

# How Carey and Bismarck Transformed Germany

by Anton Chaitkin

A stunning reversal in strategy in the late 1870s rapidly changed Germany into an industrial giant. Otto von Bismarck's military and political leadership had earlier formed a unified German nation out of smaller princely states, in the 1860s and early 1870s. But under British-directed "Free Trade," the country was relatively weak and backward—until Chancellor Bismarck adopted the protectionist outlook of the United States of America.

This German revolution was effected largely through the personal efforts of American economist Henry C. Carey, as Bismarck welcomed Carey's intervention to educate and help shape a German policymaking elite.

Carey was world renowned as intellectual leader of the forces backing Abraham Lincoln's agenda: government credit and high tariffs to build railroads, mills, and mines. With the political power and prestige of the Union's Civil War victory behind them, and the amazing success of U.S. industrialization under protectionism, Carey and his allies were taking this nationalist program out to Germany, Russia, Japan, and rest of the world.

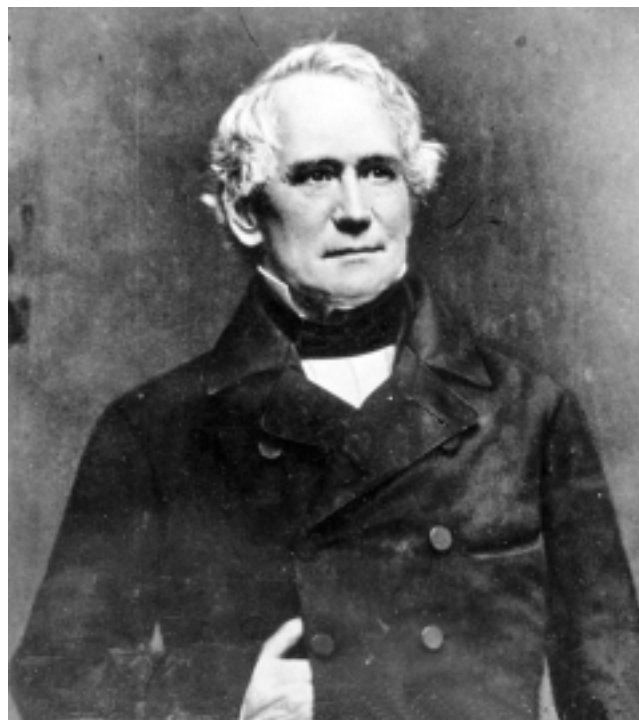
Henry Carey was born in 1793 in Philadelphia, son of Benjamin Franklin's protégé, Mathew Carey, the Irish revolutionary immigrant publisher and pamphleteer. Mathew Carey had reintroduced the state-interventionist economics of Alexander Hamilton to train a new generation of nationalist leaders, culminating in Lincoln.

For this initiative, the senior Carey sponsored the Philadelphia career of anti-imperial economist Friedrich List, an 1820s émigré from tyranny in Germany.\* As Mathew Carey's political partner, List returned to Europe in the 1830s to pro-

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\* Friedrich List had taught political economy in Tübingen University, and was a protégé and political colleague of the Tübingen publisher Johann Friedrich Cotta, who had earlier promoted Friedrich Schiller. In 1819, List was elected chairman of the new Handelsverein (association of industrialists). He and Cotta aimed to unify the German principalities under a single government which could industrialize backward Germany; this would make possible an alliance of Russia, Germany, France, and the United States, to break the power of the British Empire. The pro-British party and Austria's Prince Metternich procured List's imprisonment, then exile. The Marquis de Lafayette invited List, the honored convict, to accompany him to the United States in 1825.

List was commissioned by Mathew Carey's Pennsylvania Society for the Promotion of Manufacturing and Mechanical Arts, to prepare a book on economic theory, to attack Adam Smith and the British free trade doctrine. List's 1827 *Outlines of American Political Economy*, published by Carey's group, prefigured his 1841 *National System of Political Economy*, which made List a world spokesman for American System economics.



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*Economist Henry C. Carey was the intellectual leader of the forces backing President Lincoln's industrialization agenda. He emerged as the senior strategist among American military and intelligence leaders.*

mote the American System against British influence. List's *Zollverein* (tariff union) of small German states prepared the way for Bismarck's unification. But Bismarck did not go beyond political unity to the Carey-List program of economic nationalism until Mathew Carey's son Henry, in his old age, personally led the way.

Henry Carey emerged as the senior, global strategist among American military and intelligence leaders. Henry Carey published James Fenimore Cooper's novels, such as *The Bravo* and *The Heidenmauer*, with their keen insights into the enemy Venetian and German oligarchs. The Carey firm worked in tandem with the Cotta family, the German publishers of humanist poet Friedrich Schiller. Henry Carey saw government-promoted industrialization as the key to national sovereignty, and to Germany's and other countries' potential as U.S. allies against the financier oligarchy and British empire sabotage of economic progress.

## Carey in Europe

Carey travelled to Europe in 1825, when Fenimore Cooper and other young Americans were forging alliances with European republicans.

Carey returned to Europe twice more, in 1857 and in 1859, after studying the German language for the first time when he was past the age of 60. As the American crisis of secession was building to a climax, Carey was solidifying the international ties that would aid national survival and development

on both sides of the Atlantic. He met with Germany's top strategist of science, the pro-American Alexander von Humboldt. He conferred with and greatly encouraged Germany's Justus Liebig, the pioneer of biochemical science. He strategized with Count Camillo Cavour, then leading the struggle for Italian national unification against the intrigues of the British, the Austrian Hapsburgs, and France's Napoleon III.

Carey's activities in Europe were highly confidential; from his surviving correspondence (at the Pennsylvania Historical Society), we know only a few of his German contacts of the 1850s, and nothing of his time in Russia.

But he built a foundation for the nationalist movement in America, that transformed the world. Germany and Russia both supported the Union during the Civil War; and both later acted to adopt American System economics through the influence of Henry Carey.

President Lincoln, after starting the U.S. Agriculture Department, used Justus Liebig's students as America's main agricultural science teaching cadres.

Throughout the Civil War (1861-65), and continually until Carey's death in 1879, Carey's nationalist works were being translated into German, and distributed by his associates among leading and politically active circles in Germany.

The U.S. Ambassador in Berlin, George Bancroft, notified Carey in an 1873 letter, that he had put into Bismarck's hands Carey's book (perhaps *The Unity of Law*, published 1872), after explaining to the Chancellor Carey's "high position."

In late 1875, Bismarck met with industrialist Wilhelm von Kardorff, head of the party whose members were followers of Carey in Germany, and who were spreading Carey's works there. (Kardorff was the neighbor and friend of General Helmut von Moltke, Bismarck's military chief of staff.) Bismarck invited Kardorff to proceed with organizing industrialists, agricultural interests, and others.

A series of 1876 letters from Baron Kardorff and other Careyites describe their intense push for a German policy change, as they guide the development of a parliamentary majority supporting protectionism. Their main weapon was Carey's devastating new 1876 pamphlet, "Commerce, Christianity, and Civilization versus British Free Trade: Letters in Reply to the *London Times*," which arraigns the Empire's arrogance for lecturing the world on Liberal economics while slaughtering the colored races and running the global opium trade.

Meanwhile Bismarck had sent the German machine builders' representatives to Philadelphia to participate in the massive 1876 U.S. Centennial celebration. The head of the delegation, professor Franz Reuleaux, spent three months studying the startling recent U.S. engineering accomplishments, and conferring with the entire Carey faction of industrial and scientific leadership. Reuleaux's reports from Philadelphia, printed in the German newspapers with a profound public impact, demanded a sharp upgrading of German indus-

try along the lines of the American protectionist system, for high wages and superior productivity.

## The Policy Shift

Beginning in 1878, Germany under Bismarck effected a top-down change in its political-economic strategy, ending conformance with British free trade policy that had been hegemonic since the London-Paris "Cobden" treaty of 1860, and ending the financial speculation and looting that had crippled Germany. In 1879, Bismarck conferred over the ongoing programmatic shift with the visiting Congressman William D. "Pig-Iron" Kelley of Philadelphia, Henry Carey's most faithful adherent within the U.S. government.

A protective tariff, particularly for iron and steel manufacturing, was adopted as a permanent German national policy. This was seen as a return to the full national idea of Friedrich List.

A system of state welfare protection for workers was enacted, with unemployment compensation and pensions.

Industries were cartelized for greater productivity, as in the pooling of laboratory facilities. Large banks, interlocking with the state-sponsored cartels, were created to finance national (and international) development programs.

The government intensified state sponsorship of education, and of physical infrastructure—railroads, canals, ports, merchant ships, and a modern navy.

In the resulting leap of productivity, Germany's cities and industries were electrified. The nation's machine tool capability, that was enhanced by this combined policy program, was supported by the newly great electrical, chemical, and metallurgical industries.

Although Germany's princely oligarchy was not crushed, and remained a pivot for future disaster, Bismarck and the Carey-led American faction had created a new pro-nationalist ruling elite structure, with a lasting commitment to technological progress strikingly similar to that of the Americans.

As the U.S.A. vaulted past Britain to world industrial leadership, Germany was suddenly rushing past Britain towards number-two rank.

The British lords, the Hapsburgs, and other imperial leaders panicked as they saw America's nationalist upsurge spreading and threatening the utter route of oligarchism.

Britain's intrigues led to world war and the political catastrophes that broke up America's international alliances. But Britain's permanent hysteria over the post-Civil War U.S. outreach is shown by its complete purging of Lincoln-Carey politics from historical accounts of the period.

Yet, one can still see the shadow of these events in the so-called "Austrian School" of economics, concocted by the British and the Hapsburgs in the 1880s, in reaction to Germany's radical policy reversal. In this ultra-free market dogma—the doctrine of Friedrich von Hayek and of today's neo-conservatives—Otto von Bismarck and Abraham Lincoln are made into the twin bogeymen of modern history, the supposed originators of despotism and communism!