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Book Reviews

Gold, Blood and Iron: Bismarck and the Bankers

Gold and Iron. Bismarck, Bleichröder, and the Building of the German Empire. Fritz Stern. George Allen & Unwin, 1977, £11.50.

> The great questions of the day will not be settled by speeches and majority decisions that was the great mistake of 1848 and 1849 but by blood and iron.

Thus Otto von Bismarck in 1862. In the following three decades, according to legend, Bismarck reconstructed the long-defunct German Empire, injected it with capital, acquired half of the colonial world, and raised Germany to the status of world power. With, as we shall see, a little help from his friends.

Bismarck was nothing if not a realist. It is doubtful if the capitalist German Empire could have been built without a strongman, a man in stark contrast to the liberal bourgeoisie of 19th century Germany, a man steeped in the feudal traditions of Prussian Junkerdom, as Bismarck was. It was Bismarck who took a stance on the emerging German working-class and tried to head off the political threat of socialist revolution, by draconian measures of illegalisation and censorship. To do this, he had to occasionally dissolve the bourgeois parliament; he rode roughshod over the tender sensibilities of the liberals; and he shoved Germany bodily into the imperialist era of capitalism. But he did not do all this without the acquiescence of the big capitalists and bankers, the Rothschilds, Bleichröder and others.

This period — from 1850 to 1890, from after the abortive and yet so fertile revolution of 1848 to the full greedy glory of the Empire — was one rich in lessons for the German and European working class. It was a period in Germany when, in the cauldron of speedy industrialisation and political centralisation, the working class organised itself, fought back against the attacks of the capitalists and their state, and emerged as one of the most powerful revolutionary forces in history. The

German Social Democratic Party (SPD), formed in the late 1860s, grew from strength to strength: in 1871, it rallied 102,000 votes, in 1877 half a million votes, in 1890, 1,500,000. The trade unions, too, grew in that ideal hothouse — in the 15 years from 1875 to 1890, the membership increased five-fold to a quarter million. And this in a Germany where, in 1878, the so-called 'Socialist Act' outlawed all the revolutionary working class organisations, most particularly the SPD.

The modern German State was built on blood, on gold and on iron: on the blood of the 1848 revolution, on the blood of the wars against Austria, Denmark and France, on the gold of the bankers, and on the iron of state-repression and on the iron of the great factories of Berlin, Silesia and the Ruhr. It was a Germany in which were contained all the contradictions of feudalism and capitalism, capitalism and socialism, political centralisation and national economy. 'Every new factory that opened increased the ranks of the dissident proletariat; every increase in industrial wealth weakened the hold of the older agrarian-aristocratic elite on the nation's government. There were widening cracks in the monolith, cracks that were disguised and denied, but that resulted from a dynamically changing society pressing against a relatively rigid political order.' For the capitalist, it was a time to get rich with the help of the state.

EMPIRE AND THE BANKS

There have been literally thousands of studies of Otto von Bismarck. Fritz Stern's book Gold and Iron, however, is different in that here is laid bare the machinery of empire building. Behind Bismarck stood the banks. Behind every marching army came the bankers' investments. Behind every broken toll barrier came a private railway, a freshly-painted sign of private ownership. This is the particular history of Bismarck and the bankers, and of his favourite banker, Gerson von Bleichröder.

> The Bismarck-Bleichröder tie reflected the connectedness between government and capital, diplomacy and finance, public and private interests. In Bleichröder's relations with his clients, who encompassed the elite of Germany, there were no neat separations between public and private realms; it was one great web of mutual interest, advantage, need. These links were sensed by the great novelists of the nineteenth century and brilliantly inferred in the analysis of Marx.

Stern points out that almost all historians of this period have tended

to ignore Bleichröder and Bismarck's relations with the great German and European banks; with this lengthy study, he has rendered a valuable service. Despite the many limitations of the book — largely due to the author's bourgeois-individualist view of history — there is much to be learned about a system that has not basically changed. Here, between the lines, can be seen the Sir Eric Millers, the Slater-Walkers, the Poulsons, the gutter Press and the fine array of well-priced politicians of capitalism. Bleichröder, respectable and respected, could not avoid scandal in his life. Stern details several instances of bourgeois hypocrisy, of incredible con-tricks and corruption among the well-heeled circles of imperialist Germany. He reveals the utter prostration of the bourgeois-democratic parliaments before the iron will of Bismarck, and the impotence of the liberals. When, for example, Bismarck decided to outlaw the SPD in 1878, he sent a Bill to parliament; parliament threw it out; Bismarck dissolved parliament; and new elections gave him what he wanted. Stern shows the tense contradiction between the aristocratic Junkers and the barons' of capital, a contradiction that was so necessary for the development of capitalism in Germany:

> Bismarck represented the old Prussia aristocratic, agrarian, hierarchic but it was he who sought to combine the modern elements of the society with the old tradition of the monarchy. In this endeavour he needed Bleichröder.

FOUNDING OF GERMAN CAPITALISM

It should be added, since Stern himself is unable to see it, that Bleichröder and his ilk needed Bismarck. They needed the iron hand to keep the working-class in place, to bring them safe returns on gold. In times of revolutionary unrest, they needed him to head off the movement; as the French diplomat St Vallier observed of Bismarck's reform programme:

> [It] is more comprehensive, more audacious, more dangerous than the others; he wants to fight the socialists by borrowing their aims and by making the state the pivot of all workers' organisations.

A study of Bleichröder's career — which is essentially the concern of Stern's book — reflects all the moments of the founding of capitalist Germany: its birth and nourishment in war and revolution, its grasping nature by day, its corruption by night. The state was born in war

and revolution. Stern records Bismarck's reaction to the 1848 revolution: 'he was appalled by the facile M defiance of the public order, by the physical and symbolic violations of that order. What embittered him most was the instant retreat of the authorities . . .' He determined to create a national state where order reigned: this was the order for the capitalist to make a killing. So when Bismarck needed cash for his glorious vision, Bleichröder was at hand. In every war launched to strengthen the state, the banker had his interests. Sometimes Bleichröder sought good diplomatic relations (with Russia, for example, at a time of massive German investment in Russian industry), sometimes he made another fortune from war (from negotiations of reparations from France after the Franco-Prussian war of 1870-1871). One reason for launching this last war was the need to remove French opposition to the unification of the north and south German confederations with its consequent political and economic advantages. Here, Bleichröder was not unimportant. Another reason was to trap French capital in Germany in the event of Prussian victory.

But when it came to the virginal heights of international diplomacy, Bleichröder was in his element. Long before the telephone came on the scene, there was a highly efficient international intelligence network operating across Europe: the network of capital. At one end sat Bleichröder, at another usually Rothschild. At the approach of the Franco-Prussian war, Bleichröder was better informed on developments than the Prussian Foreign Office, since his client Bismarck confided in him daily. He was in regular contact with Rothschild in Paris.

> Throughout the war, Bismarck and his top aides were in the field; Bleichröder sought to fill the vacuum in Berlin, supplying news, offering services, acting as a go-between. He retained his contacts with the Rochschilds abroad . . . He had friends who doubled as informants in the Prussian headquarters, and the height of his wartime career came with his celebrated call to Bismarck's side in Versailles [to extort cash from the defeated French].

Bleichröder's case was the case of capitalists in general. And after the war, capitalism boomed. Since his early days in the 1860s, Bismarck had relied on capitalists, and vice versa. Bleichröder was one of his closest confidants. 'With and partially for the National Liberals, Bismarck created the institutions of an unfettered market economy that were to bring prosperity to Germany's middle classes and industrial power to the nation.' The railways were developed in all direc-

tions, and then, between 1880 and 1890, nationalised: not as a socialist measure, we must understand, but as a capitalist measure; Bleichröder and Bismarck together made millions on the sale of their shares in private railway companies. Those capitalists who missed out on that trick soon found that transportation of goods was cheaper and swifter, and hence that their profits were meatier.

Speculation and scandal was the lifeblood of the German bourgeois. Some lost, some won. The railways were a great source of unearned income in the Empire: the Rumanian scandal of the 1870s, when the construction of a railway by a consortium led by the financier Strousberg ended in swamps, liquidation and recrimination, was a fine example of the greed of the German capitalists. Europe was parcelled up and sold. So was the rest of the world. Stern's documentation of Bleichröder's manifold links with imperialism is indeed full: the banker dealt with the diplomats of France, with Disraeli, the Emperors of Germany, of Austria, of Russia, with King Leopold of Belgium; he tried to carve up Turkey and Egypt. He made loans to the governments of Austro-Hungary, Serbia, Spain, Greece and Italy. He helped to build the German and Belgian Empires in Africa and the South Pacific. He financed railways and colonists. Mexico and South America, after the Middle and Near East, Africa and China, were the next areas of expansion. He had, arguably, more power in his bank than Bismarck had in his army; but each needed the other — Bismarck needed the money, the money needed the army.* We see then that the German Empire, which linked the Hapsburg monarchy, the Junkers and the great bankers was not mere feudalism: it was the naked economic and political annexation of the world's resources imperialism.

With the demands of capital went the degeneration of the liberal and conservative Press, and Stern's chapter on the 'Fourth Estate' is a fine comment on the 'Freedom of the Press'. The Continental Telegraph Company was a rival to the Reuters and Havas news agencies and it acted as the official pen-pushing office of the German government; the company's despatches were given precedence over private telegrams, and its income flowed from government coffers. In return, the bourgeois state gained a propaganda agency. 'Throughout Bismarck's reign, opposition leaders assumed that Bismarck was using his fund to feed "the reptiles", in short, to bribe journalists and

* Stern, incidentally, has the audacity to entitle this chapter of documentation 'The Reluctant Colonialist'

papers of every stripe.' On top of this market in public opinion, censorship was regularly imposed.

Finally, Stern hints at the dispensability of parliament in the Empire's bourgeois 'democracy'. Although the liberals saw in parliament the crown of their achievements, Bismarck regarded it as a congress of contemptible talkers. Where possible and where necessary, parliament was by-passed. Parliamentarians regularly went to Bleichröder to find out what was going on in their democracy. The bankers and the military co-operated behind the scenes. Bleichröder was incensed when parliament rejected a plan for capital investment abroad, and complained that 'the two houses have been given the right to meddle with specific government matters'. Nothing changes in bourgeois democracy.

The bourgeois glorification of Bismarck has done much to conceal all those private interests in German imperialism, and its origins. As Rosa Luxemburg pointed out: 'The USA and Germany, Italy and the Balkan states, Russia and Poland, all have wars — be they victorious or disastrous to thank for the conditions and development of their capitalism.'

Those bourgeois politicians who daily denounce violence (everyone's except their own) forget their own bloody origins. Bismarck's counter-revolutionary wars and measures, his militarism and his bitter enmity of all things liberal or revolutionary set the tone for German imperialism to this day. The working class eventually brought Bismarck down in 1890; they will do the same to the German bourgeoisie today. As one respectable citizen (Dr Rittscher, police chief of Lübeck) said in 1889 of one of Bismarck's decisions that it would precipitate 'the bloody decision, which I think will have to come, as to who should govern: Bebel or Bleichröder, because that is the question, property or poverty, since the time of the Gracchi'. That is a decision which is still to be fought out.

If we are to determine the value of Stern's book for an understanding of Bismarck and the beginnings of German imperialism, then we must say: despite Stern's serious theoretical mistakes, his detailed exposure of the machinery of German capitalism is invaluable. We cannot find an analysis of imperialism here — for that we should examine the works of Lenin, Trotsky, Mehring and Luxemburg* —

* See particularly Lenin, The State and Revolution; Mehring,Absolutism and Revolution in Germany (New Park 1975); Luxemburg, Social Reform or Revolution.

but we can find a description of how it worked, and, by extension, how it still works. Here is the close relationship between finance and government, between finance and the military. Here is the money that pays for hack journalism, imperialist diplomacy and war. Here is the world-view of double-entry book-keeping in a kind of glory. There is much to be learned here, both on the origins of the modern capitalist state and on the secret cogs of its present working. In the present crisis, the bourgeoisie looks to its past for a solution: it looks to dissolution of parliaments and to anti-socialist measures and to war. And behind it all stand the bankers. Reform never has been and never will be enough. As Bismarck said: 'The great questions of the day will not be settled by speeches and majority decisions, but by blood and iron.' And, we shall add, by revolutionary Marxist leadership.

A.D.