in wages or benefits. Hermann Müller summoned an emergency cabinet meeting, to which he declared his intention to request the President to invoke Article 48. Hindenburg was apparently ready to concur and if necessary to dissolve the Reichstag. Groener, how-

¹ Bruening who hailed from the aristocratic Münsterland, belonged to the same conservative wing of the Centre as Mgr. Kaas who was elected party leader in December 1928 against the opposition of the trade unionist and democratic elements. Mgr. Kaas had formerly toyed with Rhenish separatism and so he felt an enduring and fatal need to justify himself before the bar of German unitary nationalism.

² See I. F. D. Morrow: *The Peace Settlement in the German-Polish Borderlands*, p. 413-14.

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ever, opposed this, at the instigation of Schleicher, on the ground that he could not accept responsibility in a government ruling by Emergency Decrees, unless the Social Democratic leadership were terminated. Muller could do nought but resign. In this way all the forces of anti-European German Nationalism contrived to bring about the fall of the last German parliamentary government.¹

The Miiller government was immediately followed by a Presidential cabinet, headed by Bruening. Sustained in the Reichstag by the Centre, Populists, Democrats, Bavarian Populists, dissident Nationalists of Treviranus and minor bourgeois groups, it hovered between Right and Left and derived its primary support from the Reichs President. Bruening's principal merit in Hindenburg's eyes was his war service as a machine gun company commander, and his cabinet was nicknamed that of the Frontline Soldiers. One of its first measures was to increase heavily the duties on agricultural imports, which inevitably killed the trade treaty with Poland. In July this was followed by a presidential decree for the relief of the Eastern provinces, which worked to the especial benefit of the great landowners. Three of the new ministers had voted against the Young Plan, and one of them, Treviranus, made particularly violent anti-Polish speeches. While Hitler and Hugenberg attacked the Government for insufficient Nationalism, its deflationary policy antagonised the Social Democrats and the Communists. Bruening had recourse to Article 48 and when, on the proposal of the Social Democrats, the Reichstag refused to endorse this (July 1930), it was dissolved.

¹ See J. W. Wheeler-Bennett: *Hindenburg, the Wooden Titan*, p. 341-46 and Bernhard Menne: *The Case of Dr. Bruening*.

X

THE ADVANCE TO NATIONAL SOCIALISM: THE TRIUMPH OF NUMBERS (1930-33)

The Reichstag elections of September 1930 were held under the shadow of two events of extra-German significance and origin: the world depression and the evacuation of the Rhineland. While the Reich had regained its political sovereignty, economic cataclysm threatened the economy of Germany, as of her neighbours. All the leading political parties went to the polls with the same principal plank: Treaty revision.

The most significant feature of the election was the emergence of the National Socialists, with 107 seats, as the second largest party. They had eclipsed Hugenberg's German Nationals as the standard bearers of extreme Nationalism and reduced the diatribes of Treviranus to insignificance. Henceforth the conflict was between National Socialism and the moribund 'System' of the Republic. The tide ran in favour of Hitler.

A third of the nation's votes went to the Nazis and the Communists, the parties of despair, which called for an end to parliamentary republicanism and the regimentation of the nation in a totalitarian state. There was a widespread feeling that things could not go on as they were: 'So wie bisher, geht es nicht weiter'. The German nation was ripe for something new and welcomed it blindly in advance. The obstinate opposition of Hugenberg, by precluding any moderate conservative government, had opened the floodgates of radicalism."

The victims of the 1930 elections and of the rising tide of Nazism were the Liberal bourgeois parties. They had formed a loose combination for electoral purposes, the 'Hindenburg bloc', in an endeavour to rally the voters behind the Bruening government and to dispense with Social Democratic tolerance. The Popular Conservatives and the newly founded State Party, in whom Bruening had placed his hopes for a conservative bloc, failed to attract the voters. So for the remaining eighteen months of its rule, the Bruening cabinet, originally formed against the Social Democrats, had to depend on their support or toleration. This was accorded,

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because they in their turn feared that the alternative to Bruening's deflation would be the dictatorship of Hitler.

The bourgeois parties were less highly organised than the newer 'mass-parties' of Marxist or Hitlerian inspiration. With the passage of years the vitality had ebbed from them and they had become primarily electoral campaigning machines. Appealing to reason, they had to work hard for every vote, and as they were unable to attract the masses by emotional methods, their electoral expenses were proportionally highest. In the Reichstag elections of 1928 it was calculated that each vote cost the Social Democrats 27 pfennigs, the Centre 33 pfennigs, the German Nationals R.M. 1.15 and the Populists and Democrats R.M. 1.40. In the case of the Centre, the organisation of the Catholic Church served to rally the voters and so reduce expenses.¹ Election expenditure was not limited, as in Great Britain, and so there was greater political scope for wealth in the German Republic than in any other democracy. These proportionately high expenses of the bourgeois parties were principally defrayed by industrial and banking organisations, which naturally claimed their mead of influence over policy and the allotment of candidatures. In the early days of the Republic some of the great industrialists, such as Hugo Stinnes or C. F. von Siemens, themselves secured election to the Reichstag. But, in view of the lack of flexibility and rigid marshalling of forces there, they soon came to look on this as a waste of time and sent first managerial representatives, as their deputies, and finally mere straw men to look after their interests. So the prestige of the Reichstag declined with the stature of its members. Membership made heavy claims on time, and since it might well prejudice or ruin a professional career, while electoral hazards denied any security, there was a tendency to choose as candidates active or pensioned officials, and pensioned officers. In this way, once more official influence was enhanced. The control or representation of economic power became a prerequisite for the exertion of political power through parliament.

Otto Braun explains the losses of the bourgeois parties in September 1930 on the ground that Liberal ideology had paled as the intellectual life of the middle classes was increasingly focussed on making money. This factor had in its time influenced the bourgeois evolution from 1848 to 1870. As this struggle for material existence became increasingly difficult, so middle class youth lost faith in the free development of personality and came to trust in

¹ See R. Lewinsohn: *Das Geld in der Politik*, p. 72.

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the material advantages promised by radical desperadoes.¹ This of course links up with the general intensification of the struggle for existence as a result of the rising standards of luxury of modern life. A French correspondent visiting Germany after the elections, was surprised to find that bourgeois society was not dispirited by the results. Democratic and even Populist politicians and journalists were depressed—but not the world of business.²

While the class interests of the proletariat were voiced and represented by the Social Democrats and the Communists, the ruined middle classes could find little satisfaction with the bankers of the Democratic Party, the Populist industrialists or the German National agrarians in whom they had put their trust during the comparative prosperity of 1924—29. All of these had been the beneficiaries of the Inflation. The same vast and important middle class which supported National Liberalism in the nineteenth century, turned to National Socialism in the twentieth. National Liberalism was the creed of the German bourgeois in the optimistic heyday of their prosperity as, flushed with the victories over Denmark, Austria and France, they swore never to go to Canossa.³ National Socialism was the creed of their embittered disillusionment after war, defeat and inflation had robbed them of their wealth, while they swore never to accept Versailles. It is even symptomatic that Duke Ernest of Coburg, a scion of those Ernestine Wettins who had been Luther's first patrons, was the leading princely patron of the National Liberals and a valuable ally for Prussia in 1866. His grand-nephew and successor, Duke Charles Edward, was the first of the former ruling princes to embrace National Socialism and, thanks to the air of international respectability he could confer by his name, even rose to high rank in the SS. Protestant Schleswig-Holstein, Franconia and the Palatinate which had been citadels of National Liberalism in the nineteenth century were among the first strongholds of National Socialism in its rise to power.

In National Liberalism private profit had blended admirably with the demands of Germanism. Now that private fortunes had been wiped out, there was no longer need for the individual liberty propounded by Liberalism. It was the Nationalist element in

¹ *Von Weimar zu Hitler*, p. 307.

² Maurice Pernot: *Revue des Deux Mondes*, Nov. 1930.

³ At Canossa in 1077 Emperor Henry IV was forced to seek forgiveness of Pope Gregory VII. The memory of this Germanic humiliation before the Latins rankled bitterly and only faded under the stress of the more recent humiliation of Versailles.

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National Socialism which easily magnetised the middle classes, because it responded to the patriotic idealism handed down from their fathers. They, the crusaders and now the martyrs of the German 'Kultur' of Luther, Kant and Hegel, would be revenged on that Latinised Europe which they regarded as the author of their individual and national misfortunes. Everything should be sacrificed that an instrument of unprecedented force and unity might be forged to avenge the wrongs, public and private, of the German nation, on Europe and on Rome.

National Socialism grew as an oppositional force, making full use of those demagogic means which the Republican Constitution enthroned as the supreme arbiter. It could claim to be both counter-revolutionary in its opposition to the organisations of the working class and revolutionary in its hostility to anonymous plutocracy. Both these points appealed to a middle class which was attached to the 'Bildung' differentiating it from the working class, and which no longer felt such a keen interest or such a secure anchor in the sanctity of property. So in a nihilistic 'Goetter-daemmerung' the ruined middle classes would destroy the power of the working class which aspired on Marxian lines to replace them, and of the plutocracy which had arisen out of them, profiting from their expropriation.

All this is borne out by a study of the Reichstag election results from 1919 to 1933, which reflected pure proportional representation. The first factor to be noticed is the stability of what might be termed the Parties of the First Reich: the Catholic Centre and the more particularist Bavarian People's Party and Hanoverians. These partisans of federalism retained the same approximate total of seats and also their hold on the same regions.

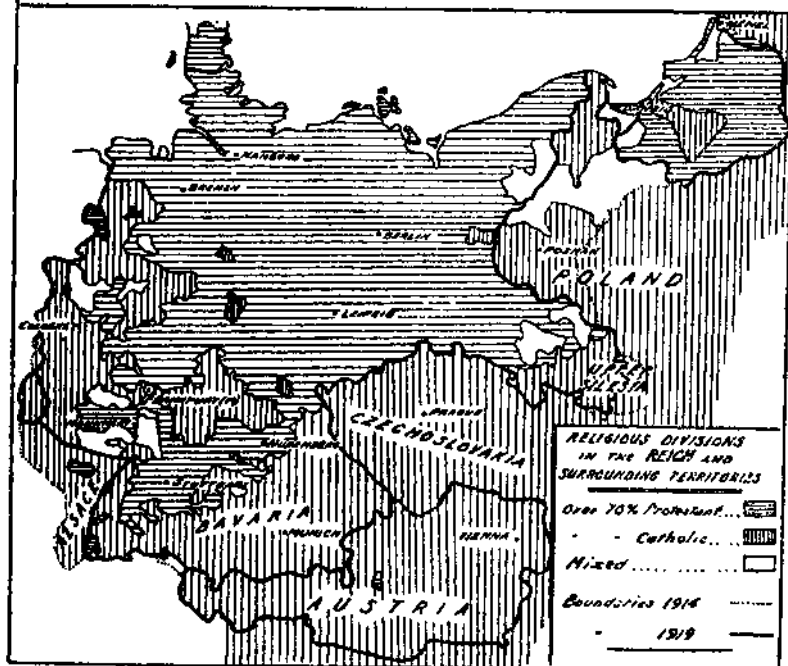
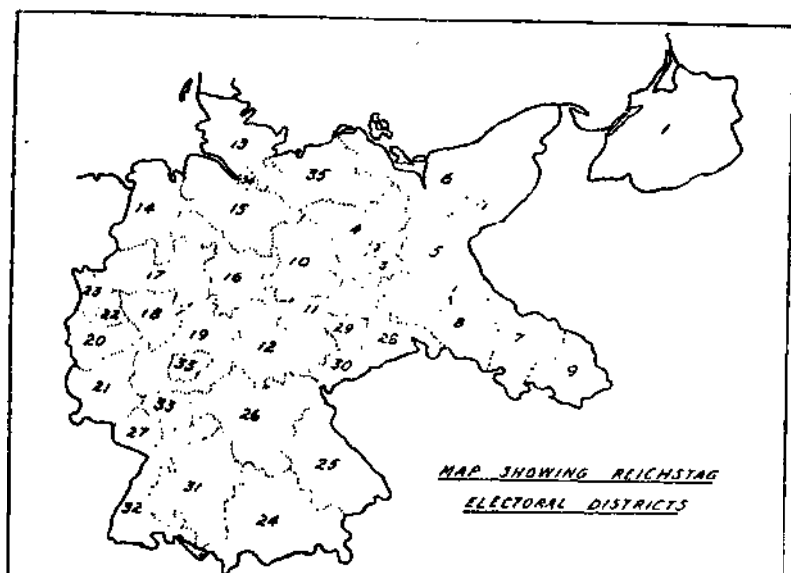
The second factor is the comparative stability—except in the 1924 elections—in the joint totals of the two working class parties: the Social Democrats and the Communists. Their voting strength remained between 200 and 220, though its division between them varied considerably. It was mainly conditioned by the prosperity or depression of the country, the former favouring the Social Democrats, the latter the Communists. But while in 1920 with 194 seats out of 459, they formed 42½ per cent of the house, in 1933 their 201 seats were only 30 per cent. out of 657. They had not apparently won their due proportion of the new generation. Social Democracy had become a mass party by its rational appeal on behalf of progress, freedom and Socialism, echoing the vulgarisation of Positivism. Now that Positivism was

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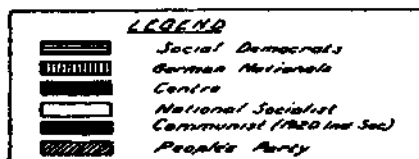
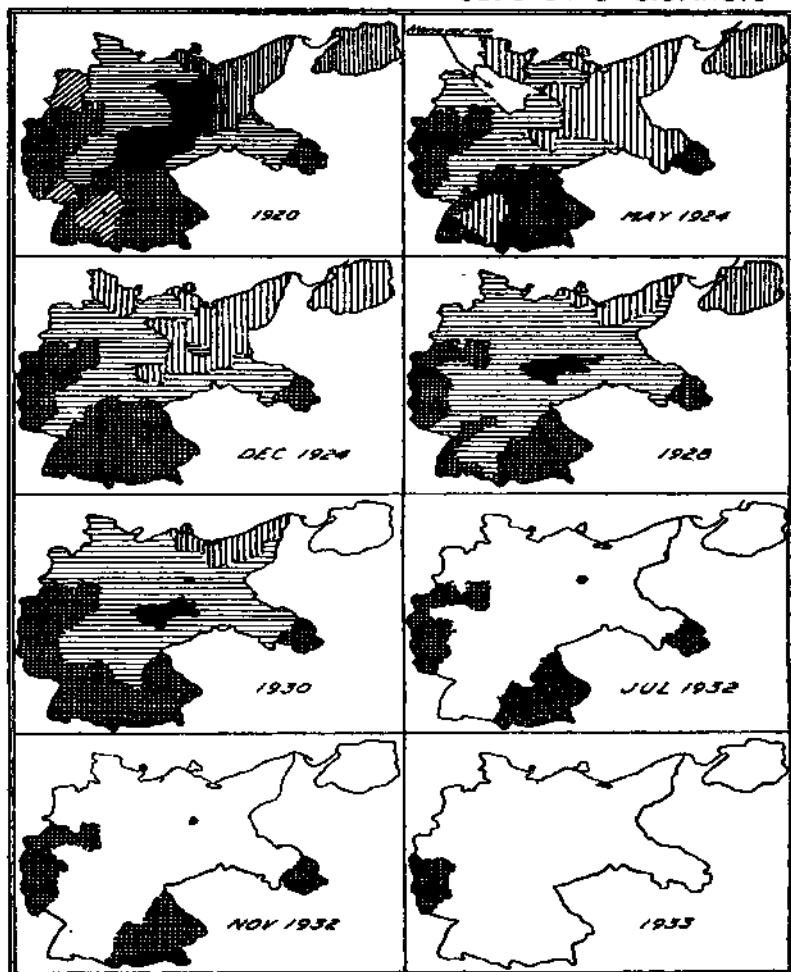
REICHSTAG ELECTIONS 1919-1933									
	Jan. 1919	June 1920	May 1924	Dec. 1924	May 1928	Sept. 1930	July 1932	Nov. 1932	Mar. 1933
<i>Parties of the Left</i>									
Communists	—	2	62	45	54	77	89	100	81
Independent Socialists	22	81	—	—	—	—	—	—	—
Social Democrats	163	113	100	131	152	143	133	121	120
	185	196	162	176	206	220	222	221	201
<i>Parties of the First Reich</i>									
Centre	71	68	65	69	61	68	75	70	73
Bavarian People's	18	19	16	19	17	19	22	20	19
Hanoverian Party	3	4	5	4	3	3	—	1	—
	92	91	86	92	81	90	97	91	92
<i>Parties of the Second Reich</i>									
Nationalists	42	65	106	103	79	41	40	51	53
People's Party	22	62	44	51	45	30	7	11	2
Democrats (State Party)	74	44	28	32	25	14	4	2	5
Economic Party	—	—	9	17	23	23	2	1	—
Independents	4	4	5	—	—	51	7	10	6
'Burgerblock'	142	175	192	203	172	159	60	75	66
<i>Party of the Third Reich</i>									
National Socialists	—	—	32	14	13	107	230	196	288
Totals	419	462	472	485	472	576	609	583	647
Increase over 1920	—	—	10	23	10	114	147	121	185

no longer in the van of Progress, Social Democracy had lost its appeal to youth, which craved amid the crude realism of everyday life for emotional enthusiasm. By 1930 the party had more inscribed members over 60 than under 25. Since the day when they opposed Hermann Muller's readiness to make sacrifices, the Trade Unions had acquired increasing control over the Social Democratic party. Their narrow economic policy had made it an organisation for the maintenance of existing working-class interests rather than for their revolutionary extension. This lacked any imaginative appeal and alienated enthusiasm. While in 1920 government against both the Centre and the Left was impossible, by 1933 they formed only a minority.

There remained the bourgeois German Nationals, Populists, Democrats and Independents, heirs to the Conservatives, Liberals and Progressives of the Second Reich. A perusal of the election figures shows how their voters gradually turned to National Socialism, which was unrepresented in 1920. The German Nationals of Hugenberg, who had thought in 1929 to exploit Hitler, ended by becoming his lackeys. The Populists and Democrats, who together held nearly a quarter of the seats in the National Assembly and the first Reichstag, lost steadily, until by 1933 they were only able to win seven seats. After Stresemann's



PLURALITIES IN REICHSTAG ELECTORAL DISTRICTS



With acknowledgements to J. von Leers and K. Frenzel: Atlas zur deutschen Geschichte der Jahre 1914 bis 1933.

death the People's Party moved closer to the 'National Opposition', demanded increased presidential power at the expense of the Reichstag and remained Liberal only in church and school questions. The variety of independent freak parties which originated in the economic depression and secured representation in 1930 were submerged two years later in the Brown flood.

The genesis of the Nazi and German National majority of 341 seats out of 647 in 1933, may therefore be traced back to the 175 seats won by the 'Bourgeois' parties in 1920, plus the 188 representing the increase in membership from 459 to 647. From this total of 363 the thirteen Populist, Democrat and Independent seats may be deducted. The National Socialist party therefore achieved its electoral support, firstly as the residuary legatee of German Liberalism, secondly by winning the support of the new generations of voters, and finally as the principal beneficiary of the increase from 77 per cent to 82½ per cent in the proportion of the electorate which voted. Since the numbers of Centrist and Marxist votes remained fairly constant, and since these parties represented fairly constant sectional interests, this would not seem an unjust deduction. The principal modification which may seem necessary is that the Communists also attracted a certain proportion of the younger generation, especially among the working class, to offset desertions among the older generation. In fact among some of the wilder elements there was a constant ebb and flow between the militant formations of the Nazi and Communist parties. The fact that the 1933 election was conducted under conditions favouring the Nazis—terrorisation of opponents, monopoly of broadcasting, the Reichstag fire—had little effect on the polls of the other parties, compared with the two previous elections, except for the Communists, who lost nineteen seats.

German National Socialism is a proletarianised version of National Liberalism, not only because an economic cyclone had bereft the middle classes of everything which might serve to differentiate them from the workers, but equally because in their rise to political consciousness the working class had been permeated by the doctrines of "Germanism. The effect of this was already visible in the Social Democratic Party, which Engels had claimed long ago to be the heir of German philosophy. This became clear in 1914 when the organised labour movement in Germany, so far from standing by international or pacifist ideals, like its French and British counterparts, became a pillar of the military organisation. The trade union officials aspired in 1914 to the

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halo of recognition which had been vouchsafed to the Prussian schoolmasters after 1866.

Doctrinaire Marxist propaganda set out to destroy the virtues of tradition and moral and religious sanctions among the workers. In its political campaigns the German Communist Party set out to propagate disorder before organising its own version of order. By its propaganda to the masses, in a land where materialism was openly dominant, it accustomed them to view human life as a process of exploitation of men by their fellows. The Communist Party branded equally as Fascists, Hitler and Bruening, the Social Democrats and the Trotskyists. It did not hesitate to collaborate with the Nazis on occasion, as in supporting their popular initiative against the Braun government in Prussia, or the Berlin transport strike against Schleicher.

But especially, the German Communist Party testified to the gospel of German Nationalism by the violence of its attacks on Versailles and Reparations. The Party originated in December 1918 as a combination of the Spartacus League with extreme elements from the Independent Social Democratic Party. After the murder of Liebknecht and Rosa Luxemburg in January 1919, the entire organisation of the Communist Party passed rapidly under the control of the Moscow Comintern of Zinoviev and Radek. This body insisted on the need for a world revolution and a joint struggle by the colonial peoples for emancipation from imperialism, as the means to that end. Versailles, argued Zinoviev, had made the Germans colonial tributaries of the capitalist West, and so a revolutionary Germany must direct its energies primarily against Britain and France, the champions and beneficiaries of Versailles and Geneva. The primary enemy of the German proletariat was not the German bourgeois capitalist or militarist, but the governments of London and Paris. This was in line with the entente between Soviet Russia and the rulers of the German Reich, established by Rathenau at Rapallo in 1922 and confirmed by Stresemann at Berlin in 1926.

In accordance with this policy, the Communist Party from the first denounced Versailles, the occupation of the Ruhr and the policy of Fulfilment. Just as the Red Army was conniving with the Reichswehr in the secret rearmament of Germany during these years, so the Communist militants collaborated with the radical nationalist Free Corps in the Ruhr and acclaimed Schlageter for his acts of sabotage against the French Army. The leaders of the Communist Party realised the strength of nationalism among the

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German proletariat and they made no attempt to swim against the stream. They played up to it, hoping by this policy to attract the millions and exploit them and their fervent devotion in the cause of the world revolution. To the last the Communist Party beat the drum of nationalism and whipped up the masses against Versailles. They could hardly hope to outbid the Nazis, but they served as valuable pacemakers and helped to prepare the workers for the anti-Western foreign policy of Hitler.¹

The German workers had been imbued by Marxist propaganda with the idea that they lived in a world where workers were exploited by capitalists. In such a world of exploitation it was more desirable to be an exploiter, rather than one of the exploited. Hitler offered the German workers the position of exploiters of foreign labour. The mass of small German capitalists lost their capital in the inflation, so there could be no question of a multitude of individual German capitalists exploiting the foreign workers—that position was filled by the German State capitalist. The few remaining large capitalists in Germany were allowed a few pickings and leavings, but only on sufferance from the all-powerful Nazi State capitalist.

In the first years after the war there was a tendency for Communism and radical Nationalism to merge in a 'National Bolshevism' founded on the idea of an alliance with Russia to tear up Versailles. From the first, the 'Prussian' school of militarists, led by Gen. Reinhardt, the Prussian War Minister, had favoured the rejection of the treaty terms, risking the loss of Western Germany in order to resist successfully in the East, and in concert with Soviet Russia to overwhelm the Poles. Groener persuaded the General Staff to reject this thesis on the grounds that it would sacrifice the unity of the Reich. Grand Admiral von Tirpitz, the apostle of unrestricted submarine warfare and 'sinking without trace'⁵ ('spurlose Versenkung'), toyed with the idea of National Bolshevism as the instrument of German revenge on the West. On the Communist side Laufenberg and Wolfheim in Hamburg were the principal protagonists of this idea, as the means to harness German Nationalism to the World Revolution.

If the middle classes were attracted by a movement whose leaders sprang from their own ranks, there were attractions for the workers too in the egalitarian ranks of the Nazi 'Volksgemeinschaft'. Marxist theories of class exploitation were carefully diverted to the international sphere, where all Germans could be

¹ See Spartakus: *German Communists*.

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depicted as the victims of oppressive exploitation. So there was a direct link with the colonial theory of the apostles of World Revolution. This could be invoked to excuse Hitler's alliance with Russia in 1939 or his attack on her in 1941, as the betrayer of the Revolution.

In September 1930 the tide was flowing fast in favour of the 'National Revolution', but the moment was not yet entirely ripe. The Reichswehr still maintained its confidence in the presidential government of Brüning, which was already harking back in spirit to 1871. It ruled under Article 48 by presidential Emergency Decrees (Notverordnungen) which spread the burden of deflation and restricted freedom of speech, press and assembly in the interests of public order. It had no mass basis and depended on the Reichstag to the extent that it sought to avoid votes of No Confidence. It obtained the tolerance of a majority because all parties except the Nazis, the Communists and Hugenberg feared the advent of Hitler.

The Army was the instrument and repository of German strength and the election of Hindenburg as Reichspräsident had opened the way for the legitimate conquest of power from within. But the Reichswehr was an élite force, not a 'Volksheer' (popular militia), and if the German nation was to be guided along the path of national greatness envisaged by the military leaders, then authoritarian government was necessary. The Army's moral unity, built up since 1919, must not be endangered by the fissiparous party politics which universal service would introduce, nor would it accept the supremacy of civilian politicians, however 'National' their views. It was willing to accept the idea of the 'Volksstaat', on condition that the 'Volk' was itself willing to build this state on a basis of military discipline. In its splendid isolation the Reichswehr could be the arbiter of current events, but it could hardly strike a fresh course. The Reichswehr must be identified with the State and even more so with the Nation. It could not rule against the masses, yet it feared them and, despite the advances of General von Schleicher, the head of the political section of the Reichswehr Ministry, it failed to win them. Presidential government had sufficed to restore the foundations of military power, but it was insufficient to supply the popular enthusiasm needed behind a victorious military machine. This popular support the National Socialist Party seemed best able to give. So the Reichswehr gradually became reconciled to the Nazis.

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After the Munich putsch of 1923 Hitler had realised that the Germans must not be subdued materially by Force, but inflamed spiritually by an Idea. It was in his comfortable confinement in the fortress of Landsberg that he wrote *Mein Kamps*, which was to be the Bible of the movement. On his release he found the Party disintegrating and set about constructing it afresh. The Strassers propagandised North Germany on his behalf, emphasising the Socialist character of the movement. It lost its rather local Bavarian colour, and although Munich remained the nominal centre of the movement, it came to derive the bulk of its support increasingly from that North Germany which had begotten Luther, Kant and Bismarck. Hitler never won a plurality in the solidly Catholic Rhineland and the same was true down to 1932 in the Catholic regions of Bavaria and Upper Silesia. Hitler realised that power must be achieved without violating legality, and that so he might inherit the strong state structure which was arising under the Republic. He must not shake it by violence, as the means to seize control, but rather pluck the ripening fruit.

The economic difficulties of 1931 shook, but did not overthrow, Bruening. The withdrawal of foreign credits exposed the financial weakness of the Reich under the gold standard dispensation of the '20's. The reign of economic reason seemed to be making itself felt distastefully to the Germans. The French government was imposing political conditions, such as the abandonment of the pocket battleship programme and the renunciation of the customs union with Austria, as the price of credits. Wall Street was paralysed by the crash of 1929 and the Bank of England quaking for the security of its note issue. The republican facade for the policy of the dollar was no longer a paramount need.

In October 1931 the enemies of Bruening and the Republic gathered to demonstrate at Harzburg, the small town which had fifty years before erected a monument to 'expiate' Canossa. A common front was formed between the National Socialists, the German Nationals and the Stahlhelm, with the support of heavy industry and the blessing of Dr. Schacht. The plutocrats and industrialists who had profited from the war, the inflation and even the deflation turned against the Republic they had despised and exploited. Anxious to avert the danger of social revolution and to conserve their own power, they sought guarantees of security by financing the Nazis. The forces of Nationalism had rallied for the great assault.

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There was an influential economic reason too, which finally turned the heavy industrialists against the Republic. By a complicated system of holding companies majority control over the Vereinigte Stahlwerke, second only in the size of its capital to I. G. Farben, was exercised through the Gelsenkirchener Bergwerksgesellschaft A. G. by the Charlottenhütte A. G. controlled by Friedrich Flick. (See table p. 197.) During the Inflation Flick had secured considerable holdings in the coal and iron industry of both German and Polish Upper Silesia. Felix Pinner remarked that seldom had the rights of minority shareholders and minority members of the board been so ruthlessly overridden as by Flick. (*Deutsche Wirtschaftsführer* p. 103-04.) He maintained himself in alliance with Stinnes against pressure by allied Czech (Weinmann and Skoda), Austrian (Bosel) and Polish (Korfanty) interests which enjoyed French support. The monetary expansion of inflation and heavy borrowing after stabilisation had enabled Flick to build up his concern and now the deflationary contraction of depression brought him into difficulties. With an equity capital of RM 20 million and reserves of a similar amount, the Charlottenhütte was burdened with over RM 80 million of loans and debentures. If Flick had to sell up some of his Silesian holdings, there was a strong danger that they would be acquired by Polish interests with French financial backing, since Schneiders of Le Creusot were already deeply involved in Poland. This would have been a severe setback to the German penetration of Eastern Europe, especially since Stinnes had only been able to develop the Austrian Alpine Montan iron resources with coal from Flick's Silesian mines. There was some danger that the collapse of the Charlottenhütte might shake the entire Gelsenkirchen-Vereinigte Stahlwerke complex according to the extent to which their resources might have been used to bolster up the Charlottenhütte. In that event there was a danger that the Alpine Montan would pass out of German hands and thus upset the entire balance of economic forces in Austria to the detriment of the Reich. At the end of 1931 the Bruening government received confidential information from Paris that the Credit Lyonnais was negotiating on behalf of Schneiders in order to purchase from Flick his Gelsenkirchen holdings which controlled the Vereinigte Stahlwerke. Whether there was any truth behind this rumour is doubtful, it was certainly denied in Paris.

The Darmstädter und Nationalbank and the Dresdner Bank had been among Flick's principal financiers, and so when the

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government had to come to the aid of the banks in the summer of 1931 it had already become involved in the difficulties of the Charlottenhutte. This and the possible danger of foreign interests acquiring control over the Vereinigte Stahlwerke 'produced a virtual moral compulsion on the public funds to intervene' remarks the highly factual yearbook '*die deutsche Eisen- und Stahlindustrie 1933*'. (p. 18.) So the Bruening government, inspired by the moral compulsion of German nationalism, saved Flick from his financial difficulties by purchasing his Gelsenkirchen shares at more than double their stock exchange value and thus secured control over the Vereinigte Stahlwerke. (4th Mar. 1932.) At the time the price paid was exploited for anti-capitalist demagogic purposes by the Nazis. The reality of the threat to the solvency of the entire complex is shown by the fact that a part of the receipts by the Charlottenhutte from its sale of Gelsenkirchen shares had to be used to repay debts to the latter company.

This controlling position over the largest unit of heavy industry achieved by the Reich government, enormously increased the danger to the industrialists in the event of an anti-capitalist government of the Left securing power by parliamentary means. Especially menaced was Fritz Thyssen, whose group was closely linked by sharepooling agreements with the Flick group. Next to Krupps Thyssen was almost the last of the old type of proprietary industrialists in face of the new managerial type such as Albert Vöglér 'the General Direktor on the pattern of the Prussian corporal'. A continuation of Liberal capitalism threatened Thyssen with bankruptcy and a capital reorganisation in which he would emerge with a 10 per cent holding in face of a powerful State or banking group. Thyssen had no desire to suffer a fate similar to the eclipse of the Stinnes family and so he sought salvation by financing the Nazis. His father had been a staunch supporter of the Catholic Centre in the 'Kulturkampf', but Fritz Thyssen, the close friend of Hugenberg, had joined the German Nationals already in the early days of the Republic. The Bruening government seemed insufficiently proof against the menace of a return to parliamentarism and so the forces of Nationalism rallied for the great assault. Heavy industry opened its coffers to Hitler to provide the finance for demagogy.

In April 1932 President Hindenburg's term of office ended. He stood again, but this time with the support of the Republican parties which had previously opposed him, while the 'Harzburg Front' sustained the candidature of Hitler, and the Communists

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that of Thaelmann. Hindenburg was re-elected with a comfortable majority. It was a renewed tribute to his personal prestige and a reminder to the demagogic Hitler that he could not ignore entirely the established order and the Imperial Field-Marshal. Bruening and Groener, who was now both Minister for the Reichswehr and for the Interior, dissolved the Nazi party army. But this move forfeited them the confidence of the Reichswehr leaders, although it was endorsed by the Reichstag. Groener gave place to Schleicher, and Bruening was dismissed shortly after, as an agrarian Bolshevik, because he wished to settle peasants on bankrupt estates in East Elbia (30th May 1932). Bruening like Mueller had fallen a victim to the forces of anti-European German Nationalism, copiously decked out with moral philosophy.

Hindenburg gave the Chancellorship to Franz von Papen, a Catholic aristocrat allied to industrial interests, against whom there was still a warrant of arrest extant in the United States for wartime sabotage activities. Papen and his cabinet of Barons carried on a heightened presidential dictatorship and proceeded to dismiss and arrest the 'Weimar Coalition' government of Otto Braun in Prussia (20th July 1932), thus exposing the impotence of the states. The Reichstag was dissolved and in the elections the Nazis won 230 seats out of 609, the Communists won 89 and the Liberals almost vanished. While unemployment rose and the atmosphere was heavy with crisis, no parliamentary government was any longer possible against the two parties of violence and despair. The policy of concessions initiated by the dissolution of the Reichstag and the lifting of the ban on the SA and SS only served to embolden the Nazi terrorists. Papen was forced to take counter-measures and imposed the death penalty for political murder. Within 24 hours a Polish Communist was murdered in bestial circumstances at Potempa. When the Nazi murderers were sentenced to death, Hitler declared his solidarity with them (August 1932). Once more Papen gave way by commuting the sentences to penal servitude. All attempts to win Nazi support for the Papen government failed, and when it met the Reichstag, it secured less than 10 per cent of the votes recorded. The Reichstag was again dissolved (12th September).

In the new elections the Nazis lost 34 seats and the Social Democrats 12, while the Communists and German Nationals each gained 11. Hitler had suffered a serious setback, but Papen's theory of presidential government by an élite without mass support was leading nowhere. Schleicher, jealous of Papen and his

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aristocrats and frightened at the drift from Nazism to Communism, now turned his intrigues against Papen, but thereby forfeited the confidence of the President whom 'Fränzchen' had charmed. Schleicher had to assume the Chancellorship himself, though Hindenburg refused him a decree of dissolution (2nd December). His only course lay in building up mass support around a definite programme which he set out on the radio. This support Schleicher sought by bringing together the Reichswehr with the Christian and free Trade Unions and by seducing Gregor Strasser and the moderate wing of the Nazis away from Hitler. But the Social Democrats refused to compromise with a general and Schleicher only forfeited the support of the Junkers by his proposal to acquire 800,000 acres in East Elbia for resettlement and his threat to expose the Osthilfe scandals. While the Social Democrats ceased to be long-suffering at the wrong moment, distress served to reconcile Papen with Hitler at the residence of Baron von Schröder in Cologne. In passing it is worthy of note that the banking firm of J. H. Stein, in which the baron was a partner, had been considerably involved in the finances of the Flick-Charlottenhutte group and had been enabled by the Reich's purchase of the Gelsenkirchener Bergwerke shares to get out of a difficult position. Meanwhile Hitler revived the flagging fortunes of his party in the elections to the Diet of Lippe. By speaking in every village of the tiny state, he increased the Nazi poll from 40 to 45 per cent of the total (15th January). As Schleicher's combinations failed Hindenburg called on Hitler (30th Jan. 1933).

The 'National Revolution' had begun, the presidential power had given its patronage to the greatest of the parliamentary parties. Henceforth, said Goering, all Germany would march in the Prussian step.

ECONOMICS

THE SINEWS OF STRENGTH

THE GENIUS OF SCHACHT

XI

THE KEY-ROLE AND ORGANISATION OF INDUSTRY

By its overthrow of the monarchic and feudal powers, the November Revolution finally terminated the foundation of political power on land or heredity alone, and the reign of Money, naked and unashamed, began. Because it sought to instal the purest political democracy, the Republican constitution relied on the fiction that the German nation would repose its confidence in deputies, who would form their decisions honestly and independently. It was an over-optimistic view of human nature and completely ignored economic influences in political life. In the event, the high cost of nation-wide political campaigning and the system of proportional representation opened the way to a domination of finance over politics, greater in Germany than in any other democracy. Parties became conduits rather than generators of policy, and the bourgeois liberal parties especially, came into dependence on the financial subsidies of economic organisations.

These organisations were principally industrial, because in Germany capitalism was industrial rather than commercial in its origins. The poverty of her soil and the wealth of her subsoil, combined with the discipline and industriousness of her people had impelled Germany to industrialism. From the first there was a close connection moreover between her industries and her universities, the arsenals of her power and the generators of her intention. The aniline dye industry was born of the co-operation between Fichte's University of Berlin and the chemical manufacturers. The optical glass industry arose from the collaboration of the Zeiss works with the University of Jena, the home of the

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'Burschenschaft'. The ideal of the German Reich was a product of the universities and their philosophy, and the professors who had conceived and propagated that idealism, spared no pains in applying their technical science in its service. Their learning was the divine unction conferring on them the priesthood of Germanism.

It was no accident that German political power should coincide with a mechanical age which made coal and iron the foundations of an economic life guided by applied science. Her coal and her iron enabled Germany to penetrate the markets of the world, securing in return the produce of all other nations. So she could sustain a population which was increasing annually beyond the feeding capacity of her agriculture. After the foundation of the Empire, with the wave of political satisfaction it engendered, the birthrate and industrial inventions progressed alike, with a mutually stimulating effect. As the population rose from 41 to 68 millions between 1871 and 1914, the annual production of bituminous coal rose from 25 to 191 and of lignite from 8.5 to 87.5 million tons, so that there seemed no limit to possibilities. Professor Henri Hauser described German wealth as the product of two forces, the point of intersection of two directing lines; on the one hand, the German will, as history had forged it, on the other, world economic conditions, as they were on the advent of the new Empire. 'The rise of Germany', wrote Paul Rohrbach in 1912, 'has been favoured by the fact that the political and economic unification of Germany has coincided with the greatest technical progress mankind has ever seen; and this technique, founded on a methodical knowledge of nature, corresponded exactly and brilliantly with one of the characteristics of our national temperament: exact and laborious energy.'¹ With an average birthrate of 42.6 per 1,000 between 1871 and 1910, the German could not hope, like the Frenchman, to make his son a rentier, so that emphasis came rather to be laid on the value of hard work and scientific education. The Germans were exalted by a faith in themselves. Not in stability, mistaken for stagnation, but in infinite progress did they see the key to their future.

The military and political collapse of 1918, which deprived her of all extraneous assets, left Germany with but one source of power and wealth: her mineral reserves, with the industrial plant, the technical science and the skilled labour to exploit them. Only her capacity for organised production could win for her people a future in any way analogous to the prosperity they had enjoyed

¹ Quoted Henri Hauser: *Les Methodes allemandes d'expansion economique*, p. 12.

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before 1914. Industrialism became more than ever an unavoidable necessity, the collective form of the struggle for existence, a defence against want and social decomposition.¹ Keyserling saw in Germany's economic capacity her last and greatest material asset and the factor in which she led all Europe. Most valuable of all was her machine tool industry, second only to that of the United States, because its products, growing daily more complicated and more effective, were pre-requisite for any industrial expansion.

Germany was not merely thrown back on her pre-1914 internal economic resources. The Treaty of Versailles disrupted two of her most important industrial areas: Upper Silesia, and above all the Lotharingian integration of the Ruhr, Saar, Aix-la-Chapelle, Luxemburg² and Lorraine mineral basins. Only the Central German area remained intact. Though her losses in coal and iron were proportionately larger, Messrs. Quigley and Clark estimated the reduction in Germany's annual income and productive power by the Treaty at 11 per cent.³ In coal the loss in productive capacity was 25 per cent, in iron ore 74 per cent, in pig iron 41 per cent, in steel ingots 51 per cent, in rolling-mill products 39 per cent. If Luxemburg be left out of account, the losses were: pig iron 31 per cent, steel 25 per cent, rolled steel 30 per cent. The heavy industries were hard hit, but those which worked up their products remained intact.

Determined to restore their economic strength and independence, the foundation of political power, the Germans perceived that this would only be possible by a new era of intensive industrial development and organisation. This should give them the hegemony of Europe and, healing the economic scars of the continent it would make good the losses deriving from political disaster. Germany compensated for her decreased coal resources by increased production in the Ruhr, by close attention to fuel economy, which alone practically made good the Treaty losses, by vast hydro-electric power schemes and by increased utilisation of lignite or brown coal.⁴ As a result she soon surpassed her 1914 capacity in fuel and power production.

¹ See F. Sieburg: *Dieu est-il français?* p. 28.

² From 1842 until 1919 Luxemburg formed part of the German Customs Union. The Treaty of Versailles put an end to this and Luxemburg subsequently entered into a customs union with Belgium.

³ *Republican Germany*, p. 140-141.

⁴ Lignite could be made into briquettes, be used to generate electricity or be distilled into chemicals. The great advance in the utilisation of lignite during and since the last war has been responsible for a new industrial revolution in Germany, the importance of which does not seem to be properly appreciated in this country,' comments Mr. R. E. Dickinson. (*The Regions of Germany*, p. 48.)

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But to a disciplined and methodical nation like the Germans, the most obvious means to recoup its losses seemed to lie in improved organisation, which should obviate the wastage of production caused by inefficiency or unnecessary competition. Professor Brunet discerned the fundamental idea of the economic clauses of the Republican Constitution (Arts. 151-165) in a recognition that the German economy, both public and private, could only recover from the ravages of War by immediate and radical reforms. The entire nation must be integrated as a single unit, directed by a conscious will towards a definite goal. Its entire forces, solidly organised and scientifically utilised, must be geared to maximum production.¹

Concentration of control was favoured by technical progress in transport and communications. While the telephone, the telegraph and radio facilitated executive control* over distances, the railway, the steamship and the internal combustion engine widened the radius of centralised distribution. In order to exploit its opportunities to the full, industry must concentrate its production from the assembly of the material to the finished article, it must organise distribution and regulate quantity, quality and price. These changes reduce costs and stimulate demand, thus opening the way to larger productive units. The technical innovations necessary for such mass production entailed larger capital outlay and called for regulation of marketing, in order to avoid the losses consequent on idleness. In these tendencies Dr. Hermann Levy discerns the roots of the German trend towards cartels and trusts.² As control became more concentrated, it became less democratic and the policy of limited companies was determined sometimes in defiance of profits, often in defiance of the shareholders and usually without the directors being themselves proprietors. The 'Managerial Revolution' was creating key positions, dominating society, a standing temptation to the ambitious and the ruthless.

But the first necessity for the concentration of control in cartels or trusts lay in what Mr. Arnold Wolfers termed 'subjektive Kartellfähigkeit' (subjective readiness for cartels), i.e., the willingness of entrepreneurs to combine.³ In Germany there was never any real popular opposition to cartels or trusts from an individualistic or liberal standpoint, and Socialists saw in the giant agglomerations of capitalism but the incubator from which should emerge

¹ *The German Constitution*, p. 235.

² *Industrial Germany*, p. 120.

³ Quoted H. Levy: *Industrial Germany*, p. no.

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the fledgling of State ownership. The word 'monopoly', like that of 'tariffs', never acquired any unpopular significance among the German masses. Industry was built up on the same system of rigid obedience and organisation as the Army. Growing up later than in England, it commenced with larger units and more modern and expensive plant. Already in 1882 a cartel had been formed at Dortmund for the production and sale of coke and in 1893 it was followed by the Rheinisch-Westfälisches Kohlen-syndikat. In 1903 these two were amalgamated and in the following year the Deutscher Stahlwerksverband was formed by the iron and steel industry to control the output and prices of simple products.

In this pursuit of efficiency Germany benefited from being the largest single market in Europe—except for Russia, whose numbers were offset by their low standard of living. In Germany as in the United States, this unity favoured mechanisation, standardisation and mass production. But while Germany lacked the abundant natural wealth on which the higher American standard of living was founded, she had a population more habituated to look to the State for protective guidance and to accept its decisions unquestioningly. Furthermore, on her eastern frontiers Germany was favoured by the presence of populous nations, easily accessible and industrially backward. They could supply her with food and raw materials, while she could strengthen her bargaining position by playing on their political divisions and rivalries.

Perhaps the leading theoretician of industrial concentration during the early years of the Republic was Walter Rathenau. In *Probleme der Friedenswirtschaft* ('Problems of a Peace Economy') he developed the thesis that economics were no longer a private but a public affair. He discerned the outstanding characteristic of industrial civilisation to be rationalism: the substitution of exact deduction and practical achievement for intuition and instinct. To plan private enterprise irrespective of fashion or the demand for luxuries, solely with a view to efficient and maximum production and distribution was his ideal. In *Die neue Wirtschaft* ('The New Economy') he propounded the ideal of highly organised maximum production, entailing the minimum of effort and eliminating the expense of intermediaries and publicity. He envisaged a cartel co-ordinating Capital, Labour and State. Industrialists might look with suspicion on the socialistic aspects and Socialists deprecate his advocacy of private enterprise; yet the leading

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threads of scientific organisation to the end of maximum production with minimum expenditure of labour and power, and his insistence on some form of central control, had an immense influence on Germany's economy.¹

Concentration of control was effected through cartels and trusts or 'Konzerne'. The cartel was a horizontal combination of independent firms producing the same commodity, formed in order to regulate prices and production, and to reduce expenses by centralised research, publicity and marketing. The amount of independent action left to members might vary considerably. The trust was a vertical combine intended to carry out the entire processing of raw materials and thus eliminate intermediary expenses. Already before 1870 cartels had arisen among rail, tinplate and potash producers, and they were developed, especially in iron and steel, as a means to derive the maximum profit from the protective tariffs introduced in 1879.

In the United States stringent anti-trust laws were enacted to defend individual rights against combines. Similarly in England, France, Austria, and smaller industrial countries, agreements in restraint of trade were declared void and not legally enforceable. But the German government encouraged cartels, as eliminating wasteful competition and contributing to stabilise prices and employment. So they enjoyed contractual status and any contravention could be legally penalised. Independent financial Liberalism was never a strong force and it soon merged with mercantilist collectivism to pave the way for Hitler. Already in 1883, Professor Kleinwächter, in the first scientific book on cartels, approved them as the pioneer foundation of a state-controlled economy.

The contempt of the Army and the bureaucracy for individualist liberalism and their preference for the centralised organisation of industry seemed vindicated in 1914 by the exigencies of the War. The cartels became the basis of Germany's war economy, under the directing genius of Walter Rathenau as head of the 'Kriegs-Rohstoffabteilung' (Raw Material Department for War). Manufacturers were brought together to co-operate with the government in the 'Kriegsgesellschaften', semi-public bodies which were to serve as models for the Republican and Nazi eras. While the Entente could augment its own war production by tapping the limitless wealth of the New World, paid for with accumulated savings, Germany, isolated by the Blockade, depended

¹ See H. Quigley and R. T. Clark: *Republican Germany*, p. 214-15.

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entirely on her own resources and on those of her allies and the lands she overran. As the war dragged on, the efficient organisation of these limited resources became increasingly imperative and so complete 'War Socialism' emerged. This culminated in the 'Hindenburg programme' of 5th December 1916, which practically militarised labour and production. The brilliant organising ability of Germany's industrial leaders found expression on a continental scale and the same megalomaniac forces which had impelled the industrial rise of Germany after 1870, precluded a return to what seemed the 'medievally small-scale' enterprises of the years before 1914. This was especially the case with the West German iron and coal magnates, who were enabled by war conditions to dictate terms to the finishing industries and to fulfil their ambition of integrating the industrial resources of Belgium and French Lorraine with their own.

Convinced that their armies had not been beaten in the field, the Germans attributed their defeat to the pressure of the British naval blockade, engendering civilian disaffection, and to the mobilisation of the industrial resources of America. The decisive role of the United States had been economic rather than military, and so German eyes turned in admiration to her, as the embodiment of industrial power and commercial technique.¹ The Germans saw in America a realisation of their own philosophy of a headlong flight into the infinities of the future. American civilisation appealed to them in its mass and its technical aspects, the very factors which repelled the Spaniard Maeztu.² They admired its rational organisation, its creation of purchasing power, its economic pedagogy. It was all this which led the Germans to accept, as Lord d'Abernon remarked, the argument of an American more readily than that of a European. When contact was resumed after the peace treaties and the Dawes Plan, America was rediscovered by the Germans as by a new Columbus. A Hohenzollern prince worked in the Ford factory and commercial pilgrims went to gaze adoringly on the economic miracle of pre-1929 America. America had reaped the economic fruits of the victory which had eluded the Germans. Convinced of their intellectual superiority over the Americans, the Germans felt their own

¹ Seeckt attributed Germany's collapse not to defeat in the field, but to the slow pressure of military, technical, economic and political superiority. In a new war the decision would depend on the side on which a new America ranged itself, and to an even greater degree improved technical power would dispose of the human masses. (*Landesverteidigung*, p. 38, 64-5.)

² Author of *Defensa de la Hispanidad*.

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economic capacity to be much greater, unhampered as it was by the anti-trust laws of political individualism.

The impetus towards socialisation set up by the War was accentuated by the Revolution of 1918. The War had brought State organisation and so prepared the ground for the Socialist thesis of State ownership. But the Social Democrats were half-hearted in seeking the legislative implementation of these economic doctrines, through which they had promised the masses to end the exploitation of Labour by Capital. While the Independents sought by direct revolutionary action to realise their ideals, the Majority Social Democrats led by Ebert and Scheidemann, contented themselves with the semi-socialist economic clauses of the Constitution and with the semi-public organisation of the coal industry by the Socialisation law of 23rd March 1919. The industry was organised in eleven district cartels and one gas-coking cartel. These, together with the states which owned mines, and representatives of miners and consumers, were to form the 'Reichskohlenverband', which should supervise the organisation, sale and internal consumption of coal. Finally the 'Reichskohlenrat', representative of states, producers, workers, consumers, coal merchants and technicians, under the supreme control of the Reich Minister of Economic Affairs, was to guide the entire industry and regulate exports in the interest of national economic welfare. Thus the industry which formed the basis of German economic power, with all its political and military implications, was to be organised in a single unit on centrally regulated lines. A month later the potash industry was similarly regulated.

This policy of socialisation was inspired by Wichard von Moellendorff, the permanent under-secretary at the Ministry of Economic Affairs. A typical Prussian bureaucrat, he was the protagonist of national self-sufficiency and later set out his aims and ideas under the apt title '*Konservativer Sozialismus*' (published 1932). Moellendorff had co-operated with Rathenau in his planned war economy. Now he collaborated with the Social Democratic minister Wissell in seeking to achieve socialisation within the framework of possibility, and to this end he secured the enactment of the semi-socialist constitutional provisions in economic matters. Moellendorff wished to found his scheme of socialisation on the many business enterprises connected with the Reich Government and to establish a special state bank for them. By planned taxation of property and by death duties this bank, owned by the Reich, would acquire a vast accumulation of stocks,

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shares and property which it would itself manage. It would operate in close contact with the self-governing economic bodies created by the Constitution and the Socialisation laws to promote full employment and maximum production. A single central organ would regulate production, distribution and financing. The government however unanimously rejected Moellendorff's plans for the building up of a communal economy ('Aufbau der Gemeinwirtschaft') and Wissell resigned (8th July 1919). The rejection of Moellendorff's plans marked the definitive failure of the November Revolution to usher in Socialism. But Dr. W. F. Bruck remarks: 'the historian's interest is attracted by the fact that the Third Reich followed directly in its social and economic system the model given by the Weimar Reich, most noticeably in its ideas of planning; it again depends on the Mercantilist State'.¹

The wave of Socialism, initiated in November 1918, spent itself by the Spring of 1919. Its effects were by no means ephemeral, but more enduring influence towards an eventually similar end was exerted by the subsequent monetary inflation. The complete collapse of the mark annihilated bonds and debenture debt in the interests of equity holders. Just as the mass of the disciplined German middle class had always looked to the State to provide them either with direct employment or with benevolent commercial protection, so they had tended to invest their capital in bonds or mortgages, rather than to risk them on the ocean of equities. So, inevitably, it was a small number of industrialists and capitalists which derived nearly all the profit from the revolutionary transfer of ownership.

There is a certain analogy between the period 1918-1933 in the economic development of Germany and that of 1795-1871 in her political development. The inflation acted economically, like the Secularisation² and Mediatisation³ of 1802-03 politically, to favour the absorption or elimination of the smaller units by the larger. The Depression beginning in 1929, was to serve like the war of 1866, to bring them all into dependence on the largest unit, which was centred at Berlin.

The War had been favourable to the horizontal organisation of

¹ *Social and Economic History of Germany from William II to Hitler. 1888-1938*, p. 162.

² The secularisation of Church lands and property for the benefit of the secular princes, especially Prussia.

³ Mediatisation: the process by which the lesser nobility and free cities, previously 'immediate' vassals of the Emperor, were made subjects of various princes, and so 'mediately' through them of the Emperor.

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cartels embracing all members of an industry, but the Inflation encouraged the rise of vertical trusts or 'Konzerne'. These were formed, on the one hand, by raw material producers to safeguard their sales, and on the other, by finishing groups, anxious to secure independent supplies of raw material. Their promoters saw in such vast concentrations also a means to combat the Socialist organisation of labour. German industry had been but lightly taxed by a government which openly expressed its intention to make the defeated enemy meet the costs of war. Germany only met 6 per cent of her war expenditure by taxation, Great Britain 20 per cent. So industry had been enabled to expand its plant out of profits, rather than by an increase of capital. The Inflation had a further snowball effect on the wealth and profits of the industrialist, since the monetary value of his product was increased by the time lag between production, which fixed its costs, and sale, which fixed its return. This was especially the case for the vertical trusts, since they reduced to a minimum the numbers of financial transactions. Thus profits grew out of all proportion to costs and while prior charges were repaid in depreciated currency, plant was recklessly enlarged or rebuilt, as the best means to turn paper money into real values. As the mark became a diminishing standard of value, so economic power passed to the owners of stable currencies, of real property and of industrial plant. The big speculators had the advantage of greater knowledge and longer credit over the smaller amateurs.

The principal beneficiaries were the exporting industries, whose expenses were calculated in depreciating marks, while their income was in stable currency. They were able to circumvent the laws on foreign exchange by legalistic subterfuges such as creating subsidiaries abroad with which they exchanged shares. The purchase of property and investments outside Germany was thus open to the great enterprises and their chiefs, but not to the small man, who could therefore be economically squeezed out.

Firms whose property in enemy territory had been expropriated, received compensation to be reinvested in works on Reich territory. Moreover the Reichsbank, and the commercial banks in its wake, continued to grant credits on customary conditions to industry, which could be turned immediately into real values and later repaid for next to nothing. The discount rate was held at 5 per cent per annum until July 1922 and only advanced to 30 per cent in August 1923 and to 90 per cent in September 1923—far

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less than the rate of depreciation of the currency.¹ There was a ready market for all products, since the consuming public hastened to turn paper money into goods, and exports boomed, thanks to the competitive benefit of devaluation. All these advantages increased in proportion to the size of the concern, and so the principal beneficiaries of the Inflation were the giants of heavy industry which had lost property in Lorraine, France and Luxemburg. Vast trusts were built up by Friedrich Flick and Otto Wolff, but the greatest of all was that of Stinnes.

Whether regarded as a Messiah or a bogey, Hugo Stinnes was undoubtedly the man of the hour in the Inflationary Germany of 1920-23. His grandfather, Matthias Stinnes, had built up a prosperous shipping business on the Rhine, benefiting from the elimination of politico-economic barriers by Prussia after 1815, and from the development of the Ruhr coal and of steam shipping by the Industrial Revolution. The family and business antecedents of Hugo Stinnes seemed symbolic of the wedding of the Rhenish-Westphalian industrial area to Prussian power. In 1914 this dynamic individual controlled the Deutsch-Luxemburgische Bergwerksgesellschaft, a giant among steel and coal-mining companies, and—despite the public majority shareholding—the Rheinisch-Westfälische Elektrizitäts Gesellschaft, the leading power supplier of the Ruhr. From coal he had followed the lines of development both into heavy industry and into electricity supply. During the War he took a leading part in the exploitation of Belgian heavy industry and utilities. In 1918 he entered the sphere of ocean shipping, allying himself with the Hamburg-America line of Albert Ballin, with the North German Lloyd and other companies. At his death he left a fleet of 250,000 tons. Post-War compensation for losses abroad enabled him further to extend his interests, which he allied with the Gelsenkirchener Bergwerksgesellschaft, the Bochumer Verein and the Siemens-Schuckert electrical engineering groups—rivalled in Germany only by Rathenau's Allgemeine Elektrizitäts Gesellschaft (A.E.G.) and in the United States by General Electric and Westinghouse. The

¹ This was defended by the Reichsbank on the ground that an increase would raise the cost of government advances and so accentuate inflationary tendencies. In the summer of 1922, when for a time the inflationary effect of government borrowing was relatively slight, Havenstein the President of the Reichsbank offered credits to industry to offset the menace of a deflationary crisis with its salutary effect on the unhealthy 'prosperity' of Inflation. Thus private Inflation came to the aid of public Inflation to hasten the speed of depreciation.

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'Siemens-Rheinische-Schuckert-Union' was formed in 1920 under the direction of Albert Vogler, Emil Kirdorf, C. F. von Siemens and the dominant Hugo Stinnes. It was interested not only in coal, iron, steel and electricity production, but in all forms of their processing and of electrical manufacture. It was the greatest trust in Germany, working up the raw materials to the finished products, building and owning the means of transport to market them throughout the world. To provide pit-props for his mines, Stinnes bought forests in East Prussia. These timber interests led him on into cellulose and paper production, and so into the world of journalism, while his shipping interests led him to buying hotels for tourist purposes. There seemed no limit to the extension of his power, since his guiding principle was to work up every raw material himself into the finished product and so dispense with all intermediary profits.

Stinnes' acquisition of newspapers was less economic than political in its intention. Their role as consumers of newsprint was less important than as propagandists for his political views. In all, Stinnes came to control about 150 periodicals, ranging from the semi-official *Deutsche Allgemeine Zeitung* to the satirico-comic *Kladderadatsch*. In virtue of a previous contract the financially unsound *Deutsche Allgemeine Zeitung* enjoyed a Reich subsidy, and the government purchased 5,000 copies daily for distribution in its offices. Consequently, at a time when Stinnes was among the foremost critics of the Fehrenbach and Wirth cabinets, officials were more or less encouraged to read the opposition journal. The Stinnes Press attacked especially the maladministration of the Reichsbahn (Reich railways), demanding their transfer to private control. By this means he aspired to complete his vertical trust. He was able to exert further political influence through the acquisition of the *Deutsche Eisenbahn Reklame G.m.b.H.*, which possessed monopoly rights over railway advertising, and through his close relations with Hugenberg. He owned a widely read parliamentary correspondence service, a leading producing house for illustrated reviews with wide contacts among the German Press abroad, and a series of printing presses throughout Germany.

While the German currency was depreciating, the profits pouring into the coffers of the Stinnes trust were being converted into an increasing variety of enterprises, extending beyond the German borders into Central Europe. The Stinnes Empire is no object of purely museum interest, it foreshadowed certain Nazi economic theories. To Stinnes* coal and iron interests in Western Germany,

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the Siemens-Schuckert group brought a footing in Berlin and in Nuremberg, and these again were linked with the shipping interests in Hamburg and timber interests in East Prussia. Deprived of Lorraine ores, Stinnes bought the Austrian 'Alpine Montangesellschaft', owner of the Styrian Erzberg, the largest iron ore mine in Europe. Thus the penetration of Austria by German capital was to reduce unemployment there, to make her industrially dependent and to prepare the way for the Anschluss. He bought iron, steel and engineering works in Hungary, chemical, aluminium and timber interests in Roumania. Stinnes was binding Germany together economically, and Austria and the Danubian States with her, in the very moment of her greatest political weakness. This was in accordance with his belief in the priority of economics over politics. In its initial manifesto in 1920, the board of the 'Siemens-Rheinlande-Schuckert-Union' affirmed the unitary political significance of its interests and its hostility to separatism.

Stinnes was no mere financial buccaneer. There was a strong Calvinist streak in him and he saw his work wrapt in an aura of morality. Wine, women and song played no part in his simple, ascetic life—tea and coffee were his stimulants. He was no spruce financier like Rathenau. Lord D'Abernon described him as having 'the bedraggled untidy look of a rough-haired terrier just come out of one scrap and in search of another.'¹ His chief aversion in life was time wasted and so he grew a beard to save the time otherwise lost in shaving. By having his beard trimmed on the train journey to Berlin, while telegrams were being read to him, he made a further economy. Stinnes lived in an atmosphere of petit bourgeois simplicity, but for all his pure business character, he had a weakness for Prussian officers and found posts in his organisation for an excessive number of them: Capt. Kessler, who had murdered Rosa Luxemburg, was made manager of one of his hotels. He confounded his private weal with that of the generality and, working ceaselessly for its profit, genuinely thought he was benefiting humanity. There was the same stern Prussian sense of duty possessed by Frederick and the Great Elector, which found formulation in the autocentric Kantian philosophy of Duty. If he worked against the State, it was because he regarded it as inefficient, and wished to replace it with his own 'enlightened despotism.' He thought that by drawing away the strength of the present rotten State for the benefit of his private interests he was maintaining it for the ideal state of the future and so serving the

¹ *Portraits and Appreciations*, p. 166.

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true idea of the Reich. The Republic could safely rot away so long as the powers of economic life retained their vigour. The readiness of the Entente to step in in that event and collect Reparations itself exposed the futility of this view.

The vast extent of the Stinnes concern, computed to control one fifth of German production, provided a closed economic structure eliminating intermediary profits and able to insulate its internal deals against a depreciating currency, while its sales to outsiders provided profits to extend its ramifications. Just as the components of the group were able to supply each other's wants and provide a secure market for each other's goods in an age of financial chaos, so Nazi Germany with its closed economy was later to insulate itself against the stresses of diminishing world trade, fluctuating currencies and the pressure of unemployment. Thanks to its very magnitude, each alike could inflate its production, sure of an internal market and buttressed against external monetary vacillations.

In a highly interesting passage Felix Pinner described Stinnes as a superlative example of the Materialism which had permeated German life and was incarnate in the mass movement of Labour as in Prussian militarism or the new economic imperialism. The supreme ideal after which all these mutually combative manifestations aspired was the numerical record, and they sought to achieve it by organisation, that is by the rational exploitation of the mind. This mania for numbers doubtless served to blind Havenstein and the German financial authorities for so long to the dangers and illusions of Inflation as a means of war financing. Science was to be applied for purely utilitarian ends, and methodical wealth rather than cultural ideals became the aims of this development. Social services were therefore undertaken not from charitable or humanitarian feelings, but from a well-pondered decision that in this way the best organisations could be created and all records broken, while the menace of real Socialism would be banished. After their defeat in the War, which was a defeat for this Materialism, the Germans did not turn away from it, because they were not convinced in their own minds of their defeat and of the reasons for it. Moreover, argued Herr Pinner, the victorious Allies sought to implement their victory by the same material means. So, as the true reason and significance of the German defeat were obscured, Materialism flourished more luxuriantly than ever and its chief representative was Stinnes.¹

¹ *Deutsche Wirtschaftsführer*, p. 31-32.

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This industrial concentration also affected German agriculture, because its dependence on industry was more marked than elsewhere. The natural poverty of her soil made Germany, until the nineteenth century, agriculturally backward, compared with the more favoured lands of England, France or Italy. The Industrial Revolution enabled the moorland, heath, marsh and swamp of North Germany to be made fruitful. As coal became plentiful, waste lands were no longer needed for fuel purposes and became available for cultivation. The advent of the steel plough and of modern agricultural machinery enabled the underlying layer of hard 'Ortstein' to be broken up, so that, after proper drainage, the soil could be treated with the chemical fertilisers commended by Justus von Liebig. He had demonstrated in 1840 that the land was being progressively exhausted, as plants consumed its nitrates, phosphates and potash salts, and that its richness must be replenished by artificial fertilisers. Liebig regarded agriculture as the foundation of industry, the ingenuity of German chemists was to make industry in its turn the mainstay of agriculture, justifying Dr. Vogler's remark, that in Germany the potato had long since become a product of the coal mine.

In 1858 the Central German potash deposits at Stassfurt were opened up. After initial competition had depressed prices, a government-syndicate—the classic cartel—was formed, for what became, after the seizure of Alsace in 1871, a virtual world monopoly. The fixation of synthetic nitrogen by Haber and Bosch in 1913, which secured the German explosive industry against the fear of a British blockade, equally freed German agriculture from its dependence on Chilean nitrates. The introduction of the Thomas process for eliminating phosphorus from iron in the nineties, facilitated the development of the low grade Lorraine iron field, by obviating the need to import foreign ores with a lower phosphorous content. It also yielded a valuable by-product, in the abundant basic slag, which provided a phosphate fertiliser for German agriculture.

The yield of the soil increased considerably and the average for Germany surpassed that of the more fertile soil of France. The utilisation of these scientific methods was propagated by the establishment of numerous institutes of agricultural research and science, for whose teaching the agrarian community was made receptive by the general spread of primary education. Science brought similar improvements, qualitative and quantitative, in stock-breeding and forestry. As the electric power system spread

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its net over the entire Reich after 1918, so this fuel too became available at cheap rates for agricultural purposes.

In 1800 Germany with a population of about twenty millions, was predominantly agricultural, exporting the fruits of the soil. As agricultural science supplied winter fodder for cattle, so milk became available all the year round, reducing child mortality and facilitating the increase of the population. In 1871 twenty millions, just half the Empire's population, were agriculturists, by 1913 the number had fallen to eighteen millions, forming just over a quarter of the population. But, thanks to the intensive cultivation made possible by chemistry, Germany's agriculture could still feed over two-thirds of her people.

Agriculture was protected by the government, not only in the interest of nutritional self-sufficiency in war, but also because the men engaged in it were regarded as the best reservoir for the Army.

Nevertheless, during the war of 1914-18 the German food supply broke down, owing especially to the deficiency of protein foods: meat, milk, cheese and eggs. In an official study of the causes of the food shortage in 1917 and 1918, published in 1932, Geheimrat Ernst Pieszczeck of the Reichswehr Ministry attributed this vital breakdown to the lack of imported cattle feed, which could only be compensated at the expense of grain consumption. It was owing to this scarcity of food in November 1918, when ideas of socialisation and revolution were in the air, that Otto Braun, then Socialist Minister of Agriculture of Prussia, refrained from any attempt to expropriate the big East Elbian estates. He asserts¹ that he dared not take measures which would interfere with the harvest, and so the Junkers remained, to provide officers for the Reichswehr, as they had for the Prussian Monarchy. Like the industrialists, they profited by the Inflation to pay off their bonded debt, they derived the principal benefits from the 'Ost-hilfe' subsidies—intended to preserve the German character of the eastern marches against Slav infiltration—and they successfully obstructed attempts to extend smallholdings on any wide scale. A law was indeed passed after 1918 abolishing entails, but its enforcement was continually postponed. So the younger sons of the Junkers continued as a titled élite to seek posts in the army and higher civil service. The old established Prussian system of agricultural credit through the 'Landschaften', which provided for a joint mortgage on all the land in a district, enabled the large landowners to exert a financial control over any independent-

¹ *Von Weimar Zu Hitler.*

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minded small farmers in East Elbia. It is noteworthy that Kapp, the leader of the Nationalist Putsch of 1920, was 'Generallandschaftsdirektor' of East Prussia. Thus the agrarian power, concentrated in the hands of the Junkers, maintained itself under the Republic and in the critical months of 1932-33 it was their social influence which was brought to bear on the aged Hindenburg at Neudeck to prepare the advent of Hitler to power. The East Elbian land banks owned by Hugenberg, linked the Junkers with his publicity interests and with the Ruhr industry. The magnates of agriculture joined with the magnates of industry to replace the Republican era of the great units and organisations by the totalitarian Nazi state, concentrating all power, political and economic, in one Fuhrer, the elect of the German people.

XII

THE BATTLE OF THE MARK THE TRIUMPH AND DEFEAT OF THE TRUSTS

The princes, who profited from the expropriation of the Church and the political mediatisation of the cities and the knights in 1803, never intended that these should be the prelude to their own subordination to a centralising political power. In the same way, the industrialists and their agrarian satellites never intended that the expropriation of the bourgeoisie and the economic mediatisation of the proletarianised masses to industry, should be the prelude to their own subordination to a totalitarian popular Caesarism. In fact the Republic, especially in its early years, witnessed a struggle between the feudal lords of industry and the central power of the State.

The power and the prestige of wealth had been on the increase in the Wilhelmian era to strengthen and expand the power of the industrialists. Whether the Army had been defeated in the field or stabbed in the back by the home front, the industrialists survived and, while the leading political personnel changed after November 1918, the economic chiefs remained, enjoying the homage commonly vouchsafed by the Germans to successful strength and efficient organisation. Capitalism rose like a phoenix from the ashes of the Imperial regime to exercise an ascendancy the more complete, because it was so uncontested. The immense respect evoked in Germany for the industrial power of America, as the architect of Allied victory, turned to the advantage of the German industrialists, who appeared as the indigenous catechists of its gospel.

Amid the exhaustion of 1918-19, faced by the burden of Reparations, the Germans saw the captains of industry as rescuers, able moreover to turn on the tap of American credit which was necessary to restore the Fatherland. Max Weber exalted them, in contrast to the bureaucrats, and deplored 'the stupid hatred against indigenous enterprise', which, if pursued, could only result in enfeoffment to foreign capital under foreign military protection. He argued that socialisation itself needed experienced capitalist

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organisers, able to obtain the credits and raw materials which would be denied to governments of litterateurs in Munich or of proletarians in Berlin.

The exigencies of the Reparations problem especially, seemed soluble only through their mediation. The Rathenau-Loucheur agreement made at Wiesbaden (Oct. 1921) provided for the payment of Reparations in kind through the German government, for the devastated areas of France. At the instance of the Reparations Commission this was amended to allow of direct agreements between German enterprises and the French reconstruction authorities, while the Reich government would merely pay the bill. The first to make use of this agreement was Stinnes, previously among the bitterest critics of the Rathenau-Loucheur agreement. In August 1922 he signed a contract with the Marquis de Lubersac, president of the 'Confédération générale des co-opératives de reconstruction des régions dévastées', to supply 1,500 million gold marks of materials to that body. Besides his commission of 6 per cent on the transaction, Stinnes would acquire immense influence which could be exerted for the benefit of his Trust, and could extend his control over the German economy.

The industrialists themselves encouraged, with considerable success, both at home and abroad, this belief in their own salutary power. The two organisations, previously representing the rival interests of the heavy and the finishing industries, were united in the Spring of 1919 in the 'Reichsverband der deutschen Industrie*' as a bulwark against socialisation and the power of labour. Stinnes had boasted publicly in February already that the industrialists would be recalled by the disillusioned, half-starving people, hungry for bread and not phrases.

While their power waxed, that of the State waned, as with its depreciating currency it went gradually bankrupt. While industry was profiting from this depreciation to organise in vast combines, the State was powerless to balance its budget. The real value of the tax-receipts was inevitably diminished by the time lag between their imposition and collection, and by the summer of 1923, 90 per cent of the income tax was being paid by workers and employees because their income alone was taxed at source. The State's authority declined, since it appeared, not as the organiser of security, order and social progress, but as a bad manager, of its own affairs, spreading ruin in its trail. This was especially impressive for a nation like the Germans who had come to regard their rulers as universal providers. While the State was in these des-

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perate straits, the powers of industry, coolly calculating, shrewdly prescient, derived the maximum profit from every change of the situation.

By the autumn of 1921 it was clear that budget deficits must cease being covered by inflationary credits from the Reichsbank, and so the government, which found immense difficulty in acquiring foreign exchange, negotiated with the 'Reichsverband der deutschen Industrie' regarding a forced loan. To pay Reparations, industry, with its foreign assets, should substitute its own credit for that of the State. But the 'Reichsverband', instigated by Stinnes, made a loan conditional on efficacious measures to end financial policies termed ruinous to the State and to private enterprise (27th September). This condition was renewed again in November, with additional demands for the liberation of enterprise from restrictions and the transformation of unproductive public enterprises, i.e., the Reich railways—as a means to service and amortise the credits. The Social Democrats replied by demanding higher direct taxation, the seizure of foreign exchange and the nationalisation of the mines. A deadlock ensued and the mark continued downward.

The Republican governments were weakened by their coalition character, which deprived them of a firm parliamentary basis. The power of the presidency, founded on the Reichswehr and paragraph 48, had not yet emerged to maturity. This atmosphere favoured the development of the extraneous authority of the technical or business expert, who was erroneously regarded by a large sector of opinion as being disinterested. In fact these 'economic experts' ('die Sachverständigen') were largely the protagonists of big business, and the Republican regime, which had successfully overcome the extremism of Liebknecht's Spartacists and of the Nationalist Kapp putsch, saw itself threatened with disestablishment by the economic power incarnate in Stinnes. This became increasingly apparent during the passive resistance against the French occupation of the Ruhr (Jan.-Sept. 1923). The government which initiated and embodied that policy was led by Dr. Cuno, the managing director of the Hamburg-America line. It echoed Keyserling's argument in *Wirtschaft und Weisheit* that the future belonged to economic power, as being supra-national and more effective than the State. Not the masses, but the supermen of business would rule, as the weakened states went bankrupt. Economic Caesars would replace their less reasonable political counterparts, and the future would depend on the good or bad use

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they made of their powers: abuse for personal gain would lead to a revolution worse than in 1918.

A Reichstag committee of inquiry into the fall of the mark and the activity of speculators confirmed this decomposition of state power and its replacement by industry. Herr Minoux, the general manager of the Stinnes interests in Berlin, was able to prove to the committee that a large part of his own acquisitions of foreign exchange had been for the purpose of buying English coal, on account of the Reich's railways and mercantile marine. So, while Thyssen remarked to de Brinon: 'you do not know who governs here to-day, France governs, Belgium governs, Berlin governs, everyone gives orders'¹ it was Stinnes who was acting as financier to the Reich.

When the Stresemann government called off the 'Passive Resistance' (26th Sept. 1923), only to leave office a few days later, it was a delegation of industrialists, led by Vöglér and Klöckner, which initiated discussions with General Degoutte, in the absence of a parliamentary cabinet. These resulted in the M. I. C. U. M. agreements (23rd Nov. 1923) which provided for the delivery of Reparations in kind by the Ruhr industries. Stinnes complained that this laid on them the burden of the Reich's debts and once more demanded the railway system as security. Throughout he sought to reduce to a minimum the intervention of the Reich government, except in paying the bill.

'Germany is reaching the point which had been foreseen', wrote Bainville in the *Action Française* (2nd July 1923): 'the reign of industrial feudalism begins like all feudalisms. The effacement and ruin of the State causes power to pass to rich and powerful men, protectors or masters, who dispense work, bread and security. Thus power falls gradually into the hands of the dukes of industry.' Many Germans boasted that as the mark perished, they would return to a primitive natural economy, and indeed the economy of inflationary Germany became that of the jungle. In a highly industrialised modern society, the currency is the key to the entire economic mechanism, as the medium and measure for exchanges of goods and services between its increasingly specialised members. So it was monetary vicissitudes which had built up the power of industry at the expense of the State and it was in the monetary sphere that the decisive struggle between the two powers took place.

The value of money throughout the European world prior to

¹ *France-Allemagne*, p. 73.

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1914 was determined by its anchorage to an industrially useless yellow metal: Gold. As this gold standard was abandoned by nearly all the leading nations, so the value of currencies came to be determined by the confidence felt in their purchasing power and in the governments which regulated their issue. Foreigners had lost confidence in the mark by 1921 and as its value declined, even that of the German masses, to whom it recalled the security and prosperity of Imperial days, dwindled to vanishing point and they hastened to turn money into goods. Consequently prices, which until 1923 had lagged behind the depreciation of the currency, rose faster than the exchange value declined, since the owners of goods became reluctant to part with them for valueless paper. As this paper lost its value, increasing quantities had to be printed to enable any payment to be made at all, and the currency was set on a vicious spiral, which could only end in bankruptcy.

Depreciation stimulated the printing press rather than vice-versa. But however much was printed, the effective supply of currency—translated into stable terms—declined and was only partially compensated by the speed of circulation, which became electric. In the later months of 1923, 133 printing offices and 1,783 machines were producing notes for the Reichsbank, which was employing over thirty paper factories to capacity. When its own printing presses failed to suffice, the Reich government had by supreme irony to seek the aid of those belonging to Stinnes.

The parliamentary Republic was rapidly losing its regalian right of control over the currency. During the War the rising cost of living and the extension of the German currency area by military operations led to the issue of 'Notgeld' (emergency currency) as a remedy for the lack of means of payment. Over two thousand states, municipalities, savings banks, chambers of commerce, public and private corporations were permitted by the government to issue this token currency in small units, against blocked credits with the Reichsbank. By decrees of 16 and 29 Oct. 1918 government departments were ordered to accept Notgeld issued by industrial firms. The progress of the inflation gave ever increasing urgency to Notgeld, and the law of 17th July 1922, providing for the Reich Finance Minister's consent and cash or treasury bond backing, came to be widely ignored by the growing number of issuers. Dr. Schacht estimates that by the end of 1922 there were 20 milliard marks of Notgeld in circulation against 1,280 milliards of Reichsbank notes. But by the end of 1923 there were roughly 400 to 500 trillion marks of each in circulation,

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equivalent to 400 to 500 million gold marks. Notgeld Was especially issued in occupied territories owing to difficulty in securing supplies of Reichsbank notes in 1923. The French authorities seized these before their circulation, since they provided the means for the German government to sustain passive resistance. The vast issue of Notgeld was also facilitated by the Reichsbank's acceptance of it on a par with its own notes. The issuing bodies were enabled by the Giro clearing system to pay in Notgeld at one Reichsbank branch and withdraw from another branch Reichsbank notes, which enjoyed more than a local radius of circulation. The central bank thus lost control over its own note issue.

'There is no doubt that in the wild depreciation of the year 1923 the Emergency money played a big part in supplementing the inadequate supply of notes by the Reichsbank and provided a very welcome source of credit supply and currency. The issue of non-stable Notgeld was one of the easiest methods of making profit on the inflation, and was eagerly and lavishly practised by communes and still more by large private concerns.¹ Thus the Notgeld issue was a powerful contributory factor to the rise of economic feudalism and also to the emergence to political prominence of those autocratic figures, the Oberbürgermeister of the great industrial cities. As an example, the city of Cologne financed by inflationary Notgeld the construction of a magnificent sports stadium, and the entire costs were amortised by the tram fares collected on the opening day, because these were in gold marks!

The French franc was widely used in the occupied Rhineland, where the Franco-Belgian railway régime issued its own notes, denominated in French francs. British private cheques returned to London for clearing, were covered with endorsements testifying to their service as stable value small change in Germany. At the same time, many of the bodies issuing Notgeld also issued notes expressed in terms of dollars or gold marks and enjoying a gold backing. These were finally estimated to amount to a total approximately equivalent to that of the paper Notgeld. Small bonds of the stable currency loan issued in August 1923 also came into circulation and led the Reich government in October to issue further quantities to a total of 300 million gold marks, denominated in sums as low as \$0-10. These I.O.U.'s, having no gold backing, were avidly accepted, but since the acute capital shortage tended to depress the value of the large bonds on the Bourse, it became necessary for the Finance Ministry to maintain their

¹ H. Schacht: *The Stabilization of the Mark*, p. 106.

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value by purchases in order to prevent a depreciation of the small notes. There were also various local attempts to found gold issue banks, such as the 'Hamburger Bank von 1923', the Goldgirobank of Schleswig-Holstein and the dollar certificates issued by the Free City of Bremen.

It was generally appreciated that a stable currency must come in some form or other, and so the question arose, whether this attribute of sovereignty should come under the aegis of the State or of the economic feudality. This was the decision which must determine their struggle. For both the Reich and the currency, it was indeed a sort of redemption through bankruptcy. The monetary, like the social structure of Germany, had been atomised as the prelude to an inevitable concentration.

The imperative need for stabilisation became clear when the Reichsbank note printers went on strike in August 1923. The comedy and the tragedy of the inflation became apparent when this standstill of the printing presses threw the national economy into even greater chaos than before. Stabilisation became possible when it was realised that European and American help would be forthcoming to ensure its success, as a step to the economic restoration of the continent. The psychological moment arrived when passive resistance in the Ruhr was called off (26th Sept. 1923), so that the wheels of industry could revolve again and the workers need no longer be supported in idleness.

Several proposals were put forward. The agrarian interests, led by Dr. Helfferich, proposed a 'Roggenmark' anchored to the price of rye, and notes and bonds so denominated were issued in Oldenburg. Similar loans in coke, coal, potash, lignite and even kilowatts were issued. Helfferich argued that the State was not strong enough under the circumstances of the time to create a currency which would command public confidence and that only the business elements could accomplish this. Dr. Schacht and the 'Reichsverband' proposed a new private issue bank, whose notes would be backed by a gold reserve, deposited in a neutral country, and formed by the remaining reserves of the Reichsbank and by the repatriation of private holdings of foreign exchange. Each of these schemes clearly gave the key position to the interests which proposed it.

On 13th October 1923 the Stresemann government was given plenary powers and on the 15th it published a decree, creating a new stable currency: the Rentenmark. At the same time, the Reichsbank was prohibited from further re-discounting Treasury

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bills, so that the inflation of the note issue was ended. The Rentenbank was founded with a capital of 3,200 million Rentenmarks, nominally equivalent to the same sum in gold marks. This was subscribed in the form of mortgages imposed on German agriculture, industry, commerce and banking, and bearing interest at 6 per cent. In effect, it was an extra tax on them which was being nominally capitalised. On the security of these mortgages, the Rentenbank would issue 'Rentenbriefe', bonds of 500 gold marks each, bearing interest at 5 per cent, which should serve as cover for the new currency. This was to be put into circulation by an authorised loan issue of 2,400 million Rentenmarks, of which half should go to the Reich government, to enable it to balance the budget, and the other half to the Reichsbank, to supply credits for industry. This was essential, because the government needed time to re-establish the machinery of taxation, while business was coming to a standstill for lack of liquid capital.

The Rentenmark suffered from an obvious weakness in the fictitious character of its backing, which could not be paid out on demand or used to regulate its exchange value abroad. Moreover, since the 'Rentenbriefe' bore interest at 5 per cent, while the prevailing rate for short-term credit in gold marks was 12 per cent or more, there was a strong risk that they would immediately lose at least half their value, thus depreciating the currency. The strength of the Rentenmark lay primarily in its initial independence of the paper Mark and in the autonomy of the Rentenbank as against the Reichsbank, which had been since 1914 an instrument of the government. The Rentenbank could and did refuse advances to the Government, already on the 20th December it refused to exceed the original credit limit. The quantitative limitation of the Rentenmark enabled it to fill the void in the note issue which arose as a result of the decline in velocity of circulation since prices had become stable and of the withdrawal of 'Notgeld', enforced by law. It was a few weeks before the first Rentenmark notes were issued and this period enabled it to achieve its stability as a mere book-keeping currency and to be established at the rate of $\$1 = 4.20$ Rentenmarks = 4,200,000 million marks (20th Nov. 1923).

Primary credit for the 'Miracle of the Rentenmark' accrues to Dr. Schacht, who was made Currency Commissioner by Stresemann (12th Nov.) and, after the timely demise of Havenstein (20th Nov.), was elected President of the Reichsbank against the Nationalist candidature of Helfferich. In the economic sphere he

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incarnated the era of Republican stability following on the inflation symbolised by Stinnes.

Hjalmar Horace Greeley Schacht was born at Tingleff in North Schleswig in 1877; from his family and regional background he derived a sturdy independence of character, a belief in progressive Liberalism, and perhaps also, like Hitler, a certain 'Grenzland-deutschtum' (frontier nationalism). His father was unsuccessful as teacher, journalist and manufacturer—the three great professions from which the National Liberals were drawn. Like Seeckt, Schacht knew how to bide his time and his immense energy was guided by experience and cool thought. Coming of modest circumstances, he knew too how to live on scant means and never became a great capitalist. He surrendered a lucrative directorship in the Darmstädter und Nationalbank—which had become, under Jacob Goldschmidt, the most enterprising bank in Germany—for the risky and unremunerative Commissionership of the Currency. Schacht differed from most bank directors in that his training had been in economic theory rather than in the practice of banking. He was rather unique in having studied monetary questions rather than devoted his time to industrial board meetings. That was why most German bank directors were equipped by their experience to make profits out of the Inflation, but at a loss to know how to end it. Neither did Schacht share his colleagues' confidence in Stinnes' idea of government by business experts. His membership of the Democratic party won him the support of the Left against Helfferich.

It was perhaps symptomatic for his future activity, that Schacht's first post was with the 'Zentralstelle für Vorbereitung von Handelsverträgen'⁵, founded by a body of industrial exporters to watch over their interests in the conclusion of economic treaties. Thus early, care for German national interests abroad and the claims of 'Economic Reason' formed in his life an harmonious blend which was to be enduring. On the morrow of the War of 1914, which he regarded as a defensive crusade on behalf of German 'Kultur und Geistesfreiheit', he emphasised the common interest of victors and vanquished in economic reconstruction and rapprochement. The guiding thread of his policy through the post-War years was the liberation of the Reich from the penalties of Versailles, through the medium of that Economic Reason which he invoked in his contacts with the heads of the foreign central banks.

But while he beguiled Anglo-Saxon bankers with the sweet

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notes of Economic Reason, he never faltered as Reichsbank President from his belief in the primacy of Politics over Economics, of practical advantage over doctrinaire theory. In a speech in April 1925, he made it clear that the stabilisation of the currency was envisaged by the Reichsbank, not as a mere technical problem, but 'inside the framework of a great national political task ... as a brick in the great edifice which we must and will re-erect in a national sense in the face of the world.' He emphasised that work not gold was the basis of economic strength and discerned in it a moral power.

Like Stresemann, he believed in the ultimate superiority of moral intangibles, especially as against the 'immoral basis of the Versailles Treaty'. This moral strength, both men alike derived from the traditions of that German culture which dated back to Luther, and Schacht intertwined with his optimistic belief in the German future an unbending personal self-assertiveness. All this became clear already in some of his speeches in 1913 for the centenary of the War of Liberation, and more especially in his discourse on Luther as a German (14th Nov. 1933). 'The spirit of fulfilment of duty and of service to the community, the feeling of incumbent responsible action according to one's own conscience, that freedom and lack of restraint of the Protestant conscience, those are all intellectual gains which through and since Luther have become inalienably linked with the life of the German people. Only on this regained self-assurance and inner freedom could a true feeling of German national comradeship grow up. Luther's religious belief implies not only a surrender to God, but also a rocklike confidence in the constructive forces of his nation.' Schacht discerned the Reformer's fundamental Germanism in his two most quoted sayings, 'for my Germans I was born, them I wish to serve', and 'I cannot do otherwise, so help me God'. 'All practical considerations pale before the impossibility of acting otherwise. These words show the tragedy, but also the greatness of the German, and so of Germanism. The inner urge to veracity, the impossibility of hiding one's true nature, the need to express one's being as God has implanted it, that is what makes us seem so incomprehensible, and sometimes so uncanny, to other nations. And yet in this quality lies the whole strength of German being, the source of German power.'¹

It was this Lutheran Germanism which provided the determinative framework for Schacht's economic and political Liberal-

¹ Quoted F. Reuter; *Schacht*, p. 199-200.

ism. He opposed Helfferich's protagonism of the Inflation with its annihilation of small capitalism, and favoured a revalorisation of bonded debt on terms especially favourable to small holders. He resigned from the Democratic Party, when it associated itself with the movement to expropriate the princes in 1926, but most of all did his care for the rights of property find expression in denunciations of Britain's seizure and liquidation of enemy private property in wartime. But with all this care for German property rights, he rejected angrily the moral basis of France's claims to Reparations for the devastation of her industry and agriculture. A classic Liberal in his refusal to recognise the rational validity of any but economic factors in international dealings, there was no room in his conception of international life for the moral values of sin and reparation. Doubtless indeed, there was in this too a legacy of Luther's distinction between private and state morality.

This conception of economics and politics—so strange to men of the Western or Latin tradition—helps to equilibrate Schacht's desire for the concentrated control of all short-term credit by the Reichsbank with his unremitting hostility to lavish public expenditure and to what he termed the 'Social Annuity' of the Left (Sozialrentnertum), with its ideal of cradles endowed with provision for all contingencies, including a funeral voucher: 'we do not feel ourselves as citizens of a state, but rather as beneficiaries of an alien state organism somewhere in the clouds'. This of course links up with his distinction in a 1913 speech between the 'inner freedom' of the German with its emphasis on duty and the desire of other nations for external freedom from the State, with its emphasis on rights. He attacked the Social Democrats, both for their over-estimation of the State machine and for their concern to realise their partisan social theories, rather than by iron thrift and industry to increase the economic and national strength of Germany.

It is this influence of the German cultural tradition, which helps to explain how this Liberal denunciator of bureaucratic centralisation travelled the road from the parliamentarism of constituent Weimar to the Party Congress of Nuremberg. Contemning parliamentary democracy because it failed to produce efficiency, he was yet successful in later years in inducing an impression of Liberalism abroad, while in Germany he was the authoritarian economic Führer. He was a typical exponent of the new managerial class, wielding power without ownership and believing firmly in the duty of leadership, 'because the mass of

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the people only lives through its leading personalities'. Supremely ambitious, Schacht aspired to be the economic dictator of Germany and, proud individualist that he was, he could see in her economic consolidation and aggrandisement the means to increase his personal power. He sought first to realise such a dictatorship under the bureaucratic regime of Marx, Luther and Stresemann, but only achieved it after the advent of Hitler. Now his powerful, energetic and indefatigable elbows could be used to bring to the Reich world economic supremacy; for National Socialism is after all the advent from the individual to the national plane of keen-elbowed, amoral Liberalism, where the devil definitely takes the hindmost.

On 17th November 1923 a Reichsbank circular instructed all branches to refuse any kind of Notgeld in payment as from 22nd November and requested all issuing bodies to redeem their notes from the Reichsbank by the 26th. This measure aroused a loud outcry, especially in the Rhineland, on the part of the issuers who found themselves caught short. The French Commander-in-Chief retaliated by a decree that Notgeld must continue to be accepted by businesses and banks in the Rhineland, including the Reichsbank. If the French authorities were to proclaim the validity of local Notgeld throughout all the Occupied territory, they would have taken a long stride towards establishing a unified Rhenish currency, and it would only remain to forbid the circulation of Reichsbank notes. Despite the economic distress of the Rhineland and its possible political effect, Dr. Schacht regarded the Reichsbank's distasteful measure as essential to a reduction in the total currency in issue, so that the resultant deflationary vacuum might provide a receptive atmosphere for the Rentenmark. On Sunday 25th November he faced the economic and municipal leaders of the Rhineland in the Rathaus at Cologne. 'Without making any detailed statement of my intentions in regard to currency policy, I told the meeting with unruffled calm that the Reichsbank must once again be master of the circulation, and that the stabilisation must be put through, however painful the operation involved. The meeting must realise, I said, that the turning point in the currency question had come, and I urged them to make up their minds accordingly with a good or bad grace.'¹ Finally the Reichsbank agreed in many cases to make temporary advances for redemption or to permit it by instalment payments. All Notgeld had been redeemed by October 1924.

¹ *The Stabilization of the Mark*, p. 109.

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Amid this apparent disintegration of the Reich's monetary unity, the most formidable challenge lay in the proposals for the creation of a Rhenish-Westphalian Gold Note bank. This was sponsored by prominent Rhenish industrialists and bankers such as Stinnes, Baron Schröder and Louis Hagen, and was favoured by the French occupation authorities as a means to promote the separation of the Rhineland from the Reich. The Rhineland and Ruhr were particularly vulnerable in this matter, since the Ruhr struggle and the difficulty in obtaining Reich currency had thrown them especially on their own resources. The Reich authorities were obliged to proceed warily in view of these difficulties and to play for time. The idea was not finally scotched until after Schacht's return from London in January 1924 with promises of City support in the foundation of a central gold currency. The Rhinelanders were consoled with promises of preferential treatment in the allotment of credits.

Schacht's successful insistence on the redemption of the Notgeld, together with his hostility to the Rhenish-Westphalian Gold Note bank aroused the fury of Stinnes, who refused in the name of the Rhenish industries to have any further dealings with Schacht. But the day of Stinnes was passing with the fevers of the Inflation, while Schacht's monetary measures were maintaining and strengthening the unity of the Reich founded on the patriotic faith and moral will of the German people.

Stabilisation made Germany a land of high prices and low wages, due in part to uncertainty concerning the stability of the Rentenmark and to the consequent abnormally high interest rates. As a result, exports declined and unemployment increased with the advent of 1924. Meanwhile agricultural prices slumped as hoarded stocks, which farmers had previously refused to sell for worthless paper, poured on to the market—exports of food had earlier been prohibited in the interest of domestic consumers. The currency available was less than the demand of industry for credit—which had become exaggerated under the megalomaniac influence of the Inflation. The Reichsbank's endeavour rapidly to satisfy this demand imperilled the Rentenmark and foreign exchange had to be rationed.

On 7th April 1924 Dr. Schacht took what he termed the 'unheard of decision to restrict Reichsbank credits to the amounts then outstanding. This marked the final stabilisation of the currency and the recognition of its priority over the menace of an economic crisis. The success was a double one—a material suc-

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cess because it saved the currency, and a psychological success, because it broke down the opposition, open and secret, of the inflation profiteers to the currency and policy of the Reichsbank. From those weeks onwards there are no longer any traces of the belief or the hope or the fear on the part of the German business world that the Reichsbank would ever again give political or economic interests priority over the claims of the currency. Not only the currency, but also the belief in the currency, was made stable by this action on the part of the Reichsbank; and the belief was not evoked by long argument and persuasion, but imposed by the act.¹ This credit restriction was partially offset by the 'Gold-diskontbank' which began operations on the same day. Founded by Dr. Schacht with the help of Anglo-American credits of £10 million to assist exports by providing advances for raw materials, it was rendered superfluous however by the publication of the Dawes Report (9th Apr. 1924), which re-established faith in German credit. The restriction of credit induced owners of foreign exchange to repatriate their funds, and so the safety of the currency was assured. Before the end of the year, the Dawes Plan had been ratified, Germany received a loan of 800 million gold marks, to serve as backing for the Reichsmark, which replaced the Rentenmark, at the same parity. Although a borrowed currency, it was a gold currency. The independence of the Reichsbank and the strict observance of its statutes were assured by an international administration.

'The Miracle of the Rentenmark' was essentially an act of faith by the German people in the Reich and its future. Foreign notes, hoarded by the public, flowed to the Reichsbank, because the people, who had lost faith in the paper Mark, had faith in the Rentenmark. This trust in a currency of purely internal value was a precedent for the monetary inflation and artificial fixing of the exchange by Dr. Schacht under the Nazi regime.

The Reichsmark was the measure of the renaissance in the strength and unity of the Reich which was accomplished in the last three months of 1923. Sweeping away the paper mark—tattered relic of Wilhelmian splendour—and the varieties of Notgeld, public and private—reminiscent of the age of Stinnes—it brought monetary unification and subordinated economic feudalism to the central power.

The German industrialists had thought to avoid governmental control, because they were over-confident in their own power.

¹ H. Schacht: *The Stabilization of the Mark*, p. 157.

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The occupation of the Ruhr, cutting off the West German coal and iron reserves from the finishing industries, exposed the paper basis of this power in face of military force. This example could hardly have been lost on the Nazis, when they came to burst by force the paper chains of Versailles. The industrialists thought they had won a victory for private enterprise by enforcing the autonomy of the Rentenbank and of the new currency on the government. This was true, but the currency was also independent of them, and its definitive stabilisation in the Spring of 1924 was achieved at their cost. The very exporting interests, which had been the chief beneficiaries of the depreciation, suffered principally from the high costs and prices consequent on stabilisation. The economic power of industry, large and small, was forced by the lack of liquidity engendered by inflation, into dependence on the financial power of the central bank. The Rentenbank and Dr. Schacht's Reichsmark were independent of the parliamentary vicissitudes determining ephemeral Republican governments. They were organs of that same abstract conception of an enduring State, served by the Reichswehr of von Seeckt, which watched over their genesis.

XIII

THE RATIONALISATION OF INDUSTRY AND TRANSPORT

The 'Konzerne', and especially that of Stinnes, were the children of inflation, and so stabilisation and the policy of monetary deflation, necessary to ensure its success, were destined to bring new developments. Deprived of the continual easy injections of capital which could be amortised overnight, the trusts were shaken to their foundations and bereft of liquidity. Stinnes died in April 1924 and his creation broke up in the following year, leaving to his heirs only the original property. Those who had turned money into goods survived the Inflation, but after it there were no purchasers left. Cartels revived to protect industry, in what was now a buyer's, rather than a seller's, market. The rational organisation of German industry now appeared as the panacea to maintain employment and high wages and to rebuild Germany's economic strength. 'Rationalisation', with its implication of scientific truth, was acclaimed with the same popular enthusiasm once vouchsafed to the doctrines of Martin Luther.

Rathenau's theories on the organisational rationalisation of industry were now being applied on the production side. In the interests of increased and cheaper production, the entire German industrial plant and marketing organisation were to be overhauled and renewed as the means to conquer the markets of the world. M. Vienot pointed out that, while in France rationalisation connoted the application of enlightened common sense, in Germany it implied organisation according to an abstract law, without any guarantee against immoderation: it was the triumph of the geometric spirit and sought to standardise Man as a 'Homo Economicus'. Its general effect was to increase the dependence of Man on the Machine.

The rationalisation of German industry was dominated by three productional ideas. Firstly, to secure the maximum productivity of each worker by providing him with the most efficacious and labour-saving tools, regulating his every action while working, and avoiding all waste of time or material during the working hours, which were restricted by law. Secondly, to simplify

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relations between producers, and between producer, marketer and consumer, by providing standards for contracts which would facilitate mass-production. Thirdly, to secure the maximum productivity of each factory by organised collaboration and division of labour through central agencies for research, publicity and sales. This would reduce the costs arising from competition and ensure stability of employment and prices.

Thus production was rationalised and its integration in a national plan followed. The 'Reichskuratorium für Wirtschaftlichkeit' had been founded in 1921 by the government and employers' associations to publish studies on the scientific organisation of labour. Grouping around itself engineers and experts in economy of manufacture and technical education, it became the brain centre of industrial science, providing exact blueprints for industrialists. The 'Deutsche Normen Ausschuss' was reorganised in 1926 to standardise models of products and machines and to group specialist committees. Similar bodies were formed to classify merchandise and to provide standards for registration, correspondence, classification and statistics. Finally, enterprises and cartels must be fused and harmonised. Machinery and methods were scrapped ruthlessly in the interests of production and uniformity. Activities were carefully delimited: official institutions carried out the theoretical and technical research, employers' organisations arranged the division of work, the adoption of standards and the fixing of prices; to the individual industrialists fell the task of organising their own factories within the general framework.

The whole organisation smacks of the war economy introduced by the Nazis and of the 'Leader Principle'. It was the industrial mobilisation of Republican Germany and its consummation was militarily planned to coincide with the readiness of the Reichswehr to commence arms production. The rationalisation of German industry really got under way in 1927 and approached completion two years later, just as world trade was affected by the great depression. German productive capacity soared, that of the miner doubled, that of the blast furnaces trebled. Mr. Parker Gilbert, the Agent General for Reparations, estimated in 1930 that the increase in productive means since 1924 exceeded several times over the amount of the foreign debt incurred.

This last point was important, because it draws attention to the method of financing this vast renovation of Germany's industrial plant. Lack of liquidity was a perennial defect of German in-

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dustry and, since the Inflation had annihilated the internal capital market, foreign credits or loans remained the only means of financing. Between 1924 and 1929 Germany was like a bottomless gulf into which foreign money poured. The Reich, the states, the municipalities and the great industrial enterprises were all irrigated by foreign loans and, because the demand always exceeded the supply, rates of interest remained phenomenally high: between 7 per cent and 10 per cent for long-term loans and between 5 per cent and 8 per cent for short-term money.

Estimates of total German indebtedness varied. The official German estimate given to the Young Plan committee at Basle was 28,500 to 30,000 million gold marks; the Wiggin Committee set it at 25,500 millions (Aug. 1931), the Statistisches Reichsamt at 10,700 millions long-term, 13,100 short-term and 5,900 millions other foreign investments: a total of 29,700 millions (31st July 1931).¹ Germany's total Reparations transfers between 1918 and 1931 amounted to 20,770 million gold marks according to the Reparations Commission's estimate, and of this amount only 5,055 millions were paid in cash or gold, the remainder in kind.

The rationalisation and concentration which characterised the years of stability of the Republican regime were especially marked in the heavy, electrical and chemical industries. These were the basis of Germany's peacetime economy and equally of her war-time armaments.

In 1926 the 'Vereinigte Stahlwerke A.G.' was formed under the chairmanship of Dr. Voßler with a capital of R M . 800 million, linking together the coal, iron and steel interests of the Thyssen, Stinnes, Phoenix A.G. and Otto Wolff groups, besides smaller concerns—Krupps alone, of the great trusts, remained outside. The influential position of the Vereinigte Stahlwerke in the heavy industrial syndicates becomes evident from its production quotas in the various cartels: 36 per cent in coal, 48 per cent in pig iron, 49 per cent in hoop iron, 42 per cent in bar iron, 56 per cent in semi-finished steel and in structural steel, 47 per cent in thick plates, 50 per cent in tubes, 39 per cent in wire rods. This fusion of interests facilitated the transfer of production within the group, in the interests of specialisation and economy of costs and labour.

The various member companies ceded their iron and steel interests and received in return shares of the new concern. The capitalisation of the Vereinigte Stahlwerke on its foundation was as follows:

¹ See C. R. S. Harris: *Germany's Foreign Indebtedness*, p. 8.

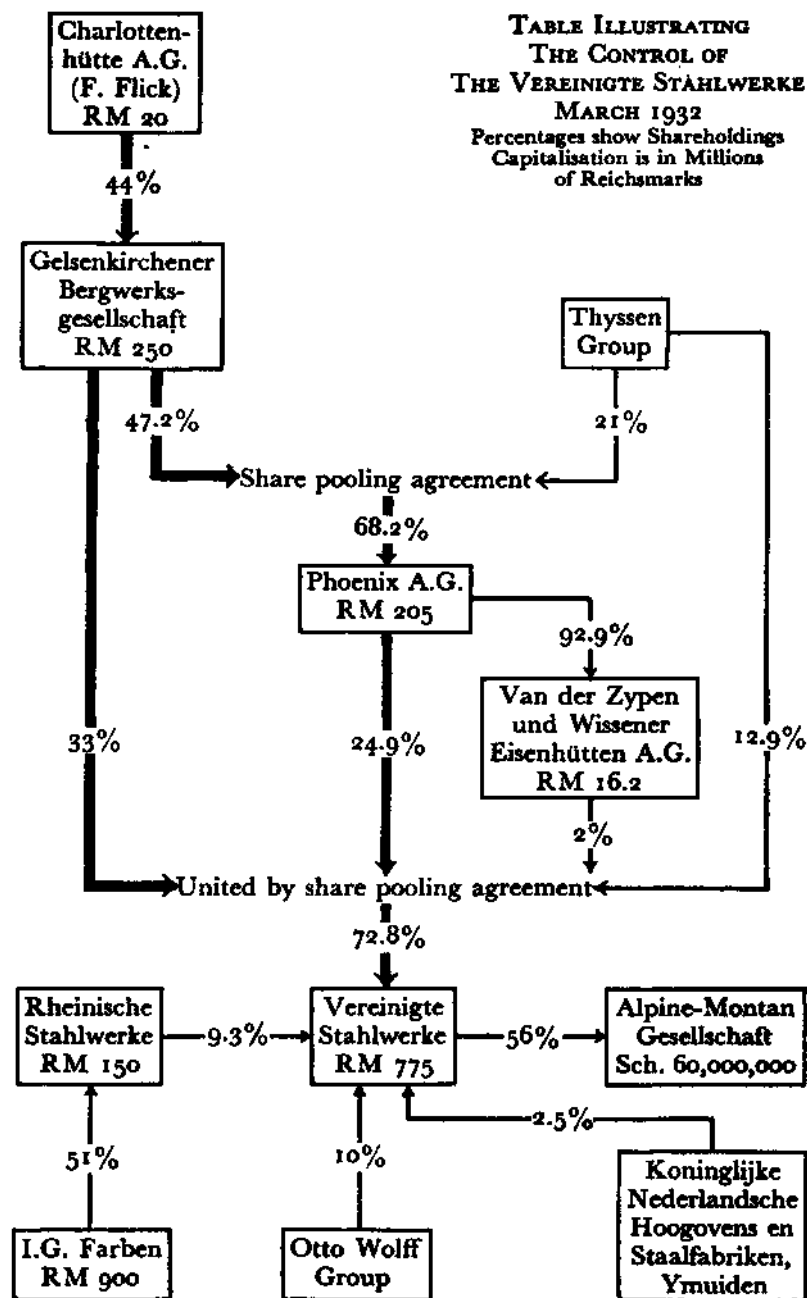
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	15.1 %	Gelsenkirchener Bergwerks-
		gesellschaft A.G.
39.5 % Rhein-EIbe-Union	15.1 %	Deutsch-Luxemburgische
		Bergwerks- und Hütten A.G.
	9.3 %	Bochumer Verein für Bergbau
		und Gusstahlfabrikation.
	23.65 %	Phoenix A.G.
26.0 % Phoenix group.	2.35 %	Van der Zypen und Wissener
		Eisenhiitten A.G.
26.0 % Thyssen group.		
8.5 % Rheinische Stahlwerke		

By 1932 there had been some alteration in group shareholdings and a small proportion of the shares had come on the open market. The total share capital had been reduced to 775 million R M. by purchases on the stock exchange for cancellation—a legitimate procedure by German law which facilitated the holding company system of these years. In December 1926 the Deutsch-Luxemburgische and Bochumer Verein companies were amalgamated with the Gelsenkirchener Bergwerksgesellschaft. Previously they had been independent companies only united by a loose community of interests (Interessengemeinschaft). In the enlarged Gelsenkirchen company, which owned considerable coal properties besides its shareholdings, a controlling interest was acquired by the Charlottenhütte A.G. of Friedrich Flick. The Charlottenhütte with a share capital of R M. 10 million had originally acquired R M. 20 million in Vereinigte Stahlwerke shares in exchange for its iron ore properties in the Siegerland. By means of these and by doubling its share capital it was able to raise the money to purchase about 100 million Gelsenkirchen shares, representing about 40 per cent of the equity (1926-30).

Meanwhile a majority interest in the Phoenix A.G. was held by a consortium comprising Otto Wolff and a Dutch group. In February 1930 Gelsenkirchen exchanged with this consortium about R M. 80 million of its holding in the Vereinigte Stahlwerke for a similar quantity of Phoenix shares—a 40 per cent holding. The Thyssen group held 21 per cent of the Phoenix equity and the two holdings were linked by a pooling agreement. The proportionate value of these holdings was enhanced by the fact that by 1932 the Phoenix A.G. had bought up over R M. 13 million of its

TABLE ILLUSTRATING
THE CONTROL OF
THE VEREINIGTE STAHLWERKE
MARCH 1932
Percentages show Shareholdings
Capitalisation is in Millions
of Reichsmarks



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own shares for cancellation. Phoenix itself controlled over 90 per cent of the shares of the smaller Van der Zypen company. Thus Gelsenkirchen reduced its direct holding of Vereinigte Stahlwerke shares from around 315 to around 250 millions, but acquired instead an indirect interest in a further 200 millions. In 1932 Gelsenkirchen held 33 per cent of the shares of the Vereinigte Stahlwerke, Phoenix 24.9 per cent and Van der Zypen 2 per cent. Furthermore by a pooling agreement the Thyssen shareholding, now reduced to 12.9 per cent was linked with these. Thus directly or indirectly Gelsenkirchen, and therefore Herr Flick, controlled 72.8 per cent of the capital of the Vereinigte Stahlwerke. The means by which Flick, beginning with a majority in the R.M. 10 million share capital of the Charlottenhütte made himself the arbiter of the Vereinigte Stahlwerke with its balance sheet of over R.M. 2,000 million is a perfect example of the holding company technique of these years. This was the position when the Reich government came to the rescue of the hard-pressed Flick by purchasing his Gelsenkirchen shares for R.M. 100 million and thus secured a dominant position in the Vereinigte Stahlwerke (4th Mar. 1932). It was able to dispense with the help of the Thyssen group, since some of the banks already under Reich control held enough Phoenix shares to turn the Gelsenkirchen holding into a majority.¹

The electrical industry, both in its engineering and fuel supply branches, is especially suited for concentration, in view of the large capital outlay necessary to cover patents, the installation of plant and the fulfilment of large public contracts. In electricity supply about half the costs are due to servicing of capital and while labour costs are fairly rigid, fuel and material supplies play only a secondary role. Already before 1914 the Siemens-Schuckert concern and the Allgemeine Elektrizitäts Gesellschaft (A.E.G.) of Rathenau between them controlled four-fifths of the electrical engineering industry. Both engaged in the new industries calling for large capital outlay, which developed out of electrical engineering after 1918, such as radio and talking films. Each had acquired considerable interests in the field of electric supply, which developed with giant strides under the Republic, as all Germany was integrated into a single power supply area balancing

¹ Full details of these transactions can be found in *Die deutsche Eisen- und Stahlindustrie, 1933* published by R. and H. Hoppenstedt and in *Die Gefahren moderner Konzernfinanzierung* published in the periodical *Bankwissenschaft* (Jahrg. 9Hft. 11, 1932.)

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industrial and agricultural demands. This process was accompanied by a general tendency for the supply of electric power to pass increasingly under public control or into the hands of mixed public and private bodies ('gemischtwirtschaftliche Unternehmen'). Nevertheless private interests had been strong enough to prevent the Electricity Act of 1919 from becoming more than a purely optional directive. But the general effect was to further the concentration and integration of electricity supply. By 1927 over 40 per cent of the German power output was derived from publicly owned supply stations. Great systems such as the publicly owned 'Elektrowerke' of Central Germany and the 'Rheinisch-Westfälisches Elektrizitätswerk' bade fair to outstrip as co-ordinators over wide areas, their original importance as power producers. Their high power transmission lines linked up with other systems carrying rivers of energy across physical or even political boundaries. The development of aluminium and aluminium-steel wire for conductivity, which reduced copper imports, helped this on. The production of rotary current, which could not be stored, introduced a new factor and necessitated a coincidence between production and consumption. Large-scale power production for a wide area with variegated demand therefore became the most rational type of electricity supply. Electric power was welding industrial Germany into a single unit. Writing in 1928, Messrs. Quigley and Clark saw in these developments the most profoundly significant of all changes in Germany in regard to future economic strength.¹ Electricity was the basis of war economy.

But the most perfect example of rationalisation in executive control was provided by the unification of the leading chemical combines in 1925 in the 'Interessengemeinschaft Farbenindustrie Aktiengesellschaft' (I. G. Farben) with a capitalisation of R M. 900 million—the largest corporation on the Continent. It was the perfect vertical trust, enjoying a virtual monopoly in its own sphere, since it controlled 100 per cent of the German synthetic dyestuff production and 85 per cent of the synthetic nitrogen production. Its interests and its dominion extended, from rayon to dynamite, from fertilisers to photography, over all the new industries developed by the ingenuity of chemical science.

While England has been for a century primarily a merchant of the coal which, as fuel, is the foundation of her industrial, commercial and naval power, Germany is a distiller of coal, making it the basis of her chemical industry, and through that of her military

¹ *Republican Germany*, p. 152-3.

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power. The role of I.G. chemistry in connection with the renaissance of German military power under the Republic has been noted. In order to finance the vast expenditure for patents, research, risks and publicity essential in the modern chemical industry, integration in large units was necessary. This I.G. provided, and by its cunning utilisation of patents and cartels, described by Messrs. Borkin and Welsh¹, it succeeded to a very large extent in building up Germany's strength, while weakening by corrosion the power of other nations to resist her. With its unchallenged hold over the German production and market, it was in a key position for entering upon international agreements and cartels, extending from Central Europe over the entire world. Its army of technicians and research scientists was organised with Prussian efficiency toward the achievement of definite aims, regardless of immediate costs or profits. Originating in horizontal cartels between chemical companies, I.G. gradually extended vertically, acquiring coal and lignite mines in Western and Central Germany. Through its majority holding in the Rheinische Stahlwerke A.G. it had a 10 per cent interest in the Vereinigte Stahlwerke.

Similar processes towards concentrated control had begun already before 1914, and developed considerably under the Republic, usually with State support, in the potash, cement, aluminium, pottery, jute and linoleum industries. The optical and photographic instrument industries, in which Germany led the world, were integrated under the aegis of Zeiss of Jena. The production of optical glass for all precision instruments, from microscopes to rangefinders, was thus concentrated under one direction. The general effect of this rationalising tendency throughout German industry was therefore to bring the whole under the control of a small body of men, occupying a few key positions. The War economy of 1914-18 had prepared the ground for the cartel and trust economy of the Republic, and this in its turn was preparing the way for the war economy of the Third Reich. Concentrated direction was bringing Germany's industry under a system of control and organisation little different from that of her Army. An economic general staff was arising as the counterpart to the military staff of the Reichswehr.

Rationalisation of industry was carried out in emulation of the United States, but the Germans overlooked the fundamental differences between the two economies. The American was

¹ *Germany's Master Plan, the story of industrial offensive,*

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characterised after 1918 by abundance of capital, scarcity of labour, large production of raw materials for export and a vast internal market to consume manufactured products. Hence rationalisation in the United States was founded on the absorption of capital by constant renewal of plant, the increasing productivity of the unit of labour, the development of national wealth by the export of wheat, oil and cotton, and the maintenance of internal purchasing power by high wages. Germany on the other hand lacked capital, had a surplus of skilled labour and was an importer of raw materials. Her economic life was founded on their export after processing. So, while in the United States expensive labour was replaced by machinery bought with cheap domestic capital, in Germany cheap labour was replaced by expensive machinery paid for with foreign loans at a high rate of interest, to cover political risks.

The annihilation of German capital and the concentration of ownership in the hands of a few plutocrats, who had converted their snowball profits into productive plant, encouraged the perennial German tendency to production of capital goods rather than of consumer goods. In America control was concentrated, but proprietary rights were distributed, as liftboys and farm hands speculated in U.S. Steels or New York Centrals. In Germany on the contrary both control and proprietorship were concentrated. The accumulated potential purchasing power for durable consumer goods, e.g. automobiles, vacuum-cleaners, refrigerators, which small capital provides, had been annihilated. As a consequence, the investment of a proportion of the profits of industry in increasing productive plant, which has been a necessary characteristic of industrial economies since their rise, was encouraged beyond measure. In Germany consumer demand was throttled, while in England the basic trades suffered and the luxury consumer trades were prosperous. This was accompanied by the German mania for size, for 'das Kolossale', and by an abounding confidence in the future of Germany. As a result, while British industry continued on its conservative, often individualist, lines and the French endeavoured painfully, with their habitual attention to thrift, quality and workmanship, to rebuild the industrial organs destroyed by the German invasion, German industry confidently borrowed vast sums from American investors, who could see no limits to industrial prosperity, in order to equip itself with the latest and greatest means of production. The Germans recked little of the high rate of interest needed to attract this capital,

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because of the boundless vistas of productive power which it opened out to them.¹

Germany's industry was geared to mass production for export as the sole means to pay for raw materials and to service and amortise her loans in foreign currencies. Her rationalised productive power was out of all proportion to her internal consumption. Mass production methods imply the immobilisation of vast capital sums in a moving belt system of manufacture, and in central organs for administration, research and marketing. In the nineteenth century the cost of production had lain primarily in wages and so was proportioned to the output. But as this cost was outweighed by the servicing of the fixed initial outlay, so the cost price of each unit of production diminished in proportion to the quantity produced. Any recession of markets would be disastrous. Rationalisation, especially if carried out under German conditions, could not stand any idleness of plant without the imminent threat of bankruptcy. Production could no longer be regulated by individual supply and demand, it necessitated some form of planned economy. The industrial inflation was as pregnant of danger as the monetary inflation.

The Dawes Plan had provided for the independence not only of the Reichsbank, but also of the Reichsbahn, from the vicissitudes of governments responsible to the elected Reichstag. The control of both corporations was vested in boards consisting of German and foreign representatives. While the Reichsbank, through its resultant orthodoxy, was intended to guarantee the stability of the German economy and so of the plan of payments, the Reichsbahn was to provide the bulk of the revenue for Reparations. Extending its capillaries throughout the body economic, the railway system provided the means to tap its vitality for the benefit of the creditor powers.

With 55,000 kilometres of line and 700,000 employees, it was the largest transport undertaking in the world. Valued at 24,500 million gold marks, it had been bereft of all prior charges by the Inflation, while contemporaneously 8,400 locomotives and 247,000 units of rolling stock had been built to replace the 8,000 and 230,000 respectively, ceded under the Peace Settlement. The railways had been the cement which bound the German people together economically, before they were politically unified.

The public ownership of the railways had been very largely

¹ Between 1875 and 1925 the proportion of industrial workers engaged in the production goods industry rose from 39 to 61 per cent.

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carried into effect by Bismarck as an instrument of policy to encourage exports and as a safeguard for military interests. He failed to unify the entire system under the Reich government owing to particularist opposition, but he made the Prussian State, in virtue of its command over transport, the arbiter between industries and provinces. In 1914 virtually the entire system was owned by the state governments of Prussia, Bavaria, Württemberg, Baden and Saxony—while the Reich owned the Alsace-Lorraine railways.

The Republican Constitution provided for the transfer of the railways to the Reich, and during the struggle between the central government and the industrial magnates, they provided one of the principal bones of contention. The railways were subordinated to the newly created Reich Ministry of Transport, a position of key importance held from 1920 to 1923 by General Groener, who was fully alive to the vital position in relation to European transport conferred on Germany by geography. The unification of the German railways put an end to the previous special interests of the Baden and Bavarian railways in collaborating with river transport on the Rhine, which was largely Dutch. The new 'Taper' tariff of 1925 made railway rates comparatively high for short distances and thus penalised traffic for transshipment on the Rhine. The German Government pursued moreover a declared policy of assisting the German North Sea ports by exceptional seaport transit tariffs to the detriment of foreign ports. This was one of the many ways in which Germany by increased unification was enabled to offset and eventually overthrow the restrictions of Versailles. The Dawes Committee was primarily preoccupied with abolishing waste, achieving efficient administration and realising a satisfactory profit margin. When the Young Plan abolished the foreign representation on the board of the Reichsbahn—as of the Reichsbank—these benefits accrued to the State, which owned its entire share capital.

Ever since the Hanseatic ships ruled the northern seas, the prosperity of the mercantile marine had been the barometer of German national power. Its nadir had been touched in 1648 when the mouths of the leading German rivers were in foreign hands and the King of Denmark sought to divert the trade of Hamburg to his own port of Glückstadt. In 1848 the incipient German Navy, as the guardian of the nation's commerce, was the favourite child of the Frankfort Parliament.

After the foundation of the Empire, state subsidies were extended for shipping lines to Australia, the Levant and the Orient,

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and this stimulated the German shipyards. About the same time, relations between the Hamburg-America Line and the North German Lloyd began to assume a more harmonious complexion, in accordance with Albert Ballin's maxim that 'In approaching the enemy's position we must divide our forces, in attacking him we must concentrate them.' The era of the sailing ship favoured countries with a variety of natural harbours, but the construction of steel steamers of high tonnage necessitated the concentration of trade and shipbuilding in a few ports where capital could be sunk in large dock installations and machinery. It was essential to employ these to the utmost, and so Germany's ocean-going trade was focussed on Hamburg and Bremen, which dominated her short coastline and were fed by her inland navigation system. These considerations help to explain the German hostility to Gdynia, which counteracted the maximum development of Stettin, Danzig and Königsberg.

The War and the surrender of 2,500,000 tons of shipping, including its finest vessels, were apparently a severe blow to the German mercantile marine. The shipping companies received 550 million gold marks in 1921 from the government as compensation to replace the ceded and obsolescent tonnage. By the summer of 1923 they had partially accomplished their task and, equipped with more modern ships, they were able to penetrate the preserves of their Allied competitors, handicapped with older and more wasteful bottoms—partly German! By 1930 Germany had 429 oil driven ships out of a total of 2,157, while Great Britain had 527 out of over 8,000. In 1925 the Roland, Hamburg-Bremen-Afrika and Horn lines were fused with the North German Lloyd, while in 1926 the Deutsch-Australische and Kosmos lines were absorbed by the Hamburg-America Line. In 1927 the Mediterranean services were amalgamated. Nearly two million tons of shipping were concentrated among five groups. An entente was established between the leading German companies, and when the *Bremen* won the blue riband of the Atlantic in 1929, she and her sister ship the *Europa* symbolised the renascent maritime force of Germany.

Air travel, too, was concentrated under the direction of the Lufthansa, which utilised to the full Germany's central position in Europe. Enjoying government subsidies, it extended its services abroad and through subsidiaries became a pioneer of aviation, and so of German commercial influence, in Asia and Latin America. At home it worked to make German youth air-minded,

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laying the foundations technically and spiritually for the Luftwaffe, the favourite instrument of Nazi aggression.

In this way the German transport system by land, sea and air was co-ordinated during the Republic. Moltke had been the first general in Europe to appreciate the military significance of railways, and the key role of transport in war was realised by Groener and Von Seeckt too. For Germany, in her central position, ringed by hostile states, suspicious of her because of the past, efficient transport was especially vital, since it alone would enable her to fight on more than one front. The development and maintenance of an efficient railway system was therefore a primary aim of those men who regarded the Republic as an ephemeral party phenomenon and gave their loyalty to the abstract idea of the Reich. The levers of transport were ready to hand for Hitler.

XIV

THE POWER AND COLLAPSE OF THE BANKS

U ntil the economic unification of Germany by the Zollverein in the second third of the nineteenth century, culminating in the adoption of the Mark throughout Bismarck's Reich, bankers in Germany had been primarily money-changers. It was from this role that the Rothschilds of Frankfurt rose to be financial advisers and creditors to the German princes. Until the middle of the century there was no developed internal market, but slight trained labour supply, and little independent capital willing to engage in manufacturing enterprise. While private bankers were conservative in venturing their capital in industry, the States' 'Notenbanken' were primarily interested in maintaining liquidity for the sake of their note-issues.

The promotion of joint stock industrial enterprise by the accumulation and concentration of capital, therefore became one of the primary objects of the new joint stock credit banks, which arose in the boom years after 1848 and amid the optimism of the 'Promoters' Era' (Griinderjahre) after 1870. From the first the German credit banks were therefore closely connected with industry not only as promoters, but as participators also. They marked a bourgeois revolt against the private bankers, whose interests were linked with princely particularism, and a break with the tradition that enterprise should look to the State for capital.

The foundation of the Empire (1871) and the monetary unification (1873) were followed by the transformation of the Prussian Bank into the Reichsbank (1875), whose stock was privately held, while the president and officials were nominated by the Emperor—rather a financial parallel to the political constitution. Meanwhile Berlin, the political capital, assumed also a financial hegemony as a short-term market and its bourse displaced that of Frankfurt. The Darmstädter, Dfessdner and other leading provincial banks established branches in Berlin, which became increasingly their determinative centres. By 1913 credit banking was largely concentrated in the nine 'Berliner Grossbanken' which, by participation and money market agency, controlled a number

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of local banks throughout the Reich. The edifice was crowned by the Reichsbank, whose powers were increased after the political crises of 1905, 1908 and 1911, so that the financial power of Germany, with all the influence that that power could exert over commerce and public opinion, was in a state of constant mobilisation under concentrated leadership.

From their inception, the activities of the German joint stock banks extended far beyond the limits of deposit banking, as was made clear in their articles of association. They integrated financial activities elsewhere separated. They acted as company promoters, issuing houses, underwriters, discounting and acceptance houses and even investment trusts. As members of the Stock Exchange, they dispensed investment advice and regulated the markets by dealing on their own behalf and that of their clients: the size of their clientèle gave them the profits of brokers and of jobbers. There was an absence of those checks imposed on each other in London by sets of specialised institutions corporately organised. All these ramifications gave the German banks an immense influence over industrial undertakings, from their promotion to their liquidation. As bankers, they issued credits for industrial expansion. These were later covered by capital issues, which they promoted and whose placing they could ensure either through their role as investment advisers, or by taking the shares into their own portfolio. Their predominance in company promotion was facilitated by the legislation which regulated this.¹

The banks exerted influence in industry not only as creditors and shareholders, but also thanks to the voting rights they often held as proxies for safe depositors or for clients who had bought on their credit. Their representatives sat on the boards ('Aufsichtsräte') of industry. Themselves concentrated, the banks tended to use their influence to further the concentration of industry, although the big trusts with their vast resources were better able to evade their tutelage. These links with industry led the banks into foreign banking as pioneers of German exports and economic penetration.

This close connection with industry fostered a perennial lack of liquidity. From the first, the banks had worked to form and concentrate capital, but they never succeeded in keeping pace with the evolution of industry. For the sake of their own profits as issuers, they would be tempted to promote capitalisation and so keep the investment market fully fed. Their investments were to

¹ See P. B. Whale: *Joint Stock Banking in Germany*, p. 39-48.

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a certain extent determined by the need to hold or purchase the shares of companies in which they were interested, so as to maintain or regulate the market: this must inevitably saddle them with a proportion of losers. Excessive investment in plant expansion, rather than in consumption of products, was favoured by the megalomania of a nation flushed with material success, convinced of its future world mission and inured by two centuries of poverty to simplicity of tastes. This tendency, fatal to the liquidity of industry or the banks, was favoured by the policy of the latter. As a habit it was conducive to an accentuation of the trade cycle. The comparative weakness of the banks' cash reserves in relation to their liabilities was an established fact. It was engendered by the need to find profitable employment for their funds, so as to offer high rates of interest as an encouragement to depositors, and as compensation for the lack of liquidity.

Some understanding of these factors governing the rise of the German banking system before 1914 is necessary in order to appreciate its role in the decade of stabilisation and deflationary depression, which prepared the advent to power of Adolf Hitler. The War of 1914, which involved centralised organisation of national resources, favoured the concentration of power in the hands of the 'Berliner Grossbanken'. Foreign exchange and bill regulations and the ban on publication of stock exchange prices favoured them at the expense of provincial bankers and brokers. The government preferred to deal with large firms or centralised associations, which also benefited the Berlin banks, as they penetrated the conquered territories and absorbed provincial satellites. The inflation of currency to pay war costs, increased their liquidity, though it also enabled many industrial concerns to repay bank overdrafts.

The Revolution of 1918, with its socialising tendencies, encouraged the idea of public banking, as opposed to private or joint stock interests. The tradition of public banking was old-established in Germany. The 'Königliche Seehandlung', founded in 1772, acted as financial agent for the Prussian government, which owned it. The growth of municipal savings banks had been widespread in the years preceding 1914 and, in order to economise in the use of cash, these were encouraged during the War to make increased use of the cheque facilities given them in 1909. A federal organisation of clearing houses on a provincial basis was established for them, crowned in 1918 by the 'Deutsche Girozentrale'. Their support in placing war loans was sought by extending

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their powers to deal in securities. During the Inflation, State banks were founded or refounded in Bavaria, Saxony and Thuringia, while the 'Seehandlung' became the 'Preussische Staatsbank' and extended its activities.

The general effect of the Inflation was, in banking as in industry, concentrative and favourable to the larger units, while smaller provincial banks, which it weakened, were absorbed. On the other hand the universal spread of speculation in equities and foreign currencies favoured the rise of small private banks mostly of an ephemeral nature. The 'Grossbanken' were reduced to seven, but the number of their branches and employees increased more than four times between 1913 and 1923. Nevertheless, although their paper profits were considerable, the banks emerged from the Inflation with heavy real losses, since the commodity in which they dealt had depreciated to vanishing point.

Their industrial power before 1914 had been founded on the control of capital, whose value remained stable in face of industrial fluctuations. As money ceased to be a stable measurement, so the industrialists took the offensive and invaded the sphere of banking. The vertical 'Konzerne' set up special banks to organise their internal lending and borrowing, to find employment for temporary balances and to carry out other banking business in the interests of self-sufficiency. They secured control over smaller banks in Berlin and the provinces, and participated in the formation of new ones. Stinnes even threatened the independence of the Berliner Handelsgesellschaft and secured decisive influence over three of the leading provincial banks.

Stabilisation reversed this process. Inflation had annihilated the internal capital market and generally encouraged reckless expansion of plant as a means of converting liquid resources into real values. Monetary inflation had produced an inflation of industrial capacity, and this in its turn only served to render more acute the need for liquid capital on the morrow of stabilisation. The scarcity of long-term capital was exacerbated by the deferred credit needs of local authorities and landowners, who normally sought capital accommodation in fixed-interest bonds rather than in profit-sharing equities. The high rates offered in the short-term market—100 per cent for day-to-day money in the beginning of 1924, to offset the menacing devaluation of the Rentenbriefe—proved an irresistible attraction for long-term investors. The Reichsbank's attempt to keep the wheels of industry turning by easing credit, threatened the stability of the currency and had to be cut short by the credit

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restriction of 7th April 1924. The definitive achievement of monetary stability by this decision, followed by the introduction of the Reichsmark with its gold backing, derived from the Dawes Loan, were inevitable prerequisites for easier money rates. Though declining, these remained exceedingly high throughout the '20's, ranging mostly between 5 and 7 per cent for day-to-day money and over 9 per cent for mortgages.

The credit-rationing decree forced industrialists to turn from the Reichsbank and, after exhausting their foreign currency reserves, to apply to the credit banks. In the words of the *Frankfurter Zeitung*: 'der Grossindustrielle antichambriert wieder bei dem Bankdirektor' ('the industrialist waits again in the ante-room of the bank director'). It was just the most ambitious and aggressive industrialists who found themselves in an unsound position, since they had usually been unable to devote sufficient attention to maintaining the technical efficiency of the congeries of undertakings they had assembled. They had often borrowed on the security of shareholdings which were now shrinking in value, and new uncovered advances only aggravated the position. The dissolution of the vertical trusts set free the banks they controlled. Frequently it fell to the banks to liquidate the frozen chaos, and the protests of certain members of the Stinnes family against their despotism only testified to the transfer of power consequent on stabilisation.

The easing of credit by foreign money did not release industry from its dependence on the banks. Their agency was usually necessary, even for large firms which could place bonds abroad, while smaller firms were obliged to borrow from the banks the proceeds of loans, which these in turn raised abroad. Thus the functions of banking and investment finance became once more confused and the banks promoted special investment companies abroad to finance the rationalisation of industry.

But while industry was again coming into dependence on banking, the joint stock banks were faced by the competition of a rising system under public ownership or control. In order to facilitate the recovery of German credit and to ensure the stability of the currency, the Dawes Plan provided for the elimination of the political factor, so far as possible, from the railways and the Reichsbank, the principal elements in its system of control.

By the law of 26th May 1922, the control of the Reich government over the Reichsbank was eliminated and the directors assured of complete freedom of policy without fear of cancellation

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of their appointments.¹ In the interests of economic stability, the Dawes Committee sought to make the Reichsbank as independent as possible of pressure from the Reich government, so as to avert future inflationary danger. To this end it was suggested that the note issue department should be separated from the credit department and situated in a neutral country. Since the Reichsbank, besides controlling the currency circulation, the lifeblood of the body economic, was also charged with all the financial transactions of the Reich, including the handling of Reparations, the Dawes Committee insisted on half the directors being foreign. It was forbidden to extend credits to the governments of the Reich or states. As events turned out, the management and policy of the bank were left in the hands of the German directors, while the foreign members, whose mandate was terminated by the Young Plan in 1930, merely received reports. Dr. Schacht, mindful of the German tradition of state control, fought doggedly for the influence of the Reich government and persuaded the experts to retain the existing Reichsbank and not to replace it by a new bank of issue. In vain he contested the proposal that the privilege of note issue should be fixed for fifty years, instead of being renewed every ten years as previously. In *The Stabilisation of the Mark* he expressed himself as being fairly satisfied with his efforts: 'I preferred not to waste energetic representation on such (minor) matters if on the more important points I could secure acceptance for the German view. This I was able to do in a very large number of questions of the organisation of the Bank, in particular in the maintenance of the Bank's character as a central department of the Reich, in retention of the official status of the entire staff of the Bank, in the preservation of the character of the shares as registered inscribed shares instead of bearer bonds, and the like', (p. 172.) Although anxious to suppress the four surviving private banks of issue in Bavaria, Saxony, Württemberg and Baden, Dr. Schacht considered it desirable on grounds of internal politics to enlighten the experts as to their existence and the need to continue their privilege. He succeeded too in reducing considerably the participation of the shareholders in the profits beyond a basic 8 per cent dividend. The major portion was to be diverted to the Reich. The new Reichsbank statutes were fixed by a law and the shareholders merely convened to be told that the nominal value

¹ This measure, taken at the instance of the Entente, did not serve, as the British experts hoped, to restrict the Inflation, but rather to build a citadel impregnable to the critics of previous policy and methods.

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of their capital would be reduced from 180 to 90 million gold marks.

The Anglo-Saxon experts sought to enforce their practice that a central bank should only discount bills bearing a third signature, i.e. that of a bank. This would have helped towards liquidity, but by making the Reichsbank into a 'Banker's Bank' would have given the private banks a semi-monopoly of rediscounting facilities. This division of faculties, so typical of British life, would have prevented the Reichsbank with its 500 branches from competing with the private banks and enjoying immediate contact with the public, with the resultant insight into private loans and bank credits. On this point, too, Schacht succeeded in obtaining a compromise, permission to discount two signature bills up to one third of its entire bill holdings being granted.

The Reichsbank was, however, able to circumvent the provisions and limitations of its charter, thanks to its participation in the Golddiskontbank. Although the original purpose of this body soon became superfluous, its ownership was taken over in entirety by the Reichsbank and a single banking policy, removed from parliamentary State control, exerted its sway. It provided a means to direct or inject credit into the economic structure, to serve the purpose of the Reichsbank. Similarly when the Rentenbank was virtually liquidated in accordance with the Dawes Plan, and its mortgages on industry and commerce were replaced by the Reparations 'Industrial Obligations', the major proceeds of its agricultural mortgages were transferred to the new Rentenbankkreditanstalt. On its own credit this body then raised loans, which it passed on through other agencies to agriculture. As an example of the way in which the Reichsbank could evade its restrictions and dispense credit, Mr. P. B. Whale relates how in 1926 it paid up in full with foreign exchange, the capital of the Golddiskontbank, thus enabling the latter to take up bonds of the Rentenbankkreditanstalt. This institution exchanged the foreign currency with the Reichsbank for German currency, which was then passed on to agriculture. Thus the Reichsbank's stock of foreign exchange remained stable, while its note issue was expanded against agricultural mortgages.

The Inflation, by destroying private capital and faith in currency values, made men rely more on the State authorities and less on their own foresight or thrift for help on a rainy day. So while the accumulation of private savings remained very slow, public moneys in the hands of Reich, states, communes and public or

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private institutions of social service came to represent the major portion of the new capital in process of formation. Taxes remained high so as to balance the Reich and State budgets and thus guarantee the new currency. For 1924 the Reich budget had a surplus of two thousand million Reichsmarks. The Reichsbank wanted all these public funds to be administered on uniform lines and made available for the reconstruction of credit. Two factors worked counter to this: the habituation of officials since the War to conduct business concerns and their finances, and the tendency originating in the Dawes Plan for Reich and state concerns to be managed autonomously. It was commonly said that every 'Ministerialrat' (higher Civil Servant) aspired to be his own banker. The Reichsbank desired public departments to use their funds at the lowest rates of interest so as to foster economic activity. In fact, however, they were rather lent at the highest rates and such a policy, carried out by inexperienced persons, inevitably led to heavy losses and public scandals, such as that of the Phoebus Film Company, which brought down the Reichswehr Minister Gessler.

The Reichsbahn, the second pillar of the Dawes Plan, with an administration similar to that of the Reichsbank, though all shares were owned by the Reich, was a notable example. It accumulated funds capable of exercising a decisive influence on the money market and the Verkehrskreditbank was founded to manage these. It was the same with the Reichspost, also separated by the Dawes Plan, which handled considerable sums in its postal cheque accounts.¹ The Reichskreditgesellschaft was formed to act as banker for the V. I. A. G., a holding company for all State-owned industrial enterprises, to which its entire share capital belonged. Though having no branches, the Reichskreditgesellschaft often served as depositary for the funds of provincial banks anxious to avoid the 'Grossbanken'. In 1926 agreement between the Treasury—for the Reichskreditgesellschaft—and the Reichsbank was achieved, and in the following year an accord with the Reichsbahn was reached.

¹ Most individuals and all business firms maintained a postal cheque account, each of which had to have a minimum deposit of R M. 10 on which no interest was credited. A depositor handed in an order to debit his account for a specified sum or sums in favour of one or more creditors, who then received notification of the credit. This inverted cheque system largely took the place of the British or American practice of a current account with a commercial bank. The postal authorities were recouped for their expenses by their control of the interest-free deposits and of the sums in transit. The regularly published totals of transactions provided a barometer of the state of the national economy and facilitated government control over all financial transactions. The postal cheque system was only initiated after the War of 1914-18.

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There was a similar tendency towards the autonomous administration of their funds by most government departments, especially those disposing of large sums for social service purposes. This departmental independence forced the Finance Minister to keep much larger working funds in hand and so caused an increase in taxation. By this means again, the proportion of the national income passing through official hands was increased. As the budgetary position of the Government deteriorated between 1924 and 1931, so the funds under parliamentary control diminished. The system of departmental financial management—unknown before 1918—weakened parliamentary governments, because they suffered from the resulting financial shortness. But a strong authoritarian regime would make short work of this by bringing the bureaucrats and their funds to heel, so that a source of weakness would become a tower of new strength.

The rise of the State banks and municipal savings banks has already been noted. They made further progress after the stabilisation of the currency and enjoyed taxation privileges. The Prussian decree of May 1924 for their regulation encouraged them, as providing 'the necessary banking facilities for the middle classes' in face of the preferential treatment accorded by the credit banks to large-scale enterprises. The Deutsche Girozentrale, the apex of the savings bank organisation, came to dominate the market for municipal loans. The Deutsche Bau-und Bodenbank was founded in 1923 to give a guarantee of second mortgages on the construction of workers' dwellings or to grant interim credits for building. The Reich held 85 per cent of its capital and the States the remainder.

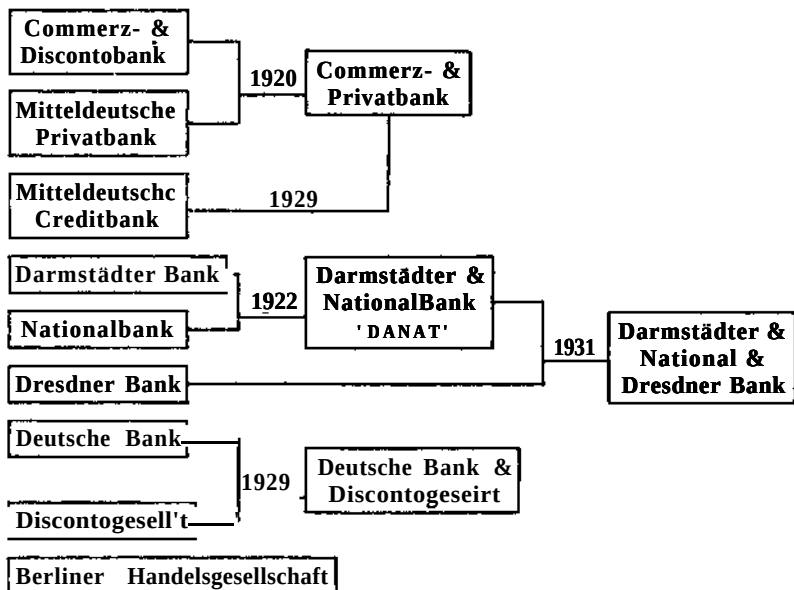
Thus there waxed after 1923 a public banking system rivalling that of the Grossbanken, and, on the whole, exempt from the vicissitudes of parliamentary control. The municipal banks could hardly be co-ordinated by an ephemeral parliamentary government, founded on a temporary coalition, while the Reichsbank and the Reichsbahn alike served the State idea of the enduring Reich, superior to all parties. The public banking system was subject neither to a parliamentary cabinet nor to independent industrial trusts, the protagonists of the duel between 1919 and 1923.

In 1928 some agreement regarding competition was achieved between the credit banks and the savings banks. But it was not until the financial crash of 1931 that the 'Grossbanken' were to be definitively integrated within the public system. This was brought

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about thanks to the lack of liquidity, which characterised the credit banks after the stabilisation, to an even greater extent than before 1914. Meanwhile further amalgamation in the interests of rationalised and concentrated control reduced the number of 'Grossbanken' to five.

AMALGAMATIONS OF THE 'BERLINER GROSSBANKEN'



A comparison of the balance sheets of the leading banks in 1913 and 1928 demonstrates clearly their increased vulnerability.¹ Capital and reserves had been severely affected by the Inflation, and this reduction became increasingly important as the currency circulation and the banks' balance sheets swelled through the later '20's. The ratio of capital and reserves to total liabilities became such that it might easily be swept away by one severe loss. At the same time the ratio of cash to total assets diminished below the already low levels—by British standards—of 1913.

¹ See P. B. Whale: *Joint Stock Banking in Germany*, p. 273-277.

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	<i>Deposits and Current A/c. balances with Berlin banks. Million Marks</i>	<i>Capital and Reserves of Berlin banks. Million Marks</i>	<i>Percentage of Capital and Reserves to total liabilities</i>	<i>Percentage of Cash to total assets</i>	<i>Percentage of Cash to total liabilities 'less Capital and Reserves</i>
31.12.1913	5,1486	1,455.45	190 %	4.6%	5.7%
I. 1.1924	1,089.4	648.24	37.0%	6.1%	9.7%
31.12.1928	9,843'2	800-10	7.0%	3.8%	4.1%

N.B.—Figures for 1928 omit those of the Mitteldeutsche Creditbank which did not publish a balance sheet for that year.

Mr. Whale points out that the increase in deposits was due rather to the extended use of bank accounts and the increase of the currency circulation than to increased saving, since long-term deposits increased least. Deposits and current account balances, which averaged 62.1 per cent of liabilities in 1913, amounted to 86.7 per cent in 1928. Moreover a very high proportion of these were owed to foreigners, although this factor was partially evened out by the increase in balances with correspondents abroad.

Thus while the rationalisation of industry was immobilising vast sums in capital investment, the banks were drifting into a position where their liabilities were of a short term nature and due to foreigners, while their assets were tied up in plant inside Germany, which faced ever-rising tariff barriers. As the world depression attacked industry, the basis of Germany's economy and the depositary of the credits vouchsafed by her banks, so these commitments extended this vulnerability to the banks also.

The financial bankruptcy of the Inflation had produced a moral bankruptcy amid the general atmosphere of each for himself. This came home to roost, as the disappearance of financial morality became apparent in the scandals connected with the names of Barmat, Kutisker and Sklarek, which involved political personalities and publicly owned banks. The Wall Street crash of October 1929 dried up the spring of American credits and the consequent lack of working capital forced industry to restrict output. As the impact of the depression made itself increasingly felt on an industry geared for export, so the Germans turned to the parties of despair, National Socialist and Communist. Their electoral successes in September 1930 prompted foreign creditors to recall their money. The projected Customs Union with Austria in March 1931 aroused alarm and hostility in London, Paris,

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Rome and Prague. The collapse of the Austrian Creditanstalt in May and the rising tide of unemployment, both of men and machinery, encouraged a run on the German banks. The Nordstern insurance company published losses of 28 million Reichsmark and the Karstadt Stores announced a plan of financial reconstruction. Between 1st and 17th June the Reichsbank lost 1,000 million Reichsmarks in gold and foreign currency. The Hoover Moratorium on reparations payments and an international credit of 100 million dollars failed to recreate confidence.

On 13th July the 'Danat' was forced to suspend payments. It had lost more than its entire capital and reserves in the bankruptcy of the Lahusens' unsoundly expanded Norddeutsche Wollkämmerei. The 'Danat' had been of all the banks the most venturesome in its industrial speculations and Jacob Goldschmidt, one of its directors, was particularly prominent in promoting industrial amalgamations and cartelisation. He had carried on large-scale financing with limited resources and offered one industrial concern a credit nearly equal to the entire share capital of his bank.¹ He was one of Flick's principal financiers, was on the board of the Vereinigte Stahlwerke and the Charlottenhütte and was involved in their difficulties. To counter the withdrawal of short-term foreign credits, a moratorium was proclaimed on these by the Reich Government in July 1931 and rigid control of all foreign exchange dealings introduced. Both these measures have never since been suspended, and after 1933 they served the Nazi government as the machinery of its policy of default. The other 'Grossbanken', themselves threatened, were unable to help and the government proclaimed a bank holiday and closed the Bourse, in order to avert the complete collapse of the banks, dragging the entire industrial system with them.

The bank holiday was necessarily temporary and its gradual relaxation was made possible by measures giving virtual control to the government and the Reichsbank. All deposits of the 'Danat' were guaranteed by the government and it was amalgamated with the Dresdner Bank. The paid-up capital of all the Grossbanken, except the Berliner Handelsgesellschaft which survived unaided, was cut down rigorously and replaced by new stock subscribed through the instrumentality of the Golddiskontbank. Thus, while retaining their private form, the four remaining 'Grossbanken', which had drawn the entire joint stock banking

¹ W. F. Bruck: *Social and Economic History of Germany from William II to Hitler*, p. 193.

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system of the Reich under their control, themselves lapsed under that of the State. The economic feudalism of the Stinnes era had only culminated, through its own megalomania, in the dependence of industry on the banks after Stabilisation. The overweening confidence of the banks led these in their turn to belittle the need for liquidity, and so their vulnerability to any shock to confidence forced them into dependence on the Reichsbank and the State. The economic and financial instrument was ready for a totalitarian regime which should make the exaltation of the State idea, implicit in the German Reich, the cornerstone of its policy.

XV

TOWARDS A TOTALLY STATE-PLANNED ECONOMY

The influence of the State in the sphere of transport and the control which it achieved over the banking and industrial system in 1931-32 were not the limits of its economic power. The principle of state ownership of economic enterprise was long established in Germany, where mercantilism had always subserved absolutist princes rather than a commercial oligarchy. It was in this sense that Spengler termed Frederick William I of Prussia, rather than Karl Marx, the father of Socialism. The German porcelain industry was a notable example of state-owned enterprise, whether in Prussia, Saxony or Bavaria—in contrast to Wedgwood, Royal Worcester or Crown Derby. The spoils of the Church, both in the sixteenth and early nineteenth centuries, had fallen to the princes rather than to private families. Thus in mining, ironworks and forestry, state ownership was widespread, especially in Prussia, and even in large scale farming it was considerable. In 1914, while the Reich and states owned the railway, postal, telephone and inland telegraphic systems, the municipalities were extending their hold over utilities, traction companies and slaughterhouses.

The Republic was born in the atmosphere of increasing socialisation which the War had encouraged. Besides extending their interests in banking, transport and utilities, the Reich, states and municipalities became large scale builders of stadiums, public buildings and dwellings. The cessation of construction during the War and inflation resulted in an immense accumulated demand for apartments. Rents had been frozen during the War, as a precaution against exorbitant increases. The divergence between the rents of old and new dwellings, consequent on increased building costs, acted subsequently as a damper on private builders. Public or publicly subsidised building was the sole remedy, and this was financed by the 'Hauszinssteuer* imposed on property-owners who had profited by the revaluation of their mortgages at only 25 per cent after the stabilisation. The control

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over the most modern accommodation thus placed in the hands of the various governments, was a perennial source for accusations—frequently justified—by their party opponents of partiality in allotment.

This indulgence by the State in commercial enterprise enforced a new *modus vivendi* between the bureaucracy and business. As business stretched out its hand after power through political action, so the bureaucracy became business minded, and its members were no longer satisfied with the stern Prussian virtues of imposing and submitting to obedience as the mark of power. The bureaucracy, too, followed the star of economics.

But while the economic organisations did not neglect the field of parliamentary warfare with its open ventilation of public affairs, they profited from the fact that State enterprises were largely organised in business-like, non-bureaucratic manner. They were depoliticised and freed from direct parliamentary control. In this way business deals could be concluded between four walls and without awkward questions in the Reichstag. State and municipally owned concerns were turned into companies and officials became directors, enjoying far larger salaries for doing the same work, while business men were brought in to fill these semi-public posts. A marriage was celebrated between business and the State: not the parliamentary Republic, but the enduring Reich. Business was accepting integration in a state system, while the State, by adopting business forms, was avoiding the dangers of popular control and individualist interference.

The V.I.A.G. (Vereinigte Industrieunternehmungen Aktien Gesellschaft), with a share capital of R M . 180 million, was formed by the Reich government as a holding company for its banking and industrial interests. These comprised the Reichskreditgesellschaft, besides electrical, aluminium, shipbuilding, nitrogen, armaments (Rheinmetall) and manufacturing interests. The Reichsbank and the Reichsbahn were the most notable examples of such independent State enterprises. In each case they came under the presidency of prominent business leaders—the banker, Schacht, and the electrical magnate, Carl Friedrich von Siemens—while the leading officials derived pecuniary benefits.

That Germany was moving towards a planned economy was apparent to observers before 1914 already. Henri Lichtenberger pointed out the trend away from free enterprise towards organised regimentation under a new social hierarchy, which was being pursued in the name of individual security and improved living

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conditions.¹ The Imperial government had been a pioneer in social insurance legislation, though more backward in matters of hours, wages and working conditions. Social insurance, like the educational system, was primarily concerned to produce good citizens and promote national strength and efficiency, rather than to provide the individual with greater facilities and liberty to develop his own personality and pursue his individual happiness. Unemployment was the only danger against which there was no insurance till 1918. Medns tests ceased in 1927, but all was upset by the mass unemployment of the depression. In general the Republic extended the social legislation of its predecessor and endeavoured fairly successfully to justify its title as the 'Social Service State'. The increased dependence into which this brought the individual and its social effect in preparing him to accept a Totalitarian regime has already been noted.

The imperative necessity for a planned economy was forcibly and influentially voiced by Professor Schmalenbach of Cologne in June 1930. His speech was delivered when the impact of the world depression was making itself increasingly felt on the 'Rationalised' German economy. He argued that the Liberal individualist economy, in which costs derived principally from wages and were thus proportionate to production figures, had had its day. It had been superseded by mass production, in which centralised bodies for research, publicity and administration, involving the immobilisation of vast capital resources, became with the actual productive machinery the principal cost factors. Since costs were no longer governed by supply and demand and adaptable to them, a controlled economy was essential for the organisation of consumption and the maintenance of production.

The power of the trusts and their independence in face of the central government had been shaken by the stabilisation of the currency.' The same grant of plenary powers used to introduce the Rentenmark, served also for the 'Decree against the abuse of economic power' of 3rd November 1923, regulating cartels, and for that of 17th November 1923, virtually abrogating the eight-hour day. The cartel decree was intended to facilitate monetary stabilisation by giving the government a means to influence the bodies which fixed industrial prices. Its principal innovation lay in the creation of a Cartel Tribunal, consisting of one judge, nominated by the Reichs President, with four assistants. This body, whose authority was exclusive and final, was empowered to

¹ See *Allemagne moderne*, p. 65.

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nullify any cartel agreement damaging to national economic development or to the public interests or 'for an important reason', as interpreted by the Reich Minister for Economic Affairs. While this decree reluctantly facilitated withdrawal from cartels, if the Court allowed such applications, it was partially offset by the growing tendency to compulsory cartelisation under State auspices. It is however an important landmark, because of the key powers with which it endowed the Reichs President and the Minister for Economic Affairs, thus constituting a victory for the State over the economic feudalists. The government had profited by circumstances to create an organism dependent on itself, permitting it both to serve industry, so as to win its support, and to rule it so as to be sure of its loyalty. The Cartel Decree expressed the revolution of feeling of the expropriated mass of the German people against those who had profited by their dispossession. Deprived of their own economic independence, the masses consigned their exploiters to the mercy of the State. The power thus bequeathed to it by the expiry of the National Liberal economic order was to serve as one of the bridges to the new order of National Socialism.

The subordination of the cartels to the State became apparent in the decree-law of 26th, July 1930, promulgated by the Presidential cabinet of Brüning in the interest of its deflationary financial policy. Alleging that the cartels had created 'a situation which could not be justified and imperilled public security', this decree empowered the government to place a veto on the execution of contracts which required price fixing.

While the Cartel Decree of 1923 made apparent the subordination of the great industrial units to the central power of the Reich, the Decree of 17th November 1923, abrogating the eight-hour day, marked the subordination of labour to the same power. The eight-hour day had been made obligatory in industry and trade by the Council of People's Commissaries in November 1918—it was the first great social conquest achieved by German labour. While the Cartel Decree marked the liquidation of industrial feudalism, the product of the Inflation, the eight-hour-day decree curtailed the independence of labour in face of the employers or the State, thus liquidating a legacy of the November Revolution. It had been one of Stinnes' principal aims to secure this, and the extension of the working day had already been illegally introduced in the Ruhr mines. Both decrees were symbolic of the decisive events of October to December 1923, which led to the rise of the strong economic structure of the German Reich as a prelude to its totalitarian

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mobilisation under Hitler. They were inevitable steps in the unification of the German economy prior to its productional and organisational rationalisation.

Rationalisation was a fruit of the belief in the unlimited benefits of scientific management. While the cartels fixed prices and standards, curtailing the liberty of the entrepreneur in the interests of economic efficiency, the conditions and price of labour came to be equally controlled. Fixed prices brought as a corollary fixed wage-scales, if only so as to regulate the absorption of consumer goods. The factor of chance must be obviated; the law of supply and demand, the foundation of the individualist Liberal economy, disappeared for workers as for employers. The individual no longer counted, the automaton became the general ideal.

Wage-scales must be fixed collectively, and since the aims of employers and employees in this matter were mutually antagonistic, the intervention of the State as mediator and arbitrator became inevitable: the more so, since high capital charges and an abundant labour supply obviated the high wage levels of America. Collective labour contracts, not permitting of any exceptions or 'contracting out', were recognised as normal and publicly desirable. By a regulation of the Council of People's Commissaries in December 1918 collective agreements made within an industry in a specified region, could be generally extended by the Government over all that industry in the region. Consequently a gigantic bargaining process arose periodically on the expiry of collective contracts. The order of December 1918 had provided for conciliation boards under a chairman nominated by the State, whose awards, however, could not be legally enforced, unless recognised by both parties. A decree of 30th October 1923 reorganised these boards and made their decisions legally binding, without right of modification or cancellation 'if the settlement appeared just and reasonable, with due consideration for the interests of both parties, and if its application was desirable for economic and social reasons.' Since the balance was held by the State-appointed chairman, and since the awards became in the last event compulsory, the government became the ultimate arbiter of labour relations and wage rates. It was precisely in the most difficult, critical and decisive cases that recourse was inevitably made to arbitration. The question was then removed from the free interplay of economic forces and could be subordinated to the economic policy of the Government, which masqueraded under the guise of reason

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and fairness', and it was but a short step from that to 'Right is what serves the German Nation'.

In fact this system undermined the influence of the Trade Unions, since there was a tendency for both workers and employers' organisations to put forward maximum demands to be adjudicated by a compulsory award instead of negotiating agreements. In the years of prosperity this system led to wage increases, but in depression it served to enforce cuts. So the workers came to feel that the State really fixed wages, and the Trade Unions seemed of little value except as executive organs of State policy on labour or wages.

Society was semi-socialised by this legislation, which made the State not merely the rock of social insurance, but equally the apportioner of the breadwinner's daily ration. The industrial concentration and the planned economy of Rationalisation were leading, by way of compulsory arbitration, to a socialism which would rapidly become totalitarian. The Socialist leaders were fully aware that the implementation of their ideals was brought nearer by the oligarchic plutocracy of the Inflation, which had destroyed small scale capitalism. *Vorwärts* hailed Stinnes as bringing 'Capitalism into the chrysalis stage, from which one day the Socialist economy will emerge as a full-grown butterfly. Let us not disturb him in his work. Socialists may yet acclaim him as one of their greatest men.'¹ Cartelised capitalism seemed an advanced economic stage on the road to Socialism.

German faith in the transcending value of organisation was evident in the labour movement as in capitalist enterprise. The same mentality which accepted unquestioningly the cartels and trusts, inspired the regimentation of the workers. In 1914 the German trade union movement was the most powerful labour organisation in the world. Aware that their monopoly of labour was not secured by a shortage of supply or the ability to reduce that supply, the German trade unions avoided pitched battles with the employers, and strove to remedy this defect by reliance on negotiation and State arbitration.

The growth of cartels and trusts under State supervision led the trade unions to take a direct interest in politics, while it also diminished their hostility to the forms of private enterprise. Therefore, in November 1918, the Social Democratic leaders were less intent on the destruction of capitalist ownership than on securing for organised labour, equality of power with organised capital,

¹ Quoted H. Brinckmeyer: *Hugo Stinnes*, p. 7.

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within a capitalist system. Hence the social reforms of November 1918 concerned especially the right of association and of striking, collective labour agreements, the eight-hour day and increased participation of labour in the control of industry and the State. The emphasis in social progress was laid on organised co-operation for general material welfare through the State, rather than on individual enterprise and liberty.

This serves to explain both the Nationalism and the moderation of the Social Democrats, when they came to power. In order not to jeopardise production, they avoided thoroughgoing socialisation with a transfer to bureaucratic management, and contented themselves with the ideal of a planned, nationally integrated economy in private ownership under the supervision of the State.

In this connection it is interesting to note an article reproduced by the *Brown Book of the Hitler Terror* from a journal of German heavy industry in the late summer of 1932. It recognises that the controlling class of capitalists must seek extraneous support to maintain its rule. Pure military force was too dangerous, so recourse had to be made after 1918 to Social Democracy, which enjoyed control over organised labour and by paralysing its revolutionary energies could chain it firmly to the capitalist state. This revolutionary paralysis was achieved by the social legislation of November 1918, which transferred the socio-political struggle from the factories to parliament and the cabinet chamber. There Social Democracy must defend the gains achieved. But a capitalist regime which annihilated these gains, under the stress of deflation, would be driven to break its entente with Social Democracy intended to paralyse working class revolutionary leanings by dividing them. It would have to pass to a policy of constraint. This should be achieved by National Socialism, which would incorporate the trade unions under its leadership.¹

'Arbeitsgemeinschaft' (Community of Labour)—a word which sounds curiously Nazi—was a catchword of November 1918. It was in its spirit that representatives of the trade unions and the employers' association signed an agreement on November 15th, hailed by some as the Magna Charta of German labour. This promised liberty of association, collective contracts and the organised co-operation of capital and labour in a hierarchy of councils, ranging from the individual factories up to the central 'Reichsarbeitsgemeinschaft'.

The ideal of economic democracy inherent in this agreement

¹ Quoted James Burnham: *The Managerial Revolution*, p. 192-3.

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was implemented by the provisions for economic representation in Article 165 of the Republican Constitution. This provided for the equal co-operation of capital and labour in the economic development of the productive forces of the nation, by means of a three tiered system of councils. There were to be factory workers' councils, district workers' councils and finally a national workers' council ('Reichsarbeiterrat'). While the factory council, dealing with the individual employer, represented labour in conflict with capital, the district and national councils would meet with representatives of employers and 'other interested classes of people' in district economic councils and in the National Economic Council ('Reichswirtschaftsrat'). These economic councils would represent the community of interests in industry between capital and labour. They were intended to provide a democratic means for co-ordinating and organising national production in the interest of efficiency.

The constitution and rights of the factory councils were laid down by the law of February 1920 ('Betriebsrätegesetz'). From the first, the Majority Social Democrats disliked a system smacking of Soviet Bolshevism, while the trade unions resented any organisation of labour which might rival their own. The regulation of working conditions by collective bargaining was reserved to the trade unions and the factory councils must operate within this framework, supervising the application of collective agreements. While the factory council system functioned satisfactorily on the whole in protecting individual workers, its legal rights to see the accounts of the factory and to be represented with voting power on the board, in the interests of efficient management, proved generally illusory.

The district economic councils were never formed. The Reichswirtschaftsrat contained 326 members representing capital, labour, professional and consumer interests. It had the right to express its expert views on all bills of a social or economic nature before their presentation to the Reichstag, and also to propose social and economic measures to the Reichstag. Including many of the most experienced economic authorities of Germany as representatives of vocational organisations, the Reichswirtschaftsrat was widely regarded in its early days as likely to supplant the Reichsrat as an upper house. Any hopes that its expert and balanced opinions might prove a check on political demagoguery proved illusory, however, because it enjoyed no right of legislation or veto. Being purely deliberative it could not rival the popularly elected

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Reichstag, much less the plebiscitary President. The Reichstag objected to anything in the nature of a second parliament, while government departments often preferred to seek independent technical advice.

The Constitution was not a victory of Socialism, but rather an act of faith in the Social State, which was widely conceived of as the road to socialisation. The entire system of economic representation was an echo of the Workmen's Councils or Soviets, which had arisen in November 1918. It was an emanation of the revolt of economics against politics, of the material against the spiritual or ideal. As a means to exercise democratic control over the increasingly integrated national economy, it was a failure. Insofar as it would prove influential it must be in a unitary co-ordinative sense.

As a consequence the advent of the world depression in 1929 found the German economic structure excessively rigid in virtue of its fixed costs—excessively vulnerable in virtue of its illiquid over-capitalisation—and increasingly subject to control by the central power. Rationalism enjoyed ubiquitous obeisance, yet Logic was conspicuously absent in a highly organised mechanism which only served to hold up production costs despite lower prices for imported raw materials and rising unemployment. Everything had been so well regulated that there was no room for the natural reactions of economic life. A system constructed to moderate crises only made the retarded crisis more violent. Everything conspired to facilitate a fall in prices, yet decree laws were needed to bring it about by lowering salaries, wages, rents, mortgage interest rates and costs.

The economic influence of the State was exerted not only through legislation, but also by its own direct control over a large part of the national income. In 1929 between 20 and 25 per cent of the national income went to the State, but as taxation and social insurance receipts decreased less rapidly than national income during the depression—exactly inversely to the Inflation—this proportion grew to between 30 and 35 per cent by 1932. If railways, utilities, building and other State-controlled enterprises be included, the proportion rises to between 50 and 60 per cent.

This control over the national income, and its allocation through the Reich, states and municipal budgets gave increasing importance to control over the seat of political power. As the Reich's tax distributions declined during the depression, so the Länder, anxious to balance their budgets, passed less on to the municipi-

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palities. These were then left to manage as best they could or to seek grants in aid from the Reich Government. Between 1930 and 1932 the inability of the cities to balance their budgets, and to introduce the necessary new emergency taxes led to the appointment of Reich Commissioners in hundreds of municipalities, including Berlin, Frankfurt-a/M. and Breslau, for the purpose of introducing or increasing taxes. This system was legalised by a Presidential Decree (5th June 1931), which made Reich administrative supervision over the municipalities an accomplished fact in finance at least.

As economic concentration increased, so the co-ordinative role of the State in regard to the economic bodies, to capital and to labour, became more vital. Economic organisations were willing to spend ten or fifteen million marks on an election campaign, because a single law, tax or customs duty might be altered so as to recoup them for their expenditure several times over. This was quite apart from any minor direct prerequisites in the way of jobs or contracts.

Thanks to its control of the banking system after 1931, the central government's influence extended through all the tissues of the body economic, and when a government, determined to inflate production in preparation for war, came to power, it found the instrument of economic might ready to hand. Forged in the chaos of 1923 out of the metal molten in the Inflation, hardened in the years of stability and tempered in the deflationary crisis of 1930-32, the unified economy of the Reich was prepared for Hitler. It fulfilled Rathenau's dream of a scientifically organised economic state.

Already in 1919, before the signature of the Versailles Treaty, M. Bainville voiced the fears of the Czechs and Poles at a German economic revival. 'These nations know Germany better than we do. The phenomenon of the German revival strikes them even more than us. They do not ignore the fact that Germany is a vast workshop, momentarily empty, needing only British and American raw materials in order to work and produce, while our destroyed French factories must be rebuilt and re-equipped before they can weave a yard of cloth.'¹ Bainville warned an unheeding world that the extension of Anglo-American credits to the German economy was 'Collaboration' with the enemy and treason to the Allies: 'it is Collaboration with the enemy, it is helping him to restore his political power, it is weighing down and ruining the Allies, who

¹ *Action Francaise*, 14th Feb. 1919.

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have made the heaviest sacrifices. It is preparing the return of war and its evils.¹ Twenty years before Munich, Bainville was warning of the follies of 'Appeasement', denouncing the genesis of 'Collaboration'.

There was a danger that Germany's vast modern equipment, paid for in the Inflation, might prove, once it disposed of the necessary credits, the instrument of a powerful economic offensive. The entire concentration and reorganisation of the German economy under the Republic was dominated by the idea of the economic offensive. It was a mobilisation for war, founded, by a singular contradiction, on foreign loans.² Messrs. Quigley and Clark remarked in 1928 that Germany's economic position was stronger than in 1914 and not easily to be shaken. 'The love of organisation has persisted and has already welded the economic forces of Germany, capital, labour and finance, into one powerful complex which, in time, will act with complete efficiency. In that lies the hope of Germany and of the labour and capitalist forces in it.'³ The co-ordination of capital and labour, of technical development and industrial production, produced a marvellously organised and centralised instrument. 'To our mind, the German Republic, as represented by a highly organised industrial State moving forward, with every section carefully mapped out, with all disruptive forces neutralised, has something repellent in it, it comes too close to the machine and lacks soul.'⁴

On the 29th February 1932 Werner Sombart, who had been one of the founders of the Democratic party in November 1918, gave a lecture on the future of capitalism to the 'Studiengesellschaft für Geld- und Kreditwirtschaft'. He pointed out that as the number of scientifically determinable and even foreseeable factors continually increased, so the inclination of the entrepreneur to found his undertaking on scientific knowledge grew. This, together with the expansion of enterprises to gigantic proportions, gave them and their leaders an administrative rather than a commercial character. At the same time both the profit motive and the readiness to risk losses gave way to the quest for security. The element of adventure was displaced by cartelisation, bureaucracy and social legislation, while the Law of Supply and Demand had to accommodate itself to the typical German craving for order

¹ Ibid. 6th April 1919.

² The Vereinigte Stahlwerke and its holding companies alone obtained over \$180 million of American loans.

³ *Republican Germany*, p. 295.

⁴ Ibid. p. 298.

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and planning. True planned economy, said Sombart, must be all-embracing, totalitarian. This planning could not yet be international; control must be centralised in the National State and the distinction between private or collective ownership would be unimportant. The means necessary to promote such a planned economy were already available in the present and it would be folly not to develop them organically. The man who might incarnate such a firm will for the reorganisation of economic life might originate from a variety of quarters, but he must be strong-willed and clear-sighted. Sombart concluded with the hope that the providential grace of such a strong-willed leader might be vouchsafed to the Fatherland, 'for we are fully conscious that without him we shall sink into chaos'. This speech by a founder member of the Democratic party is indicative of the distance that Germany had travelled since the Weimar springtime of 1919 and it bore out the warnings then uttered by Max Weber.

The entire planned organisation of German industry was geared for war, whether the white war of the export markets or the red war of the battlefields. America's contribution to the Allied victory bred in the Germans a respect for her and also for industrial power. So when the Army and the Monarchy collapsed in 1918, they pinned their faith to the economic leaders, who rode the storm of defeat and revolution. The business men set the tone of public opinion, as the new depositaries of the faith of the German nation. The dissolved Army was to be replaced by an industrial organisation, similarly directed by a few commanding brains. The German mind, with its craving for discipline, could see no limit to the power of command of one man or of a general staff: 'it admits at once that no problems are so vast that a well ordered brain cannot comprehend them all, and that the mass of human brains can be enslaved without decaying. An overweening confidence in human infallibility, an absolute contempt for individual liberty, these are the scarcely reconcilable premises of its syllogism.'¹

Overconfidence in their own ability had led the industrialists to imagine that, despite concentration, they could avoid socialisation. The French military occupation of the Ruhr exposed the foundations of their power for the paper that they were; the entente between the State and capital, which followed on stabilisation, proved helpless to insulate Germany against the depression. The collapse of the proposed customs union with Austria, in face of the military and financial power of France, exposed once again the

¹ M. Hermant: *Les Paradoxes économiques de l'Allemagne moderne*, p. 190-91.

A TOTALLY STATE-PLANNED ECONOMY

paper foundations of economic power, and as the masses lost their jobs, they lost their faith in economic leaders. The unemployed masses, disillusioned of the wizards of industry, found a new leader in Hitler,* who promised the bread of secure employment and circuses in uniform. The uniform, emblem of military power, came into its own again.

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A CONTINUATION OF WAR BY OTHER MEANS. THE SKILL OF STRESEMANN

'The knowledge that England is our chief enemy in this struggle is altogether good. "On thine island, envious England, thou art the fundamental enemy. ..."

The present world war may, in future, be described as the most gigantic economic struggle of all time. Economic in its origin through British jealousy of the amazing development of German national and world economy, it has essentially also become a struggle waged with economic weapons and will be continued in the economic field even when the military weapons are silenced.'

—GUSTAV STRESEMANN, 1915.

'The decisive question is practical: who will give us the best spring-board against England? To create this support must be to my mind the determinative goal of our policy for a long time. Nothing else will remain for us, because I consider a real termination of our struggle with England to be excluded for the present. It will presumably be postponed and then carried through to a finish in a second or third round'.

—COLONEL VON SEECKT I. G., 21st Dec, 1914.

XVI

STRESEMANN: THE LEOPARD WHO CHANGED HIS SPOTS?

Gustav Stresemann (1878-1929), the son of a Berlin beer retailer, was aptly described by the Bolshevik Radek as the representative of the interests of the German bourgeoisie and of the transition period to a period of transition. Rochus, Freiherr von Rheinbaben, one of Stresemann's closest collaborators at the Foreign Office, began his introduction to a selection of Stresemann's speeches and writings published in 1926 with these words: 'Lloyd George once said, "My speeches are my greatest enemies." In contrast Stresemann's speeches and writings

show a continuity of policy, even if circumstances conditioned its details.¹ It is in this light that the diplomatic activity of Stresemann must be judged.

Stresemann was the last of the National Liberals, and in the German and bourgeois ideals of that party lay the mainsprings both of his 'Realpolitik' and of his Romanticism. The German Reich was for him a romantic article of faith and he recognised that it owed its inception not only to the 'Realpolitik' of Bismarck, but also to the bourgeois political idealism of Bennigsen, the founder of the 'Nationalverein'² and of the National Liberal Party. The coloured regalia of the university corps students, the maritime and colonial power of the Hohenzollern Empire, evoking Hanseatic memories, the Prussian tradition of self-sacrifice for the State and the German spiritual traditions of 'Geistesfreiheit' (freedom of the spirit), all these combined in him to shed an aura of attractive colour over a policy intended to serve the increase of German power. The admiring D'Abernon discerned in him a lively and progressive mind with a great power of adaptation to the necessities imposed by changing circumstances.³ It would be unjust to regard him as a mere hypocrite, because he honestly believed in the civilising mission of Germany and her culture. His pious nature could, therefore, work for the triumph of the same transcending German nationalism as the crude gangsters of the Nazi Party. He was as 'National' and as 'German' as the fanatics who assailed him down to, and even beyond, the grave. Stresemann emphasised the direct line of development from the libertarian 'Burschenschaften' of the War of Liberation era, through the Frankfurt parliament of 1848, to the foundation of the Empire at Versailles in 1871 amid the plaudits of the National Liberals. Only on the basis of this past could he envisage the construction of the future.

The youthful enthusiasm of Stresemann was first attracted by the colourful idea of a People's Reich, uniting Emperor and Labour, preached by Naumann with his 'National Socialist Union'. This failed to win either the ruler or the masses, and Stresemann soon abandoned it for the National Liberal Party, in

¹ G. Stresemann: *Reden und Schriften 1891-1926* p. 5. The copy consulted by the author of the present work was presented to the Library of Chatham House by the German Embassy.

² Founded in 1859 under the inspiration of the Schiller centenary and the Italian War of Liberation, to propagate the idea of a United Germany under Prussian leadership.

³ *Portraits and Appreciations*, p. 139.

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whose interest he became in 1907 the 'Benjamin' of the Reichstag. He had already attracted the friendship of Bassermann, the designated successor of Bennigsen, and in 1917 succeeded him as leader of the National Liberals. Stresemann regarded the war of 1914-18 as a romantic crusade of Germanism and so throughout he preached implicit faith in the leadership of the High Command, with its annexationist dreams. At the same time he took a leading part, with Naumann, the author of *Mitteleuropa*, in the movement in favour of the economic union of Austria-Hungary with the Reich, thus creating a Central European economic empire directed from Berlin.

Because he was regarded as Ludendorff's disciple, he was excluded from the Democratic Party, founded in November 1918 to rally the forces of German Liberalism. In face of this ostracism, Stresemann, with the help of Hugo Stinnes and other industrialists, founded the People's Party (*Deutsche Volkspartei*), which he intended to be a great central party, embodying the traditions of German bourgeois enlightenment and patriotism. In the National Assembly he opposed the subordination of German to international law, denounced the League of Nations as a Holy Alliance of Anglo-Saxon and French interests and urged the cultivation of Germany's 'natural friendship' with Russia. Thus he rejected the idea of a supra-national law against which Germany might have been guilty of trespassing, and demanded that Germany should take her stand with the East against the Latin West. Inveterately hostile both to Socialism and to the proletarianisation of the bourgeoisie by the rise of the trusts, he could rejoice by the end of 1920 that the helm should once more be firmly in bourgeois hands.

The Social Democrats and the Centre provided the majority in the National Assembly for the acceptance of the Treaty of Versailles, in face of the opposition from the German National Party, People's Party and Democrats. They accepted it to obviate the break-up of the Reich, which they foresaw as the inevitable result of its rejection. But the governments which ruled the Republic from 1919 to 1923 were alike in their efforts to resist and undermine the application of the Treaty. The Fehrenbach cabinet resigned in May 1921 in face of the Allies' London ultimatum, which demanded acceptance of a reparations total of 50 thousand million gold marks or 132 thousand with compound interest. The Republican and progressive parties were shy of accepting the stigma of submission which would fall on a new government.

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In this situation Stresemann was prepared to accept the ultimatum of 1921 where he had rejected that of 1919, but he was forestalled by the formation of the Wirth Government. Jacques Bainville¹ was shrewd enough to discern at the time the implications of this apparent volte-face by a leader of bourgeois Nationalism. He realised that if Stresemann or a similar leader had sufficient energy and logic to withdraw foreign policy from the arena of demagoguery, he might wring all manner of concessions from the Allies, and more especially restore Germany's international diplomatic prestige at the expense of ephemeral concessions. The Social Democrats had been obliged to excuse their acceptance by protestations, such as that of the Reichstag President Loebe that what was impossible of execution, was not made possible by Germany's signature. 'A Stresemann could be content to think what Loebe had to say aloud. Giving way in silence, in order to husband the future, suppressing strong words, which relieve the anger of a democracy, but warn the enemy: for such methods calm and cool-headed men with self-control are needed: dangerous men.' This was the policy a Bismarck would have adopted, and Bainville wondered whether perchance the spirit of Bismarck had whispered in Stresemann's ear?¹

Stresemann's chance, and with it the fulfilment of Bainville's prophecy, came two years later. The policy of resistance without open rejection finally induced Poincaré in January 1923 to occupy the Ruhr with French and Belgian troops. The Cuno government replied by the policy of passive resistance, subsidising the idleness of Germany's richest industrial area by the unlimited inflation of her note-issue. But in face of the French Premier's inflexible determination and the skill of his engineers, the German policy achieved nothing, except the final annihilation of Germany's currency and the misery of her people. The Cuno government resigned in face of the Reichstag's lack of confidence and of a Communist-inspired general strike in Berlin, which included the note printers. On 14th August 1923, Stresemann took office as Chancellor and Foreign Minister. The hundred days of his rule were to be the most vital in the history of the German Republic, preserving the unity of the Reich and laying the foundations economically for its second bid for world dominion.

Stresemann's patriotism was steeped in German history and so in this hour of distress he turned for inspiration to the men who had rescued his native Prussia from the humiliations of Tilsit and

¹ *Action Francaise*, 6th May 1921.

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Olmütz:¹ Hardenberg and Bismarck. To those who called noisily for a Bismarck to defy the Entente, Stresemann replied that it was just in virtue of his adherence to Bismarckian Realpolitik that he eschewed a policy of illusion.² He knew he was conducting 'the foreign policy of a defenceless people' and he wrote to the ex-Grown Prince: 'If only those who criticise the policy of the Reich government would read the lives of Stein and Hardenberg they would find out that the restoration of a nation is not brought about by bluster and by rattling an empty scabbard.'³

Bainville recognised that calculating diplomats like Stresemann and Seeckt were far more dangerous than firebrands like Hitler and Ludendorff. But firebrands fed the flames: Schill with his 300 hussars did not deliver Prussia from Napoleon, but he engendered Lutzow's Jägers and the springtide of 1813, which was exploited by Bliicher and Hardenberg.⁴ Prussia had arisen again after Jena by exploiting and adapting the ideas of the French Revolution which had defeated her. Stresemann's Germany was to do the same with the Wilsonian ideology of Versailles and Geneva: 'It is the policy of force which will always triumph. But when one has not yet got the force, one can also combat by ideas,' said Stresemann in 1924. He preferred to denominate his policy as one of 'Liberation' rather than of 'Fulfilment'. He reminded his nation in a commemorative address (1st Apr. 1928) that Bismarck, who had also known an Olmütz, had described politics as the science of the possible.⁵ Stresemann was a Bismarck within the limits of practicability, realising that he must achieve his ends by finesse rather than by force. This was the policy sketched out in his famous letter of 7th September 1925 to the ex-Grown Prince. He saw German foreign policy as being dominated by three great tasks: 'The solution of the Reparations question in a sense tolerable for Germany, and the assurance of peace, which is an essential premise for the recovery of our strength,' the protection of Germans abroad and recovery of Danzig, the Polish Corridor and Upper Silesia. 'In the background stands the union with German Austria, although I am quite clear that this not merely brings no

¹ The Treaty of Tilsit imposed on Prussia in 1807 by Napoleon and Czar Alexander, deprived her of all territory west of the Elbe and imposed an army of occupation and a heavy indemnity. At Olmütz in 1850, Prussia was forced by Austria, supported by Russia, to renounce her schemes for a unified Germany without Austria and under her own hegemony, and to rejoin the Bund under Austrian presidency.

² Mar. 1924. *Diaries*, I, 317.

⁴ *Action Francaise*, 4th May 1926.

³ 10th Oct. 1923, *Diaries*, I, 218.

⁵ *Diaries*, III, 303-10.

advantages to Germany, but seriously complicates the problem of the German Reich.¹ Just as Bismarck rejected great German dreams in favour of Little German realities, so Stresemann concentrated on the reality of a solidly united Germany as the nucleus of a wider expansion.

Stresemann, like Frederick William III, recognised the need to derive strength initially from spiritual, not material, resources. The moral philosophy of Kant and Fichte was the basis of Prussia's regeneration after Tilsit and it centred in the foundation of the University of Berlin in 1810, which Stresemann described as the greatest event in Prussian history.² Speaking at Hagen, when the crisis of German unity was at its height (25th Oct. 1923), he said: 'We stand alone in the world. Let us not forget one thing: any recovery of Germany must and will arise from the moral experience of the German people.'³ Their specific national culture was all that remained to unite the Germans in 1923. The military power bequeathed by Frederick and Bismarck had evaporated, and only the spiritual legacy of Luther, Kant and Goethe remained.

Fichte inculcated in the generation of the War of Liberation a belief in the moral autonomy of the Germans, and it was this same idea of moral autonomy which formed the basis of Stresemann's policy. He never ceased publicly to reject with vehemence the accusation that Germany was responsible for the war of 1914 and all its destruction, just as he endorsed the refusal to surrender the war criminals. In a speech to the German colony in Geneva (21st Sept. 1926) after Germany's reception into the League, he gloried in the resistance of the German people for four years against a world of enemies, preserving to the end the inviolability of the Fatherland. For the future, he said, 'We need not always be too careful about the method, if only it gets us forward—for in the end the result decides which method is the right one. But we shall only progress step by step, we shall not always follow a straight path as might please the more theoretically minded.'⁴

It was this reassertion of German moral autonomy against the Wilsonian ideal of a peace founded on absolute justice which separated the Germans by an impassable invisible barrier from the West. This moral rejection helps to explain the curious feeling sensed by D. H. Lawrence in his *Letter from Germany* (1924) that a mysterious barrier had fallen between Germany and the West, forcing her to look to the destructive East, to Tartary with its

¹ *Diaries*, I I, 503.

³ *Diaries*, I, 179.

² 7th May 1928, *Diaries*, I I I, 525.

⁴ *Diaries*, I I I, 32.

fascinating barbarity. Deprived of her colonies, as the penalty of her guilt, Germany aspired to lead the revolt of the coloured races against European domination. Stresemann excused himself in this, too, to the ex-Crown Prince: 'The great movement now stirring all the primitive peoples against the colonial domination of the great nations will in no way be influenced to the disadvantage of these people by our joining the League'.¹ Germany would avenge herself on the West by leading the revolt of Tartary against the civilising mission of Europe, thus preparing the way to her alliance with Japan against the white communities of the Pacific.

In his first speech in the Reichstag as Chancellor, Stresemann said that the introduction of order into home affairs would be the best foreign policy that the government could devise. The unity of the Reich must be safeguarded against internal threats, as the basis of a successful foreign policy. In this belief Stresemann, while insisting on the maintenance of Republican constitutional conditions, endorsed the deposition of the Zeigner government in Saxony by the Reichswehr. The authority of the Reich and its government must be strengthened in face of radical threats from any quarter, whether on the Right or the Left. Thus the work of his chancellorship, by consolidating the internal unity and order of the Reich, laid the basis of his foreign policy.

The authority of the Reich government in face of internal stresses was diminished by its patent impotence in the occupied Rhineland and Ruhr, the richest provinces of Germany and the main sources of her economic power. It was the life-work of Stresemann to restore the authority of the Reich there by obtaining, firstly, the restoration of German administration and, secondly, the evacuation of the occupying armies. The third stage, the complete restoration of German military sovereignty there, was reserved for Hitler. Stresemann was willing to agree to any financial ransom demanded for the liberation of the occupied areas—convinced that the total could later be reduced by negotiation. But he refused absolutely to make any concessions impairing the political or economic sovereignty of the Reich.

Stresemann's adversary was Raymond Poincaré, Prime Minister of France, a stubborn lawyer from Lorraine, who regarded the preservation of the peace and tranquillity of France as a sacred duty. As a Lorrainer, Poincaré had no faith in German promises and, as a lawyer, he thought that France could only implement her morally just claims for the reparation of her devastated soil by

¹ *Diaries*, I I, 505.

'productive pledges territorially defined'. He said (9th Sept. 1923): 'We prefer positive pledges, and we shall not give them up against general pledges which would perhaps be written down on paper, but not bring any results. We want realities, and we shall not withdraw until we are paid.' Such concrete pledges were provided by the occupation of the Rhineland and Ruhr. Poincaré sought to make sure that France secured the sums due to her by means of a lien on the economy, especially the mines and railways, of the occupied area, which might even enjoy a gold currency of its own, separate from the bankrupt Reich. By this means the industry of the Ruhr would serve to protect France, rather than to provide the arms for renewed German aggression against her. Moreover, the separate Rhenish railway administration envisaged, might serve as a means of pressure on Germany in case she attempted to upset the peace of Eastern Europe by implementing the public refusals of leading men of all parties to accept the new frontiers there. The abandonment of passive resistance left Poincaré in a dominant position, which Stresemann knew he must overcome by guile rather than by storm.

Stresemann founded his proposals for a Reparations settlement on the thesis that in an ordered Germany lay the strongest security for France likewise, stronger than any she could achieve by treaty, by-military convention, or by armament.¹ It was on this basis that the Committee of independent economic experts under the presidency of the American General Dawes set to work, and finally propounded the Dawes Plan. In December 1922 the American Secretary of State, Mr. Hughes, had suggested in a speech at Newport, Connecticut, that the problem of Reparations should be divorced from politics and considered by a commission of experts on the basis of Germany's capacity to pay. In January 1923 Bonar Law, the British Prime Minister, supported this 'Capacity to pay' thesis at the Paris conference. He took the line that only by means of a loan could payments be obtained from Germany, and that such a loan was impossible without the restoration of her credit. This solution, which the Dawes Plan embodied, implied two crucial changes: the predominance of France, the principal sufferer, was terminated and the moral basis, implicit in the adjustment of Germany's payments to the total damage done, was eliminated. Morality was sacrificed to expediency, France's past sufferings to Germany's future potentialities. Stresemann could exult: 'Poincaré' tried to justify his occupation of the Ruhr and his policy in general

¹ 25 December 1923, *Diaries*, 1, 263.

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in the eyes of the world by saying that Germany could pay but would not. The experts reply: that the Germans cannot and must not'.¹

The Dawes Plan was founded on the restoration of German economic unity as the prerequisite for Reparations payments. No total of payments was fixed and the basic principle of German capacity to pay obviated the economic disarmament of the Reich, since this would weaken its ability to export. In this way Reparations were to consummate German unity and economic revival. The German currency was to be stabilised under the aegis of a Gold Note bank with a mixed German and foreign board. Germany was to receive a loan of 800 million gold marks to assure the stability of the new currency and to finance the initial Reparations deliveries in kind. This loan would be secured by a mortgage on German industry and on the railway system, which was to be turned over by the State to a special corporation, also endowed with a mixed board of directors. Customs and excise duties were to provide further securities, while an Agent General for Reparations in Berlin—Mr. Parker Gilbert, an American banker—was to preside over the entire structure. The Dawes Plan marked the application to a European power of the nineteenth century principles of Chinese and Near Eastern debt administration and it is interesting to recall that Lord d'Abernon, the British Ambassador, had spent his earlier years in Ottoman banking. The Dawes Plan, like these liens on Asiatic communities, was undermined by the rise of popular nationalism and the relative decline in the argumentative power of the Western navies.

The adoption of this plan was Stresemann's first and greatest success as Foreign Minister, since from it all others derived. Germany's economic unity was consummated by a plan which replaced Poincaré's 'productive pledges territorially defined' by a general paper mortgage on the Reich's railways and industry. France was to secure payment, thanks to an international loan to Germany, and this in its turn introduced a new element: the foreign, principally Anglo-American, investors. Stresemann seized the opportunity opened to him. He made it clear that Germany could only raise the money required for Reparations, if the banks were satisfied as to their security, and then left the banks to settle with the French. He appreciated that foreigners would be disinclined to furnish credits if there existed a danger that German industry might again be deprived of its raw materials or finished

¹ 29th April 1924, *Diaries*, I, 338.

products, as in the occupation of the Ruhr. The foreign creditors demanded economic and political stability. In the Reichstag (6th June 1924) Stresemann hailed President Coolidge's promise of American credits as 'the beginning of the greatest changes in the constellation of world powers which are necessary to bring about the revision of the Versailles Treaty.' The dominating position of Poincaré's France had been overcome, and if in the future a default on Germany's part were established, sanctions could only be ordained by the unanimous agreement of the Allied powers, in conjunction with the United States. Finally, at the London Conference in August 1924, which secured general accord on the lines of the Dawes Plan, Germany was for the first time represented on a footing of equality—she was no longer obliged to accept without discussion the terms agreed on by the Allies. She regained her status as a great power politically, just as the promised evacuation of the Ruhr was to restore it economically.

How was France brought to yield her position and to accept these paper mortgages on the entire Reich industry and transport, on which she was unable to foreclose? The primary factor was the contradiction between her political desires and her financial anxieties and embarrassments. The War had devastated France's richest industrial areas and the difficulties arising from the restoration of her economy, together with the government's recourse to credits from the Bank of France, had a depreciating effect on the franc. Anglo-American business interests were anxious for the rehabilitation of Germany as a trading nation and, while Poincaré obstinately stood his ground, Stresemann by astute leadership was winning sympathy in England, America and Italy. In January 1924 the Labour Party took office in England under the Germanophile Macdonald, and Poincaré's defeat in the French elections in May led to his replacement by Herriot and the Left Cartel.

The Dawes Plan was in the nature of a life insurance for the Reich against external perils and prevented economic dissolution into its federal components. Obligated to evacuate the Ruhr, and eventually the Rhine, France had lost the peace. Seeckt recognised this and so he used his influence to secure the ratification of the Dawes Plan by the Reichstag. Nevertheless, it was denounced by Helfferich and the Nationalists as a second Versailles. In public speeches Stresemann emphasised that the Dawes Plan was drafted by economists, who insisted that the economic life and productivity of the Reich must not be limited by any controls other than those which they themselves proposed. He insisted that Germany

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accepted the burdens of the Dawes Plan 'because the War had been lost and not because she felt morally guilty of the origin of the War.'¹

On the same day that the Reichstag ratified the London agreement (29th Aug. 1924), Chancellor Marx issued a statement, acknowledging the misgivings, even to the point of setting aside personal convictions, of those who had voted for ratification. He then specifically rejected the war guilt clauses of the Treaty of Versailles: 'The statement imposed upon us by the pressure of overwhelming force in the Treaty of Versailles, that Germany started the World War by her own act of aggression, is contrary to the facts of history. The government of the Reich hereby states that it does not recognise this assertion. It is a just claim on the part of the German people to be freed from the burden of this false accusation. So long as this is not done, and so long as a member of the community of nations is stamped as a criminal against humanity, a true understanding and reconciliation between the nations cannot be achieved. The government of the Reich will take occasion to bring this statement to the knowledge of foreign governments.'²

These statements showed clearly that the German government's 'voluntary' acceptance of the Dawes Plan was a submission to force and not an acknowledgement of guilt. The annual payments envisaged by the Plan did not reach their full total until the year 1928-29. But the Plan had achieved Stresemann's aims: the evacuation of the Ruhr and the restoration of the economic and administrative unity of the Reich. Its fulfilment was essential in the interests of the liberation of the Rhineland from Allied occupation, which would finally restore to Germany her liberty of action as a great power. From the first Stresemann had intended that the sacrifices assumed to secure national unity and liberation should be progressively diminished. Already in September 1925 he wrote to the ex-Crown Prince that the burden of the Dawes Plan would be unendurable by 1927 and would call for a new conference to estimate Germany's capacity to pay.³

The Dawes Plan purported to secure to France the sums needed to restore her devastated areas. As its price she yielded the Ruhr, 'the greatest armourer's workshop in the world'.⁴ This increased her exposure, once the Rhineland, too, should have been evacuated, to renewed attack by her prolific and highly industrialised

¹ 12th Sept. 1924, *Diaries*, I, 443. ² *Diaries*, I, 408-9. ³ *Diaries*, I I, 503.

⁴ Stresemann, 29th April 1925, *Diaries* I, 339.

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neighbour. By the Locarno Agreement (1st Dec. 1925), Stresemann cleverly played upon pacific France's craving for security. France, Germany and Belgium recognised as permanent the delimitation of their mutual frontiers and the demilitarisation of the Rhineland by the treaties of 1919, and this was guaranteed by England and Italy. Furthermore Germany agreed not to seek any revision of her eastern frontiers by war-like means. Since the frontiers of 1919 had been drawn against Germany's will, her 'voluntary' acceptance of them appeared to be a noble gesture and was rewarded by the evacuation of the Cologne area and the withdrawal of the Interallied Disarmament Commission.

In practice, however, she was in no state to reverse them by arms in 1925, nor even to reoccupy the demilitarised zone. Only a few months previously Germany had embarked on a tariff war with Poland, intended to secure political concessions which would undermine the unity and strength of the Polish Republic. The recovery of Danzig, Pomorze¹ and Upper Silesia was the first objective and, as Stresemann wrote to the ex-Crown Prince in his famous letter (7th Sept. 1925): 'If we want to secure these aims, we must concentrate on these tasks.' Hence the value of the security pact which ruled out the possibility of a military conflict with France over Alsace-Lorraine: 'This is a renunciation on the part of Germany but, insofar, it possesses only a theoretic character, as there is no possibility of a war against France.'² Similar assurances were given to the Soviet Ambassador Krestinsky (15th Apr. 1925) to the effect that the security pact was necessary to guard Germany's western frontier against the French Nationalists: 'Our purpose was to create a stable situation in the West, while keeping a close watch on developments in the East and preserving our freedom of action.'³ Henceforth Germany could violate the disarmament clauses under cover of an agreement which made armed intervention against her virtually impossible.

Thus France's hands were to be tied as long as Germany remained weak, and Germany's hands were to be freed for action against Poland. Stresemann wrote to Ambassador Maltzahn (7th Apr. 1925): 'Our policy regarding the security offer was undoubtedly correct; it secured the Rhineland against a French policy of aggression, split the Entente, and opened new prospects for the East.'⁴ Locarno, which meant for Briand the end of a struggle, meant for Stresemann the beginning of one.

¹ The so-called *Polish Corridor*.

³ *Diaries*, I I, 469.

² *Diaries*, I I, 503.

⁴ *Diaries*, I I, 263.

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The Western security system and the recognition of Germany as a great power were crowned by her entry into the League of Nations in September 1926, after the last-minute breakdown of the arrangements for her reception in March of that year. Stresemann was not prompted by any altruistic devotion to the ideology of Geneva, he appreciated the definite concrete advantages Germany could derive from her adhesion, on condition that she held the rank of a great power there, with a permanent seat on the Council, as the equal of Great Britain, France, Italy and Japan. Therefore, he made this a condition of entry and opposed rigidly any extension of this rank, especially to Poland. The Poles, who had no illusions about Stresemann or the German Republic, realised that they were intended to be his first victims. If a permanent seat on the Council were, therefore, guaranteed to Germany, the rule requiring unanimous decisions would enable her to block any decision favouring Poland in the innumerable conflicts inevitably arising from the Reich's refusal to recognise any finality in her eastern frontiers.

Stresemann wrote to the ex-Crown Prince: 'All the questions that lie so close to German hearts, as, for instance, war guilt, general disarmament, Danzig, the Saar, etc., are matters for the League of Nations, and a skilful speaker at a plenary session of the League may make them very disagreeable for the Entente.'¹ The League was the trustee for the liberties of minorities in all the states of the 'Zwischenraum' (intermediate sphere) between Germany and Russia. As most of these states contained centuries-old German settlements, the Reich would enjoy a plethora of opportunities to meddle in their affairs, by posing as the champion of the oppressed, especially in Danzig, Pomorze and Silesia.

At Geneva Stresemann's portly figure appeared as an angel of peace of the most snowy whiteness, with an olive branch of unimpeachable verdure. He declared (7th Sept. 1927): 'I believe that scarcely any state is so concerned in holding the other powers to their declaration that they will not use the instrument of war, as is Germany at present.' In the last word lies the key! Geneva was the spring where a war-weary world sought to slake its thirst for peace, and since that world had conveniently and tiredly forgotten whose guilty hand had loosed war and devastation on Europe, 'pacific' Germany was rapidly able to win support from many of the smaller nations, especially the ex-neutrals. Stresemann was awarded the Nobel peace prize and he could claim

¹ *Diaries*, II, 504.

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without exaggeration that Germany had acquired an extraordinarily strong position of leadership at Geneva.

Besides claiming a permanent Council seat, which would enable her to block any unanimous condemnation of an aggressor, Germany objected to Article 16 of the League Covenant binding all members to give transport facilities to the forces of member states against an aggressor. She claimed that in view of her central geographic position she would be especially subject to make such concessions, while the limitations on her armed forces would prevent her defending herself against the aggressor state, if it should treat this as a hostile act. Stresemann's motives were, as we shall see, specific rather than general.

This claim that Germany, by allowing transit, would become a battleground is particularly interesting in connection with the crucial question of war guilt. Not even the most abstruse German professor has yet dared to assert that the Belgians in 1914 invaded Germany. So, by a process of elimination, conflict must have arisen because German troops entered Belgium. The interpretation most charitable to Germany is that Belgium would not have suffered bombardment, devastation and casualties had she unresistingly allowed right of transit to the German armies. The defence of Liège held the Germans up and prevented them debouching into France before the Entente was ready. So, according to German argument, Belgium by resistance caused her own sufferings and therefore could have no moral claim on the Reich for Reparations. The Germans never made any differentiation between Belgium's claims and those of Britain, France or Italy. The interpretation most favourable to Germany implies, therefore, that Belgium should willingly have conceded transit rights in 1914 and, in fact, taken the very risk of becoming a battleground which Germany refused to assume in 1926. Belgium, moreover, refused this concession to the unilateral demand of the national interest of one of her neighbours; Germany was refusing it to the judgement of the League, representing the supranational interest of absolute justice and world peace. This question throws an interesting light on the question of German moral philosophy, which Stresemann had recognised in 1923 to be the palladium of German strength and which has since given birth to the Nazi dogma that 'Right is what profits the German nation.'

Germany's entry into the League was followed by her signature, with most of the other nations of the world, of the Pact of Paris, outlawing war (August 1928). The German flag was flown in

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Paris; for the first time a German foreign minister visited the French capital; Stresemann had an interview with Poincaré; the lion and the lambs sat down together to renounce carnivorous menus! In the same year the German and Allied governments agreed that a new committee of experts should meet under the presidency of Owen D. Young to examine anew Germany's capacity to pay and to formulate a definitive Reparations settlement in place of the Dawes Plan, whose first full yearly payment of 2,500 million marks became due for 1928-29. The Dawes Plan had fulfilled its purpose by abolishing the moral basis of Reparations, securing the evacuation of the Ruhr and safeguarding united Germany against the menace of fresh 'sanctions' by France. Now, in accordance with Stresemann's original intentions, it must be pared down and Germany be relieved of the burdensome presence of Mr. Parker Gilbert and the foreign directors of the Reichsbank and the Reichsbahn.

Contrary to the original intention of the Allied governments, it was agreed that the committee to meet in Paris on 14th Feb, 1929 should consist of economic experts, independent of the national governments they represented. The German members were Dr. Schacht and Dr. Vögler, Stinnes' former right hand. Schacht set out with Stresemann's blessing and secured a written assurance from Chancellor Müller that they would be kept fully informed of everything concerning German Reparations policy and would enjoy complete liberty of action, even to the point of withdrawal. But Schacht found that Poincaré had previously made it clear to Parker Gilbert that the German annuities must cover the inter-Allied debt payments and that, unbeknown to the President of the Reichsbank, the German government had agreed unofficially to annuities of between 2,000 and 2,200 million marks. Furious at this 'duplicity of the politicians', Schacht presented two alternative plans to the conference: in either case Germany would make payments amounting to R M. 1,650 millions per annum, largely in kind. If she received international economic collaboration in rebuilding her strength, in view of the loss of the colonies and the Polish Corridor (Pomorze), she would make annual cash payments of 450 millions unconditionally, if not, all remittances would be conditional. A storm of protest arose abroad that Germany, under the aegis of Schacht, should thus be taking the offensive on the Reparations issue, laying down politico-economic conditions for Reparations payments.

The German government was obliged more or less to disavow

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Schacht and a political conference was held at the Hague to fix a settlement. In exchange for the economic concession of a further issue of German railway bonds in favour of the Allies (Young Loan of 1,200 million marks), Stresemann secured a promise of the final evacuation of the Rhineland by 30th June 1930. Schacht criticised this strongly, on the ground that Germany had made economic concessions in return for an evacuation to which she was entitled in virtue of her fulfilment of obligations by signing the London Agreement of 1924: by maintaining the occupation the 'Allies were breaking the Treaty of Versailles, which they, at least, had made voluntarily!

By securing the evacuation of the Rhineland, with Mainz, which Foch regarded as the military key of Germany, Stresemann had lifted the 'stranglehold off our neck'.¹ Before his death (3rd Oct. 1929) he had achieved his first objective—Germany had recovered her freedom of action—and, as Bainville recognised, he had accomplished the finest diplomatic masterpiece since Bismarck led Prussia from Olmütz to Sadowa and Sedan. With the disappearance of the Army of Occupation, Germany was once more indisputably a political power in Europe and enjoyed two advantages as compared with 1914. The Danubian Empire had dissolved into two groups of mutually hostile states, the satisfied and the dissatisfied, enabling Germany to make capital out of their political jealousies and economic distresses. The technical progress of industrialism, as the basis of communications and of war, placed her at an ever-increasing advantage over France, reduced every day the effectiveness of British sea-power and forced Italy, with her lack of industrial resources, into dependence on external powers. To the east Stresemann had strengthened the links binding Germany to Russia, while his policy was preparing the absorption of the nations between the Baltic and the Adriatic into Germany's 'Lebensraum'.

Stresemann had secured concessions from the Entente at the price of the Reparations settlements, and so the final liquidation of Reparations represented the ultimate logic of his policy. Schacht had discerned the implications of the 'capacity to pay' basis of the Dawes Plan. In *The End of Reparations* he pointed out that from it there derived a line which would logically have led to an amicable abolition of Reparations 'if at the second Hague Conference (1929), politics had not caused an unpardonable step in retreat'. Schacht's differences with the Müller government at the Paris conference

¹ *Diaries*, I I, 505.

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and over the Hague agreements grew wider and led him to quit the Reichsbank in March 1930, the same month in which the parliamentary government of Müller gave way to the presidential cabinet of Brüning.

The Dawes Plan was founded on the principle of foreign credits to Germany to enable her to build up her economic strength and so to increase her 'capacity to pay'. The Dawes Loan of 800 million marks was followed by a vast influx of loans and credits, subscribed principally in the United States and to a lesser degree in Great Britain, Holland, Switzerland and Sweden. It is perhaps noteworthy that the first loans after the Dawes issue were granted to Thyssen, Krupps, A.E.G. and Siemens (Dec. 1924-Jan. 1925). Stresemann's policy of fulfilment came to be known as the policy of the dollar, because the foreign credits depended on it. In his interview with Poincaré, Stresemann described the occupation of German territory as a superfluous guarantee for France, since Germany was fettered much more by the American credits. The moment it became known that Germany was not meeting her international obligations, these would be called in, entailing the economic collapse and starvation of the German people. The Reich's need to maintain its international credit, and even to secure further resources, should be for Poincaré as French Finance Minister, a much more valid pledge than the occupation of the Rhineland.¹

Mr. Parker Gilbert issued several warnings about the dangers implicit in this vast borrowing programme by public and private bodies, coupled with rising wage levels. He foresaw a financial crisis in which the claims to priority of Reparations and loan services would clash. Dr. Schacht, too, realised that the money borrowed so lavishly to pay for the rationalisation of German industry hung like a sword of Damocles over the entire economy of the Reich. It must inevitably act as a millstone round the debtor's neck, unless he were strong enough and determined enough to repudiate it, exposing his bonds for what they were: paper. The Germans had been morally convinced by the inflation of the valuelessness of paper promises to pay. This financial and moral bankruptcy incurred by the rapacity of their own generals and industrialists, they were led to attribute to the machinations of those very nations, which now imagined they had bound Germany with chains of paper.

But if the foreign loans appeared to bind the Reich, they pro-

¹ *Diaries*, III, 388.

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vided her also with a strong weapon. Stresemann appreciated that Germany's borrowings in the United States would win to her side an army of American investors, directly interested in her political stability and economic development. Immediately after the Reichstag's ratification of the Dawes Plan the German government had promised to issue a formal repudiation of war guilt. Stresemann relates how in September 1924, he was approached by Mr. Mitchell, the President of the National City Bank, with the request that this statement might be withheld until the Dawes Loan had been adequately taken up in America. The important thing was to win over the individual American subscriber to the idea of a German loan. Germany would win an army of 300,000 American propagandists interested in her welfare. The publication of a war guilt statement would only revive controversy about the origin of the war and might destroy the effect of the loan.¹

As this army of investors increased and became more deeply involved with the marketing of successive German issues, so they came to be troubled only by misgivings as to the Reich's Reparations liabilities. This was made clear to Stresemann by a representative* of an American bank.² So there arose a differentiation between political and commercial debts. This differentiation was capitalised by Schacht in a whirlwind tour of 42 lectures delivered from coast to coast of the United States in October and November 1930. The gist of his argument was that the loans of American investors had had to be paid over to the Entente in Reparations. While these investments were not endangered, any sudden withdrawals could only be met by dumping masses of industrial products on the market: a procedure ruinous to American industry. The safety of American capital demanded a cessation of Reparations payments, which drained Germany of foreign exchange. The Entente, not the Nazis, were the root of the trouble. On his return to Germany Schacht called for action not words, had his first interview with Hitler and openly joined him at the Harzburg demonstration in October 1931.

The German government could escape embarrassment by pleading that Schacht was merely a private individual, but his forcible presentation of the German case to the American public and its leaders bore fruit in the Hoover moratorium proposal of June 1931. This move, which cleverly safeguarded the American 'commercial investments' at the expense of France's politico-moral claims, marked the virtual end of Reparations. These

¹ *Diaries*, I, 471. ² *Diaries*, II, 415.

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received decent burial in the Lausanne Agreement of July 1932, which finally reduced their total from the 132,000 million marks of the 1921 ultimatum to 3,000 millions in bonds to be marketed over 15 years. This agreement was never ratified by any of the contracting parties.

In the United States Schacht had been at pains to argue that there was no legal connection between Reparations and inter-Allied debts. He had impressed on his audiences that Britain and France could well afford to continue payments without receiving a penny from 'poor Germany'. President Hoover followed this line of thought and the United States refused to make a clean slate of all inter-governmental payments. Thus the German government, which had cast off its own financial fetters, brought about a financial war between the Entente and the United States. The Entente could continue payments to preserve American goodwill at the expense of crippling itself financially, or it could refuse. France felt no further moral obligation to a creditor who had condoned the repudiation of her own debtors. The course of refusal was adopted and countered by the Johnson Act, which vetoed all further American loans to nations which did not pay the service of their war debts. Germany was, of course, not affected.

The Reparations Commission estimated German payments, including shipping, rolling stock and public property in ceded territories, up till 31st August 1924 at 10,416·9 million gold marks. Under the Dawes and Young Plans 10,353 millions were paid. Of this total 5,055 millions, or less than a quarter, were paid in cash, but the incidence of this was reduced by 2,000 millions, the proceeds of the Dawes and Young Loans, to 3,055 millions.¹ After the war of 1870, which took place virtually entirely in France, the French nation was forced to pay a war indemnity of 5,000 million gold francs (4,000 million gold marks) in cash and received no allowance for public property in the ceded provinces of Alsace-Lorraine. These figures take no account of the decrease in the purchasing power of gold between 1871 and 1931 as a result of the Rand and Klondike discoveries.

Against the cost of these Reparations payments Germany could set the increased political, economic and financial unity which she had derived from their incidence. The Dawes Plan had facilitated the definitive stabilisation of her currency and the efficient unification of her railways, besides paving the way for loans and credits

¹ See G. Borsky: *The Greatest Swindle in the World; the story of the German Reparations.*

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of well over 20,000 million marks. The cost of Reparations had moreover been successfully exploited as a political war-cry to whip the people up to a nationalist frenzy. From the defensive attitude of 1919-23 Germany had gone to the offensive. She had not only rid herself of all her own pre-1919 debts, but had saddled France and Belgium with the major cost of rebuilding the devastated areas and deprived them, in the event of a new war, of recourse to American help. While Germany by foreign loans had built up her own industrial potential, the growing dependence of war on industry and the increased technical complication and consequent cost of weapons accentuated France's handicap and so her dependence on Anglo-Saxon armaments and goodwill. In the event, the financial reserves of Britain and France were rapidly exhausted and only 'Lease-Lend' circumvented the Johnson Act. The shrewd calculations of German moral autonomy failed to foresee 'the least sordid act in the history of nations', the fruit of the moral conscience of America.

XVII

'EAST IS EAST AND WEST IS WEST, AND NEVER THE TWAIN SHALL MEET': POLAND

The liberation of German territory or even of German finances was not the sum of Stresemann's aims. While Briand sought to modify the Treaty of Versailles in order to preserve its essentials, Stresemann saw in modifications the means to its destruction. He recognised that 'what Germany would subsequently want (i.e., after evacuation) must be extracted from the other powers peacefully and step by step.'¹ He sought beyond the Rhineland and Reparations a revision of Germany's eastern frontiers and a federation of Europe from which Germany would be the principal beneficiary. His last visit to Geneva in September 1929 was dominated by plans for a European economic union, which he declared to be no distant Utopia.

Germany's method, under Stresemann as under Hitler, was to isolate one problem from another, and so one adversary from another. It is within the framework of Europe as a whole and especially in relation to the affairs of Eastern Europe that Stresemann's western policy must be judged. The Allied leaders at Versailles tended to forget that Germany's frontiers to the south and east were three times as long as those to the west and that however secondary the fate of Vienna, Bohemia or Danzig might seem to them, for Germany it was of primary importance. As Bainville remarked at the time, while Austria, Czechoslovakia and Poland had the brilliance of crystal, they suffered equally from its fragility and could not be permanently preserved by pressure on the Rhine.² He prophesied in 1921 already that Germany would begin the revision of the treaty in the east and that the turn of the west would follow. Germany refused to recognise as definitive the cession of Pomorze with Danzig, Poznan and Upper Silesia to Poland, the inclusion of the Sudeten Germans in Czechoslovakia and the ban imposed by the Treaty of St. Germain on the union (Anschluss) of Austria with Germany. In each case Germany's claims, whether founded on national self-determination or economic needs, menaced the very existence of her smaller neighbours.

¹ *Diaries*, III, 267. ² *Action Française*, 18th June 1919.

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In the same Munich where Ludendorff and Hitler were plotting against Versailles and the parliamentary Republic, Major-General Professor Dr. Haushofer was developing his new science of Geopolitics and marking the lessons expounded by Sir Halford Mackinder. Already in 1904, in his lecture on the 'Geographical Pivot of History', Sir Halford had pointed out that the 'Columbian' era of sea power, which had given the widest possible mobility, short of winged mobility, was drawing to a close with the advent of the railway, the automobile and the aeroplane. Land power remained, to take on a new significance as the central pivotal land mass of Russia emerged from its primeval forests. Mackinder warned his audience that if Germany were to league herself with Russia, they might together overthrow the balance of world power, and expanding over the marginal lands of Eurasia, achieve world dominion.

In 1919 Sir Halford Mackinder published *Democratic Ideals and Reality*, in which he developed his doctrine of the Heartland: the vast inland and Arctic drainage area of Eurasia, which was the natural seat of land power. He drew attention to the struggle waged for over a century by the western maritime states against the Heartland powers, Russia (1853-56) and Germany (1914-18). In 1914 Germany had made the mistake of taking the offensive in the west and not in the east. By defeating Russia initially, she would have been able to consolidate her economic gains from the commercial treaty of 1905 and to dominate the Heartland economically. She could then have defied with impunity the British and American sea powers, while she harried their commercial life lines from her landlocked submarine bases in the Baltic and Black Seas. Therefore Sir Halford emphasised that though the decisive campaign had been in the west, the key to resettlement lay in eastern Europe, where an organised federation of the states between Germany and Russia must be built up. 'Who rules East Europe commands the Heartland; who rules the Heartland commands the World-Island; who rules the World-Island commands the World.' Prophets are proverbially unheeded in their own country, and so the statesmen of the three western powers ignored Mackinder's warnings like Bainville's. But in Germany the lesson of the Heartland and the vital importance of eastern Europe was noted.

The Locarno Treaty consecrated this differentiation between Germany's eastern and western frontiers. Germany accepted voluntarily her western frontiers, but only agreed to restrict her

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claims for the revision of her frontiers with Czechoslovakia and Poland to peaceful methods. Great Britain and Italy guaranteed the agreement covering Germany's Franco-Belgian frontier, but not those with Poland and Czechoslovakia. Despite M. Beněš's efforts, Stresemann flatly refused to make any formal renunciation of the Anschluss. The Locarno Pacts impressed on German public opinion the differentiation between the eastern and western frontiers of the Reich. Postponing the problem of Alsace-Lorraine, Germany concentrated her immediate attention and ambitions on Polish Pomorze and Silesia. Underlying Stresemann's entire policy of fulfilment was the idea of a temporary reconciliation with the Entente at the expense of Poland.

Germany's physical disarmament, in accordance with the Treaty of Versailles, precluded any attempt to revise her frontiers by force of arms, and so there remained only the cold weapon of economic pressure as a means to political persuasion. Czechoslovakia, with her natural military frontier in the Bohemian mountain quadrilateral, her mineral, agricultural and forest resources, and her industrial plant, was economically the strongest of the new states of eastern Europe. She had not suffered devastation in the war, her communications system was comparatively good and unified, the Czechs were an industrious nation and she was quickly able to stabilise her currency and to provide a uniform administration. Czechoslovakia appeared, therefore, the least suitable victim for German attempts at revisionism, she must be outflanked rather than frontally attacked. Germany must commence her campaign either against Austria or against Poland, and meanwhile the Czechs should be lulled so far as possible into a sense of false security. On no account must a common front be allowed to develop among Germany's potential victims.

The Allies had specifically forbidden the Anschluss with Austria and this was one of the points on which there was no disagreement. Any attempt by Germany to override this veto would bring her into conflict not only with France and her ally Czechoslovakia, but also with Italy, which, having been relieved by the War of neighbouring on the Habsburg Empire, had no desire to see the forces of the Reich on the Brenner. Bismarck and the nineteenth century National Liberals had been averse to the inclusion of Catholic Austria in their Protestant Reich, and even after 1919 this factor still weighed. Stresemann recognised that the Anschluss would seriously complicate the problem of the Reich.¹ Under a

¹ *Diaries*, II, 503

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democratic regime it would bring immense accessions in voting power to the Catholic Centre and the Social Democrats and little to the parties of the National Liberal tradition. It would weaken the predominance of Prussia and lend added strength to those South Germans, like President Ebert, who wished to make Frankfurt a second capital, as a counterpoise to the concentration of power in Berlin.

Stresemann was a Prussian, and so it was hardly surprising if he should envisage eastward expansion primarily in the Prussian marches rather than down the Danube. Devastated by six years of war, for which she received not a penny of reparation, Poland did not acquire definitive frontiers until the Treaty of Riga with Russia in 1921—only recognised by the Council of Ambassadors in March 1923—and the Upper Silesian plebiscite award of 1922. Still she bore in her political and economic life the enduring marks of her division between Prussia, Austria and Russia during the century and a half of Europe's industrial revolution. There was no administrative unity, and only in the formerly Austrian Galicia were there any Poles trained in administrative work. Besides the German* mark, Austrian crown and Russian rouble, there circulated the Polish mark and the 'Os trouble', both created by the German occupation forces: it was a chaos of rapidly depreciating and virtually valueless currencies. Currency unity was not secured until May 1920, and after an unsuccessful attempt in 1924, stabilisation was not achieved until 1927. Customs unity was not definitively consummated until the autumn of 1921, when the temporary government of Prussian Poland at Poznan was finally abolished.¹ Poland's railway system had been developed on three different bases and with two different gauges. It was not constructed to unify the three different administrative regions, and had arisen on an east-west basis. Now Soviet Russia had sealed herself off commercially; while Germany sought by economic means to destroy Poland's trade and life. So she was forced to reorientate her communications on a north-south basis.

The agricultural regions of Eastern Europe were about twice as densely populated as those of France or Germany, while the yield per acre was only about a third or a quarter. Consequently the per capita purchasing power of the peasants was only a quarter or even a sixth of that of western Europe. Poland was the principal sufferer, since she had the highest birthrate and the post-war world was increasingly closing its doors on both her emigrants and her

¹ F. Zweig: *Poland between two Wars*, p. 29-30.

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produce. Her population was increasing by 400,000 p.a., a rate of natural increase of 1·21 per cent. Deprived of natural export markets, Polish agriculture could not develop much beyond subsistence farming, so that the scant money in the hands of the peasantry was claimed by taxes and was not available for industrial consumption. In 1929 the discount rate averaged 12·2 per cent for private banks and 8·6 per cent for the Bank of Poland, while the average yield on government loans and first mortgages was over 10 per cent. Since the capital accumulation needed to develop industry and intensify agriculture was slower than the increase in population, this meant that the mass of the people was living in ever greater proximity to famine.

Polish industries—insofar as they existed—had been built up for export to the partitioning Empires. They were now obliged to pay the bulk of the taxes required for national defence and for the new social services. This fiscal burden bore hard on company finances, preventing capital development out of profits, while industrial equities were permanently depressed, so that new capital flotations were difficult. At the same time new capital outlay on a large scale was rendered increasingly essential by technical developments. Poland's industries remained undeveloped for lack of capital. She was unable to equip herself industrially, because she could not acquire foreign exchange by exports nor attract foreign investment because of political insecurity. Germany's policy of intensive agrarian protection to compensate for the loss of her eastern granaries, was intended to provide the Reich with self-sufficiency in food as the basis of military resurrection. At all costs the Reich must avoid dependence on overseas grain. Poland's renaissance had upset the German economic equilibrium of 1914, so that she became the butt of Germany's determination to restore her military power. Poland in her economic weakness, bereft of naturally defensible frontiers, seemed the obvious field in which to initiate the German campaign for territorial revision.

The creation of a Polish state erected a barrier between the Reich and Russia and this affected deleteriously the economy of Germany's eastern provinces, especially East Prussia. Their industries were cut off from cheap and easily accessible raw materials, their farmers from cheap fodder, while Königsberg lost its entrepot trade, which had extended into the Ukraine. East Prussian trade with Russia suffered also from the Vilna dispute, which prevented intercourse across the Polish-Lithuanian frontier and down the River Niemen.

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So Polish affairs brought Germany into contact with Russia and a close understanding with Russia was a basic feature of Republican Germany's policy, as it had been under Frederick, Hardenberg and Bismarck. Stresemann could not forget that the Alvensleben Convention with Russia (1863), which closed the frontier against refugee Poles in revolt against Czarist tyranny, had been the foundation stone of Bismarck's entire policy and the key to all his diplomatic successes. He thought any support for Poland would inevitably incur the hostility of resurgent Russia, and regarded Napoleon's partiality for the Poles as the root-cause of his catastrophe.

Stresemann told M. Litvinov and Ambassador Krestinsky that he regarded good relations with Russia as a tradition whose abandonment had led to disaster and which must be maintained in view of the coincidence of interests in Eastern Europe between Moscow and Berlin. He regarded Germany as 'the bridge that would bring together east and west in the development of Europe.' He assured Russian representatives that the Reich had no intention of supporting the Entente or Poland against Russia, while Germany's presence in the Council of the League would enable her to veto anti-Russian moves there. He told M. Litvinov moreover (13th June 1925), that Germany's disinclination to become an offensive instrument against Russia was the root of her argument over Article 16 of the Covenant. He feared that Germany, so far from being able to profit from a possible Russo-Polish conflict, would have to permit the transit of French or British forces or supplies to Poland. Thus the apparent triumph of the western policy of peace and reconciliation, only masked an eastern policy of war and revenge, of which the principal exponents were in the Reichswehr Ministry.

General von Seeckt was in complete agreement with Stresemann. The Czars had been hereditary colonels-in-chief of his regiment, and from his youth he had been preoccupied with the problem of Poland, whose national independence seemed to him incompatible with Germany's existence: 'It must and will disappear through its own weakness and through Russia—with our help. Poland is even more intolerable for Russia than for ourselves; no Russia can compromise with Poland. The frontiers of 1914 should form the basis for an understanding between Russia and Germany.'¹ Only in close alliance with Great Russia could Ger-

¹ Memorandum to Chancellor Wirth, Sept. 1922—quoted Gen. F. von Rabenau: *Seeckt*, II, 316.

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many regain her position as a world power. In the period of Brest-Litovsk, he had regretted any Polish solution made independently of Russia. In 1931 he told the 'Weltwirtschaftliche Gesellschaft' at Munster, that since Russia's sovereign aim of world revolution encountered its chief obstacles in the Entente, and behind that in the U.S.A., this gave her a certain community of interests with Germany. Poland, ally of the Western Powers, was the most immediate object of Russian aversion, and from this derived the imperative need for a rapprochement with Germany. In her efforts for world revolution, however, Russia was pursuing a Nationalist policy 'because only from a strengthened Russia capable of attack can the world movement originate.'¹ This view was echoed in Nationalist circles which had favoured the rejection of the Versailles Treaty and the sacrifice of western Germany to the Allied armies, so as to preserve the integrity of East Elbian Prussia, and in concert with Russia to crush Poland.

The Allies had stipulated in the Armistice terms that German forces must not be immediately withdrawn from Eastern Europe, so as to prevent a subsequent Bolshevik influx. But the evacuation of the Ukraine and Bielorussia after the collapse of November 1918 was deliberately carried out in such a way as to facilitate the entry of the Bolsheviks and to bring about a clash between them and the Poles. Only an energetic *démarche* at Berlin by the Entente in February 1919 put a stop to this policy. In 1920, when the Red Army was sweeping on to Warsaw, Seeckt had his plans ready for a German campaign against the Poles. General von Rabenau notes the analogy between the encirclement planned by Seeckt in 1920 and that accomplished by Hitler in 1939.² German hopes were foiled by Weygand and Pilsudski, and the Russo-Polish War was terminated by the Riga Treaty (18th Mar. 1921).

Russo-German friendship was founded on a common antagonism to Versailles and to Poland. During the Riga negotiations Lenin made a speech in which he described an independent Poland as very dangerous to Soviet Russia, but redeemed by the bond it forged with Germany: 'Because the Germans hate Poland and will at any time make common cause with us in order to strangle Poland. . . . France is our worst and bitterest enemy, because it does everything it can to stabilize the European situation. . . . Everything teaches us to look upon Germany as our most reliable ally. Germany wants revenge and we want revolution. For the moment our aims are the same, but when our ways

¹ Seeckt: *Wege deutscher Aussenpolitik*, pp. 14-15. ² Seeckt, I I, 297.

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part, they will be our most ferocious and greatest enemies. Time will tell whether a German hegemony or a Communist federation is to arise out of the ruins of Europe.¹

The German-Polish conflict over Upper Silesia reached its final crisis in May 1921. Although Seeckt realised that a clash between the Reichswehr and the Polish Army must be avoided, and disclaimed all connection with the German Free Corps there, he covertly supplied weapons, munitions and even General Staff officers in civilian cloths. 'On one occasion he even admitted in conversation that very few of the Free Corps probably knew how much the Upper Silesian struggle was nourished by his work. It can be calmly asserted that Seeckt's efforts made it possible to achieve as much as was achieved.'² In all this he found full understanding and support from Chancellor Wirth.³

This idea that German power must be rebuilt in Eastern Europe, where it had been victorious, to renew the challenge to the West, found an able if unsuccessful exponent in General von der Goltz. This scion of a Junker family, which had for generations championed the interests of Germanism against the Poles in Pomorze, arrived in Libau (Liepaja) in February 1919 to take command of the German troops there. He came under the Armee Ober Kommando Nord at Bartenstein in East Prussia, where Seeckt was chief of staff, and claims to have won over both Seeckt and Noske to his plans. Goltz conceived his task as being more than the mere defence of East Prussia against Bolshevik threats. The first task was to clear the Red forces out of Lithuania and Latvia, and linking up with the Estonians after the capture of Riga (May 1919) to secure a firm base—a German military settlement—from which with further German reinforcements, and in alliance with the Russian Whites, he would take Petrograd. Meanwhile the 'National Opposition' would overthrow the Republic and instal a 'National' government in Berlin. The Soviet regime would be replaced by a new Monarchist Russia, which would be the ally of Germany against the Entente and Versailles. After the liquidation of the Russian intelligentsia, it would need German technicians, while German peasants should be settled in the sparsely populated Baltic areas.⁴ Goltz had to fight not only against the Bolsheviks, but also against the Latvian and Estonian national liberation movements sustained by the Inter-Allied Military

¹ Quoted A. L. P. Dennis: *The Foreign Policies of Soviet Russia*, p. 154-55.

Gen. F. von Rabenau: *Seeckt*, I I, 300. ³ *Ibid.*, p. 299

² See R. von der Goltz: *Als politischer General im Osten*.

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Mission, and against the Left in Berlin, which resented this renaissance of Junker militarism.

Goltz claims that by his victories he obviated Bolshevik threats to Germany and thus provided the prerequisite for the decisive Polish victory in 1920. Nevertheless the majority of those very Nationalist and military circles which sympathised with Goltz's efforts, regretted the Russian defeat at Warsaw and would have prevented it, had it not been for Entente pressure. This apparent contradiction in the persistent German claim to be defending Europe against Eastern Bolshevism is conditioned by Germany's hostility to the independence of the small nations of the 'Zwischenraum' between herself and Russia. Thus she could easily come to terms at their expense either with White Russians such as Yudenich, who refused concessions to the border states, or with Communist Moscow. The Allies were torn between the principle of national liberty, which impelled them to sustain the border states—potential allies moreover against a German revival—and their reluctance to drive either White or Red Russians into Germany's arms. Hence the refusal of the Allies in 1919 to give more support to Polish claims on the east. It was a similar dilemma to that which had faced Napoleon I I I and so facilitated the triumphs of Bismarck. This Russian dilemma dominated the scene at Versailles. 'The effect of the Russian problem on the Paris Conference . . . was profound: Paris cannot be understood without Moscow. Without ever being represented at Paris at all, the Bolsheviks and Bolshevism were powerful elements at every turn. Russia played a more vital part at Paris than Prussia,' commented Ray Stannard Baker.¹

Count Brockdorff-Rantzau, acclaimed as a hero for his refusal to sign the peace terms at Versailles, went as first Ambassador of the German Republic to Russia (Sept. 1922), convinced that the harm done at Versailles could be repaired in Moscow. He was able to establish cordial personal relations with leading Soviet personalities and enjoyed moreover the right of direct appeal to the Reichspresident over the head of the Minister for Foreign Affairs. General von Rabenau asserts that the initiative for a German-Russian commercial rapprochement originated with Seeckt. It culminated in the agreement of 6th May 1921: 'This was concerned not only with purely economic commodities, but also with militarily useful goods.'² The Treaty of Rapallo (3rd Apr. 1922)

¹ *Woodrow Wilson and World Settlement: Written from his Unpublished and Personal Material*, I I, p. 64.

² *Seeckt*, I I, 305-6

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liquidated the legacy of the war between the Hohenzollern and Romanoff Empires. Republican Germany renounced the Treaty of Brest-Litovsk (3rd Mar. 1918), together with all financial claims, while Soviet Russia renounced any claims on German Reparations. It was considered at the time as a pointed rebuff to the Entente and seemed to assure Germany of a predominant role in the commercial exploitation of Russia, which was regarded as a possible cure for the post-war economic depression. Finally it opened the way for full co-operation between the Reichswehr and the Red Army and for secret arms production in Russia on German account. In September 1921, with Seeckt's participation and Wirth's approval, negotiations had begun at Schleicher's home with Krassin, for German help in building up the Russian arms industry.¹ Reichswehr Minister Gessler admitted in the Reichstag (Feb. 1927) 'After the unfortunate Russo-Polish War the Russian government applied to Germany with the request for assistance in the organisation of the Russian Army.' During the Ruhr struggle in 1923, Russia threatened to mobilise if Poland attempted any anti-German move, such as the seizure of East Prussia. Mr. Louis Fischer goes so far as to say that when the Reich was threatened by foreign pressure and domestic difficulties, 'the Bolsheviks saved the situation for Germany by keeping her eastern neighbour in inactivity.'² *Pravda* hinted that only closer political and economic contact with Russia could strengthen the position of the German government (nth Jan. 1923). In the latter part of the year, however, while the relations of the bourgeois Reich government with Great Britain improved, those with Russia deteriorated. Moscow began once more to found its hopes on a proletarian revolution in Germany. But fearing foreign blockade and intervention against a Communist Germany, the Soviet Government sounded Poland and the Baltic republics on the possibility of a non-intervention agreement 'which would enable Russian grain to be sent to Germany. Under French pressure, however, Poland refused and conversations were still inconclusive at the end of the year.'³

Russo-German trading relations were by no means uniformly smooth. Russgertorg, a mixed company organised by Otto Wolff and the Commissariat of Foreign Trade, broke down largely because the Russians were less anxious for consumption goods than for the machinery to industrialise their agrarian economy.⁴

¹ Gen. F. von Rabenau: *Seeckt*, I I, 308.² *The Soviets in World Affairs*, p. 452.

³ Louis Fischer: *The Soviets in World Affairs*, p. 451-59.

⁴ *Ibid.*, p. 581.

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However, the rationalisation of German industry and the re-organisation of the machine tool industry effected a change of attitude, although the Germans were chary of losing their Asiatic and Baltic markets.¹ These and Russia must supply Germany with the export surplus necessary for the Dawes annuity payments. There were various minor incidents too, such as the raid on the Soviet trade headquarters in Berlin (3rd May 1924), the arrest of the German technicians in the Donbas in 1928 or the breakdown of the credit negotiations with the German banks in 1925 owing to the high rate of interest and commission charged. The refusal of these banks to discount Soviet bills forced German industrialists to have recourse to small firms which charged a high rate, for which the manufacturers recouped themselves by raising their price.²

Stresemann regarded any choice between east and west as non-existent so long as Germany lacked military power. He appreciated that a defiant gesture, such as Rapallo, however satisfying to national pride, would prolong rather than curtail the Allied occupation of the Ruhr and Rhineland. The Dawes Plan and Locarno were necessary preliminaries to guard Germany in the west, before the conclusion of further agreements with Russia, which might only antagonise the Western Powers. He told Ambassador Krestinsky (10th June 1925): 'I had said that I would not care to conclude a treaty with Russia so long as our political situation in the other direction was not cleared up, as I wanted to be able to answer the question, whether we had a treaty with Russia, in the negative.'³ After Germany's first attempt to enter the League had failed, she signed the Treaty of Berlin on 24th April 1926. The Reich and the U.S.S.R. confirmed the Treaty of Rapallo, agreed to settle all differences amicably, to observe neutrality in cases of armed conflict and under no circumstances to take part in any economic or financial measures against the other by third parties. This neutrality agreement, confirmed by Hitler in 1933, was acknowledged by the Ribbentrop-Molotov agreement of 1939 to form its own basis. Stresemann described it as in no way sensational, but rather natural ('selbstverständlich'). Whether he had any more intention than Hitler of abiding loyally by his agreement with Russia, once he had used it to overcome the smaller states of eastern Europe and the Entente, must remain an open question.

Republican Germany was determined under no circumstances

¹ *Ibid.*, p. 824.

* *Ibid.*, p. 700, 764-65.

³ *Diaries*, I I, 472.*

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to recognise her Polish frontiers. In this matter there was practically unanimous agreement, varying only in the intensity of its asseveration.¹ Stresemann assured Chicherin (30th Sept. 1925) that 'no indirect guarantee of the Polish frontier would come into question, that we should of course not regard Poland as at present constituted as a fair settlement and that we should never of our own free will recognise the Polish frontiers.'² Public attention in Germany and abroad was focussed as far as possible on East Prussia and its isolation from the main body of the Reich. Tourist traffic there was officially encouraged and lavish subsidies were expended to maintain the bankrupt economy of 'der deutsche Osten' (the German East). The seventh centenary of the conquest of East Prussia by the Teutonic Knights was celebrated in 1931 and on this occasion Otto Braun, the Social Democratic Prime Minister of Prussia, emphasised the German character of the province and its vital importance to Germany: 'Hence the frontiers which have been arbitrarily forced upon us can never be recognised as just. They will always be a thorn in the flesh of the German body politic and stand in the way of a pacification of Europe.'³

Germany's claims, in order of importance and pressure, were for the return of Danzig and the Corridor (Pomorze), the Upper Silesian coal basin and Poznań (Posen), with its agricultural wealth. East Prussia, West Prussia (Pomorze), Poznań and Pomerania had been both quantitatively and qualitatively the best recruiting grounds for the Prussian Army, especially for N.C.O.'s. The return of Poznań would increase the Reich's agricultural self-sufficiency, that of Silesia its industrial power, but the return of Pomorze would upset the entire balance of Europe in Germany's favour. Therefore this question was ventilated more

¹ At the Nuremberg trial General von Blomberg stated in an affidavit: 'I myself, as well as the whole group of German General Staff officers, believed that these three questions [the Polish Corridor, the Ruhr and Memel], among which was the question of the Polish Corridor, would have to be settled some day, if necessary by force of arms. About 80 per cent of the German people were of the same mind as the officers on the Polish Question. A war to wipe out the desecration involved in the creation of the Polish Corridor and to lessen the threat to separated East Prussia, surrounded by Poland and Lithuania, was regarded as a sacred duty, though a sad necessity. This was one of the chief reasons behind the partially secret rearmament which began about ten years before Hitler came to power and which was accentuated by Nazi rule?' (*The Times*, 5th Jan. 1946).

² *Diaries*, I I, 479

³ Quoted I. F. D. Morrow: *The Peace Settlement in the German-Polish Borderlands*, p. 221.

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than the recovery of Poznań and Upper Silesia, which were economically far more important.

'After the first partition of Poland, Prussia cut her off from the sea and from the rest of the world. The Vistula is the great vital artery of Poland, and Prussia was in possession of its mouth. It is clear that everyone understands why Poland has been unable to keep her independence without Royal Prussia (i.e. Pomerania). It is clear that this independence cannot be guaranteed except by the possession of Danzig and by unrestricted navigation along the whole of the Vistula,' wrote the future Field Marshal von Moltke in 1832.¹ The Vistula is the artery of Poland's life, the creator of her unity, and so Frederick the Great discerned that 'whoever possesses the mouth of the Vistula and the city of Danzig will be more master of Poland than the king who rules there.'² Ernst Moritz Arndt recognised in 1803 that Poland's neglect to defend her maritime frontiers had caused her death, Bismarck was haunted by his recognition that her resurrection would inevitably entail possession of Danzig and the Lower Vistula.³ Vital as Pomerania was to Poland in the comparatively self-sufficient agrarian economy of the eighteenth century, it was even more so in the modern industrial era of world trade.

The thirteenth of President Wilson's Fourteen Points (8th Jan. 1918) stipulated that 'an independent Polish State should be erected which should include the territories inhabited by indisputably Polish populations, which should be assured a free and secure access to the sea, and whose political and economic independence and territorial integrity should be guaranteed by international covenant.' Accordingly Pomerania, with its overwhelmingly Polish population and its age-old connection with Poland, was ceded to the new Republic by the Versailles Treaty. Germany was granted extensive transit rights and customs-free rail connections. So smooth-working were these, that Seeckt remarked on two occasions his failure to notice the crossing of Polish territory, 'which of course I dreaded.'⁴

But in view of its German population, the city of Danzig, with a population of 400,000, was withheld. It was erected into a Free City under the protection of the League of Nations, represented

¹ *Essays, Speeches and Memoirs*. New York, 1893, I I, 59 et seq.

² 'Wer den Weichsellauf und Danzig beherrscht, mehr Herr des Landes (Polens) ist, als der König, der es regiert.'—*Die politischen Testamente; Klassiker der Politik*, ed. F. Meinecke and H. Oncken, V, 223.

³ See C. Smogorzewski: *Poland's Access to the Sea*, pp. 61-62, 70-71, 230.

⁴ Gen. F. von Rabenau: *Seeckt*, I I, 269, 406.

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by a High Commissioner, and included within the Polish customs frontier and railway and waterway system. Poland was to enjoy free use of the port and to conduct all foreign relations, while there was to be no discrimination against Poles (Art. 104). The constitution of the Free City was drawn up on democratic lines, in agreement with the League High Commissioner. It provided though for a strong and noteworthy bureaucratic element in the executive Senate, elected by the Volkstag, but removable only with difficulty during its four-year term of office. The President, Vice-President and four more of its twelve members were to be paid officials and since its decisions, taken secretly, were to be by majority, with a casting vote for the President, the bureaucratic element became predominant. Practical power resided in the President, who was even in a position, with the collusion of the Vice-President, to present the Senate with a *fait accompli*. Peculiar as this might seem, judged by European constitutional precedents, it was closely modeled on German municipal government. The Convention of Paris (9th Nov. 1920) fixed the relations between Poland and Danzig, on the whole curtailing Polish rights under the Treaty. A mixed Harbour and Waterways Board was set up, the Free City must be consulted with regard to any Polish treaties affecting it, and was to have its own mercantile flag. Customs administration in Danzig was to be in the hands of officials of the Free City, which would receive 7.35 per cent of the total Polish customs receipts. All differences should be submitted to the League Commissioner, who would, if necessary, forward them to the Council of the League. The question of the defence of the Free City was entrusted to Poland in the event of her being invited by the Commissioner. Danzig enjoyed monetary autonomy, and so in Poland's only port a foreign currency was the sole legal tender. As currencies later came to be protected by exchange control, this only exacerbated the differences arising from varying State monopolies and systems of indirect taxation, so that something akin to a customs frontier arose between Poland and Danzig.

Unless there was goodwill on both sides, these arrangements would inevitably lead to friction, and Germany found plenty of opportunity to fish in these troubled waters. Although Danzig's commercial life, which had stagnated under Prussian rule, depended on its Polish hinterland and steadily increased, German political influence remained paramount. The principal result of Danzig's century of Prussian rule had been to transform it from a commercial into an administrative and military centre, from a

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city of traders to one of officials, and this change was enduring. The Hanseatic patrician families were submerged in the flood of officials drawn from all over the dominions ruled by Berlin. Danzig degenerated into a provincial town, while Hamburg was weaned from its role as the entrepot of British trade and influence by becoming the commercial window of Germany.

The importance of the bureaucratic element in the Constitution has been noted and this was exerted in the interests of the Reich by men who were essentially German officials, thanks to the constitutional clause conferring Danzig citizenship on any holder of an official post.¹ The Free City had taken over the previous Prussian administrative personnel and in subsequent years there was constant replacement and interchange from the Reich. Mr. Morrow found it exceptional to encounter an official who was even born in Danzig, especially in the higher positions. These officials often belonged to the local branches of organisations such as the Stahlhelm, aiming at the reincorporation of the Free City within the Reich, and took part in their public demonstrations. In Germany officials have always formed a far higher proportion of the population than in Anglo-Saxon countries; consequently with their families they formed a considerable proportion of the electorate. This was especially the case in Danzig, where the small size of a state which claimed full sovereignty, made the bureaucracy disproportionately large, so that in 1926 nearly one-third of the population was dependent for a livelihood on the Treasury or other public funds: this included 9,100 officials and 15,000 unemployed with their dependents, besides German pensioners.² At the same time native Danzigers held official positions in Germany and served in the Reichswehr. In this way the public life of the Free City became inextricably linked with that of the Reich, which it reproduced in miniature. The political influence of local economic interests was minimised. The policy of the Free City became synonymous with that of the Reich, through being formulated and carried out by men of German birth and education, trained in devotion to the ideal of the Reich. Mr. Morrow concludes: 'It is hardly too much to say that the Senate of the Free City has become to all intents and purposes a German provincial administration.' (p. 160.)

¹ In exactly the same way, Hitler, the stateless Austrian expatriate, acquired German citizenship in 1932, through assuming an official post under the Nazi government of the state of Brunswick.

² See I. F. D. Morrow: *The Peace Settlement in the German-Polish Borderlands*, pp. 498-99.

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The President of the Danzig Senate from 1920 to 1931, with a variety of coalition governments, was Dr. Heinrich Sahn, a Pomeranian, who had been previously burgomaster of Bochum and had "served in the German administration in Warsaw during the War, earning the hatred of the Poles. Sahn was a typical 'Oberbürgermeister' and was of the same stamp as Stresemann, Seeckt and Schacht, the rebuilders of, that Reich whose devotees they were. On relinquishing his presidency to become 'Oberbürgermeister' of Berlin, he stated: 'I know that I have fulfilled a historic mission, which is to preserve Danzig for the German people.'¹

The perennial conflicts inevitably arising in these circumstances between Poland and Danzig were taken to Geneva for decision by the Council of the League. This was in accordance with Germany's wishes, since she could intervene both as counsel for the plaintiff and as judge, in virtue of her permanent seat on the Council. This explains also the strong German objections to Poland's tenure of a permanent seat. This constant ventilation of Danzig affairs at Geneva, and the immense time devoted to them by the Council, served moreover to focus the glare of world publicity on the 'untenable' nature of the Free City and the Corridor.

Baulked of control over her natural port and especially deprived of the right to station and employ her armed forces there, Poland built up a new commercial port and naval harbour on the site of the fishing village of Gdynia. Her action was finally determined by the refusal of the Danzig dockers in July 1920—from a mixture of Nationalism and Socialism, militarism and pacifism—to unload munitions for Warsaw, which was threatened by the advance of the Bolshevik armies. Poland could not sink capital indiscriminately in a port where her rights were circumscribed, even to the point of annihilation, in moments of supreme crisis. Her proximity to the Baltic made her inevitably dependent on Danzig or the German ports of Königsberg, Stettin and Hamburg—there were no alternatives, as in the case of Trieste for Czechoslovakia. President Wojciechowski voiced the feelings of all Poland when he proclaimed her small stretch of sea coast, giving access to all the nations of the world, to be 'the guarantee of our liberty to breathe, of our economic independence, of our prosperity' (23rd Apr. 1923). Gdynia, home of the new Polish navy and mercantile marine, built up, like them, from scratch, was the symbol of Poland's independence, enabling her citizens and their goods to circulate freely

¹ C. Smogorzewski: *Poland's Access to the Sea*, p. 331.

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without paying tribute to Germany. Poland's trade across her land frontiers declined, as it was diverted from Hamburg and Stettin to Gdynia and Danzig. The German authorities, originally scornful of the building of Gdynia amid the sand dunes; became furious at their losses and stirred up the authorities of the Free City to protest at the construction by Poland of a rival port. Danzig claimed for itself a legal monopoly over the sea-going trade of Poland, as being the *raison d'être* of its separation from the Reich. If only the development of Gdynia could be stopped, Germany might still hope, through her influence in Danzig, virtually to nullify the value of Pomorze to Poland.

The League Committee of legal and economic experts in 1932 recognised that, while Poland did not make full use of the port of Danzig, she could reasonably point out that the political atmosphere of Danzig in recent years was unfavourable to the development of its economic life and commercial activity. Poland inevitably desired to exercise the rights of sovereignty in her natural port, while the Danzigers were ready to starve rather than surrender any of the liberties of the Free City, as the palladium of their Germanism. In his memorandum on the defence of Danzig in 1920, General Haking expressed the view that, if the defence of Danzig were not entrusted to Poland, the Danzigers would become more conscious of the Free City's national sovereignty and slowly draw away from Germany, at the same time facilitating Poland's use of the harbour. If defence were entrusted to Poland, the Danzigers would again become German and Poland be increasingly compelled to use force. This view is supremely interesting, because it sets forth in a nutshell the false premises upon which the entire creation of the Free City was based. That regime was founded upon ignorance, equally culpable whether it was conscious or unconscious, of the mystic power of German 'Kultur' to retain for the Reich the loyalty of Germans. It was illusory to imagine that the mental attitude engendered by a century's intensive political and moral training in German Nationalism could be changed overnight into a Hanseatic civic patriotism, since 'with the possible exception of the working classes, it would be difficult to find a family in Danzig that has lived there for more than three generations.'¹

In the controversy of 1930 over the competition of Gdynia, the Danzig Senate argued that, 'when a highly cultured territory is subjected to a compulsory arrangement in favour of another

¹I. F. D. Morrow: *The Peace Settlement in the German-Polish Borderlands*, p. 166.

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country, the natural corollary is an engagement which cannot be unilaterally evaded by the party receiving benefit.' Mr. Morrow discerns in these words the four main currents converging to form Danzig opinion with regard to Poland: anger at separation from the Reich, the claim to a higher culture, the belief that Danzig was intended to form Poland's sole maritime outlet—only conceived after the rise of Gdynia—and 'the arbitrary and not easily demonstrated claim that Poland alone received the benefit from their mutual association.'¹ The politico-moral claims of German nationality and culture easily vanquished those of economic reason. We shall see how, in her dealings with the Western powers and with Europe generally, Germany exalted the claims of economic reason against those of absolute political justice, in order to exploit them in the interests of the Reich. Economic reason was entitled to supremacy over the absolute claims of political morality, but must yield to those of Germanism as a politico-moral creed.

The German Republican governments were not content to undermine Poland's economy only by their interference in Danzig. They liked to regard Poland as a 'Saisonstaat' (seasonal State), and from the first they sought to obstruct it economically. The Fehrenbach government forbade the export to Poland of explosives for the mining industry, of chemical fertilisers and machinery for agriculture, and of machine tools and spare parts for the industrial plant dismantled by the Germans in the War so as to annihilate Polish competitive power. German speculators sought to depress the Polish mark so as to influence the Silesian plebiscite (21st Mar. 1921) in Germany's favour. This was acknowledged by the German Social Democratic leader, Dr. Breitscheid.² In March 1921 the Reich refused to permit the passage of the SS. *Wimbledon* through the Kiel Canal, because it was laden with munitions for Poland. Her action was condemned by the Hague Court two years later.³

The Geneva Convention dividing Upper Silesia between Germany and Poland, obliged Germany (Art. 224) to open her frontiers for three years (until 15th June 1925) to the products of Polish Upper Silesia. This led the Germans to initiate a policy of would-be collaboration, intended to lull Poland into a false security

¹ Ibid., p. 132.

² *Le Matin*, 26th Jan. 1921, quoted C. Smogorzewski: *Poland's Access to the Sea*, p. 242.

³ *The Times*, 18th Aug. 1923.

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in dependence on the German economy. By 1925 the position of the Reich was steadily improving and so she laid down political conditions in the negotiations for a trade treaty on the expiry of the Upper Silesian agreement. She demanded immediate cessation of the liquidation of German estates in Poland, permission for German subjects in Poland opting for German nationality to remain, and a right of settlement in Poland for Germans. This would have enabled the Germans, with their financial resources derived from American loans, to subsidise immigration into Poland, which lacked capital, and so secure a German majority in Pomorze which would clamour for return to the Reich. Poland naturally rejected these terms and so a tariff war began.

Germany thought to cripple Poland by forbidding the import of Polish coal, timber and agricultural products. The Liberal *Frankfurter Zeitung* prophesied (14th June 1926) that Poland would emerge wounded to death: 'By losing her blood she will lose her strength and with it her independence. . . . And thus, some years later, in agreement with Russia, we shall administer the "coup de grâce".'¹

The tariff war with Germany was the final blow to the first Polish attempt at monetary stabilisation under M. Grabski (1923-25). Poland found herself virtually debarred from access to Western financial help, since Paris was weakened by the depreciation of the franc, while the City of London insisted on recourse to a League of Nations loan with political stipulations, such as were accepted by Austria (1923), Hungary (1924) and later by Greece and Bulgaria. Poland rejected such a scheme with a resident Commissioner-General entitled to interfere in her financial independence, since she recognised in it a means for German influence in the London and New York money markets to work for frontier revision. She found new markets overseas—e.g. in Scandinavia, thanks to the British coal strike of 1926. So Pomorze, her maritime outlet, enabled her to win through and preserve her political independence in face of economic menaces. Finally she secured at the end of 1927 a stabilisation loan of \$62 million and £2 million at 7 per cent issued at 92, besides a credit of \$20 million, all without political conditions. It is, however, interesting to note that Stresemann discerned at this time a more conciliatory attitude on Poland's part, conditioned by her need for economic assistance. That Germany should have opposed tooth and nail Seipel's acceptance of League financial reconstruction for Austria in October

¹ Quoted W. W. Coole and M. F. Potter: *Thus spake Germany*, p. 235.

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1922, while she herself appeared as the principal menace in such a scheme for Poland, is the measure of the influence she had achieved among Anglo-Saxon financiers since the Dawes Plan, thanks to the exertions of Dr. Schacht.

When Hitler came into power, the tariff war was still in progress, despite intermittent negotiations and the stillborn trade treaty of 17th Mar. 1930. The failure of the latter was undoubtedly connected with the personal intervention of President Hindenburg on behalf of his fellow Junkers of East Elbia, which contributed to the collapse of the Müller Government.

On the very day after the evacuation of the Rhineland (30th June 1930), the German Foreign Office published an anonymous work entitled *Die Korridor Gefahr* ('the Corridor Danger'). The Stahlhelm followed up its monster rally at Coblenz, directed against France, by another at Breslau against Poland. The vital importance of the Corridor to Poland was the measure of its value to Germany. If she could render it valueless, through her influence at Danzig, or by threats and cajolery secure its eventual return, Poland's foreign trade would be at Germany's mercy. Her economic, and consequently political, independence would be terminated.

XVIII

BLUE DREAMS ON THE DANUBE: AUSTRIA

After the death of Stresemann in October 1929, the dominating figure in German foreign policy was that of Heinrich Brüning, who became Chancellor in March 1930. This Westphalian was the perfect representative of the Catholic Party's willingness to serve the Bismarckian Reich. His primary inclination in Eastern policy was rather to a revival of the Greater German ideal of 1848 than to the Baltic expansion which appealed to the Prussian Stresemann. The dream of a Great Germany under Austrian hegemony, nourished by German Catholics in 1848, was shattered by the needle-guns of Sadowa. But since the end of the 'Kulturkampf', German Catholics had come increasingly to link the memory of the Holy Empire with the actuality of the German Reich. So the 'Anschluss' of Austria to Germany appeared as an ideal, harmonising their Christian traditions with the technical perfection and progress of German 'Kultur', which the State educational system had taught them to see embodied in the German Reich. Vienna, the shrine of the Holy Empire, should be brought by the material means of economic reason into dependence on Berlin. The tragedy of Brüning was his failure to appreciate that Berlin with its *German Reich* was the very negation of the European tradition of the Holy Empire.

In the Liberal nineteenth century Vienna had dominated the Habsburg Empire economically rather more than politically, radiating its financial interest throughout South Eastern Europe. The banking and industrial capital necessary to develop the latent resources of the Empire were largely concentrated in Vienna in the hands of men to whom German, Liberal and financial interests were synonymous, not only in the Alpine provinces, but also in Bohemia.¹ The language struggle coincided with a class struggle and so the efforts of the Czechs to secure for themselves and their language political equality in Bohemia and Moravia, clashed not

¹ See August Schaffle: *Aus meinem Leben*, I, 220. Schaffle, a South German Catholic, was Minister of Commerce in the Austrian government of Count Hohenwart (1870-71). This government sought to reconcile the Slavs to the Habsburg Empire by bringing in Bohemia as a third partner in the Dual Monarchy. It fell from power owing to a combination of the German and Magyar National Liberals with the victorious new German Reich of Bismarck.

BLUE DREAMS ON THE DANUBE: AUSTRIA

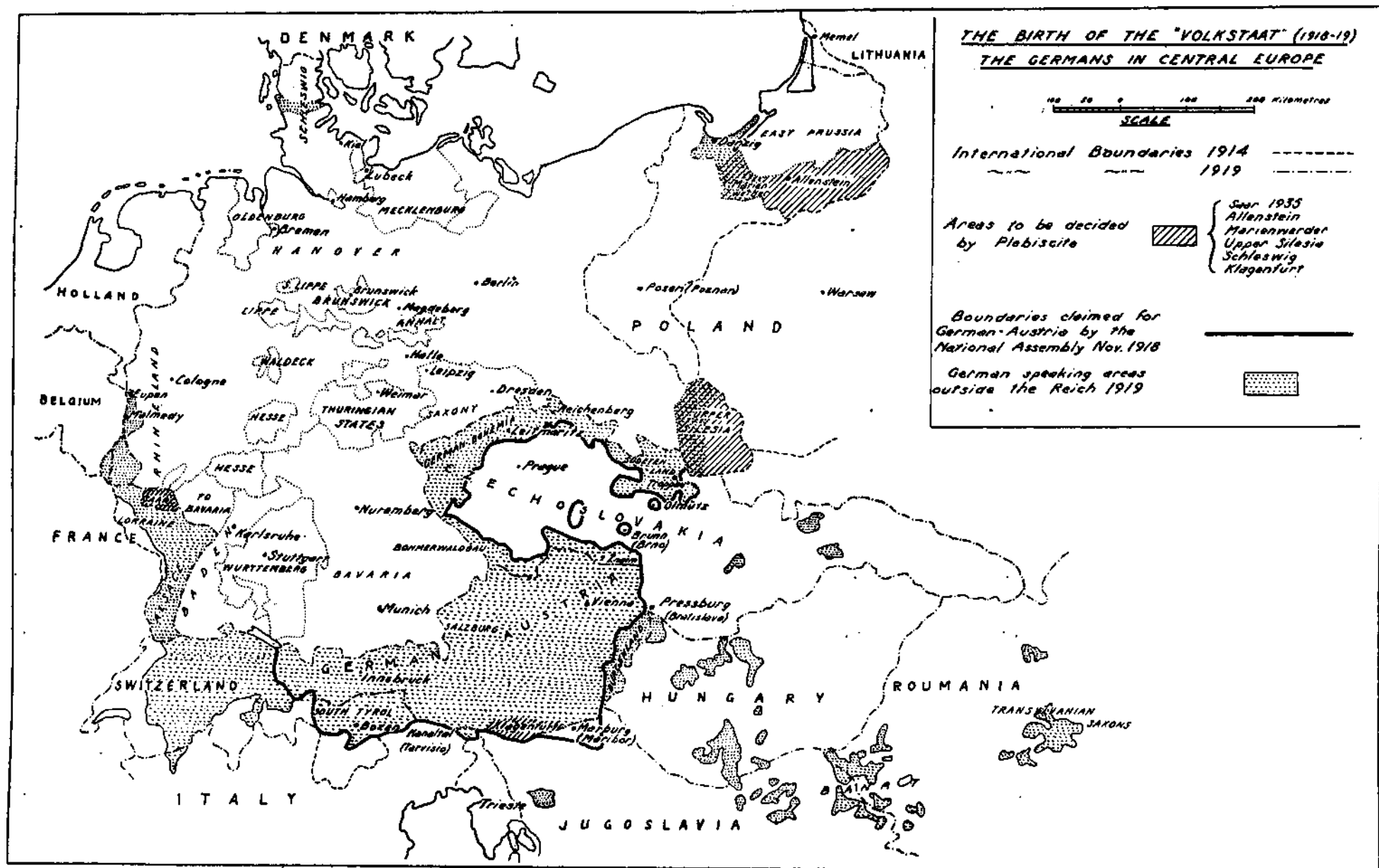
only with the interests of the German Liberal professors, as apostles of 'Kultur', but also with those of the German industrial capitalists. It was the atmosphere of these struggles which moulded for life the political ideals of the adolescent Adolf Hitler.

In this contest the German National Liberal element, which crystallised in radical form in the Pan-German Party of von Schönerer, with its Linz programme of 1882, inevitably looked to the Reich for support. The universities and centres of higher learning became veritable incubators of anti-Austrian German Nationalism, irrigating towns and villages with a stream of teachers, doctors, lawyers, veterinary surgeons, apothecaries and officials. Enlightenment irrupted into the village life previously dominated by the Church, and was fostered by the economic interest of ambitious innkeepers—but Enlightenment was militantly Germanic.¹

The Habsburg Empire was not only politically and militarily allied to Germany, it was also dependent on her in 1913 for 40 per cent of its imports and exports. The widespread activity of Reich German enterprise, both immigrant and affiliated to such firms as Mannesmann, A.E.G. or Siemens, accentuated the preponderance in the Empire of German-speaking capitalists. For some years before 1914 there had been an increasing campaign by economic organisations, both in Germany and in Austria-Hungary, in favour of closer economic relations. Go-operation in the war added fuel to the agitation for a Customs Union as envisaged by Naumann in his widely read book *Mitteuropa* (1915). On the suggestion of Berlin, official negotiations began in 1915 and by the summer of 1918 agreement had been reached for the gradual achievement of economic unity by means of preferential tariffs.

The project of economic union was nullified, however, by the dissolution of the Habsburg Empire in October 1918. On the 16th the Emperor Charles called on the deputies in the Reichsrat to meet by nationalities to discuss the federalisation of the Monarchy. So on the 21st the Provisional National Assembly of German-Austria came into being, which appealed to Berlin on the 30th for help in the defence of its territory. It appointed a State Council, under the presidency of Dr. Renner, to which on the 31st the

¹ 'Throughout the nineteenth century it was the Progressives, Liberals and Socialists who preached union with Germany, a union that was then obstructed by dynastic interests in the various German-speaking countries. ... It was only when the Anschluss came to mean the absorption of Austria into a Nazified Germany, that the Austrian Left opted for independence.'—*The Economist*, 3rd Feb. 1945.



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centrated in the excentrically situated capital, Vienna. The Successor States were alike in their emphasis on economic sovereignty and Vienna, which had grown up as the capital of an Empire of over fifty millions, was deprived of its supplies of fuel from Bohemia and of grain from Hungary. Burdened with the pensions of German-Austrian officials from the lost provinces, Austria's currency, the former Imperial Crown (Krone), from which the Successor States hastened to divorce themselves, shrank steadily in value.

These economic difficulties were accentuated by the fact that, while Vienna and the industrial towns were predominantly Marxian Socialist, the countryside was overwhelmingly Catholic and Conservative. This rivalry was complicated by the resistance of the provinces under peasant rule to centralisation, while at the same time any concessions to provincial sovereignty automatically accrued equally to the *bite noire* of the Christian Social bourgeoisie, the Socialist municipality and province of Vienna. This pattern was shot through by the interests of the bourgeois rulers of the Little Entente, anxious to banish the Habsburgs but not to foster social revolution, by Italy and France seeking economic and with it political advantage for their wider schemes, by the Revisionism of Hungary's rulers Red or White, and finally by the political ambitions of the German Reich, whether expressed in terms of Stinnes or of Social Democracy.

Since the time of Metternich German-Austria had been rent by the contending forces of Germanism and Austrianism: those who saw her future in dependence on the national German Reich realised by Bismarck, and those who saw it in the supra-national framework of the Habsburg Monarchy. Their conflict constitutes the entire modern history of German-Austria. It had been embodied from 30th October to 12th November 1918 by the duality of the last Imperial government of Lammasch and Seipel and the State Council, which became the first government of the Republic. The Lammasch government had been appointed to make a separate peace with the Entente in the hope of saving the Empire. The 12th November, when the Social Democratic working class and the German National bourgeoisie overthrew the Empire and proclaimed the Republic as a part of the German Republic, marked the triumph of Germanism.

It was this German National ideal which rallied large parts of the middle class to the Republic. Germanism and Republicanism became inevitably linked too, because the Social Democrats saw

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in the Anschluss the only way to lay for ever the spectre of the Habsburgs. They heaped opprobrium on the Empire and its army. Yet Dr. Julius Deutsch, the Socialist War Minister, officially welcomed the Prussian Field Marshal von Mackensen in Vienna towards the end of 1919 and the large crowd at the railway station sang 'Deutschland uber alles'.¹ It was this hostility to the Monarchy and the Church which explained the readiness of Dr. Renner, the Social Democratic first Chancellor of the Republic, to acclaim, as a Social Democrat, 'spontaneously and in complete freedom', the annexation of Austria by Hitler in 1938. 'States remain, but systems change, Nations live in centuries, parties come and go in generations. I cannot refuse something that I have wished for with all my strength, because it has been achieved in another way than mine. It is not my fault nor that of Austrian Social Democracy that the Anschluss has not been accomplished in a democratic way, that an economic entente of the Danube states has come to nothing. But I regard it as my political duty to make my confession before the whole world of the situation as I see it, and of what I wish to come to pass. Hence my declaration.'² It was vital to a radical urban proletarian party to form part of an industrial state. By adhering to the German Republic of Ebert and Scheidemann, the Austrian Social Democrats could hope to create a strong and efficiently organised Socialist republic in the centre of Europe.

Many Reich Germans also hailed the collapse of the Habsburg Monarchy as facilitating the union of German-Austria with the Reich: an eventuality welcomed by all parties in the Weimar Assembly. Hugo Preuss emphasised as the capital reality 'the moral and ideal importance of Greater Germany': dynastic hindrances had been obviated, so union with Austria could be the only baptismal gift of the young Republic. Thus the unity of the Reich should evolve into a national unity.

The 12th November marked in German-Austria the culmination of the National Revolution which overthrew the Habsburg Monarchy, but also the initiation of the Social Revolution by the working classes, which had installed the Republic against the possessing and ruling propertied classes. The transfer of power from the dynasty to the people set in motion the class struggle within the people. This was at the very moment when Communist governments were seizing power in Budapest and Munich.

¹ M. Bullock: *Austria 1918-38*, p. 77.

² *World Review*, May 1938: *Why I voted Ja*,

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But the advent of social revolution in Austria set the new Republic definitely at odds with the bourgeois Czechoslovak Republic, and more especially with the Western Allies. Otto Bauer points out that the Hohenzollern and Habsburg Empires succumbed on the battlefields to the Allies, at home to the Revolution. Once the dynasties were removed, the victors stood face to face: the bourgeois Western Allies and the Central European Revolution.¹ President Wilson, who had loosed the National Revolution by his note of 18th October insisting on complete liberty for the Czechs and Yugoslavs, restrained the Social Revolution by making the supply of foodstuffs contingent on the maintenance of law and order (24th Nov.). The campaign against the Central European Revolution served to reconcile the Austrian bourgeoisie with the West, while the Socialists found in the Anschluss their most potent weapon against the Allies. Germanism and the Revolution were leagued against the West.

Since any question of deciding the social issue in 1918 by force of arms was vetoed by the Entente, it had to be fought out under the forms of parliamentary democracy and Austria remained in a state of permanent political mobilisation for fifteen years. The revolutionary and counter-revolutionary upheavals of 1918-21 extended this to military mobilisation in the conservative Heimwehr and the Socialist Schutzbund. The result was a state of balanced deadlock, in which the struggling parties and classes held each other in check, while the power of the proletariat inside Austria and its domination of Vienna were offset by its complete impotence in face of foreign capitalists. The Christian Socials, by allying with the small Pan-German and Peasant (Landbund) Parties, which held the balance, enjoyed a permanent parliamentary supremacy, without, however, the two-thirds majority requisite to alter the Constitution and end the obstructive possibilities open to the Social Democrats. Moreover, parliamentary democracy was offset by the 'functional democracy' of industrial action, which Otto Bauer defined as the extra-parliamentary power of the working classes to prevent the parliamentary majority of the bourgeoisie from enforcing its power.² There was a long-drawn war of position ending in inevitable stalemate because the Austrian factions lacked a higher transcendent Eucharist in which all alike could communicate. Otto Bauer discerned that in any European crisis Austria would be faced with the alternatives of

¹ Otto Bauer: *The Austrian Revolution*, p. 79.

² *The Austrian Revolution*, p. 247.

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supranational federation of the Danubian peoples or the nation-unity of the Germans: the restoration of the Habsburg Monarchy or fusion with the German Republic.¹

A Habsburg restoration was anathema to the Successor State especially Czechoslovakia and Yugoslavia, as a denial of their own birthright. They found on this score common ground with the Austrian Republicans, with the Reich Government, which feared any resurrection of the Danubian Empire barring its path to the south-east, and with Italy, which preferred even Yugoslavia to great power on its flank. The Anschluss was specifically banned by Article 80 of the Treaty of Versailles and Article 88 of that of St. Germain, failing the consent of the League Council, whose decisions had to be unanimous—and France was a Permanent Member. This fact had to be recognised by the Austrian Constitution of 1st October 1920, though the title 'German-Austria' was maintained and the National Assembly unanimously requested the government to hold a plebiscite within six months, concerning a request to the League Council in favour of the Anschluss.

The Social Democrats, who quitted power after the enactment of the Constitution, had realised meanwhile the uselessness of seeking to achieve the Anschluss by frontal attack against the opposition of the Entente. So they turned to organise popular support for it in both Germany and Austria. But meanwhile the revolutionary Anschluss movement of 1918-19 was followed in 1921 by a similar movement of counter-revolutionary inspiration.

Before 1918 the individual Alpine provinces had been linked with each other, with the other 'lands represented in the Reichsrat', e.g. Bohemia, and with Vienna only by their joint allegiance to the Emperor's person. German Nationalism arose in the frontier provinces such as Carinthia and Styria against the Slavs, and was reinforced by the local war against the Yugoslavs in 1918-19. Otherwise the provinces knew only a dynastic Imperial loyalty and a provincial particularism. While wartime conscription shook the former, food controls enhanced the latter. Consequently in 1919 there was no specific Austrian loyalty to hold together the members of the Federal Republic, who enjoyed rather greater rights than the German 'Länder'. They were at one in their hatred of Red Vienna, which requisitioned their food production, and ever since 1918 had sought for a means to sustain themselves against its encroachments. The Heimwehr served as their military shield against the Volkswehr of the Republican government.

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while provincial particularism and bourgeois capitalism joined hands against the nationalisation of industry.

In the spring of 1921, when the resolute opposition of the Little Entente had shown the impotence of Hungary and the futility of attempts at a Habsburg restoration, Austrian provincial conservatism, encouraged by Stinnes' Press influence, turned to the idea of linking up with Bavaria and forming a Catholic conservative bloc within the Reich. In April and May the provincial governments of Tyrol and Salzburg held plebiscites in which over 90 per cent of the electorate favoured annexation to Germany. Styria, Upper Austria and Carinthia threatened to follow suit. The Federal government was forced by France and the Little Entente to stop the movement. But it had demonstrated alike the tenacity of the ideal of union and the futility for the provincial particularists of seeking escape from Red Vienna to the Reich.

The architects of peace had taken pains to ensure the political independence of Austria, but not her economic life, which imperatively demanded extraneous support. After a momentary fictitious prosperity in 1921 founded on currency depreciation, Austria was threatened by the summer of 1922 with monetary collapse. Austrian and foreign capitalists alike feared a return to power of the Social Democrats followed by a capital levy, while provincial separatism favouring Italy or Germany revived. The new Chancellor Dr. Seipel appreciated not only the difficulties but also the opportunities implicit in Austria's weakness. He realised that the jealousies of the nationalities, German, Italian and Slav, could be played off even more effectively among the Successor States than under the Empire, while western capital offset domestic labour, since all preferred an independent Austria to one linked with their enemies. So he followed up his visits to Prague, Berlin and Verona by securing at Geneva (4th Oct. 1922) a League loan of £25,000,000, guaranteed by Britain, France, Italy and Czechoslovakia in order to stabilise the currency and revive Austria's economy. Besides pledging her customs receipts and tobacco monopoly and accepting a League Commissioner General for her finances, Austria had to promise not to alienate her economic or political independence. This last condition was especially opposed by the infuriated Social Democrats, cheated of their prey, who denounced it as a voluntary betrayal of Austria's right of national self-determination for a mess of pottage.

The threat of monetary collapse in Austria, while the German mark was depreciating in face of French threats, made the middle-

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class Pan-Germans, the especial victims of inflation, ready to capitulate to the Entente and to renounce union with the Reich, if they could be saved from proletarian Revolution. The Austrianism of Lammasch and Seipel turned the tables on the Germanism of the Social Democrats. The 4th October was Seipel's. revenge, wrote Bauer, for the 12th November; the National Revolution of German-Austria was liquidated.¹ It was a victory for Austrianism, and also for Europe.

The 4th October marked, too, an important step towards the liquidation of the Social Revolution of 1918. The initiative passed from the working class and Social Democracy to the middle classes, who had found an able and far sighted leader in Seipel. Stabilisation and a balanced budget under the supervisory eye of a League Commissioner heralded the end of doles and subsidies, and the axeing of superfluous government employees. At the same time the transcendent importance of the financial reforms relieved the federal government of the need to secure parliamentary sanction for details, and 'functional democracy' was displaced by the federal power. The Social Democrats were driven back on their citadel of Vienna.

Financial control was terminated at the end of 1925, and when Germany entered the League in the following year, the Social Democrats hailed it as a portent that the veto on the Anschluss imposed at Versailles, St. Germain and Geneva would be annulled. All parties wished to restore the link between Austria and the German lands broken by Bismarck in 1866. The Pan-Germans and Social Democrats wished to join the German Reich as it stood, and to follow in the forward path of German Kultur and progress. The Christian Socials, more attracted since the chancellorship of the Centrist Marx, desired to link up with those factors in the German federal state, which harked back to the conditions of before 1866, and in co-operation with them to restore a federal Christian German polity.

Seipel's ideals were Central European rather than German: he wanted Austria to be a link between the German and the Danubian states. He saw three breaks in the history of the Austrian Idea: 1806 when the Roman Empire of the German Nation ceased to exist—1866 when German-Austria was excluded from the German Reich—and 1918 when the Danubian nations also, who had a community of existence with Austria, fell away.² Seipel re-

¹ *The Austrian Revolution*, pp. 269-71.

² See K. von Schuschnigg: *Farewell Austria*, p. 61.

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jected any idea of a Danubian union specifically organised against Germany, but he also denied the claim of the heirs of that Liberal and progressive tradition, which had excluded Austria from the centralised Reich in 1866, to become the noisiest advocates of her inclusion now. German and Austrian Catholics had learned since 1866 that national cultural unity could and did transcend state frontiers.' It was in this sense that he favoured the continued existence of Austria as a second German state in Europe.¹

The Social Democrats still clung to the ideal of the Anschluss, which would enable them to get out of the blind alley of eternal opposition by sharing in the government of the Republican Reich, while maintaining their municipal supremacy in Vienna. But a younger generation was arising in the Christian Social Party, inspired by Seipel with an Austrian patriotism. It was these men, such as Dolfuss and Schuschnigg, who were to lead, on Austrianist patriotic lines, the resistance of Austria to the militant triumphant Germanism of Hitler.

The peacemakers of Versailles had succeeded equally well in strengthening the unity of the German Reich and in disrupting that of the Danubian Empire. With all its political defects, driving it forward in a vicious spiral for over a century, the Habsburg Empire had been a very well balanced economic unit, and as such, foreign trade was not of primary importance. In 1913 it amounted to £260 millions p.a. against Germany's £1,040 millions. The treaties of St. Germain and Trianon envisaged for a limited period of five years preferential customs tariffs between Austria, Czechoslovakia and Hungary, but these failed to materialise. The Ponteroso Protocols of 1921, by which the Successor States bound themselves to abolish all import and export restrictions, remained stillborn. Nevertheless there was a constant movement in all the Danubian states in favour of closer economic relations, which Stresemann was ever vigilant to prevent, seeing in it the first step towards a Habsburg restoration.² Any Danubian union, whether on a Habsburg dynastic basis or on the economic foundation of the Little Entente, was anathema to the rulers of the Reich, who must find a granary in Poland or on the Danube. So it was largely the efforts of Dr. Bruening which torpedoed the Tardieu plan of Danubian economic federation in 1932. Had it been tried, this project might well have restored the prosperity of the Successor States and built up, under the leadership of Czech

¹ See M. M. Ball: *Post-war German-Austrian Relations*, pp. 63-4, 92.

² See *Diaries*, I I, 288.

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industry, a political barrier to the expansive Germanism of Hitler: to the Anschluss and to Munich.

Like all the victims of monetary inflation, Austria suffered from an acute lack of liquid capital. She needed it to bring her industries back to a peace footing and to harness her virtually untapped hydro-electric resources as a substitute for imported coal. Not only capital, but also increased technical education and mechanisation, were needed to develop her agriculture. In all these matters the Reich could help, and they would provide means for the peaceful penetration of Austria.

The financial reconstruction of Europe initiated by the Dawes Plan, was curiously parallel in its effects to the political settlement of 1919. While the latter sanctioned increased German union and Danubian disunion, the Anglo-Saxon financiers of the '20's inundated the Reich with loans, but poured little more than a trickle over Austria and the Succession States. Poland and the Little Entente, who had all supported the Allies in the War, found greater difficulty in securing financial assistance in London or New York than ex-enemies, such as Germany or Hungary. There was little British or American investment in Austria, some Italian and rather more French, principally through the agency of the 'Mittel-europäische Länderbank', a satellite of Jules Cambon's 'Banque de Paris et des Pays Bas', which extended its activity throughout the Succession States.

German interests, strengthened by their access to British and American loans, were able to extend their existing ramifications in Austria. German financial influence was principally exerted through the Merkur Bank, a subsidiary of the Darmstädter Bank. In addition, some of the South German provincial banks were financially interested in Austrian banks.¹ The 'Girozentrale' (clearing house) of the Austrian savings banks was also under Reich influence, since 60 per cent of its capital of 5 million Schillings was put up by the Preussenkasse and other Reich bodies.² In Styria there were attempts to settle German vinegrowers, and forests were bought up to counteract Italian interests. There was widespread German investment in Austrian paper, rayon and engineering manufacture, while in electrical engineering, A.E.G. and Siemens were predominant. Austria's water power resources were largely developed with non-German capital, though the Rheinisch-Westfälische Elektrizitätswerke had interests in Tyrol

¹ See P. B. Whaley: *Joint Stock Banking in Germany*, pp. 298-299.

² See H. Knieschc: *Die grossdeutsche Wirtschaftseinheit*, p. 171.

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and Vorarlberg and close collaboration was established between the Bayernwerk and the Tiroler Wasserkraft A.G. There was a considerable export of electricity to the Reich by high-tension cables. Austria's hydro-electric potential could be of immense value to the Reich's industries, since cheap electric power is the basis of aluminium and synthetic nitrate production.

Especially important was the Styrian 'Alpine Montangesellschaft', Austria's biggest industrial corporation, which controlled practically all her iron and steel resources. After its Italian owners (Fiat and the Credito Italiano) proved unable to work the ores for lack of Czech coking coal, it was bought by Stinnes in March 1921 and passed, after the collapse of his trust, to the Vereinigte Stahlwerke. The Ruhr coal mines were too far distant, so that a considerable amount of its coking needs came to be derived from Polish Upper Silesia—another reason for the desire to restore that province to the Reich. The Alpine Montan was under the direction of Dr. Apold, a leading supporter of the Anschluss, who was eventually arrested for complicity in the Nazi Putsch of July 1934.

In this way a considerable proportion of Austrian industry passed into Reich German ownership, which would be able in the event of an Anschluss, to maintain the value of its investments by cartel agreements. This, together with the high protectionism of the Succession States, helps to explain why Austrian industry, which was in 1918 hostile to the Anschluss, was increasingly won over and lost its fear of German competition. Styria, and especially the university town of Graz, its capital, was a stronghold of pro-Anschluss sentiments. In 1927 the Chambers of Commerce of Styria and of all Austria passed resolutions in favour of an economic union with the Reich. In 1927 and 1928 Dr. Apold emphasised, at the annual meetings of Austria's iron industry, her inability to develop without Germany. The Reich representative in 1928, Dr. Schlenker of Düsseldorfj agreed that this was self-evident ('eine Selbstverständlichkeit'), since Germany also needed Austria as a bridge to the Balkans and as the means to play a leading role in Central Europe.¹ Other smaller organisations declared in similar vein. So the economic union of Austria with Germany came to be depicted as a triumph of that same economic reason which had engendered the Dawes Plan and all its consequences.

However the 'Cold Anschluss' of Austria to the Reich by assimilation of institutions, made considerable progress, in the in-

¹ Sec H. Kniesche: *Die grossdeutsche Wirtschaftseinheit*, pp. 117-18, 170.

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tention that the political Anschluss, when it came, should be merely an official recognition of the accomplished fact. A joint committee of the Reichstag and the Austrian parliament drafted a uniform penal code. By an agreement of 21st June 1923, no special writ, but only the consent of the proper police or district court, was necessary for the execution of Austrian writs in Germany and vice-versa, while documents properly attested in the one country were recognised as valid for the other. It was hoped to extend this unification over the entire field of law, and agreements were reached on guardianship and succession (1927), patents (1930) and bankruptcy (1932).

Legal assimilation went hand in hand with the mutual recognition of academic degrees and the 'Freizügigkeit' (liberty of migration) facilitated by the Austrian Constitution of 1920 and the German law of nationality (22nd July 1923), which granted right of dual nationality to foreign university professors. While lack of funds affected deleteriously the staffing and equipment of Austria's universities and high schools, both her teachers and students were attracted by those of the Reich. But German students also came to Austria and at Innsbruck there were in 1928 788 German students to 974 Austrians. In nine years there were 5,000 German students at Innsbruck, nearly all propagandists for the Anschluss. In 1926 the Protestant Church in Austria became affiliated to the federation of German Protestant churches. In the same year the old field green uniforms of the Austrian Army were replaced by the Reichswehr's field grey and this military 'Gleichschaltung' was only reversed in 1933, when Dolfuss in his fight against National Socialism restored the Imperial uniforms and insignia. It was the sign that Austria had turned against Germanism.

While tariffs separated the nations, communications were bringing them closer together. Since 1872 inland postal rates had applied, and visas were abolished on both sides in 1925. The Austrian railways had adhered early to the 'Verein deutscher Eisenbahnverwaltungen' (Association of German railway administrations) founded in 1846. In 1928 uniform regulations for railway traffic were agreed on. In 1926 co-operation was established between Hungarian river shipping interests, the Donau-Dampfschiffahrts-Gesellschaft, the largest river shipping concern in the world, which had bought up the shares of the Süddeutsche Donau-Dampfschiffahrts-Gesellschaft, and the Bayerischer Lloyd. The three fleets came to be directed as one unit along the entire river.

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Dr. von Stauss of the Deutsche Bank was deeply interested in the Bayerischer Lloyd, as also in Ufa and Lufthansa.

In April 1929 Mgr. Seipel fell from power and with the chancellorship and vice-chancellorship of Dr. Johann Schober, which lasted, with a brief interval, from September 1929 until January 1932, a steady pro-German gravitation dominated Austrian policy. Schober had spent his life in the police, eventually becoming Police President of Vienna. Essentially a bureaucrat and a 'strong man', he became the leader of German National Liberal opinion in Austria, occupying with his small party a key position between Christian Socials and Social Democrats. It drew support especially in intellectual and official circles and in the smaller towns among non-churchgoers. Mr. G. E. R. Gedye wrote in a sympathetic study:¹ 'Dr. Schober bids fair to become the Hindenburg of Austria—the type of the loyal, dependable servant of the State, who, having served his Emperor faithfully so long as he stood for the State, can with equal devotion serve the Republic when called upon to recognise that times have changed.' Later Mr. Gedye described him as a Pan-German, who 'had he lived would have become a prominent Nazi'.² He was of a similar type ideologically to the men who were building up the new Germany: Seeckt, Stresemann and Schacht. They were the epigoni of National Liberalism, and their eclipse presaged its end and the transition, both in Germany and Austria, to National Socialism.

Schober's government crowned this peaceful economic assimilation of Austria by Germany with the project for a customs union between the two states, published on 21st March 1931. This aroused a storm of opposition in France, Italy and Czechoslovakia, which foresaw that economic union must inevitably result in the political subordination of the smaller partner to the larger. Inside Austria it was hailed enthusiastically by the Social Democrats and denounced by the Monarchists, while the Christian Socials were divided. Pressure on Austria by the withdrawal of short term credits hastened the collapse of the Rothschild Kreditanstalt, the largest bank in Austria, whose reconstruction and deposits had to be guaranteed by the government. This episode in its turn helped to precipitate the difficulties of the German banks in July.

The Austrian government had to seek credits in London, Paris and Basle, while the projected customs union was quietly buried after its disallowance by the Permanent Court of International Justice at the Hague, to the fury of the German and Austrian

¹ *Daily Telegraph*, 1st May 1930. ² *Fallen Bastions*, p. 48.

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Social Democrats. Meanwhile Schober resigned and by the Lausanne Agreement (15th July 1932) Austria received an international loan and had to confirm the renunciation of 1922. The acceptance of this condition aroused fierce opposition in the Austrian parliament on the part of the Social Democrats, led by Otto Bauer, and of the German Nationals led by Schober. It was only passed by the narrowest of margins and both Seipel and Schober died during the struggle. The general result was a considerable defeat for the Reich.

The economic and consequently political 'Anschluss' implied much more than the union of six and a half million Austrians with some sixty-five million Germans in a single Reich. Vienna was the most important banking centre and purchasing mart of industrial goods for all the nations of South-Eastern Europe. As such alone, its control by the Reich would have implied a tremendous shift in the balance of economic and political power.

After the 'Anschluss' Mr. Churchill said in the House of Commons (14th Mar. 1938): 'Vienna is the centre of all communications of all the countries which formed the old Austro-Hungarian Empire and of all the countries lying to the South-East of Europe. . . . This mastery of Vienna gives to Nazi Germany military and economic control of the whole of the communications of South-Eastern Europe, by road, by river and by rail. . . . It is not too much to say that Nazi Germany, in its present mood, if matters are left as they are, is in a position to dominate the whole of South-East Europe.' Geography had not changed in the previous decade and the possibilities opened to Hitler did not go unappreciated by Stresemann or Bruening.

The self-sufficiency of the Habsburg Empire and the high percentage of its foreign trade taken by Germany have been noted. Despite autarchic tendencies, these trends continued in the Succession States, which depended very much on their trade with each other and with Germany, as the accompanying table shows. The union of Austria with Germany would not only react unfavourably on the exports of the other Succession States to these two markets, but it would bring them into even greater economic dependence on the Reich. This would undoubtedly have a snow-ball effect, as Germany turned the heat on one state after another, enabling her to secure by the cold economic means of peace, control over all South-Eastern Europe.

The 'Anschluss' would give Germany frontiers not only with Italy, but also with Hungary and Jugoslavia. The alliance be-

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tween German and Magyar Nationalism dated from 1848, when it was directed against the Habsburgs and the Slavs. It dominated with disastrous consequences the last fifty years of the Habsburg Empire and it was forged anew in the burning zeal of both states to revise the frontiers of 1919. Revisionism provided an easy means for the Magyar landowning oligarchy to distract popular attention from land reform, and industrial Germany could provide a fine market for their crops. Hungary would have proved a ready partner for an extended customs union. Beyond lay Roumania, corrupt and distracted, with the oilfields which would fuel a mechanised army.

Germany was attracted by the minerals of Jugoslavia, and the conflict of religions and nationalities within that state offered a fertile field for her intrigues. The geographic configuration of Jugoslavia had favoured the building of railways which directed her trade to Trieste and Fiume rather than to her own ports. Her economic orientation was East-West rather than South-North and there were influential voices favouring a customs union with the Reich.

GERMANY, AUSTRIA, HUNGARY, CZECHOSLOVAKIA AND POLAND

AUSTRIA

Percentage of total imports

	1928	1929	1930	1931	1932
Germany	19.9	20.9	21.0	21.9	20.0
Czechoslovakia	18.3	18.1	17.5	16.9	15.1
Poland	9.3	8.9	7.9	8.2	7.7
Hungary	8.6	10.1	10.4	9.2	9.8

Percentage of total exports

Germany	18.5	15.7	17.6	15.6	16.5
Czechoslovakia	12.6	13.8	12.1	11.6	10.6
Poland	5.5	4.9	4.4	4.0	3.6
Hungary	8.5	7.5	6.5	7.0	9.3

HUNGARY

Percentage of total imports

Germany	19.5	19.7	21.3	24.4	22.4
Austria	16.2	13.4	11.5	12.4	15.9
Czechoslovakia	22.4	22.1	21.0	9.1	10.3
Poland	4.1	4.8	3.6	4.6	2.0

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HUNGARY *continued*

Percentage of total exports

	1928	1929	1930	1931	1932
Germany	11.8	11.5	10.3	12.7	14.8
Austria	34.1	31.0	28.1	29.8	31.1
Czechoslovakia	17.6	16.2	16.8	4.2	6.8
Poland	3.3	1.6	1.3	1.1	.7

CZECHOSLOVAKIA

Percentage of total imports

Germany	24.9	25.0	25.4	28.0	24.2
Austria	7.5	7.8	7.7	7.2	5.5
Hungary	4.4	4.8	5.9	1.1	1.5
Poland	6.6	6.5	5.6	5.3	4.6

Percentage of total exports

Germany	22.1	19.3	20.6	15.5	16.2
Austria	14.7	15.0	17.2	13.7	14.0
Hungary	6.9	6.4	6.9	2.2	2.7
Poland	4.0	4.3	4.3	2.9	2.6

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Percentage of total imports

Germany	26.9	27.3	27.0	24.5	20.1
Austria	6.6	5.8	5.7	5.1	4.4
Czechoslovakia	22.4	22.1	7.5	6.8	5.3
Hungary	1.3	1.1	No figures given	0.7	0.6

Percentage of total exports

Germany	34.2	31.2	25.8	16.8	16.2
Austria	12.4	10.5	9.3	9.3	8.0
Czechoslovakia	17.6	16.2	8.9	7.7	8.3
Hungary	1.7	2.0	No figures given	1.4	0.7

XIX

REHEARSAL FOR MUNICH: CZECHOSLOVAKIA

The most immediate menace of the 'Anschluss' hung over Czechoslovakia, and in Dr. Benes, the Czechoslovak Foreign Minister, it encountered an inflexible opponent. He told the Council of the League (19th May 1931) that Austro-German economic union would not only deprive his country of two markets, but also place it in a position of dependency in the matter of access to the sea. Czechoslovakia had no Gdynia, and if the routes to both Hamburg and Trieste were under German control, this inland state would be hard put to it to assert her economic independence, especially since revisionist Hungary was allied to Germany.

The economic conquest of Czechoslovakia appeared, therefore, as the first prize to be derived from the 'Anschluss', and its value lay in the fact that the mountainous quadrilateral of Bohemia formed the only natural frontier to the Germans in the East. Placed like a citadel amid the German lands, separating Vienna from Berlin, Bohemia has a population two-thirds Czech and one-third German. The Germans of Bohemia, and of its sister province Moravia, live chiefly in the confines of Germany and German-Austria and to a lesser extent in Prague, Brno and other large towns. The historic integrity and independence of Bohemia, with the national liberty of its Czech majority, have been challenged by German Nationalism for over a century—by Karl Marx and the German Radicals of 1848, by von Schönerer's Pan-Germans in the 'go's by the Social Democrats of Vienna and Berlin in 1918, by Hitler and Henlein more recently. For over a century Pan-Germans have attributed especial significance to Prague in their dreams of a German 'Mittel-Europa', and have spared no effort to assert their cultural and political supremacy in Bohemia, of which it is the natural centre.

The 'Sudeten German' minority in Bohemia and Moravia has always been in the forefront of Pan-Germanism, contending on its behalf against the Slavs and their protectors: the supranational Roman Church and the supranational Habsburg Emperor, Long before Hitler, they had made Right relative to the

weal of Germanism. In the Egerland, the especial home of Sudeten radicalism, excesses against Czechs and Catholics, boycotting of Jews, and literature on a par with the *Stürmer* of Julius Streicher were current in the 'go's'.¹ Already in 1904, a Pan-German working-class party, which denounced the Social Democrats as racial renegades on account of their internationalism, achieved some success among the Sudeten Germans. In May 1918 it took the name 'German National Socialist Workers' Party in Austria.' The Sudeten Germans had welcomed the Prussian invasion in 1866 and the German alliance in 1879; inveterately hostile to the supranational Austrian ideal, they distrusted the Habsburgs and turned increasingly to Berlin, especially during the War of 1914-18. The Sudeten Germans regarded the Czechs as the most treacherous of all Slavs and their leader Kramář as the architect of the Triple Entente. They welcomed the abdication of Habsburgs and Hohenzollerns as dynastic obstacles to the Great German unity proclaimed by Dr. Renner (12th Nov. 1918).

The military and political collapse of the Habsburg Empire in October 1918 was followed by the proclamation of Czechoslovak independence in Prague by the National Committee. In the government of German-Austria, the Sudeten Germans Pacher and Josef Mayer were Ministers of Education and War respectively. To this state, as a transition to the ultimate 'Volksstaat' of all Germans, the Sudetens proclaimed their adhesion. Local parliamentary governments were formed in this sense under Dr. Lodgman at Reichenberg for 'German Bohemia', and under Dr. Freissler at Troppau for 'Sudetenland' (22nd Oct. 1918). Dr. Lodgman von Auen, who descended from Alexander II of Scotland and Edward I of England, had, like Schönerer, who preceded him, and Henlein, who succeeded him in the leadership of the Sudeten Germans, quitted supranational Catholicism for German Lutheranism. The Germans of the Böhmerwald and Southern Moravia sought direct incorporation in the neighbouring Austrian provinces. The Wilsonian dogma of national self-determination served to rally all Sudeten parties and bridge the gap between bourgeois and Socialists. Among both Germans and Czechs nation took precedence over party, Nationalism over Socialism. The professional classes, always the apostles of Germanism, and the working-class Social Democrats were the keenest opponents of incorporation in Czechoslovakia.² Many Sudeten industrialists were lukewarm, fearing the competition of Reich German heavy industry.

¹ See E. Wiskemann: *Czechs and Germans*, p. 103.

* See *ibid.*, p. 86.

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The Austrian attitude to the Sudeten Germans was largely influenced by party political considerations. Thus the Christian Social rulers of Upper Austria looked coldly on the Pan-German and Socialist Böhmerwald movement. The Christian Social movement in the Sudeten areas had never found much favour amid the prevalent racialism and was under-represented before the advent of the proportional system. The German Nationals of Austria naturally favoured the inclusion of the areas from which they drew the bulk of their strength, while the Social Democrats welcomed a considerable increase in the industrial population. Dr. Bauer asserted that the Czech occupation of the Sudeten districts gave the peasantry and bourgeoisie a majority in the Austrian National Assembly.¹ Dr. Renner, who was to hail in 1938 the 'Anschluss' he had sought twenty years before, deplored on both occasions the loss of three and a half million Sudeten Germans under the 'Dictated Peace' of St. Germain.² So he promised in 1918 that Austria would stand by all officials who supported the German-Bohemian 'government' in face of Czech insistence on the historic frontier.

The Sudeten German regiments of the Imperial Army, 'sick of war, disintegrated on their return home. A local 'Volkswehr', or militia, was formed, but its discipline and fighting qualities were scant. The Pan-German War Minister in Vienna, Josef Mayer, and his Socialist Under-Secretary, Julius Deutsch, however, believed in the feasibility of armed resistance to the Czechs and endeavoured to sustain it.³

The Austrian Socialists drew back though, fearing to be deprived of Czech coal supplies and trusting in Allied support for self-determination. Sudeten Socialists pinned their hopes to the intervention of their British and French confrères, especially since the International Socialist Congress at Berne had voted in favour of Sudeten self-determination, despite the opposition of the Czech Socialists..

The Czechs were determined to assert their authority against Sudeten 'rebels' and to maintain historic integrity by military occupation. When Communism spread in the mining areas, and the 'Volkswehr', so far from maintaining law and order, became a menace to it, the Sudeten bourgeoisie was alarmed. After fruitless appeals to Saxony, the Lodgman government called on the Czechs.

¹ *The Austrian Revolution*, p. 92-3.

² See *World Review*, April 1938: *Why I voted Ja.*

³ See E. Wislcmann: *Czechs and Germans*, p. 85, and P. Moliach: *Die sudeten-deutsche Freiheitsbewegung in den Jahren 1918-1919*, pp. 79-80.

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By Christmas Czech forces had occupied all the Sudeten areas and the government of German Bohemia emigrated to Vienna—to be followed a few months later by that of Sudetenland. The Czech authorities forbade elections to the Austrian constituent assembly, and demonstrations on the occasion of its opening were forcibly suppressed (4th Mar. 1919). The peacemakers at Versailles recognised that Czechoslovakia would be militarily defenceless and economically unviable without the Sudeten areas, the workshop of the Habsburg Empire. So the young Republic took over from that Empire one of its thorniest problems, to be played out with inverted roles on a smaller stage.

As it became clear that neither a Sudeten plebiscite nor the union of Austria with Germany would be permitted, geographical isolation forced the Sudetens to turn directly to the Reich. Already before the Austrian collapse, Sudeten delegates had negotiated in Berlin and Dresden for eventual military occupation.¹ But the German military collapse precluded this, and on 2nd November the Reich recognised Czechoslovakia's independence, though without specification of the frontiers. After the Czech occupation there was a surge of popular feeling in the Sudeten areas and increased belief in the efficacy of armed resistance with the help of the Reich, where Noske had meanwhile overcome the Spartacists. While German acceptance of the Allied terms was in question, Sudeten Free Corps were formed with Noske's approval in Silesia and Saxony to co-operate with a Sudeten revolt. They differed as much from the 'Volkswehr' as Maercker's men from the Soldiers' Councils. But the signature of the Treaty of Versailles entailed their dissolution, many volunteers going off to the Baltic, while the Sudeten 'governments' in Vienna were dissolved * after the Peace of St. Germain.

The little-known episode of the Sudeten German movements in 1918-1919 is interesting and important as the first attempt to draw victory out of defeat through the incorporation of Austria and the Sudeten areas in the Reich. The Czech rump of Bohemia and Moravia would have been forced to seek German terms and, as Stresemann remarked in the National Assembly, the Reich with Austria and Bohemia could not fail rapidly to retrieve its greatness. It is doubtful, though, whether the Berlin authorities ever had much faith in the success of the Sudeten movements, and so their interests were sacrificed for over a decade to the precedence of Prussian claims against Poland. Brockdorff-Rantzau, the inveterate

¹ P. Molisch: *Die sudetendeutsche Freiheitsbewegung*, p. 29.

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foe of Poland, wrote from Versailles that he wanted no complications from anti-Czech volunteering. The Wilhelmstrasse regarded the Czechs as more capable than the Poles of creating and maintaining their state. The attitude of the Sudeten Germans towards Czechs and Poles differed from that of the Reich Germans. For the Sudeten Germans, the Czechs, in virtue of their claims on German inhabited territories, were a much greater enemy than the Poles. On the other hand, for the Reich, Poland with its territorial claims was far more dangerous than the Czechs.¹ While Czechs and Poles were at variance over Teschen, the Sudeten Germans sought contact with the Poles, while the Reich eagerly watched for a possible ally against the latter. Against Poland the Reich could have Russia for an ally, while against the Czechs she would find only Hungary, rent at that time by revolution and menaced in any case by the embryo of the Little Entente. So the Sudeten Germans were advised from Berlin to be satisfied with autonomous rights within the frame of the Czechoslovak Republic. These, it was believed, could be supported by the Reich through the medium of economic negotiations.²

There was a curious analogy in the attitude of the Sudeten Germans to Czechoslovakia and of the Reich to Europe. In 1926, when Germany was received into the League Assembly—curiously enough, under the presidency of Dr. Beneš—two Sudeten German parties accepted office in the government of the Czechoslovak Republic. October 1933 witnessed Hitler's flamboyant exit from the League and the foundation of the 'Sudetendeutsche Heimatfront' (Sudeten German Home Front) by Henlein, who accepted the Czechoslovak state under his own reservations, just as Hitler the Locarno system.

Just as the Reich had been excluded, albeit involuntarily, from the deliberations of Versailles, so the Sudeten Germans had stood angrily aside from the assembly which endowed Czechoslovakia with an egalitarian, democratic and centralist constitution and established Czechoslovak as the official language. The Sudeten exporting industries were especially affected by the high stabilisation rate of the Czech crown, while the agrarian reforms inevitably benefited Czech peasants to the detriment of the German aristocratic landowners. The foreign policy of Dr. Beneš, founded on alliance with France and her satellites, Roumania and Jugoslavia, was especially repugnant to the Sudetens.

¹ See P. Molisch: *Die sudetendeutsche Freiheitsbewegung*, p. 167.

² See *ibid.*, p. 165.

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In the general elections of 1920 the German parties together won a quarter of the total votes cast. At the first meeting of the assembly, Dr. Lodgman declared on behalf of all the Sudeten German bourgeois parties that they had never desired to join the Czechoslovak state, whose constitution they did not recognise, and that they regarded the Peace Treaties as the sanction of violence rather than of legality.¹ The Sudeten German Social Democrats in congress at Teplice in 1919 described the Czechoslovak Republic as the product of the victory of the Entente and of imperialism, and their own inclusion in it as a breach of national self-determination. They declared their intention to combat its counter-revolutionary home and foreign policy, to work for its division on a basis of nationality and for the replacement of its militarism by a militia on a territorial and nationalist basis². In negotiations with M. Tusar, the Czech Socialist Premier, in 1919 and 1920, Sudeten German bourgeois and Social Democrats outbid each other in rabid nationalism. Like Henlein, nearly twenty years later, the Sudeten Social Democrats stipulated for revision of the constitution and a change in foreign policy.³

A breach in this negative front was made in 1926, when the Christian Social and Agrarian Parties, which had been all along the least uncompromising, became Activist and joined the government, with the encouragement of Berlin. The Sudeten Germans gained little from the representation of the Reich at Geneva, for Dr. Stresemann made it clear that the prior claims of the conflict with Warsaw must not be complicated by trouble with Prague. He knew only too well that the refusal of the Western Powers to bring the two Slav states into the guarantee system of Locarno, was favouring a reconciliation in adversity between them. A firm alliance between these two allies of France might well have upset all Stresemann's further plans. He considered that the Sudeten Germans were numerous enough to look after themselves and advised them to co-operate actively with the Czechoslovak government⁴. In 1929 the Sudeten Social Democrats replaced the Christian Socials in the government and only fifteen deputies instead of thirty-four remained Negativist. The 'Volkssport' und 'Kameradschaftsbund', however, spread a mystico-athletic cult of German Nationalism, in the tradition of Jahn and the 'Burschenschaften', among Sudeten youth, and from this Henlein emerged.⁵ There

¹ See J. Chmelar: *Political Parties in Czechoslovakia*, p. 66. ² *Ibid.*, p. 73.

³ See S. Grant Duff: *Europe and the Czechs*, p. 123.

⁴ See E. Wiskemann: *Czechs and Germans*, p. 129. ⁵ See *ibid.*, pp. 135-9.

REHEARSAL FOR MUNICH: CZECHOSLOVAKIA was, however, no reorientation of Czechoslovak foreign policy, and relations with Germany remained officially correct. It was not until November 1929 that agreement was achieved concerning the Czechoslovak free port at Hamburg stipulated for by the Treaty, of Versailles. In the Reich there was little attempt at sympathetic understanding and radical Nationalist propaganda enjoyed full liberty.

Pursuing the tradition of national rivalry in the Habsburg Empire, Sudeten German industrialists and capitalists preferred to link themselves financially with the Reich rather than with their Czech fellow-citizens. Consequently they were severely affected by the German bank crash of 1931. Many Sudeten banks had also overlent to local industries, whose dependence on exports made them especially vulnerable to shrinking world markets. Among the Sudeten Germans there was, therefore, considerable demand for an economic alliance or even union of Czechoslovakia with the Reich. This evoked some sympathy in the powerful Czech Agrarian Party, which controlled the Ministry of the Interior semi-permanently and so influenced the entire administrative, machinery. Prior to 1914 Great Britain had depended largely on Bohemian beet sugar, but the War forced her to develop domestic beet and Imperial cane sugar. The result was detrimental to Czechoslovakia. Fearing the competition of foreign grain, it was the Agrarians who resisted an economic entente with Poland, which would have benefited Czech industry and Polish agriculture. The Polish Peasant Party were stimulated by this latter factor to seek an understanding with Czechoslovakia. It was the Czech Agrarians who secured in 1930 the denunciation of the Czechoslovak-Hungarian trade treaty with disastrous results for Slovakia.

The vigorous reaction of the Czechoslovak government against the Reich German menace implicit in the Austro-German customs union has been noted. Besides the Danube, Gdynia remained the only export route free of German influence. This explains the enormous importance for Central Europe of the agreement of 30th March 1931, by which a Franco-Polish consortium agreed to build a direct railway linking Upper Silesia to Gdynia, to be completed by the end of 1932. The *Berliner Tageblatt* (5th May 1931) recognised that this railway would change the aspect of Europe economically and politically. By reducing the distance by rail of Upper Silesia from Gdynia, it would cut out the Polish transit traffic through Hamburg and Stettin and foster the export of

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Silesian coal. Eastern Czechoslovakia would have easier access to the sea and Germany would lose to Poland a part of the Czechoslovak transit trade. The German Press recognised that the new line linked the interests of France with the retention by Poland of Silesia, Pomorze and Poznanian.¹ The importance of this line was fully recognised in Prague.²

If Germany could secure Vienna or Pomorze, she would breach the solid front of her three smaller eastern neighbours. If she could achieve the economic conquest of Austria or Poland, she would outflank the Czechoslovak bastion and so roll up the whole line by an economic Cannae. Stresemann followed a Prussian policy, attacking through Poland; Bruening and Hitler preferred a South German Danubian line of attack. Vienna and Pomorze were the keys of Eastern Europe, but the hook on which they hung was in Paris. It was primarily by reason of the fruits it could bear at the expense of Eastern Europe that a rapprochement with France interested the Germans.

In each state French economic interests were powerfully entrenched : Schneiders of Le Creusot controlled the vast Skoda armament works at Plzen and were heavily interested in the port of Gdynia and the Silesian railway and mines.³ In Austria Jules Cambon's *Mitteuropäische Länderbank* and Schneider's *Niederösterreichische Escompte Gesellschaft* focussed French financial interests. If Germany would conquer Eastern Europe economically, France must first be disinterested. Stresemann recognised that only by an entente ridding France of her fear of Germany could she be brought to agree to the revision of Germany's 'untenable' Eastern frontiers.⁴ By an economic understanding with Briand's France, Stresemann's Germany could hope for an economic Munich.

¹ See C. Smogorzewski: *Poland's Access to the Sea*, pp. 387-8.

² See M. Emil Pastore in *L'Europe Centrale*, 25th Apr. 1931.

³ The dominant figure in Franco-Polish industrial enterprise was Korfanty, the son of a poor peasant who became chairman of Skarboferme, which took over the former Prussian state mines in Polish Upper Silesia in 1922. Half its capital was supplied by the Polish Government and the other half by a French consortium. Korfanty had been the leader of the Poles in Upper Silesia and was in close touch with the governments in Poland during the years before Pilsudski's coup (1926). Korfanty's life had been spent in the struggle against Germany and Pilsudski's in that against Russia. This difference moulded their views on the dominant needs of Polish foreign policy.

⁴ *Diaries*, I I I , 266.

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Before 1914 France was regarded in Germany as being merely a pawn in the struggle against Russia and Britain. Except in times of acute crisis, such as the Ruhr occupation, she figured after 1919 primarily as the protector of Poland. Germany's resentments were determined to accord with her interests. So, while post-war France regarded the 'Boche' with loathing and suspicion, Frenchmen were much better received in Berlin, encountering even a certain *snobisme français*. German revolutionaries in November 1918 had sung the 'Marseillaise' as a hymn of revolution, while German enthusiasts for Pan-Europe saw in Kant and Napoleon the pioneers of European unity.

For decades the driving force behind French nationalism had been the fear of Germany, stronger after 1918 than ever before. This emotional factor could only be overshadowed by another even stronger, such as fear of war or of revolution.¹ The French, bled white in the Vosges, on the Marne and at Verdun, loathed the Germans as the embodiment of inhuman, mechanised, destructive war. But because in their exhaustion they dared not face a new war, they sought for guarantees against its renewal. In all classes and parties, increasing numbers sought peace less as a political ideal than as a safeguard for their individual lives or property, which they valued above patriotism or national liberty. German propaganda in France cleverly exploited this individualism, the foundation of the Republican 'Mystique'. Poincaré, who had said in 1913: 'France is not afraid of war,' admitted in 1922 that he feared war. It was this fear of war which made France ready to exorcise its spectre by an understanding with Germany. Clemenceau had realised the inescapable fact that there were twenty million more Germans than Frenchmen. Deprived of Anglo-American guarantees, France lacked confidence in her economic and military ability, even with her Central European alliances, to arrest German dynamism; she could only hope to divert it.

The War had been not only militarily, but also economically, a shock to the rhythm of French life. A natural instinct for limitation and the Rentier mentality had prevented a vast industrial expan-

¹ See G. A. Micaud: *The French Right and Nazi Germany, 1933—1939*, p. 223.

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sion. The War exposed France's economic weakness and dependence on Great Britain and the United States; but it also revealed the immense potentialities of her own colonial empire to compensate for losses and deficiencies. The experiences of the War, which had encouraged the ideal of 'Mitteleuropa' in Germany, reminded France that with her Empire she was a nation of a hundred millions. She felt herself no longer purely European, in the sense of geographic restrictiveness. The War, which forced Germany to rely on Central Europe, turned the eyes of France and England overseas. Observers of all shades of opinion are agreed on the vital importance of the War for the development of the French colonial Empire. Before 1914 only the romantic aspect of colonial conquests aroused metropolitan interest; the War made Frenchmen realise that their colonies were a source of strength and not a weakening haemorrhage. A new attitude of mind was born by the arrival on French soil of almost two million colonials, of whom a third were combatants, quite apart from the economic and financial contributions of the colonies. The idea of imperial economic autarchy took shape in the Sarraut plan of 1921, by which the colonies should supply food and raw materials for the metropolitan industries. France, now a debtor rather than a creditor power, realised the opportunities she had missed by developing Russia rather than her own Empire. So, too, the resentment of French rentiers, who had lost their investments in Czarist bonds, turned to the advantage of the colonial idea.

France was faced once more, as in the eighteenth century, by the choice between colonial Empire and European hegemony. She would not lose Africa by neglect, as she had once lost Canada and India. So Eastern European interests, economic or political, must give way to those of her Empire; it was perhaps symbolic that the evacuation of the Cologne zone at the end of 1925 was partly prompted by the exigencies of the Moroccan war. France was not willing to subordinate her interests in the Levant—which gave access to the Mosul oilfields—with their possible repercussions on Islamic North Africa, to Britain, for whom the Middle East was the vital keystone of maritime Empire. Consequently she could not expect Britain to give her a free hand in Rhenish and German affairs. To this extent the Ruhr was sacrificed to French colonial interests, coal to oil, the Continent to the overseas Empire. While Fascist Italy's claims were made at the expense of the French Empire, Germany's were not. At the same time, the value of France's eastern alliances, including in retrospect that with

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Czarist Russia, came to be questioned. M. Fabre-Luce wrote complacently that there was no reciprocity in eastern alliances, since there was fortunately no danger in the west corresponding to the uncertain frontiers, unstable governments and mixed populations of Eastern Europe.¹ While Germany satisfied herself in the east, France would enjoy the restitution of Alsace-Lorraine under the protection of the British guarantee given at Locarno.

The subordination of Eastern Europe to colonial interests was borne out by French trade in the '20's. While France's trade with her colonies increased absolutely and proportionately, that with Europe was increasingly concentrated on the industrial nations of Northern and Western Europe. Thus France became more dependent on European finished goods and less on European food. While in 1928 95 per cent of her exports of raw materials and semi-finished goods went to Europe, the bulk of her manufactured consumption goods exports went overseas. The general extrusion of France from Europe can be traced back pre-eminently to the close links of the finished goods industry with extra-European markets. In 1913 Europe took 75.2 per cent of the French exports of capital goods and 51.5 per cent of consumer goods; in 1928 these percentages were 59.8 and 40.4 respectively.² At the same time France inclined to drive hard commercial bargains in Eastern Europe, e.g. with Czechoslovakia, which exposed these small states to German pressure; so a century earlier consideration for domestic agrarian interests had prompted a lack of generosity to some of the South German states, which forced these to join the Zollverein.

French policy was conditioned also by the contradiction between her wide political ambitions and her financial embarrassments. Stresemann was keenly aware of this, which helped to induce France to renounce the Ruhr and accept the Dawes Plan. In 1926, when the depreciation of the franc became acute, the political value of pecuniary benefits was correspondingly enhanced. This was the background for the famous lunch at Thoiry (17th Sept. 1926), when Briand suggested to Stresemann that in return for the evacuation of the Rhineland, the return of the Saar and the abolition of military control, Germany should immediately mobilise railway bonds in America to provide capital for France.

In the years following the War the franc depreciated slowly and steadily. At first this engendered the usual fictitious inflationary

¹ *Locarno: the Reality*, p. 115.

² See H. Gaedicke and G. von Eynern: *Die produktionswirtschaftliche Integration Europas*, I, p. 103.

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prosperity, but it inevitably ended in unbalanced budgets and a flight of capital. The pre-requisites of stabilisation were a balanced budget and a settlement of France's war debts to Great Britain and especially to the United States. The latter refused to link War Debts and Reparations, because of the transfer clauses in the Dawes Plan, and also because of a fear that France, by unburdening her debts on Germany, would strengthen her own military hegemony in Europe and prevent peaceful recovery and the fructification of American investments in Germany. In this way American business interests and philanthropic enthusiasm combined to influence France in favour of an economic understanding with Germany as the best means to dissipate American suspicion. Unfortunately however, the Anglo-Saxon world failed to appreciate that the relative weakness of French industry and the close connection between German industry and the aggressive designs of the German Reich, made such cooperation less a factor for understanding than for German penetration and expansion.

Finally, there was a growing feeling in both France and Germany that an era of huge economic units was dawning: the Americas were being integrated under the auspices of Pan-Americanism and dollar diplomacy, the British Empire was moving towards economic unity, the Soviet Union was emerging as an economic unit behind its closed frontiers, while Japan aspired to lead the Yellow World. Europe, with her increased and heightened customs frontiers, could not hope to maintain her leadership without unity. In peace she was threatened by American standardised mass-production, in the event of war, resulting from her poverty and divisions, by Russian Bolshevik revolution. Americanisation and Bolshevisation were envisaged as the two menaces.¹

Ever since the Voltaireans applauded Frederick's victory over Soubise at Rossbach (1757) and denounced Marie Antoinette as 'the Austrian', there had been on the French Left a 'Party of Berlin'. Loathing Catholic Austria, they saw in her defeat by Protestant Prussia a triumph of progress and enlightenment. So in January 1793 the French Jacobins, suspicious of Polish aristocratic reformers, rejected the personal pleas of Kosciuszko and sought an alliance with militarist Prussia.² In the same way the Liberals of the Second Empire blindly rejoiced at Sadowa, oblivious of the inevitable Sedan. The French Socialist Party, which had received its political creed from Germany, had strong pacifist

¹ Cf. R. de Maeztu: *Defense de la Hispanidad*.

² A. Sorel: *L'Europe et la Revolution Francaise*, 1907 ed. I V, 247.

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and Germanophile elements before and after the War of 1914. There were similar elements among the other parties of the Left. M. Caillaux, rehabilitated by the Left Cartel of 1924, had long been a rallying point for Liberal financial opinion, favouring an understanding with Germany; he was the antithesis of the Anglo-ophile Clemenceau, the torchbearer of 'Revanche', the 'Father of Victory'. Franco-German collaboration in a continental system appealed to many Left-wing circles also, because it postulated the supersession of divisions of nationality by divisions of class and the centralised political and economic organisation of Europe. Hitler was able to appeal to this mentality with some effect by presenting German victory as an instrument of social revolution. Conservative and Royalist opinion, especially strong in the French Navy, had never been unduly partial to an England which it saw only as the paladin of Liberalism and Protestantism. Bainville's was a lonely voice in the *Action Francaise* as he hailed the British Empire as a conservative force and the Royal Navy as the guardian of peace on the seas. Now the policy of an understanding with Germany was slowly making headway among the Centre and the Right. Anglo-Saxon hypocrisy, mixing morality and business, had cheated France of the Rhine, the fruit of victory, so 'Realism' demanded that she make terms before it was too late. It was the germination of Vichy and of Collaboration.

Politically, a Franco-German understanding was hindered by the psychosis induced by the War, and in France political rather than economic motives dominated the parliamentary scene until the triumph of the Front Populaire in 1936. It was most easily to be accomplished in the economic sphere under the aegis of economic reason; Reparations in kind and the interdependence of the two economies provided a basis of negotiation, on which the Rathenau-Loucheur and Stinnes-Lubersac agreements sought to build. Indeed France took Reparations principally in kind. Alsace-Lorraine, the prize of victory, brought problems in its train. Its economic wealth lay especially in the Alsatian textile industry and potash mines, and the iron-ores of Lorraine. These last produced three times as much iron as all France before 1914, and made her second only to the United States as a producer. But the Lorraine ores had been developed in conjunction with the coking coal and the finishing industry of the Ruhr. They had formed a vital part of the German-dominated Lotharingian economic integration. After the invention of the Thomas process the heavy industry of the Ruhr had been developed on the basis of the phosphorous

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Lorraine ores. The French had expected that as a consequence the Ruhr would be dependent after 1919 on French ore supplies. Instead the Germans developed the poorer Siegerland ores and mixed them with the very rich Swedish ores. Already by December 1920 the Ruhr had partly accomplished this readjustment and was able to dispense with certain supplies of iron ore from Lorraine and Luxemburg.¹

While the Rhine and the Ruhr drew after the war on Spanish, Swedish and other sources for ores, France was faced by the difficulty of securing coking coal² and export markets. Before 1914 already she could not consume her entire output, now the reparation of the devastated areas and the reorganisation of French economic life did not suffice to take up the enhanced production, even though Reparations coal deliveries provided a temporary solution for coking difficulties. This helps to explain the rift produced in the Comité des Forges by the occupation of the Ruhr. While Schneiders of Le Creusot, interested in the processing of iron and steel, supported Poincare, the de Wendels of Lorraine were hostile, being more interested in a regular supply of Ruhr coal.⁸

The Lorraine iron problem was not the only one linking the French and German economies. In compensation for the devastation of her northern coal mines, France had been conceded the Saar coal basin for a period of fifteen years, after which a plebiscite should settle its destinies. Unfortunately for France, the Saar coal was unsuitable for coking without a 20 per cent. admixture of Ruhr coal, and so could not solve her iron problem. At the same time, her endeavours to integrate the Saar in her own economic, and therefore political, life met with steady local opposition, led by the iron magnate, Hermann Röchling.

From 1871 until 1914 Franco-German trade had been governed by Article 11 of the Treaty of Frankfurt, which prescribed Most Favoured Nation treatment for both parties. The Treaty of Versailles imposed a unilateral continuation of this by Germany in favour of the Allied and Associated powers for a period of five years, which expired 10th Jan. 1925. In addition, during the same period, Germany conceded free entry quotas to Alsace-Lorraine, while there was free trade between the Reich and the

¹ M. Dayet: *La Renaissance économique de l'Allemagne*, p. 25-6.

² The coking value of Saar coal was 62 per cent of that of Ruhr coal and a 20 per cent admixture of Ruhr coal was necessary for successful iron smelting. (G. Greer: *The Ruhr-Lorraine Industrial Problem*; p. 23).

³ See R. Lewinsohn: *Histoire de l'Inflation*, p. 375.

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Saar. Thus Germany regained her tariff sovereignty, but this entailed the regulation of economic relations between France and Germany by a commercial treaty.

At the opening of negotiations in Paris (1st Oct. 1924), M. Herriot, the French Premier, emphasised that the treaty to be negotiated was more than a mere regulation of material interests, it was a work of rapprochement and of civilisation. The Franco-German commercial negotiations transcended the pure economic sphere of tariffs and impinged on politics. An economic pacification of Europe with the ideal of a Pan-European customs union hovered in the background.¹ Two fundamentally different viewpoints were at issue. France sought to achieve mutual advantages, while protecting domestic production, by a policy of reciprocity. Germany, whose interests depended on world markets, sought to escape from post-war isolation by a general extension of the Most Favoured Nation clause. By this means the pre-War bonds of international trade and competition, with a minimum of tariff barriers, would be revived.

In view of this divergence, the official negotiations were protracted. They were, however, accompanied by conversations between private interests, especially in the case of the large-scale, concentrated heavy industries. In this connection it was noticeable that the representatives of industry, animated solely by pragmatic interests, reached agreement more rapidly than the governmental negotiators, responsible to a public opinion still susceptible to a political war psychosis. Economy was more flexible than sentiment.

The most important of these private industrial agreements was the International Steel Cartel (30th Sept. 1926). By this, quarterly production quotas, with fines for excess production, were agreed on by representatives of the French, German, Belgian, Luxemburg and Saar steel industries. In this way an attempt was made to reintegrate the Lotharingian economic area on a joint Franco-German basis. This Cartel was subsequently enlarged by the adhesion of Austrian, Czechoslovak, Polish and Hungarian iron interests and lasted until 1930. The main difficulties arose from German insistence on producing in excess of quota.

In the same way an agreement on dyes was achieved between I.G. and a French group led by the Etablissements Kuhlmann (14th Dec. 1927). Like the steel cartel, this was open to membership by other nations and was joined in 1929 by Swiss interests.

¹ See Dittrich: *Die Deutsch-Französischen Wirtschaftsverhandlungen der Nachkriegszeit*, p. 2.

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In 1914 Germany held a world monopoly in potash, so that Professor Ostwald boasted that it was in her power to dictate which of the nations should have plenty of food, and which should starve. The monopoly of the governmentally enforced Potash Syndicate was broken however, when the Alsatian potash mines fell to the ownership of the French State. Their development, hitherto retarded in favour of the Stassfurt mines, now made rapid progress. Alsatian exports rose from 6,000 tons p.a. in 1913 to 70,000 in 1923, while Stassfurt exports only rose from 70,000 to 120,000. The Reich was unable to secure an agreement on world marketing until 1926, when it had to give Alsace a monopoly for the French Empire and 30 per cent of world markets.

Commercial agreement between the governments was eventually achieved and a treaty signed (17th Aug. 1927). On the French side, agriculture, the Alsatian textile industry and the Lyons silk manufacturers were the principal beneficiaries. France renounced the application of Article 18 of the Treaty of Versailles, permitting the seizure of German private property in France in the event of a default on Reparations. By a separate agreement (23rd Feb. 1928), restrictions on trade between Germany and the Saar were minimised, so that this area, which had been divorced from the Reich by the Treaty of Versailles, became already partially reintegrated. Germany's principal success lay in the fact that she weaned France from the doctrine of Reciprocity and secured the insertion of the Most Favoured Nation clause.¹ In its influence towards European unity, the Franco-German trade treaty of 1927 could hope to be as effective as had been that of 1862 in consummating German unity under Prussian hegemony, to the exclusion of Austria, and in bringing the Zollverein into the Free Trade comity born of the Anglo-French Cobden Treaty of 1860.²

Stresemann regarded Franco-German relations as the centre point of European understanding and he welcomed the formation of the great Franco-German cartels as a step in this direction.

¹ See M. Hogel: *DU auswärtige Handelspolitik Frankreichs nach dem Kriege*, pp. 113-114.

² The Franco-Prussian treaty of 1862 changed the Zollverein from a high tariff to a low tariff area. Austrian industries had grown up behind high protective barriers and could not face the icy blast of foreign competition. Therefore the Franco-Prussian agreement finally and effectively excluded Austria from the Zollverein to which she had been seeking admission since 1850. This was one of Bismarck's first diplomatic moves in the campaign which culminated at Sadowa and Sedan. It marked also the initiation of Bismarck's campaign to reconcile the German middle classes by economic concessions, to their political emasculation.

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With them he hailed also the Franco-German aviation agreement (21st May 1926), permitting Germany to build airships, restoring instead of destroying hangars and applying German law on aviation to the occupied territories. While French opinion saw in an understanding with Germany an end to insecurity, German opinion envisaged it as a step towards the unification of Europe, in which German industry would inevitably play the dominant part. Dr. Gothein pointed to the irresistible magnetism of a Franco-German market of over 100 million highly civilised persons, on the smaller states of Europe. The Zollverein had demonstrated how dynastic and particularist interests must give way before great unitary markets.¹ The President of the Paris Chamber of Commerce, M. Kempf, saw Europe as condemned by protectionism to become a colonial market for overseas producers. Union depended on Franco-German relations: 'Is it not possible to build a bridge which will help us over economic rivalries, guarantee a maximum development of relations and bring nearer the great work of pacification?'² Others saw in alliance with Germany a step towards progressive union, within the limits set by economy, and psychology.

Locarno was regarded by many in France as making Great Britain the arbiter of French policy and so the idea of an independent economic rapprochement with Germany found favour. Caillaux urged the formation of a bloc between France, Germany and Russia. He regarded unity or extinction as the inevitable dilemma facing Europe. De Monzie and Clementel both propagated the idea of a Franco-German agreement for trading with Russia. Jean Luchaire, who was to earn notoriety as a Collaborator during the Nazi occupation, wrote a booklet, *Vers les états fédérés d'Europe?*

A committee for Franco-German understanding was formed by M. Mayrisch, head of the powerful A.R.B.E.D.³ steel trust in Luxemburg. This was supported by Von Papen, who organised a Franco-German Catholic Committee to work for reconciliation on a national and conservative basis. Arnold Rechberg, the potash magnate, was in close contact with Mahraun, whose *Jungdeutscher Orden* sought to win German youth for an understanding with France directed against Russia. Rechberg proposed a Franco-German military alliance with a joint General Staff and collaboration between the two economies by means of cartels for the pur-

¹ See H. Heiman: *Europäische Zollunion*, p. 81. ² Quoted Ibid.

³ Acieries Reunies Bourbach-Eich-Dudelange.

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pose of arms production. Reparations and the war guilt clauses would be abolished. Through French mediation Germany would regain Danzig, Pomorze and a half-share in Upper Silesia, while Poland would be brought into the anti-Russian bloc by a guarantee of her eastern frontiers. Jointly France and Germany should develop the French colonies and, after the defeat of the Soviet Union, Russia and Siberia.¹

In such a union Germany would emerge as the industrial power, dominating Central and Eastern Europe, France as a colonial power in Africa. Jealous as France was of alien interference in her Empire, German collaboration in its development thus came to be envisaged. M. Fabre-Luce suggested that Germany might supply plant and possibly labour on reparations account, for the development of the French colonies. In this way France's Empire might be developed, Europe supplied with raw materials and Germany's surplus population turned to account at one blow.² After the restoration of French finances by Poincare, a collaboration between German technical skill and French capital came to be envisaged. French thrift should come to the aid of necessitous Germany's schemes for grandiose industrial expansion.. It was suggested that French interests would be safeguarded by the quotation of German equities on the Paris Bourse. Sales in Paris prompted by political alarms, would therefore depress prices in Berlin and so affect detrimentally the holdings of the German banks.³ Understanding and alliance with France might lead Germany to the fulfilment of her dream: the unification of Eurasia with a dependent Africa, under German hegemony.

¹ See W. Schotte: *Papen, Schleicher, Gayl*, pp. 55-61.

² See *Locarno the Reality*, p. 150.

³ Prof. Bernard Lavergne: *Esquisse des problmes franco-allemands*, p. 108.

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The Franco-German problem must be envisaged in connection with the idea of European unity, which became increasingly pressing in the later '20's. It was only the economic depression in 1929 which reversed this process and tended to accentuate autarchic as against unitary, centrifugal as against centripetal forces. In his famous work *Dieu est-il français?* Sieburg argued that France's position in regard to Germany was also her position in regard to the future, to the coming order of wider political and economic groups (p. 317).

Sieburg deplored French qualms about an understanding with Germany, since he identified Germany, Europe and the future as an inevitable fate. Against these France battled vainly as she faced the correlated problems, internally of industrialisation and externally of Europeanisation understood in the sense of Europe's desire to achieve economic, political and social solidarity.¹ France, with her stationary population, had taken less part in the century of Technical Revolution, and so she discerned in the tendency to European industrial unity a tendency towards the rationalisation and standardisation of Europe on American lines. Sieburg accused her of seeking, either to orient in the sense of the Treaties, or else to deny, all the efforts made in favour of peace and of the spiritual, political and economic collaboration of the nations of Europe.² So her immense influence at Geneva was exerted in favour of the past, not of the future. France imagined she was accomplishing her vocation in the vanguard of human progress, whereas in reality she was arresting its forward march.

In the tradition of German 'Kultur' Sieburg regarded European unity as something new, a product of the Industrial Age, to be achieved like German unity, by purely material economic, if not military, means. He did not appreciate, as France did, that the idea of Europe is something which dates back to the Roman Empire, that that idea was disrupted by the German Luther and progressively undermined as the tide of German Nationalism rose; that German Nationalism in its victories depended on industrialism; that for that very reason, France, the champion of an organic

¹ *Dieu est-il français.*, p. 285 ² *Ibid.*, p. 303.

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spiritual and cultural European unity, must fight against the new German mechanical material unity, to be achieved by irresistible dynamic forces. Already during the War Professor Johann Plenge described Freedom as the ideal of 1789, and Organisation, the essence of Socialism, as that of 1914. Because Germany was the most convinced exponent of Socialist idealism and the most powerful architect of the most highly organised economic system, she was the exemplary nation of the twentieth century. However the War might end, German ideas would determine the life of humanity argued Professor Plenge.¹

When Sieburg termed Europe 'too wide a notion for France', Bernard Grasset replied that it was too narrow, because it was meaningless: 'a Frenchman feels himself first French and then human.'² To be French is to be spiritually a European, a child of Latinity—that implies to feel the missionary vocation to carry to all men the blessings of European culture—not, to be a member of some geographic entity called Europe, to be achieved by communications or by arms.

That the land of Clémenceau should identify championship of Versailles with defence of its own spiritual values astounded Sieburg. Unable to comprehend Europe as a spiritual, not a geographic unity, he would not recognise that in 1914 Germany sinned against Europe, and that Versailles consecrated the victory of Europe over Germany. At Versailles, in fighting for France's political leadership, Clémenceau was fighting also for the cultural idea that France leads civilisation. Thus by insisting on the preservation of the treaty, France was keeping faith with the spiritual unity of Europe, which Germany sought to disrupt.

The Treaty of Versailles was European, because it was an attempt to implement President Wilson's words (6th Apr. 1919): 'Justice, therefore is the only possible basis for the settlement of the accounts of this terrible war. Justice is what Germany shall have. But it must be justice for all. There must be justice for the dead and wounded, and for all those who have been orphaned and bereaved that Europe might be freed from Prussian despotism. There must be justice for those millions whose homes and lands, ships and property German savagery has spoliated and destroyed. . . . Somebody must suffer for the consequences of the war. Is it to be Germany or only the people she has wronged? Not to give justice to all concerned would only leave the world open to fresh cal-

¹ See Prof. F. Hayek: *The Road to Serfdom*, p. 127-8.

² *Lettre a Friedrich Sieburg sur la France: D i e u est-il francais*, p. 336.

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amities. The Allied and Associated Powers therefore believe, that the peace they have proposed, is fundamentally a peace of right, fulfilling the terms agreed upon at the time of the Armistice. . . The Treaty is frankly not based upon a condonation of the events of 1914-1918. It would not be a peace of justice if it were.'

France refused to find encouragement to European solidarity in the common destinies of a continent opposed to America with its tariff and credit policies. She refused to take a stand as an organised enemy of America, because she regards America as her child, just as it is the child of Britain, Spain, Portugal or Holland. France knows that she has endowed America, not only materially, but also spiritually, with the gifts of Latin civilisation. She knows that in the hour of need America, grown to gigantic stature, will be by her side. The concept of Europe is something spiritual, not material; that is why the twenty-two nations of America are of Europe, while the German Reich planted geographically in the centre of the old continent has been a challenge to it. Europe must be founded not materially in a challenge to Americanism, but spiritually in accepting the challenge thrown down by Germanism. It was an outcome of Europe's deep subconscious sense that she is the cradle of that western civilisation which transformed the buffalo stamping grounds of America into a second home for herself. France saw in European unity the achievement of political security as a means to cultural development, Germany a step in economic progress under her own leadership.

The German conception was of a 'werdendes Europa' (evolution towards Europe) rather than of something which had existed for 2,000 years. German writers have described Versailles not as the just penalisation of an unrepentant offender, but as the negation of progress by the political division of Europe into economically irrational units. The division of Europe in 1919 was accomplished politically on the lines of Wilsonian justice. That the German and Magyar states should suffer was the inevitable consequence of their guilt and of the need to secure their victims against its renewal.

The liberated nationalities saw in tariffs the commercial emblem of sovereignty, and economic barriers increased as trade became a war. Self-sufficiency, especially in industrial production, became the general goal, and it resulted inevitably in higher costs, which were detrimental to both production and consumption. It was in fact an exact inversion of the principle of standardised production for a vast market, which was the basis of American industrial

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prosperity. These political and economic divisions weakened enduringly both Europe generally and the individual states concerned. Economic circumstances prevented the consolidation of their finances, so that they carried the germ of inner decay.¹

This structural weakness was especially acute among the Danubian Successor States of the Habsburg Empire, and in the economic crisis beginning in 1929, it accentuated the worldwide depression of prices. The exigencies of wartime had expanded agricultural production overseas, while the nutritional changes and demographic declines connected with rising standards of living in industrial Western Europe reduced the post-war consumer demand. By 1928 the world's average annual production of wheat was 5.8 per cent higher than in 1914, while its population had increased W 9 per cent. But the per capita consumption of flour had decreased by 10 per cent in Germany and Great Britain and by 12 to 15 per cent in the United States, while meat consumption had increased.

Danubian agricultural prices were 15-20 per cent below world prices, because the post-war agrarian reforms, largely aimed against the previously dominant German and Magyar landowners, subdivided property and production to the detriment of classification and quality, while consumers were demanding increasing standardisation. The peasant economy of Danubia could not withstand the pressure of world trends, founded on technical progress, and its economic divisions became a canker in Europe's heart. Eastern Europe, with its rising populations, was ground between the millstones of shrinking prices for its agricultural products and increasing costs for its industrial requirements owing to tariff barriers.

Before 1914 the Habsburg Empire had provided a balanced economic unit, founded on the complementary nature of Austrian iron, Czech coal and Hungarian grain, while Germany held first place in foreign trade. After 1919 the currents of trade between regions previously united in one Empire, and the preponderant role played in their foreign trade by Germany remained. But the free exchange of goods was impeded by tariff barriers, and regional preferences were precluded by the Most Favoured Nation clause. This clause had only operated outside the Danubian Empire before 1914 and had therefore not interfered with the protected home market of over fifty million consumers, on which producers could rely. It was this united market which various statesmen after 1919 sought to restore.

¹ See Dr. H. Schnee in H. Heiman: *Europäische Zollunion*, p. 64.

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The important question was, whether economic unity and preferences should be limited to the Danubian Successor States, as envisaged by the Tardieu plan of 1932, or should include Germany, in view of her close economic ties with Central Europe. The break-up of the Habsburg Empire as a result of the War was of inestimable political value to both Germany and Italy, and neither would willingly consent to its revival on an economic basis, while they argued that of itself it would provide no solution for the agricultural surpluses. The inclusion of industrial Germany, which might absorb these surpluses, would entail her industrial supremacy and inevitable hegemony. It would provide the granary for her renascent military power. Such a solution, along the lines of Naumann's *Mitteleuropa*, encountered inflexible French opposition, apart from that of Czechoslovakia and Poland.

The advantages to be derived by Central Europe from economic unity might be increased in the German view, if such unity embraced all Europe. Larger markets would lead to increased, and therefore cheaper, production, thus raising the standard of living. This would favour specialisation and efficiency, while an expanded internal market would increase competitive power for export overseas. Standardisation would be achieved by cartels, while interstate tariffs would be replaced by price and marketing agreements. The diversion of overseas trade to ports within the union, by means of reduced freight rates, could be used to wring concessions from states outside.

Such a union, with its specialised production, would inevitably benefit Germany's industry, the largest and the most highly organised in Europe, and confer on her an economic supremacy. German writers had no doubts but that their country, which they regarded as the principal sufferer from the war, would be the principal beneficiary from European economic unity. Germany's economic sufferings from the war were of course entailed, not because she waged it, but as the penalty of her defeat in the shape of Reparations and the unilateral Most Favoured Nation and Open Door clauses of Versailles. The abolition of European tariff barriers would favour immensely the expansion of her industry and foreign trade. Her industrial productive capacity, especially when expanded by rationalisation, was proving a burden, unless she could regain the markets for whose supply it had been built up. The war had fostered the rise of industries in all countries and now these demanded protection, especially against German competition. In the chemical industry this phenomenon appeared even in

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the United States, Great Britain and France. German industry suffered from lack of markets and of raw material supplies, and European economic unity would go far to remedy both these defects, especially by overcoming non-economic prejudices against Germany arising from the war psychosis. It would also open the colonial world to the Reich. European customs, and consequently monetary, union would resolve Germany's transfer difficulties, arising from Reparations, while England and France would still be saddled with theirs, which arose from War Debts.

Count Eberhard Kalckreuth, the President of the Reichslandbund, the organisation of the great landowners, urged an economic union with the nations of Eastern, rather than of Western Europe, since they possessed fewer industries and more raw materials. Union with the west would imply the reintegration of Germany in world commerce. It would be an attempt to overlook the war by overcoming political tension through economic rapprochement. This would be impossible, since the war arose from economic, not political tension. On the other hand, union with the east would consummate the results of the war by insulating Germany from the world capitalism of the maritime powers.¹

The Germans would not envisage European union except under their own leadership. Their claim to leadership was founded not only on their technical proficiency, but also on the belief that geography inevitably conditions politics. The Marxian doctrine of economic determinism was replaced by the science of geographic determinism: 'Geopolitik'.

Fichte and Clausewitz had urged Prussia to unify Germany, so that in her turn Germany might unify Europe. The popular idea that Germany should become the focus of European unity was expressed by Dr. Ernst Jäckh in *The New Germany* (a series of lectures delivered at Geneva in 1927) and in *Deutschland, das Herz Europas* (Germany, the Heart of Europe, 1928), a set of radio talks. A prominent Democrat and member of the Reich Economic Council, Dr. Jäckh was the founder of the 'Deutsche Hochschule für Politik', which enjoyed the collaboration of Dr. Stresemann, Dr. Schacht, Dr. Simons, the President of the Supreme Court at Leipzig, and Dr. Meissner, State Secretary successively to Ebert, Hindenburg and Hitler.

Dr. Jäckh emphasised the role of geography in conditioning politics and attributed to it the unanimity of German political parties regarding the aims, if not the means, of foreign policy.

¹ H. Heiman: *Europäische Zollunion*, p. 94.

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The Treaty of Versailles had divided Europe into thirty states instead of twenty, and the new national states, lacking homogeneity, were founded on political prejudice rather than on economic efficiency. Germany, he pointed out, was devoid of natural boundaries, and abutted on sixteen other states. This gave her a unique central position which was enhanced by economic links.

Professor Alfred Weber said the economic unification of Europe was a question above all of the effective integration of the industries of Europe's centre around their hub, the Ruhr¹; Germany was the heart of the European body economic, according to Dr. Jäckh, and her industries made her interdependent with the peripheral nations supplying food and raw materials. No one could ignore Germany, whether by reason of the purchasing power of her 65 million people or of her central position for communications. She was linked with all the peripheral countries, while they were individually linked only to Germany. They had to deal only with Germany, but Germany had to reckon with all of them, severally and individually.²

To economic bonds were added the existence of a German diaspora scattered through sixteen European states. The rights of these minorities could be and must be championed by the Reich. Their interests were defended by the 'Verein für das Deutschtum im Ausland' (V.D.A., Association for Germanism Abroad)—originally founded in 1881 as the 'Allgemeiner Deutscher Schulverein' (General German School Association)—which received subsidies from the Republican government to strengthen the bonds of these minorities with the Reich. In 1926 the V.D.A. spent over two million R M. on this cultural propaganda and gathered over 20,000 people, of whom three quarters were young men, at its congress in Goslar. The rights of these German minorities seemed to Dr. Jäckh to be especially threatened by the assimilationist tendencies emanating from Latin America.

All these facts made Germany the centre of inter-dependent Europe and therefore the most insecure nation of the continent. Not choice or fortune, but geography had made her, more especially since Versailles, the centre of all European problems.³ Germany seemed destined to be the crystallising centre of Europe, she would be the champion of a new order founded on Right, in revolt against the injustice she suffered, and from a conviction that the

¹ See H. Heiman: *Europäische Zollunion*, p. 124.

² See *Deutschland, das Herz Europas*, p. 57.

³ *The New Germany*, p. 89.

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present national state was a transition to a supra-national order. Germany in her defencelessness, France in her insecurity, were coming to recognise the need for a reign of Right. In all this there was a refusal to recognise the old international law, itself sprung from the Roman and Canon codes, on which Europe was founded and against which Germany had rebelled.

Versailles was in fact the penalty of that rebellion and the resolution of previous injustices. But because it bore hard on Germany, Dr. Jäckh talked of 'an overcoming of Versailles by Europe' ('eine Ueberwindung von Versailles durch Europa'). Germany, which had brought unity out of her own disunity a century before, seemed especially favourably endowed to bring about this salutary unity. A law of fate had forced Germany along the road she had travelled, so that the New Germany embodied and symbolised not only her own, but Europe's joint destiny too. The New Germany discerned the historical inevitability of this development and believed herself able to understand the inner meaning of the old paths. The war was only an outward expression 'albeit the most drastic, the most cruel expression, but precisely for this reason palpable and salutary'.¹

Conscious of the role of the 'Zollverein' in bringing about their own unity, the Germans recognised the potency of similar tariff agreements for European unity. The impulse to European unity was far more imperative in the economic than in the political sphere, so economic rapprochement must precede political. In this connection Dr. Jäckh pointed out that the Treaty of Versailles by cutting up Germany above ground level had created international economic communities in the iron and coal which lay beneath. In this way the fates of Germany and Europe became ever more inextricable.

The economic unity of Europe was hardly to be achieved at one blow. Generally a gradual approximation of tariffs and the gradual construction of a customs union were envisaged. The ideal was to be realised gradually and so the economic assimilation or union of Austria with Germany seemed to provide a Central European core. In this sense the Social Democratic Reichstag President Loebe, who also presided over the 'Oesterreichisch-Deutscher Bund', acclaimed it as the first step towards European Union. He affirmed that the economic reorganisation of Europe could only be accomplished through the union of those states which belonged together on national grounds: Europe must be 'Made in Germany'.

¹ *The New Germany*, p. 70-73.

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International postal, telegraphic and telephonic communications throughout Europe were already fully regulated by agreement. Internal postal rates applied in Germany for correspondence with Austria, Danzig, Luxemburg and Lithuania, and reduced rates for Czechoslovakia and Hungary. The Central European Communications Conference at Vienna in 1926 recommended a return throughout Central Europe to the inland rates prevailing between Germany and Austria-Hungary from 1872 to 1918.

Friedrich List had emphasised the importance not only of the Zollverein, but also of a unified railway system in the achievement of German unity. In his unheeded warning to the peacemakers of Versailles, Sir Halford Mackinder stressed the fact that the whole system of voluminous and intricate commercial treaties between Germany and her neighbours was based on a minute study of commercial routes and of the lie of productive areas.¹ The role of communications in the unification of Europe was fully appreciated in Republican Germany. In this connection a lecture by General Groeher to the 'Hochschule für Politik' in 1921 on railways as a political factor, is worthy of note. From working out as a young staff captain, the railway aspects of the Schlieffen Plan, and organising as wartime Director of Military Transport, the superlative exploitation of the railways of the Central Powers, he became Reich Minister of Transport (July 1920 to Aug. 1923). In his lecture he claimed that the railways were the sole power factor remaining to the Reich since its disarmament. Hence their unification under the central government must on no account be reversed, but rather must they be run with businesslike efficiency, in order that, by providing the best international communications, Germany could regain the influence due to her central position.

Although the building of railways in itself contributed effectively to the realisation of German unity, there were in 1871 sixty-three different railway administrations with a variety of rates as great as that of the customs tariffs before the 'Zollverein'. Appreciating the value of unity as an economic weapon and as a source of influence, Bismarck sought vainly their amalgamation in a Reich system. Down to 1918, however, there were separate state railways in Prussia, Bavaria, Württemberg, Saxony and Baden, while the Alsace-Lorraine railways belonged to the Reich. Already in 1846 the Union of German Railway Administrations (Verein deutscher Eisenbahnerwaltungen) was founded with the object of securing uniform regulations for the transport of passengers and goods. By

¹ *Democratic Ideals and Reality*, 1944 ed., p. 25.

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1914 this Union included the German, Austrian, Hungarian Dutch and Roumanian systems, besides certain lines in Russia and Belgium.

During the wartime negotiations for a German-Austro-Hungarian customs union, the need for the unification of railway transport was recognised, since otherwise discriminatory rail tariffs might nullify any customs concessions. The dissolution of the Habsburg Empire divided its territory between seven different national railway administrations, causing an immense wastage of rolling stock and engines, which could not be used to capacity. Transport was delayed by new customs frontiers and changes of locomotive, and had to be paid for in a variety of currencies. After the War the Union included only the German, Austrian, Hungarian, Dutch and certain Luxembourg lines: from 101,500 kilometres in 1913 the network fell to 73,093. In 1928 it was renamed Central European Union (*Mitteleuropäischer Verein*) and was joined by the Swiss, Danish, Swedish and Norwegian systems.

Independent railway systems were regarded as a mark of national independence by the Successor States, because they realised that railways were still among the most important elements of economic policy and, despite the advent of the aeroplane the tank and the submarine, were vital for war. The willingness of member states in a European Customs Union to sacrifice the autonomy of their railway administrations, would be a test of the faith they were prepared to place in it as a means to a just and enduring peace. The less faith they had, the more they would seek to retain control over this economic and military instrument. The railways were the most important customers of heavy industry and their unification throughout Central Europe would standardise the demand for rolling stock, locomotives and fuel. A concerted European system would inevitably fall under German control since hers would be the largest and most developed individual component and her railway construction industry would be best equipped to supply the needs of the various national systems.

These potentialities were appreciated by Dr. Enderes in his study of the effect on transport of a European Customs Union.¹ He pointed out that a German-Austrian customs union would entail the assimilation of their railway systems and the diversion of Austrian trade to German harbours. It would bring all Central European traffic under German control and force Czechoslovakia to make increased concessions in rates. The extension of such, a

¹ H. Heiman: *Europäische Zollunion*.

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unified system would of course have a snowball effect, increasing its power of pressure on outside states. The Dawes Plan had provided for international control of the German railway system, why should there not be German control of the European system?

For the transport of bulky goods, especially coal, ores, timber and cereals, water transport is cheaper than rail. On the Rhine, for instance, a tugboat with a string of four 2,000 ton barges is a common sight, and this will carry as much coal as several hundred of the normal British 10-ton trucks, and at far less expense. Water transport is infinitely more important on the Continent than inside Great Britain, and here German plans under the Republic merit careful study. The North German plain is naturally well endowed with navigable waterways flowing from south to north across it: Ems, Weser, Elbe, Oder, Vistula and their confluents. Some of these changed their course long before the dawn of the Christian era, leaving a transverse east-west depression which facilitates the construction of artificial waterways connecting them, especially with the help of modern dredging and excavating machinery. Brandenburg's position athwart Elbe and Oder, along this depression of which the Havel and Spree form a part, was an important factor in its rise to power. It is noteworthy that the Great Elector and Frederick the Great, the principal architects of that power, both developed its potentialities for inland navigation by canal building. The Rhine with its tributaries provides a natural artery of easy communication for the West German and Lotharingian area, enabling barges of 2,500 tons to ascend as far as Strasbourg. Finally, the Danube provides an outlet to the Black Sea from South Germany.

The war of 1914-18 had demonstrated to Germany that as long as she depended on overseas sources of supply she depended on the British fleet, which ruled those seas. It therefore became a paramount task to develop a system of inland water communications across Europe, which should supply raw materials for her industries and food for her workers, and be immune from the guns of the British fleet: land power would render sea power innocuous. It is in this strategic sense, and at the same time in the increase of German economic power as an aspect of strategy, that the problem of the inland waterways must be judged. Thus Germany was weakened economically and strategically by the fact that the estuary of the Rhine was under Dutch sovereignty. If it was essential to Britain that no great power should dominate the Low Countries, it was equally essential to the Reich that none should

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hold the mouth of the Rhine. It was to obviate this weakness, and also to divert the trade of the Rhenish industrial region to German ports, that the Dortmund-Ems Canal was constructed (1892-98) and the port of Emden developed. Under the Empire also the Kiel Canal was built to carry ships of 35,000 tons between the Baltic and North Seas, which had been linked in Hanseatic days by the Lubeck-Elbe Canal. This enabled the German fleet to be moved without danger of interference between the two seas, and facilitated German domination of the landlocked Baltic. The principal need, however, was to connect the Rhine and Danube systems and to link both with the waterways of North Germany. In this way the German economy would be knit closer together and made more independent of the West.

The peace treaties had provided for the administration by international commissions of the Rhine, Danube, Elbe, Oder and Niemen in their navigable reaches, and also of the Rhine-Main-Danube Canal in the event of its construction. Germany was the one country common to all the internationalised rivers and she adopted a uniform policy of weakening the authority of the international commissions. The German Government complained in its memorandum (29th May 1919) that the commissions would be in a position to exercise unlimited authority over all German inland waterways, and indirectly to obtain power over the German railway system, so that the Entente would exercise a decisive influence on the internal regulation of German economic life. The Allies replied that control was necessary to assure international equality and to prevent any riparian state exerting economic and political pressure in virtue of its geographical situation. Once again the interests of European justice faced those of the national sovereignty of United Germany. But the clauses of Versailles could only be implemented as long as the Reich was too weak to abrogate them, and those who imposed the Treaty were willing to implement its conditions by force. Germany began her campaign against the international waterways when the Weimar Constitution gave to the Reich Government control over all inland waterways and railways: it was the mobilisation for battle. She completed it when Hitler denounced the waterway clauses (14th Nov. 1936). Just as the 'divinely consecrated anarchy' of Westphalia (1648) and the possession of the German estuaries by Sweden could not prevent the rise of Prussia, so the paper chains of Versailles could not prevent Hitler.

The Rhine and Danube had been connected by the Ludwigs

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Canal from Bamberg on the Main via Nuremberg to Kelheim, completed in 1848. But in view of its small capacity and many locks, a new company was formed in 1921 with government guarantees to build a new Rhine-Main-Danube canal, while the Main should be canalised and the level of the Danube be raised. This project, costing 35 million gold marks, would take twenty years to complete. In this way the West German coalmines would be linked with the Austrian iron resources and German chemical manures would fertilise the Danubian granaries; Vienna and Regensburg would develop as great river ports and German economic influence be exerted as far as the Black Sea. Thence via the Don, the Volga and the rivers of Siberia a secure waterway to the heart of Asia, and even to the Pacific, was envisaged. The government of Wurttemberg was pressing for a Rhine-Neckar-Danube canal. This would leave the Rhine at Mannheim and proceeding up the Neckar past Stuttgart, would debouch into the Danube below Ulm.

At the same time the canalisation of the North German rivers was continued and the Mittelland Canal built to link the Ems transversally with the Weser, Elbe and Oder. Taking barges of 675 tons, this would link Berlin and agrarian East Elbia with the industrial Ruhr, while the Elbe and Oder provided access to Saxony and Silesia. The Oder was already connected by means of its tributary, the Netze, and Frederick the Great's Bromberg Canal, with the Vistula. Thence further connections were available, or might easily be constructed across the Polish plains, to link up with the Pripiet, the Dnieper and so eventually with the southern system. At the same time the Elbe and Oder should be connected with the Danube at Bratislava. This again helps to explain the need to bring Czechoslovakia under German influence.

These grandiose plans would, of course, take years to accomplish, although the vital German sections, the Rhine-Main-Danube and Mittelland Canals were already well under way before Hitler came to power. Mainz and Duisburg-Ruhrort, situated at their confluence with the Rhine, would become the transshipment centres of this new system linking east and west, which might influence world-history as once the voyages of Columbus and Vasco da Gama or the piercing of Suez and Panama. The power-driven excavator and the mechanical ship-lift would make of Germany an emporium of wealth to rival Lisbon and Antwerp, Amsterdam and London in their prime. This was another reason why it was so essential to secure the speedy evacuation of the Rhine by the

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armies of the Entente: as long as the French armies occupied Mainz and Duisburg, they held the focal points of Germany's water communications.

There was also Franco-German competition in inland navigation to provide outlets for industrial Switzerland. There were considerable navigational difficulties on the Rhine above Strasbourg necessitating constant work. The French government proposed, instead of canalising the Rhine, to increase the capacity of the old Canal d'Alsace and by deepening the navigable channels of the Doubs, Saône and Rhone to open up a waterway from Rotterdam to Marseilles. This would be connected by the short Huningue Canal with Basle. In this way Swiss trade would be diverted in France's favour rather than Germany's, the extension of Stinnes' influence into Switzerland would be countered, Marseilles would benefit at the expense of the North Sea ports, and finally a barrage at Kembs would be able to tap the hydro-electric power of the Rhine for the benefit of Alsatian industry. Art. 358 of the Treaty of Versailles permitted France to divert the water of the Rhine for the benefit of her Alsatian canals. The French canal plans were never fully implemented, although the Kembs power station was built. The Germans proposed to attract Swiss trade by building a canal from the Lake of Constance to the Danube at Ulm. In Switzerland itself there were suggestions that Trieste, politically cut off from its north-eastern hinterland, should rather seek its trade north-westwards towards the Lake of Constance and the Upper Rhine.

Britain's domination of world coal markets has been largely due to the proximity of her mines to the sea, so that f.o.b. prices are little higher than pithead prices, in contrast to the American and German positions. The competition of oil, water power and lignite considerably reduced the post-War markets for coal and so rendered competition more intense. The development of a European inland waterway system under German auspices, would give the Ruhr mines the advantages of this proximity to ports insofar as the Continent was concerned, and so further circumscribe British sales and increase British difficulties. Since coal had been the basis of nineteenth century Britain's economic and military domination of the sea routes, the loss of markets would help on her economic and political collapse.

This inland navigation system on an east-west basis helps to explain also the unremitting German hostility to Poland. The economic independence of Poland and Roumania and their en-

deavours to build up a north-south waterway from the Baltic to the Black Sea—thwarted by lack of capital—nullified plans for a German-Russian economic entente, held together by internal navigation. The German attempt to disrupt and outflank the Polish-Czech-Austrian barrier has already been described. Poland and Roumania alone would be unable to resist the 'Drang nach Osten' along the rivers and canals, without the support of the Entente. The inland waterways would enable Germany to exploit that position in the centre of Europe which had contributed to preclude her participation in the development of the New World. So, as the industrial and commercial hub of Europe, she would be able to defy with impunity the maritime powers which had kept her flag from the oceans.

The Passau barrage to raise the level of the Danube in connection with the Rhine-Main-Danube Canal also served as a source of electric power for Germany and Austria. It was estimated that 90 per cent of the canal's costs would be paid for by the yield from its hydro-electric power, tapped at 35 power stations between Aschaffenburg and Passau, with an average capacity of 2,666,300 kWh. In the sphere of power transmission, too, the integration of Germany in Europe and of Europe around Germany was proceeding apace. The collaboration established between German and Austrian electric supply companies has been described. As the hydro-electric and thermo-electric resources of Germany were being steadily developed and transmitted by high tension cables all over the Reich, so these lines were extended beyond its borders and linked up with foreign systems in Holland, Switzerland, Austria, France, Denmark, Poland and Czechoslovakia. Germany became both an importer and an exporter of energy. The possibility of an Alpine power block rising to supply the industries of France, Western Germany, Switzerland and Italy bid fair to dwarf the tariff problem and create an economic solidarity transcending politics. The United States of Europe might be realised by electric power rather than by a customs union. Once again the size and unity of the Reich as producer and consumer and its central position would inevitably give it a key role. Germany might even aspire to store up and balance out the hydro-electric energies of Scandinavia and the Alps with her own thermo-electric resources. Her projected 200 kilovolt transmission system might become the core of a European power grid. The same might become true in the sphere of coal gas also, where a Reich grid to utilise the waste gases of the Ruhr coking ovens was under consideration.

While its power supplies were being increasingly integrated in a single system, the industry of Central Europe was being brought together by means of international cartels. Professor Elemer Hantos, a leading protagonist of Central European economic co-operation, discerned in this tendency primarily an attempt to overcome by economic means the divisions created by politics, and to reintegrate productive units and markets disrupted by tariff barriers. He considered that lack of capital in Central Europe also prompted their formation, as a means to reduce production costs rather than to raise prices. They would achieve this by the concentration of production in the most favourable regions and by re-establishing a specialised division of work. They arose both spontaneously and at the instigation of interested banks.

The iron cartel of the Austro-Hungarian Empire was one of the first to be re-established among the Succession States after 1919, and in 1927 it adhered as a unit to the International Steel Cartel. The rise of international cartels in Danubian Europe was by no means restricted to the Succession States, and indeed such restriction would have encountered strong German opposition. They were linked in cartel agreements with Germany, not only for steel products such as tubes and wires, but also for glass and porcelain, glue, paper, felt hats, cement and magnesite. In aluminium, chemicals and rayon German interests were linked with British, French, Italian or Swiss. The rise of Franco-German cartels in the key industries has been noticed as an integral aspect of the economic rapprochement between the two leading industrial nations of the continent. In this way industry was transcending national frontiers and unifying Europe.

In these international cartels the Germans were at a special advantage by reason of the concentrated organisation of their domestic production and marketing, which provided a firm basis for foreign trade. In cartelisation Germany was far in advance of all other European countries and this, together with her natural industrial strength, enabled her to derive the maximum benefit from the specialised division of production resulting from cartels. Moreover, except for Norway, Germany alone of the European nations possessed special cartel legislation in the decree of 2nd Nov. 1923, which consecrated the supremacy of the Reich government. Professor Hantos emphasised the hindrances to international cartels, deriving from differences of national legislation, and urged the formulation of uniform international regulations. In view of the dominant position of German industry and cartels

in Central Europe he regarded the general adoption of the German law as the most practical solution.¹

Another strong factor working for the integration of Europe under German hegemony was the Münchener Rückversicherungsgesellschaft which had been founded soon after 1870 and flourished especially in the years immediately preceding 1914. The rise of a capitalist economy founded on the element of risk implicit in the Law of Supply and Demand, necessitates the development of a technically perfect and financially sound insurance and reinsurance system. Such a system was first built up in London and the influence of Lloyd's all over the world provided one of Britain's chief economic instruments on the Continent. In the years before 1914 the Münchener Rückversicherungsgesellschaft was striving with some success to extrude Lloyd's from Russia and other European countries, but these gains were lost as a result of the War. The Münchener Rückversicherungsgesellschaft survived like the General Staff and the campaign had to begin anew. This reinsurance business provided not only a valuable source of revenue, but above all a network of information on commercial matters which could be most useful to the German Intelligence Service, especially against the maritime power of Britain. Consequently the Reich government looked with especial favour on this company and when Hitler's New Order came into being it became the focal centre for the reinsurance business of the Continent.

On his way to Paris, President Wilson is reputed to have told one of his companions that he was not interested in economics. Insofar as the treaties of 1919 were inspired by him, they sought to realise political justice rather than economic practicability. A convincing expositor of principles, he had always been weak in details. As President of Princeton he took the line that new university enterprises must be embarked on and that the money would be found later by somebody. This was a part of his boundless self-confidence, which amounted to an article of faith. President Wilson was a sincere moral idealist in the best American tradition, and with all his detestation of secret diplomacy, he was anxious that the peace should implement the moral ideals which were enshrined in the League of Nations: Politics must be determined by morality.

It was in the light of this politico-moral basis that Germany was penalised: she lost Pomorze that the Polish state might unite all Poles and be truly independent, she failed to win either Austria or

¹ *L'Europe centrale*, p. 106, 251.

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the Sudeten territories, in order that the new-found independence of the Czechs and of the Danubian nations might not be doomed from the outset. The moral justice of Wilsonian politics worked to the detriment of Germany and cut her off from Russia, by sealing the liberation of the nations of the 'Zwischenraum' from Arctic Petsamo to Aegean Matapan. Political justice was the basis of France's claims, and as long as it was the dominant theme in Europe, Germany was handicapped.

To offset it, she turned to the new doctrine of economic reason with its test of practicability, which attracted financial and business circles in Britain and America. Germany might be guilty, but her economic power as a market and as a producer must be restored in the interests of World prosperity. Europe could not be prosperous as long as the economic future of the Reich in its heart was threatened by the Damoclean sword of Poincarist Reparations. Therefore the doctrine of economic practicability became the life-line of German foreign policy. It was the basis of the Dawes Plan, which was the first great triumph of Stresemann and cleared the way for the eventual evacuation of the Rhineland, the inevitable prerequisite for the renaissance of German power. We have seen how economic factors provided the instruments of Germany's policy in these years, and how she sought with considerable success to compensate in the realm of economics her momentary military weakness.

Wilsonian moral idealism found its highest expression in the Covenant of the League of Nations, which aspired to initiate the reign of world peace through the equality of all nations, and concerted worldwide action against aggressors. The high watermark of the new doctrine of economic reason was achieved in the foundation of the Bank for International Settlements at Basle in 1929. It was an outcome of the Young Plan, seeking to place under 'neutral' supervision the transfer of Reparations payments. It represented a further step away from the Reparations Commission, which had been dominated by France. It marked also the flood-tide of the power of the central banks in the '20's, before it was broken by Britain's departure from gold and the War Loan conversion, by Blum's Popular Front, Roosevelt's New Deal and the closed economy of Hitler. Dr. Einzig dubbed it at the time 'the logical outcome of the evolution of post-war financial history', arising from the endeavour to restore monetary stability through the co-operation of the central banks, and also from that to adjust Reparations and War Debts to realities.¹

¹ *The Bank for International Settlements*, p. 2.

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Especially interesting was the non-political character given to this bank of central banks. There was no provision for its collaboration in granting credits to belligerents, even in the event of action under League auspices against aggressors. Since the League had been established under the Wilsonian dispensation as the supreme judge of international morality, the Bank thus appeared in a frankly amoral light. This was in itself somewhat of a victory for Germany, which would inevitably, in the event of war against the Entente, be dependent on her domestic economic resources, while France, Britain and their satellites would need credits to supplement from the United States their own less developed industrial production. This amoral aspect became evident after the Germans occupied Prague, when it enabled the German government to secure control of a part of the gold reserve of the Czechoslovak Republic.

It is impossible to dissociate German foreign policy under the Republic from the question of war guilt, which it succeeded in circumventing by the doctrine of economic reason. By economic collaboration Germany could lull the moral suspicions of Britain and France, just as by economic pressure she might hope to overcome the reticence of Poland and Czechoslovakia. Once she had made a breach in the eastern wall, she would achieve an economic dominion in Eastern Europe and this would enable her to confront with overwhelming strength the tardy opposition of the western powers. Militarily disarmed by the Dawes Plan and Locarno, France must be economically appeased until it was too late for her to halt the economic hegemony of Germany in a united Europe. This is the guiding thread of Stresemann's policy. Beginning with a Germany politically disunited and militarily disarmed, held together largely by the consciousness of a moral autonomy inherent in its own cultural heritage, he appeared at his death to be coming in sight of the goal: a Europe economically unified by Germany rather than spiritually unified by the absolute moral values of Latin civilisation which had inspired Versailles.

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‘For the western mind it is difficult to conceive that an individual, the leader of eighty million people, should in fact be so totally an incarnation of something as organic and undefinable as the German Volk that he ceases to be recognizable as a personality.’ In these words Raoul de Roussy de Sales stated in the *Atlantic Monthly* one of the greatest difficulties which faces western Europeans and Americans in assessing Hitler and Nazi Germany. It springs from the illusion that Hitler was an extraneous imposed autocrat, and not the elected representative of the sovereign German people. Dr. Jung of Zurich explained Hitler's magic fascination for Germans and failure to impress non-Germans thus to Mr. H. R. Knickerbocker: ‘He is the loud-speaker which magnifies the inaudible whispers of the German soul until they can be heard by the German's conscious ear. He is the first man to tell every German what he has been thinking and feeling all along in his unconscious about the German fate, especially since the defeat in the World War; and the one characteristic which colours every German soul is the typically German inferiority complex. . . . Hitler's power is not political; it is magic’

Even the icy and unimpressible Seeckt apparently regarded his first meeting with the demagogic lance-corporal (nth Mar. 1923) as one of the outstanding events of his life. General von Rabenau remarks: ‘It is clear from the account of Seeckt's adjutant that the interview with Hitler made quite an extraordinary impression on him. Perhaps only three times in Seeckt's entire existence did it occur that he discoursed spontaneously about his life. On the evening of this day the taciturn man sat up late in his sleeping coach, describing to his adjutant the high points of his life among which he must instinctively have counted this day of the interview with Adolf Hitler. An extraordinary excitement must have possessed the soul of this self-controlled man on the occasion of this interview.’¹ Seeckt said later, ‘we were at one in our aims, only our paths were different’. He was equally impressed when they met again in 1931. ‘I advise you to vote for Hitler. Youth is right. I am too old’, he wrote to his sister during the 1932 presidential election.

So too the hardboiled banker Schacht, fresh from an exhausting

¹ Gen. F. von Rabenau: *Seeckt*, I I, 348.

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lecture tour to American business men, was uniquely impressed on his first meeting with the Austrian housepainter: 'He discerned in Hitler, besides unprecedented energy, genius and measure, which he later described as the two most fundamental qualities of the born leader.'¹ Both Rabenau and Reuter enjoyed the full approval of their subjects in writing these biographies.

Hitler's success was due less to the innovations of National Socialism than to its ability to dress up age-old German ideals in twentieth century fashions. National Socialism's external novelty appealed to a nation avid for progress, ready to float with the stream; while its language, ideas and organisation harmonised with the traditions of a Nationalist past and the evolution towards a Socialist future. The Republic ripened the Germans for National Socialism, it prepared the way for Hitler. It cleared the soil of ancient debris and prepared it for the sowers.

The German Republic, brought into existence by the Army in the November Revolution, was the child of the trenches. In its attempt to embody the ideal of the 'Volksstaat', it arose from the idealism and the comradeship of the battlefields. It came into being as a haven for all Germans, but beyond the Republican form was the underlying essence of the Reich. The Republic was an attempt to give shape to the ideal of a new Reich founded on popular rather than hereditary sovereignty.

The November Revolution finally liberated the Germans by sweeping away the last remnants of the territorial feudalism of the Holy Roman Empire, which stood between the people and their Reich. Theirs was to be the long awaited Third Reich which should follow on the First Reich of the Church and the nobility, and on the Second of the bourgeoisie and the officers. The egalitarian Republic swept away the established political orders which might prove an obstacle to government of the People, by the People, for the People:

Vox populi, suprema lex.

The new order implied the advent of the masses. Society no longer exercised its functions in Germany and existing political forms had forfeited much of their authority. The result was that the masses had acquired a mysterious influence over public life, penetrating every cultural domain and offering themselves to a leader or organizer as a raw material to be built into the foundation of the future.² For the moment Social Democracy, whether in

¹ F. Reuter: *Schacht*, p. 113.

² See F. Sieburg: *Germany: My Country*, pp. 279-80.

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the official Majority party of Ebert and Scheidemann, among the dissident Independents or with Liebknecht, Rosa Luxemburg and the Spartacists seemed to fulfil the aspirations of the masses. But among the disintegrating Army were burgeoning new parties representative of a socialistic, popular Pan-Germanism.' They blended the social comradeship of the Army with the nationalist ideals for which it had fought. There were many such in Munich, and among them the National Socialist German Workers' Party, whose seventh member was an obscure lance-corporal: Adolf Hitler.

The Majority Social Democrats rejected the idea of forcible revolutionary action, and so it was left to the National Assembly at Weimar to give constitutional form to the Republic. It was a Republic of compromise, socialist in its aspirations, liberal in its forms, national and unitary in its guiding ideals. It installed a regime of political neutrality which should enable the popular will to find expression. Of its essence therefore it was transitional, 'etwas werdendes'. But the German Reich, which had come to fruition in 1871, blending the achievements of the soldiers with the dreams of the philosophic professors, had been something essentially positive. 'No one can remain neutral to the German State and people. Either you consider it the most perfect creation that history has produced up to now, or you acquiesce in its destruction, nay, in its extermination,' wrote Dr. Adolf Lasson, Professor of Philosophy at Berlin University in 1914.

The Republic, with all its aspirations after national integration, introduced a kind of totalitarian individualism. Allowing the individual the utmost political freedom in relation to the community, it loosened his hold as an organic member of that community, at the very moment when sudden release from the strict but protective discipline of the Army had thrown him on a labour market beset with economic storms. Accustomed to obey their hereditary Supreme War Lords and Supreme Bishops (Oberster Kriegsherr und Landesbischof), the Germans were not ripe for a democratic constitution whose doctrinaire purity went far beyond that of Britain, the United States or even France. There was nothing analogous to the established corporate institutions of Great Britain, political, ecclesiastical and professional, to act as a brake on radical demagoguery, nor did the German nation possess the easygoing orderliness and natural moderation of the British public. Sieburg remarked that English law does not remind people of what is self-evident, but merely punishes those who transgress against it. Eng-

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land affords the most perfect example humanly possible of a liberal democracy, since legal prescriptions refer to trivial and often obsolete things, while the important things are left to the judgment of the individual.¹ The Germans expected to be told what was 'Verboten'. There was no innate understanding, fostered by centuries of balanced liberty, of a *modus vivendi* between the rights of the individual and the claims of the community.

The Republic was the symbol of this individual liberty. It was this very fact which made republican neutrality and *laïcisme* sacred to the French. From it they evolved the *mystique* of the Republic, the dogma of the Radical Socialists. It was this very neutral quality, favourable to individualism, which failed to satisfy the Germans. In Caesar's time they were accustomed to look to the tribe which allotted them new fields each year, that by interest in husbandry they might not lose their appetite for war. They were taught by the Lutheran Reformation to accept temporal and spiritual guidance from absolute princes. Therein lay the fundamental difference between the English and the German Reformations and the significance of Lord Halifax's words, broadcast in England's noblest hour, when alone and unarmed but for 'the Few' of the R.A.F., she faced the mechanised might of Germany: 'What do we mean when we say that we are fighting for freedom? We want to be able to live our own lives as we like; and not have to look over our shoulders all the time to see if the Gestapo is listening. We want to worship God as we like—and this religious freedom, based on conscience, we will not let go. For conscience is not something that you can hand over to anybody else. But in Germany the people have given their consciences to Hitler, so that people have become machines, merely fulfilling orders without considering whether they are right or wrong.' (22nd July 1940.) This liberty of conscience, the lifeblood of the U.S.A., is the inspiration of the Four Freedoms which her late President offered to a world scourged by German war.

✓ The Germans have learned from their thinkers to value the individual only as a link in the chain of the nation, as an ephemeral bud on the mighty rosebush. The Latin and British view teaches each Man that he has an immortal Soul, something independent and eternal. Confident in this, which links him only with the Infinity of God, he can stand alone, independent of the national community: 'a man's a man for a' that.' Patriotism becomes therefore, not the sap of life, enjoying a consequent aura of sanctity—

¹ See *Germany: My Country*, p. 127.

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as among the Germans—but takes on a certain vicarious individualism ennobled by the freewill sacrifice of life: 'What greater thing can a man offer, than to lay down his life for his friends?' The individual, so far from performing an automatic duty by offering on the altar of the nation a life which only has significance within that nation, offers up a life which has its own independent value, to preserve the liberty of his fellows. The Latin and British view of nationality is positive without being totalitarian. The German strives after an annihilating totality or relapses into anarchic chaos. 'Today 3,000 Germans will charge the enemy's trenches and 50 will survive. Humanity is capable of nothing more. To what ideals do they sacrifice themselves? Nothing else than that of German unity, to the preservation of a national entity that has only come into existence within the memory of living man, but which inspires an enthusiasm and devotion which has never been surpassed in history.'¹

Sieburg argued that for the Germans freedom was meaningless and indistinguishable from anarchy, unless it was set in the framework of a collective whole. Like other Germans before him he saw in military service the most perfect medium for the expression of German moral aspirations and insisted that militarism did not preclude pacific intentions. The German believed that a military mode of life fostered the development of his noblest potentialities. To some, militarism might seem a constraint upon freedom, but no one had yet proved that unrestricted personal liberty was the only conception of freedom.²

The Republican system, which allowed free rein to anarchic individualism, gave way to the totalitarian state of Hitler. The Germans swung from one extreme to the other, because they lacked that Measure, which is the hallmark of Latin civilisation. They were unable to find between license and tyranny the golden mean which is the essence of British political liberty, expressed in an unwritten constitution and developed by 'gentlemen's agreements'. The Germans in the mass know only two forms of political and moral society: the rigid discipline of the Prussian Guards and the boundless anarchy of the Weimar Republic.

Both systems derive from the German cult of Force with its implication of contempt for the imponderables, which form the human nerve system, and of immediate recourse to the brute argument of constraint. This leads them to mistake technical progress for civilisation. They fail to realise that civilisation has

¹ A. Koester: *Secrets of German Progress*, p. 17. ² *Germany: My Country*, p. 99.

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intangible qualities which, like the lawns of Oxford, need time for growth. Belief in Force led the Germans to place faith in the mechanical organisation of men, rather than in the spirit of the individuals themselves. Formal organisation would force the individual to conform to a pattern and so to fit into the approved scheme. The traditional British tendency is rather to rely on the good sense of the individual, so that the scheme of organisation is evolved organically by the *ad hoc* compromise of reasonable, i.e., civilised individuals. In the British view a mutually advantageous compromise appears as the ideal enduring solution, while the German word *Kompromiss* has a pejorative connotation implying a postponement rather than a definite solution.

The Weimar Constitution was mechanically perfect as a means for the representative expression of a nation's views. It sought to endow the German Reich with western parliamentary institutions. But, being completely libertarian, it abolished the external forms restraining the German egos, while leaving in the Presidential power a 'back door for emergencies.' There was nothing organic in it, and because the German egos were not civilised, i.e., made reasonable, there was lacking the spirit of compromise which might be instrumental in its success and make the yoke of organisation light. Toleration, Sieburg points out, is the supreme value of parliamentarism, which demonstrates the possibility of agreement between conflicting interests. Conflict is the very essence of the parliamentary system. This legitimisation of the opposition as being no less important than the ruling party, imparts an element of humanity into parliamentary government.¹ That the leader of the opposition should receive a salary of £2,000 p.a. was inconceivable in Germany. There the opposition were regarded as criminals to be harried unceasingly.

The German egos were loosed by the Republic, as by the Lutheran Reformation, but, horrified at their own excesses, they turned in each case to seek a new obedience, a new form. The libertarian license of the Republican era cast all restraints aside: brutality, promiscuity and unnatural vices thrived unashamed, shady finance and wild speculation provided the means for their gratification. Public bathing beaches offered a spectacle of nomadic disorder and methodical paganism. At the same time an exaggerated humanitarianism gained for Germany a notoriety replacing the prestige forfeited by military defeat.

While the Christian individual soul can seek strength by turning

¹ *Germany: My Country*, p. 121.

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to the Absolute Infinity of a Perfect God, the material ego of the German craved for the discipline of comradeship. No state could be content, argued Sieburg, to remain indefinitely the dead framework of a population which longed to become a nation and depended upon the State to satisfy this longing. Out of this arose the German 'Ideal of the Reich', which precluded the emergence of a Republican *mystique* on French lines. It was in the name of this ideal that Seeckt acted in 1923, against the Communists in Hamburg and Saxony, as against the radical Nationalists in Munich and East Elbia. It was this ideal of the Reich, the shrine of German unity, which was preserved through the disasters of defeat to prepare for the dawn of a new era of German military power. The Reich which was saved by Stresemann, Seeckt and Schacht was to form the basis of Hitler's power.

Of this Liberal triumvirate Stresemann and Seeckt, like Moses, could only gaze from afar into the Promised Land of German power. Stresemann in death could be safely loaded as a scapegoat with the burden of the 'Policy of Fulfilment', which alone could liberate the Rhineland and win for Germany the time to recover her strength. In death Seeckt was conveniently forgotten outside military circles, in order that the credit for Germany's military renaissance might accrue to lance-corporal Hitler alone.¹ Seeckt's memory was honoured only by the 67th Infantry Regiment,² of which he was made honorary colonel by Hitler. There his hat, coat and boots were preserved in a glass case and new recruits took the oath on his sword. Schacht alone became a trusted and valued servant of the Third Reich, receiving his mead of praise and thanks in the words of General von Blomberg at the Party Congress after the introduction of conscription (1935): 'Without you, my dear Doctor, this day would never have been possible.'³

Regimentation and standardisation had been the order of the day in the Hohenzollern state, and industrialism had only accentuated this. After the initial atomisation, this tendency continued with increasing force under the Republic. Henri Béraud was shocked in 1926 at the unanimous obedience of German opinion, which seemed to wheel and turn like a company of the Reichswehr. He saw a mass-produced nation being manoeuvred, led and

¹ It is perhaps noteworthy too, that both Stresemann and Seeckt had wives who were partly Jewish by descent.

² The lineal successor, through the Third Battalion of the 9th Infantry Regiment in the 100,000 Army, of the Kaiser Alexander Garde Grenadier Regiment Nr. 1.

³ N. Muhlen: *Schacht, Hitler's Magician*, p. 162.

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restored with universal and interchangeable accessories, its pleasures had been Taylorised, its soul was replenished like a petrol tank. This inspired fear in all sensible Europeans and friends of peace who founded their hopes on the future of German democracy. But what is democracy without the taste, the sense, the thirst for liberty?¹

The Germans awaited a leader and an inspiration. They had waited blindly ever since their disillusionment with the Hohenzollerns. Rathenau had foreseen that the new Germany must arise in harmony with German philosophy. In *Zarathustras Wiederkehr: ein Wort an die deutsche Jugend* (Zarathustra's Return: a Word to German Youth, 1920) Hermann Hesse expressed this need. The sage called on the Germans no longer to await commands, but to listen to the voice within and to follow it to the utmost solitude or the darkest fate.

Since Man is essentially a social animal, this doctrine of listening uncritically to the inner voice, reminiscent of Rousseau's optimism and the Kantian conscience, must lead inevitably to chaos. The history of the German Republic exposes the dire consequences of Rousseau's autonomous popular will in the hands of a nation which had not learned to moderate its natural energies according to the objective Absolutes which form the basis of Latin civilisation. The Germans have since Herder's time believed themselves justified by Rousseau's Naturalism. The Kantian autocentric conscience lent an aura of sanctified fanaticism to this moral autonomy. The Germans sought God in themselves and they found the Messianic house painter, who, inspired by his own instinct, voiced and echoed the emotions of the German millions. Marxian Socialism proclaimed the dictatorship of the masses, but, as Max Weber pointed out, 'die Massendiktatur fordert den Diktator' (the dictatorship of the masses demands a Dictator). The German nation, atomised, sought polarisation. The history of the Weimar Republic is the story of this quest.

In their search the Germans could admire the success of the great industrialists, the masters of economic planning, the directors of mechanised force. They might give Germany leadership and bring her the victory which had eluded the generals. Stinnes, the greatest of the industrialists, aspired to replace the inefficient parliamentary Republic with an efficient economic Empire.

The conflict between the industrialists and the parliamentary government reached its climax in the last months of 1923. The

¹ *Ce que j'ai vu a Berlin*, p. 49.

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government won a victory in principle, but the industrialists were amply compensated, because they were left with their vast capital agglomerations. The Reich was saved on the basis of a presidential regime depending on the co-operation of industrialists and bureaucrats under the benign patronage of the Reichswehr.

The officials, whom the November Revolution had maintained in office, were supposed theoretically to represent a neutral, non-party element. The Germans are especially inclined to regard the State as an abstract impersonal centre of power. In fact, the higher officials generally held National Liberal or Junker Conservative views, and in face of the weak and ephemeral party coalitions their power was considerable. But a government such as Hitler's, secure in its power and determined to impose its will, could and would make short work of their independence, and so would make their power its instrument.

Since the bureaucratic presidential cabinets vouchsafed efficient government, the industrialists were willing to co-operate and to integrate their own organisation within that of the Reich. Industry had organised itself in trusts when it opposed the government, because the trust formed an economic state within the state. Being fairly self-contained it had less need for money and credit. But the stabilisation of the mark brought order in place of chaos in the monetary sphere. The trusts, which had previously offered a rock of stability amid the seething floods, could now only hope to stand, if they integrated themselves in the general stability. The inflationary circumstances which had favoured their rise no longer existed, and because the Stinnes heirs sought to continue the old methods in new circumstances, they brought their trust to ruin and emerged with only the original family property.

Horizontal cartels were the ideal form for the integration of industry in the State, and so they flourished in the later '20's, which saw the rise of the Vereinigte Stahlwerke and of I.G. Farben. They reintroduced the financial factor—hence the re-emergence of the banks, which had presided over the original rise of German industry. The alliance of economic power with the government of the Reich was symbolised in the publicly owned or controlled enterprises, which enjoyed virtual independence of parliament. Chief among these were the Reichsbank and the Reichsbahn under the respective presidencies of the banker Schacht and the electrical magnate Carl Friedrich von Siemens.

In the integrated economy of cartels and national wage agreements, labour saw the chrysalis of the Marxian ideal of state

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socialism. The German economy recovered from the effects of the War quicker than that of England, crucified on an overvalued gold currency, or of France, wasted by devastation and held back by an individualist rentier mentality. Its efficient organisation provided increased benefits for all concerned, including the workers. So State, Capital and Labour co-operated for mutual benefit under the bourgeois governments of Marx and Luther or the Great Coalition of Hermann Müller.

Thus in the economic as in the political sphere the Social Democrats contributed to the unification of Germany. They were the leading protagonists of centralisation in 1919 and opposed the survival of any forces which might rival the central government. They led the fight against Separatism in the Rhineland. Left wing attacks on bourgeois morality contributed abundantly to the moral vacuum which eased the entry of National Socialism. At the same time German Social Democracy never forswore the nationalism of its spiritual father, Karl Marx, and by concentrating power prepared it for Hitler. From August Bebel it had imbibed the spirit of the Prussian barrack square, which was far removed from the Nonconformist chapels of the Tolpuddle Martyrs. The work of the Braun government in Prussia was impressive thanks to its orderly, systematic efficiency. The German Social Democrats were the especial advocates of unity because it made for efficiency, and in this united Germany they wished to include the peripheral German populations, especially that of Austria. In Red Vienna they saw the exemplification of a Social Democratic polity, socialist in its totalitarian activities from the cradle to the crematorium, democratic in its preservation of mass political activity and party dictatorship.

German unity begets aggressiveness, because of the national inability to find a balance between liberty and authority. Latin civilisation implies the limitation of individual liberty by authority in the name of the social community, but it implies equally the limitation of this social authority by the absolute moral law which is founded on the equal rights of all men as the children of one Creator, and the anteriority of the individual to the state. Whenever among the Germans, the libertarian wave seeks to overthrow the established order in the name of Germanic liberty, the authoritarian tendency emerges to restore a Prussian discipline amid the resulting chaos. So Lutheran absolutism followed on the Peasants' Revolt, the Carlsbad Decrees on the 'Burschenschaften', the reign of the Reichswehr ousted that of Spartacus and the Free Corps, Himmler supplanted Roehm.

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The Germans have derived from their experience the lesson that freedom within the state leads to fratricidal strife. So they submit to any power strong enough to unite them in common loyalty, but in the process the non-expressed primeval aggressiveness must find other outlets. The enthusiasm of the libertarians serves to inflame the German tribes with the mad ardour of the battle against Europe. But the fire is tamed and ordered by the authoritarian forces lurking in the background, conscious of their aims, ready to exploit the destructive achievements. The Germans are eager to work and strive for an ideal beyond the capacity and circumstances of the individual, and so their idealism must be harnessed to the cause of German Nationalism, else they will become bored, apathetic and quarrelsome. A dictatorship in such a nation must lead to external aggression in order to preserve internal peace.

General de Gaulle discerned in this threat of anarchy the factor spurring the German Reich to undertake great enterprises. Its continued unity depended on external expansion and great design, which alone could justify for the Germans their immense sacrifices.¹ German unity demands to be maintained by ruthless energy and the subordination of the individual to the national cause. Germany united could use her strength to impose herself on the outer world, on Europe. There were not wanting other voices than Bainville's, to insist that France's post-war policy should take account of the internecine quarrels of the Germans and that it must be made impossible for them to emerge from defeat stronger and more menacing than ever.

This was exactly what Germany was able to do, because Versailles and Wilsonism had consecrated German unity by their idealistic insistence on national self-determination and the abolition of hereditary monarchy. The shades of Edward I, the Hammer of the Welsh, of Marie Antoinette, 'the Austrian', and especially of poor George II, mystified to the last by the ingress of the apple into the apple dumpling, came home to roost with a vengeance as the Germanic thrones were swept away. The dynasties of Central Europe must atone for the social exclusiveness of the Princeton clubs. President Wilson was a doctrinaire theorist to whom the efficiency of the Prussian state organisation naturally appealed. There was a strong element of Kantian morality, in his character. So he came to harbour the illusion that if he freed Germany from the Hohenzollerns he would open up for her the path of spiritual regeneration. He failed to appreciate that it was

¹ See *The Army of the Future*, p. 22.

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the system itself, with all its inhuman mechanical efficiency which was vicious, and that the Hohenzollerns were merely the bloom on a noxious weed. Versailles consecrated the triumph of Europe over Germany, but since it failed to diagnose correctly the roots of German aggressiveness, it sacrificed the security of Europe to the German will to power.

Reparations fostered German unity by their economic claims on the German people. They stimulated them to work for the maximum productivity of the national economy, especially after the new 'Economic Reason' of the Dawes Plan had wiped out the moral basis of Versailles and opened the way to a settlement in bankruptcy. From the first it bid fair to be a fraudulent bankruptcy. France's claims were clear and just, yet she was offered a mortgage of uncertain but reduced value, on a firm whose equity was thereupon rapidly rehabilitated, thanks to the supply of new prior lien debentures. Then, when the financial structure was seen to be too highly geared, the second mortgagee found her claims repudiated with the scantily disguised approval of the first mortgagees. These were then treated likewise and the equity holder, the Reich, who had steadily refused to part with any of his holdings or to agree to the alienation of any part of the plant, proceeded to prepare to bring down the mortgagees' own houses about their ears.

While the Reparations burdens were expressed in foreign currency, Germany found her export markets reduced and her currency area diminished. Hence she was stimulated even more than before to seek its enlargement by the integration of Europe around it. The discovery of the New World upset the balance of the Old by making Venice and Genoa, Nuremberg and Lubeck mere backwaters in the age of the oceanic sea routes. The piercing of Suez and the advent of modern rail, road and air communications have restored to Italy and Germany their old economic importance founded on geography and land travel. From this arose a desire to build on modern economic foundations, political structures as ambitious in their scope as the medieval antecedents they recalled. Such a reconstruction is unacceptable, because it is independent of the medieval moral law based on an absolute value. In face of this threat the menaced nations of the Old World have twice had to call in the New.

The War of 1914-18 had shown Germany the futility of challenging British sea power on the oceans' surface. She could only hope to dominate the seas that washed her own coasts, and so the

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German Navy has never again become a real menace on the surface. So Wilhelmian fantasies of a colonial maritime future, fostered by Mahan's theory of sea power, gave place to dreams of a land empire, which would one day press the pistol from Antwerp against the heart of the Queen of the Seas.

Eastern Europe must become the economic reservoir of industrial Germany. To this end Germany must break down the mosaic barrier of small states built up by Versailles in accordance with the same two Wilsonian principles. So she would secure access to Russia, and overland to the untapped wealth of Asia. This was the purpose of the inland waterways.

In this task the Reich was powerfully aided by the presence around her frontiers, and within the politico-economic framework of the states she wished to undermine and overcome, of German populations enjoying varying degrees of autonomy. Danzig and Memelland, like the Saar, enjoyed full parliamentary democracy and a degree of sovereignty. This enabled them to use the political autonomy intended to safeguard their national individuality and liberty, as a weapon of obstruction against the new states for whose economic vitality they were essential.¹ The German populations of Polish Upper Silesia or the Czechoslovak Sudetenland, adjacent to the Reich, failed to secure these legitimate means for obstructing the consolidation of the new states. Finally there were the German minorities settled in Roumania, Hungary and Jugoslavia, who could be stirred up and then championed at Geneva, according as Reich diplomacy might dictate. But greatest of all these border Germanies, gravitating in the orbit of the Reich, was Austria. The War had destroyed her supranational empire in the name of the principles of Nationality and Democracy; Yet she herself was forbidden to join in the new German 'Volksstaat', which claimed to incarnate these very ideals.

In varying degrees these states and populations, dependent economically on the republics within whose fiscal territory they fell, yet reflected in their politics the currents of the Reich. There was the same broad variety of parties: National Liberal, Catholic or Christian Social, Social Democrat, Communist and Agrarian, each drawing inspiration from similar interests in the Reich. In each case, as in Reich foreign policy, the common denominator of

¹ The Lithuanians put an end to the Inter-Allied regime by seizing Memelland in Jan. 1923. On the whole, difficulties between the predominantly German inhabitants of Memel and the Lithuanian government were little ventilated at Geneva by the Reich before 1933, since any alignment of Lithuania, as of Czechoslovakia, with Poland must be avoided.

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Germanism proved stronger in the hour of crisis than the local factors which divided them. In Danzig, Memel and the Sudeten territories the tide of National Socialism rose to overwhelm the bourgeois and to overawe the Catholic and Marxist Parties. Just as over 90 per cent of the Catholic and working class population of the Saar voted for union with the Nazi Reich in 1935, so the same triumph of the gospel of popular demagogic nationalism was witnessed elsewhere. Only in Austria was a regime, deliberately founding itself on a Christian supranational Imperial tradition, able to some extent to withstand the upsurge of radical Germanism.

This triumph of the philosophy of German nationalism was made possible by the cultural propaganda which inspired in the 'Auslandsdeutsche' (Germans abroad) the same idealism of the Reich which carried the metropolitan Germans through their adversity. They shared in the literary heritage of the Reich Germans, they imbibed the same contemporary cultural influences from theatre, cinema, radio and the printed word. Thus economic difficulties made it impossible for Austrian papers to maintain regular correspondents in foreign capitals, so they had to accept perforce the cheap terms offered them by German news agencies. In 1924 a conference of Austrian and German newspaper owners and journalists at Munich agreed on a policy of co-operation which endured for nearly 10 years. The Republican governments of the Reich and of Prussia carried on a special organisation, 'Concordia', on which all parties from German Nationals to Social Democrats were represented, to subsidise the Press in the Saar, Upper Silesia and Memelland. The local Press of the various Parties inevitably looked for guidance and raw material to its stronger brethren in the Reich. When totalitarian nationalism seized control of all cultural activities in the Reich in the name of eternal Germanism, there remained nowhere on German cultural soil (Kulturboden), except in Vienna, any vestige of German cultural tradition to feed spiritually a reaction against the Reich. This does not, of course, apply to the local traditions of German-Switzerland, Alsace or Luxemburg.

Moreover these 'splinter Germanies' had shared in the monetary experiences of the Reich. The mark was current in the Saar until the summer of 1921, in Memel until early in 1923, in Danzig until the end of that year. Upper Silesia was not definitively divided until the Spring of 1922. Austria, Hungary, Poland **and** the small Baltic States suffered in varying degree from the heavy depreciation of their currencies. So in all these peripheral **states**

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the German populations, who bulked especially in the bourgeoisie, suffered similar financial disasters to their fellows in the Reich. Only in Czechoslovakia was inflation soon arrested, but here the German population claimed that their financial interests were sacrificed to those of the Czechs.

To link the economy of Eastern Europe with that of Germany meant the abandonment by the smaller states of their policy of national industrial self-sufficiency. They saw in it the necessary auxiliary of military power, which alone could guard their hardly won national independence. But this ran counter to the dictates of Economic Reason, it could not be permanently financed, 'because no one in the world has any interest in supporting such a system with credits.'¹ German industry with its older connections, higher organisation and greater natural strength, secured credits far more easily.

The Anglo-Saxon maritime powers, which had demobilised their armies and sought 'Business as usual', oblivious of the War and its guilt, were powerless to interfere. In any case they were unwilling, because they found Schacht's Germany eminently creditworthy, while Poland, Austria or even Czechoslovak were 'distant lands of which they knew so little'. Their credit systems, being less developed, were less enticing to investors, who thought they had found El Dorado in German loans at 7 per cent and more.

France alone was willing to sustain Central Europe against Germany, and so she had to be both assuaged through Briand at Thoiry and denounced in the person of Tardieu in London and Washington. As the Anglo-Saxons were turned against France, so she would turn from them towards a Europe integrated around Germany, in which Paris might enjoy the role of Berlin's 'Brilliant second' which has led Vienna to bankruptcy and Rome to slavery. The idea of a Franco-German entente served moreover to cross and complicate the existing internal dissensions of France. The Right was torn between those who saw in Germany the ultimate enemy, and those who discerned in her superficial order the barrier against oriental Bolshevism. The Left was riven between those who regarded the individualist dogmas of 1789- as sacrosanct, and those whom German philosophy had ensnared with its guileful tale of the blessings of organisation for progress.

While Germany built up her strength she needed Locarno. Those Nationalists who noisily opposed this and the entire Fulfil-

¹ H. Schacht: *The Stabilization of the Mark*, p. 241.

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ment Policy, did so because they regarded them as an acknowledgement of German guilt. Stresemann and the mass of those who supported Locarno and Fulfilment—at any rate among political leaders—regarded these purely as a means to an end: the rehabilitation of German power through Treaty Revision, to be begun in Pomorze.

There were very few who honestly sought to make Locarno the basis of a true international order founded on friendship. Because men like Professor F. W. Foerster and Carl von Ossietzky acted upon this in denouncing secret rearmament and the Republican government's duplicity, they were branded and penalised as traitors to Germany: the supreme unforgivable crime. Foerster gave the same advice to the Western Powers as Heine, when in his study of *Religion and Philosophy in Germany*, he warned the French against the coming German revolution: 'As ye are, despite your present Romantic tendency, a born classical people, ye know Olympus. Amongst the joyous gods and goddesses quaffing and feasting of nectar and ambrosia, ye may behold one goddess, who amidst such gaiety and pastime, wears ever a coat of mail, the helm on her head and the spear in her hand. SHE IS THE GODDESS OF WISDOM.'

Heine gave the clearest warning about the coming revolution, born of German philosophy, which would assail the foundations of European life with an idealistic fanaticism, knowing no restraints: 'Ye have more to fear from a free Germany than from the entire Holy Alliance with all its Croats and Cossacks.'⁵ He realised the dangerous potency of German idealism and will power as a political force. His contemporary Quinet discerned the nascent alliance of the Prussian State with German learning. Intelligence was no longer an organ for disinterested research after truth, but an instrument of combat in the service of will-power.

Enthusiastic idealism was discerned as the dominant German trait by Mme. de Staël, and in the service of the German national Reich it found its perfect outlet. This was the ideal beyond the capacity of the individual Ego and it impelled the Germans to self-sacrifice on the battlefield, in the factory or in the laboratory. This service could guarantee the material safety for the development of the German spirit, which was 'the treasure of treasures, the most precious possession of the nation and the source of its superiority among the other nations', according to a petition signed in 1915 by 1,347 leaders of German political, intellectual and commercial life. The highly developed German educational

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system preserved this spiritual continuity among the new-born German multitudes, inculcating in them loyalty to the Reich and to the idealism of Weimar.

Hitler was clever enough to realise after the failure of the 1923 putsch, that Germany must be conquered by an ideal and not by force. An acute psychological flair for his countrymen, which failed equally miserably in its assessment of British character, enabled him to achieve this. So the Nazi state organisation was able to combine rigid Prussian discipline with the ardour of voluntary enthusiasm. As long as success crowned his banners, Hitler had virtually no internal disaffection to cope with. The German nation was happy to follow the leader who gave it bread, circuses and the 'Blue Flower'¹ of idealism. Their very idealism made the Germans clay in the hands of materialistic schemers.

The wizards of industry, defeated by the 'Economic Reason' of depression, were relegated to the limbo of Germany's discredited idols with Ariovistus, the Professors of 1848, William II and the Hohonstauffens. There too dwelt the spectral wraiths of Ebert and the members of the National Assembly, Social Democrats, Liberals and Centrists—the would-be fathers of the 'Volksstaat'. Max Weber had warned them at the time that Parliamentarism and Democracy were far from being identical. The Germans chose democracy and found in it dictatorship. Spengler recognised that the Weimar Constitution, 'the most advanced of its age', embodied the caesarism of party organisations. In this sense he saw in it a perception of the end: 'a few small alterations and it bestows unlimited power upon individuals'. He felt sure the Germans would not again attain to a Goethe, but to a Caesar. This Caesar and his legions were to consummate the long process of German unification and centralisation which the Republic had carried steadily forward. Parliamentary democracy and federalist particularism were swept away or emasculated, together with trade-unions and employers' federations. Every aspect of life was subordinated to the one central control; for those who remained outside or desired to maintain supranational allegiances there was no room.

It was the supreme illusion of the victorious Allies in 1919 to imagine that a Republic whose constitution was framed in Weimar would turn its back on the doctrines of Potsdam. The National Assembly met in Weimar, because there it could enjoy the 'realistic' protection of General Maercker's bayonets, instead of being

¹ The 'Blue Flower' symbolic of Romantic longing, mentioned in Novalis' *Heinrich von Ofterdingen* (1802), became the emblem of German Romanticism.

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exposed to Spartacist mobs in Berlin. In his study of Germany published a few months before the French collapse, Prof. Edmond Vermeil pointed out that it is not Weimar but Vienna which is **the** antithesis of Prussian Potsdam: 'Austria represents European, universalist Germanism, alone able—providing Austria does not remain isolated—to hold in check the fierce realism of the "eternally furious" nation organised and led by Prussia.'¹

Just as indifference, not hate, is the true antithesis of love, so the balanced culture of Vienna is the antithesis of the North German spirit, whether of Potsdam or of Weimar. The Prussian Monarchy and 'the German Republic represented respectively anarchic order and organised anarchy. Fundamentally they are one and have fused perfectly in the Third Reich. Chronic hysteria and perfect efficiency were combined in the mobs which howled in unison in the Sportpalast at the name of Benes, just before Munich, and desecrated the synagogues six weeks later. It was the anarchic order of the goose-stepping Army, of the Panzers which swept through Poland and France, of the Luftwaffe which rained random destruction on Rotterdam and Belgrade.

National Socialism marks the triumph of mechanisation over man. Hölderlin, at the end of the eighteenth century, called the Germans 'Barbarians from old time rendered more barbarous by hard work, science and religion.' The Germans prized the perfection of the machine above fallible but perfectible man, because in the antlike Prussian conception of life, work is an end in itself and not a means to leisure and happiness. This cult of the machine and the mass became evident under the Republic, in plays like Georg Kaiser's 'Gas' or films like 'Metropolis' with its grim vision of a mechanical city of the future, complete with 'Herrenvolk' and slaves. The Germans take pride in doing a thing for its own sake and so they come to value the inanimate thing more than the living man. This has led them to become a nation of experts divided by specialisation and so bereft of a sense of the oneness of life or of human value. Human beings were treated as things and ordered in accordance with theories and ideas.²

¹ *Allemagne*, p. 329.

² In this connection it is interesting to note the speech of Professor Karl Jaspers at the reopening of the Medical Faculty of Heidelberg University (15th Aug. 1945): 'In its origins the University was really a single whole. For the basic issues of our human existence the three faculties were created—the theological one for the salvation of the soul, the legal one for the ordering of our terrestrial community, the medical one for the health of our bodies. These three higher faculties formed the superstructure on which rested the lower one—the philosophical faculty. It embraced the whole universe of science, the

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The dawn of mechanisation in the eighteenth century coincided with the abandonment of belief in a God of absolute perfection. The two processes worked naturally together to belittle the importance of the individual man—especially among the ruthlessly industrious Germans. National Socialism was made possible through the control of a mechanical civilisation, with all its penetrating propaganda powers, by an egotistic philosophy of Force woven around the Nation.

Nationalism became the German religion, and therefore national unity and strength became the primary objectives of its devotees. This unity and strength could be achieved by a variety of regimes, only providing that they did not admit the sovereignty of any extraneous moral principle nor permit internally disintegrating individualist tendencies. The German Nation-State must be unconditionally sovereign within and without. For this reason the internal organisation of the State, whether Monarchic or Republican, Liberal or Socialist, Communist or Nazi, is of little importance providing only that the decisions made by the central power in Berlin, in the interests of German Nationalism, be not subject to extraneous moral or political principles.

Therefore German Nationalism will not accept integration in a European system, whether that system is centred at Rome, London, Geneva or Moscow; but it will accept Liberalism, Christianity, Marxism or even 'Judaeo-Plutocracy', providing they are German-controlled and subserve German ends. Germany will not accept integration in Europe unless she holds unquestioned leadership. But Europe will never accept her leadership, unless she will admit the limiting paramountcy of European moral principles, whether they are expounded in terms Christian, Humanist, Liberal or otherwise.

In this moral conflict lies the germ of the struggle between German basic science on which rests all practical work. It was a disaster when this unity was lost in the second half of the nineteenth century. First it was lost in the consciousness of the educated classes and then even in the outward organisation of the Universities. The result was the dispersal of various scientific associations which resulted in the rise of an unscientific attitude, for every branch of science wanted to turn itself into an independent whole. This culminated in the disintegration and the delusions of the National Socialist period. Another result was the general incapacity to absorb the new forces of the age, particularly in the new field of technology, within the context of the whole and to imbue it with the spirit of that whole. . . . We shall not talk in jubilation of a march into the morrow, nor succumb once more to false rhetoric which promises that now everything will be glorious—many a one succumbed to this kind of illusion in 1918 and 1933. This self-intoxication while ruin runs its course is denied to us.*

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many and Europe. Germany must learn that her defeat in 1918 was largely due to those breaches of the Law of Nations which roused the World to arms against her, and that the severity of the peace terms was an expression of the worldwide resentment at her methods of policy and warfare. Versailles and the League of Nations, which it ushered in, were intended by their authors to represent the triumph of Europe over Germanism. The refusal of Republican Germany to hand over the War criminals or to enter the League unless the Versailles settlement were revised, was the measure of the Republic's rejection of the European moral order. This refusal was not restricted to the bourgeois parties, it was shared by the Social Democrats too.

Material interests usually admit of compromise because the concrete can always be divided, but moral ideals do not. 'Public opinion is always idealistic and not all the ingenuous materialistic revelations of the part played by gold, petroleum and markets can obscure this fact. The World War was a marshalling of one set of standards against another. Consequently every one of the nations went to war with a clear conscience, as did even the most frivolous peace-breakers among their leaders. One coalition of values was pitted against the other.'¹ The same was true again when National Socialist Germany made war on the world.

German moral autonomy refused to accept a moral order which it regarded as a heteronomy instituted against it by other nations. It is a common German assertion that, until it has thrown overboard its own scale of values, the outside world will be unable to understand Germany. The entire spiritual life of man is founded on the hypothesis that intelligence functions identically in all men, so that logical thought must lead to the establishment of One Truth which will impose itself on all minds.

The German Reich, Imperial, Republican and Nazi, rejected the principles of the European moral order, because it recognised in them no unique sanction. It refused to accept them as universally and absolutely valid in virtue of their ultimate foundation on the Art and Thought of Greece, the Law of Rome, the Faith of Bethlehem.

¹ F. Sieburg: *Germany: My Country*, p. 115,

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In this work I have not sought so much to chronicle baldly the events of 1918-33, which are well enough known, as to penetrate the underlying facts and tendencies which gave rise to them and provided their setting in the development of German history. It is for this reason that I have had recourse so largely to French authorities, since they have shown themselves best qualified to penetrate the heart of the German problem.

I have endeavoured to classify this bibliography by subjects. There are, however, very many books which are valuable for more than one aspect of the period, and these I have included where they seem pre-eminently apposite. Stresemann's *Diaries* for example, are especially valuable for external relations, but they also cast much useful light on the development of internal policy.

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