



Publisher homepage: www.universepg.com, ISSN: 2663-7782 (Online) & 2663-7774 (Print)

<https://doi.org/10.34104/bjah.0230780089>

British Journal of Arts and Humanities

Journal homepage: www.universepg.com/journal/bjah



Friedrich List and the Historical School in German Economics from 1871 to 1914

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ABSTRACT

Following the collapse of the Holy Roman Empire in 1806, more than thirty independent states were formed in Germany, each with its own customs system. Following this event, the German economy stagnated and there were sharp differences among its states over the leadership of Germany. During this period, a prominent thinker named Friedrich List appeared in Germany. By forming a historical school in economics, he wanted to unify the states of this country through the formation of a customs union. This union was finally established by List's many efforts in 1834. The list later described the stages of economic growth and development in his historical school and explained the factors that caused the economic development of Germany in his book. Finally, Germany was able to unite in 1870 under the leadership of Prussia and through Bismarck and inspired by the ideas of the historical school. After the unification of this country, Bismarck, through the ideas of List and the historical school, made several reforms, including pension and health insurance premiums, along with the strengthening and expansion of industry and trade; the result of which was the increasing economic development of this country. After taking power, Wilhelm II wanted to promote Germany as a great economic and military power in the world. Therefore, according to List's theories, he started to strengthen the military and especially the naval power of Germany so that he could own several colonies on the other side of the seas and by means of new markets that were created from these colonies, it increased its economic power and competed with Britain and America. In this way, according to the recommendations of the List, the German rulers tried to develop the economy and industry of Germany. As a result of their efforts, German industries were able to take the second place after the United States in terms of the economy by 1914, behind Britain.

Keywords: Friedrich list, Historical school, Holy Roman Empire, and German economics.

INTRODUCTION:

In the early 19th century, the political and economic situation in Germany was chaotic. The Holy Roman Empire was disintegrated by Napoleon in 1806, and Germany was divided into 39 separate states after the end of the Napoleonic Wars. Each of these states had a semi-independent kingdom system in terms of government and an independent economic policy in terms of

economy, and they had established numerous customs barriers among themselves; and each of them sought to increase their power and become the supreme power of Germany. The effort of the German government against Napoleon's invasion caused the national feelings of this people to be aroused and they sought to create a single country. Therefore, the German people were trying to choose one of the province as the leader of

this movement and realize the unity of Germany through this state. But the differences between the German states were so hostile that they refused to unite with each other and create a single Germany. Therefore, during this period, many intelligent and influential German scholars who wished for a coherent German unity believed that the political unity of Germany would be achieved through the union of these independent states. During this period, there were many political, social and economic schools in Germany that had a single goal and that was the unification of Germany. Among these schools was the historical school led by Frederic List. Frederick List wanted to unify Germany through the formation of an economic union by unifying the customs barriers of different states. By creating his historical school, List was able to connect the roots of this union to the Hanseatic League in the Middle Ages, and through that, he considered the condition of Germany's political union in the economic union of this country. As a result of List's efforts, the German states managed to create a customs union in 1834. With the organization of the German Customs Union, he was able to take a decisive step towards his unity. This effective step took place thanks to the efforts of Friedrich List and his historical school, because it was the historical school that encouraged the German independent states to unite. After the organization of the customs union, gradually all the German states tried to reach a political union. Although the political union of Germany was realized in 1870, the German provinces were trying to join the customs union and form national borders since 1834; so that they can pave the way for their political union.

1) **Frederick List**

Friedrich List was born in the city of Württemberg in the state of Württemberg, Germany in 1789. Unwilling to follow the career of his father, a prosperous tanner, he began his career as a civil service accountant in southern Germany, rising to the status of deputy minister by 1816. In 1817, he was appointed professor of administration and politics at the State University of Tübingen in southwestern Germany, but was dismissed after protests against state bureaucracy and trade barriers in Germany. Because of his actions and activities, List was elected as a member of the parliament from the city of Rott, but he made strong speeches in the

Württemberg parliament. Finally, it led to the point where he was expelled from the parliament as a revolutionary man and in April 1822 he was sentenced to ten months of hard labor in Augsburg Castle. List was released after some time in 1824 with the promise to immigrate to America (Hasan *et al.*, 2021).

Arriving in the United States in 1825, he settled in Pennsylvania and became a large landowner. He first engaged in farming, but soon turned to journalism, editing a German paper in Reading, Pennsylvania. In America, List was appointed as the superintendent of railways and mines, and in 1830 as consul of the state of Hamburg. He then settled in Leipzig in 1833, where he was consul of the United States for some time. He was a journalist in Paris from 1837 to 1843. In 1843 he founded the Zellwein newspaper in Augsburg, a newspaper in which he supported the expansion of a customs union and the organization of a national trade system. In this newspaper, he promoted free trade and railway networks and foreign training tariffs to support Germany's fledgling industries (Bo Sandelin, 2008). Finally, in 1841, List published his most important work called "Government System in Political Economy". In his book, he criticized the school of classics and especially Adam Smith for free trade without government interference and achieving economic development. In this way, he founded his historical school. He put forward the theories related to the stages of development as a basis for economic policies and stated that any country, if it has favorable potential resources, then it can go through these stages: 1) The first stage or the term of hunting and fishing, 2) The second stage or the period of productive agriculture, 3) The third stage or industry and trade. List's definition of development was the ever-increasing use of productive power.

2) **Historicism**

The headline of the historical school was according to the movement in the studies and laws of Germany in the early 19th century. The members of this association did not accept the concept of natural law and emphasized on the historical national law or the historical heritage of national laws as the expression of the wishes of the nation and the people. The basis of their speech was turning and returning to an imaginary and dream concept of a powerful nation and country. The

school of administration of affairs by the government or mercantilism, by emphasizing the role of the government as the first subject of the economy, provided the ground for the emergence of the historical school. Many topics of interest to mercantilists, such as public finance, government management, and population growth, were the focus of historical school writers at the end of the 19th century (Bo Sandelin, 2008). The intellectual principles of the historical school can be summarized as follows:

- 1) The economists of this school believed that the application of the economic principles of the classical school in Germany faces a problem due to the existence of certain assumptions such as certain social customs and ignoring the historical conditions of Germany. Because the realistic method to achieve the basic goal, which is the same principles necessary to manage the effective realistic method of the national economy, must first consider the nationality and historical culture of each country as the foundation for the theorizing and economic policy of that country. It is only in this way that economic policy-making can be useful and effective in raising the level of economic well-being of the society.
- 2) On the one hand, the economists of the historical school paid attention to learning economics from a historical perspective, and on the other hand, they believed that economic, social and political phenomena cannot be separated from each other.
- 3) The historical school considers the progress of society as the function of Darwinian evolution. This means that society is always changing. So that the social foundation appears at a certain time, grows at another time and disappears at the final stage.
- 4) The historical school refers to the fair distribution of national production and believes that economic reforms, while preventing the working class from moving towards socialism, maintain workers' loyalty to the German government and increase its efficiency.

The characteristic of the historical school in economic policies is the desire to eliminate the negative results of economic liberalism through government intervention. Economists of the historical school argued that

due to the underdevelopment of German industry compared to British industry, the government should adopt effective policies to support German industries. This school had the most scientific success in the field of economic policy. Because the historical school in this branch wanted to establish social laws, insurance against illness, accident, old age and unemployment (Mirjalili, 2007). The historical school says that the classical school thought that the economic laws in all countries are equal to each other, and they also thought that the economic policy derived from such laws has the ability to be applied globally. While it is not possible for a fixed and uniform economic system to be applied continuously and without difference to every time and every country; Because the law of each country should be appropriate to the conditions of time and place of that country (Rist *et al.*, 2022). The ideas represented by the historical school occupied the entire second half of the 19th century. Although this school started in Germany, it quickly spread beyond the borders of this country. Since 1870, the practical program of natural freedom was implemented in almost all countries.

3) List theory and German economy

List's wish was that the semi-independent states of Germany would unite with each other and accelerate the German economy by having customs barriers between them, which had caused economic stagnation in Germany. He believed that through the customs union, Germany can realize its political unity. In 1819, List founded an association in Frankfurt with the goal of a German customs union and as the supreme representative of the association, he started a series of campaigns and actions and tried to create an alliance between the German states in the form of a confederation (Wendler, 2014). Frederick List published his famous book under the heading National System and Political Economy in 1841. In this book, he compares the economic conditions of Britain, America, and Germany, and from their comparison, he expresses his theory of support for the nascent domestic industries. He believes that Britain has started building industries for a long time and when other nations were engaged in internal affairs and foreign wars, they industrialized their country with all speed and seriousness. Therefore, now the owners of industries and factories, which are equipped and tested in every way, have completely

taken over the international markets due to their abundant production force, huge investment and continuous records. America is also a young country that has recently gained political freedom and achieved economic unity. In order to support its infant industries and to prevent competition with strong British industries, this country has established customs barriers across its borders and prevented the influx of foreign goods.

According to the List, Germany's economic and political situation is similar to America in every way; This means that Germany, like America, has abundant sources of wealth, a moderate climate, and smart and active people, and has recently gained its economic unity and started building industries and factories. Therefore, it should use the same method that America has adopted to nurture and support its infant industries; Otherwise it will be lost (Rist *et al.*, 2022). Based on the List of theories, every nation goes through five stages or periods in its economic development process, which are: the wild stage, the pastoral stage, the agricultural stage, the agricultural and industrial stage, and the agricultural, industrial and commercial stage. He says that the last stage shows the state of countries at the highest level of economic civilization; Because at this stage, all activities in the national economy are coordinated with each other. Based on List's theory, Britain is the only country that has reached the fifth stage up to that period, while America and Germany are advancing towards the fifth stage by adopting the policy of supporting domestic products and they should always pursue their economic development goals until they reach the last stage (Islam *et al.*, 2021).

Therefore, although the conditions of the fifth stage exist for Germany in every way; But the intense competition between German and British industries prevents it from being realized (Lokanathan, 2009). List stated in his book that all countries benefit from free trade at the highest stage of development. However, not all countries and nations progress at the same time. He describes the British country as a leading country that has filled the market of other countries of the world with its manufactured goods and continues to support imports; While German states use customs tariffs in trade with each other (At that time, there were 38 customs lines in Germany and there were countless sub-lines within each of them) But they do not con-

sider special customs tariffs in trade with the UK. Because they tend to buy advanced and new goods from this country. From List's point of view, this action prevented the release of Germany's productive forces. Therefore, in his opinion, if the German states could form a customs union, then internal tariffs would be removed and a common external tariff system would be established. As an effect of this action, new industries could take advantage of cost advantages in domestic trade. Eventually these small states would achieve the most progress so that they could compete with the industries of Britain and profit from free trade (Bo Sandelin, 2008). The importance of the government in List's trade theory is to protect national production power. List believes that a nation that has an agricultural economy and is dependent on foreign countries for its manufactured goods can be stimulated to create industries by using a protective tariff; Such a country may sacrifice a lot of exchange value, so if its new factories produce expensive and low-quality goods now, it will greatly increase its productive power in the future (Friedrich List, 1983). Based on the analysis of the List, it is the government that is responsible for the education of the citizens and thus the increase of human capital. According to him, the nation-state is very important for the process of globalization because it nurtures it, protects it and gives it meaning. But his definition of the role of the government is basically based on the concept of productive powers; Therefore, the nation-state and the national economy as mediating institutions between the individual and the humankind have an explanatory role in this phase of globalization, and this role is permanent (Levi-Faur, 1997a). Therefore, in terms of the government's action List, it is vital not only about the conflict of interest between the individual and the society, but also about the conflict between different social and economic groups. For example, since the national interest requires industrialization, it is the government that is supposed to support the profits of industry against the benefits of agriculture and commerce. He therefore insists that economic policies must take into account the reality of potential international conflicts (Levi-Faur, 1997a). The List is opposed to the practice of free trade on the basis that underdeveloped countries are not yet ready for foreign competition. List agrees with Smith that free trade is ideal; But he believes that

if implemented before the maturity of a country's manufacturing sector, free trade will lead to the dominance of a country's markets by stronger countries with more mature producers, and as a result, national interests will be weakened. He promotes free trade within a country but imposes tariffs between countries to support infant industries (Priestley, 2019). List argued that trade policy that favors increasing national productive power must be carefully crafted because the expansion of economic boundaries involves potential losses in material capital. Therefore, a nation should not be evaluated based on its self-sufficiency, and not by its trade balance, but according to the List, by the degree of independence of the industry and the development of the country's production powers (Friedrich List, 1983). After establishing freedom and education in the country, List suggests that a nation should establish the remaining basic institutions, including social and economic institutions. These institutions include national unity, national spirit, postal system, money, weights and measures system, calendar, clock, law enforcement institutions, free trade inside the country and import without tariffs of production institutions. He also explains that protectionist measures should be reserved until intellectual, political and economic education has advanced as a result of free trade and the country is ready to boost its production. According to List, the government is not only responsible for regulating and implementing support policies; Rather, he is obliged to intervene in the setting of the economic development policy, and within this scope, lay a foundation for a comprehensive plan for his industrial revolution and lead it. The following factors are important for the implementation of this program:

1. Coordination of economic growth in agriculture and industry
2. Proper education
3. Social welfare through raising the level of health and culture of society
4. Increase and expand the standard of living
5. Ensuring order and security of society
6. Creating an optimal transportation network

According to List's opinion, this method of protection is the same policy of customs protection that Germany should follow like America and even France. In other words, by imposing customs duties and heavy duties

on foreign products, their excessive importation should be prevented and he took measures so that foreign goods are more expensive than domestic goods in the German market so that the Newly established industries can compensate for their backwardness. The List explains that existing infant industries in a country should be protected from destruction by cheap imports through moderate tariffs. With the maturity of the industries, these tariffs can be reduced and finally eliminated so that the industries continue to mature and improve through competition. Consumers pay more during this temporary period of protection but are rewarded by ending up with strong domestic industries. Nationalism is promoted for any nation because productive power is the true measure of a nation's wealth. With manufacturing industries, any country, even if it lacks goods or gold, can soon have goods, gold and more earning power through its manufacturing industries (Bo Sandelin, 2008). So the List system is about how a nation develops its productive power to produce its wealth. List believes that temporary tariffs are needed for fledgling industries to mature. He states: "The gradual transition to moderate tariffs on imported manufactured goods will protect and strengthen domestic production; And only when the country reaches the fourth stage of economic expansion, the governments are obliged to gradually reduce the import tariffs of competing manufactured goods until the complete elimination of tariffs " (Friedrich List, 1983). List believed that the history of Germany shows that government intervention in the economic affairs of the people has always been an acceptable and common policy; Therefore, the social, historical and racial conditions of the German nation require that the current government plans and implements the economic policies it needs through a command economy (List *et al.*, 2022). Thus, the essence of List's argument and theory was that the principle of free trade will be achieved only in the early steps of economic expansion or when all countries have reached the highest steps of development; And before reaching the desired state and final stage, the necessary condition for establishing free trade is the protectionist policy of the government. List believes that the German nation has no choice but to industrialize its country, and for this purpose, it should try to strengthen its domestic industries by applying support policies in the form of quota laws and customs

tariffs. In his opinion, a country can enter the stage of complex economy only by adopting a support method to support infant industries. The purpose of these policies is to protect domestic industries against similar foreign goods, and thus the economy should prevent the entry of luxury and consumer goods. In order to achieve this goal, consumers should make sacrifices and temporarily give up buying cheap foreign goods for the sake of future generations in the way of learning production capacity and reaching higher expertise so that in the future cheaper domestically made goods will be available to them. List believes that the amount of customs duties should be reasonable and protection should be applied only through a customs policy. After the growth of various industries reaches a certain level, customs duties should be gradually reduced (List *et al.*, 2022). This type of policy requires that each country, by carefully examining the state of its industries, provides customs support to industries that have natural conditions for their growth in the country. In his political activity in Germany, List tried hard to present the benefits of cooperation to all sections of society; But as an experienced political analyst, he knew that an autonomous government was very important to advance reforms that would pave the way for further reforms. He believes that a developed economy requires a long time horizon and the government may play an important role both in taking action to achieve long-term goals and in expanding people's time horizon and facilitating their willingness to invest in the future (Levi-Faur, 1997b). List specifically suggests five national measures in Germany for economic development:

- 1) List one suggests a national transport infrastructure consisting of railways, river transport and a canal system.
 - 2) The List gives an idea of Germany's strong steamship fleets and lines.
 - 3) He proposes commercial treaties with the Netherlands, the United States of America, and other countries.
 - 4) He supports the establishment of colonies abroad in Germany.
 - 5) The List promotes a unified German identity under a single German flag.
- 4) German economy before 1871

According to List, the stage of barbarism in Germany began in ancient times and at the same time as the establishment of the Roman Republic. During this period, many Germanic tribes, after many wanderings, finally settled along the Rhine River and settled in the land of present-day Germany. In this period, there was no organized economy and the German people spent their lives by exchanging goods for goods. The second economic stage, i.e. the pastoral stage, began after the settlement of the Germanic tribes in Germany. During this period, the focus of the people of this land was animal husbandry and shepherding and protecting their livestock and poultry. The exchange system in this period was based on the barter exchange system as in the previous period, although in this period the people of these tribes gradually started to establish and expand their commercial exchanges with the Roman Empire. The beginning of the third economic stage of the List, that is, the agricultural stage, coincided with the fall of the Roman Empire in 476 AD and the beginning of the Medieval Ages. This phase, which took the place of the dominant economy of this period after animal husbandry, continued up to the end of the Medieval Ages in Germany. During this period, agricultural products, including wheat and barley, took replaced livestock products in the exchange equations. In the second half of the Middle Ages, the urbanization system was established and many cities were established. German cities were constantly looted by bandits and pirates due to the lack of a reliable security system, but eventually these cities decided to unite against the thieves to defend their common interests. In this way, Hamburg and Lübeck were united with each other in 1241; The aforementioned union continued to grow so that by the end of the 13th century it included 85 other German states, including the states of the North Sea and Baltic coasts. In the old German dialect, Hanse meant federation or union, therefore the said union was known as the Union of Hans (Friedrich List, 1983). Union members soon began to grow their business development; Thus, after suppressing the thieves and bandits, realizing the need to protect their shipping, they established a powerful navy and strengthened their fishing industry. Although the trade of the Hanseatic League was in private corporate hands, the League made laws and regulations as if it were an independent nation. This union concluded commercial treaties with foreign

countries and obtained permission to establish its factories there. Also, Hans Union introduced a system of uniform weights and measures (Friedrich List, 1983). In this way, the Hanseatic League in the 14th century was able to expand the economy of its states and make them rich. The Hanseatic League was finally weakened after 1453 due to the conquest of Constantinople by the Ottoman Turks, and the blocking of the trade route from east to west, and finally it was destroyed by the discovery of new lands and bypassing the seas by European travelers. Because it could not maintain its economic superiority in trade with the East. As a result of the fall of the Hanseatic League, and Germany's thirty-year wars, the economic system of this country could not develop and compete with its counterpart countries, including Britain and France, for more than a century. With the beginning of the French Revolution and the Napoleonic wars, the situation of this province was ruined because according to the agreement of the Congress of Vienna in 1815, Germany became 38 independent states, each of which was ruled by a prince and could have its own independent customs system as an effect of this process, the political system of this country could not achieve its unity; But as an effect of this congress, Prussia found a more German identity, because it lost its possessions in Poland and acquired territories in the west and north of Germany. From this period, Prussia tried to create Germany under its domination. In this regard, Prussia sought to create a common customs union as List said, and succeeded in concluding a customs agreement with the southern German states in 1833, which was joined by Saxony and a little later by Baden, Nassau and Frankfurt. The official date of the beginning of the German Customs Union is January 1, 1834, because it was on that date that the agreement came into force (Breuilly, 2014). The formation of the German Customs Union eliminated customs restrictions. The abolition of customs restrictions and the expansion of the economic space and the unification of economic zones produced their results in this period and caused the economic growth of Germany. Also, public supervision, judicial and legal education in this union had a single order; And within ten years, the amount of German trade doubled and the people of this country got a lot of income. These changes caused a continuous economic development that inevitably showed

its effects in relation to the neighboring countries. In this method, the customs wall of the German regions was dismantled and a common customs fence was created in the outer limits of these regions. Finally, List's wish came true in 1834 and the German Customs and Trade Union was created. The customs union and economic unity of Germany created a wide market for the industries of this country. As a result, German industry and economy developed rapidly and new factories and institutions were established. It was at this time that the Germans realized that foreign competition, especially the competition of veteran and experienced British industries, was hindering their domestic economic progress and because the German industries were all newly established and novice, they could not compete with the trained and experienced British industries.

Therefore, a group of German industrial owners requested support from their government to maintain domestic industries by imposing customs duties on foreign products (Bo Sandelin, 2008). Between 1850 and 1870, Germany's coal and iron production increased six fold. In 1850, less iron was mined in Germany than in France, while in 1870, German iron production was much higher. During these years, Germany had managed to overcome its economic and social problems.

The customs union of 1834, which was created at the suggestion of Prussia, had improved the transportation facilities of communication and commercial means. This process brought to mind the organization of a concept of Germany in the form of an independent cultural and economic region (Palmer, 1950). After the formation of the customs union in Germany, this country was ready for unification, and this action was realized by the chancellor of Prussia, Otto von Bismarck. He was able to achieve this during three wars (the war with Denmark in 1864, the war with Austria in 1866 and the war with France in 1871) and unite the scattered provinces of Germany under a single flag under Prussian rule. After the unification of Germany, Bismarck, through the teachings of Friedrich List, wanted to industrialize and move Germany to a new stage of industry. In this way, Germany became an industrial country and entered the fourth stage of List's theory, which is the stage of agriculture and industry. Bismarck encouraged the German aristocracy to invest

and participate in this process for the rapid entry of Prussia into the field of industrialization and significant economic growth, and in this regard, he tried to establish a bond and friendship between the two incompatible classes of the aristocracy and the bourgeoisie. The consequence of this event was the rapid growth of Prussia, especially in the army and military industries. The emphasis of the military force as the main means of realizing German unity for the Prussian government was to the point that in order to transform their country's army into a powerful army, they entrusted the process of its reconstruction to prominent German generals named von Rundstedt and Helmuth von Moltke. In addition, Bismarck increased Prussia's economic relations with other German kingdoms to pave the method for political unity between the mentioned territories through economic unity (Blanning, 2000).

5) The German economy from 1871 to 1890

With the political unification, a strong stimulus was given to Germany and Germany became an industrialized country almost overnight. The years between 1870-1875 are called by the Germans as foundation years in the establishment of the German industrial economy. Factories sprang up, railway lines almost doubled. There was a great leap in shipbuilding. The mining of iron and iron ore increased very quickly. During the next 35 years, German industries surpassed their competitors one after another (Littlefield, 1964). After the Sedan war, France had to pay five billion gold francs in war damages to Germany. This money caused new investments and created new investors and old producers expanded their production. Joint-stock companies emerged and people entered the stock market. As soon as the Germans were united, they started their industrial revolution. The production of artefacts, finances, shipping and the population of Germany increased significantly. For example, in 1865, Germany was lagging behind France in terms of steel production, while until 1900, it was producing more steel from France and Britain. Over time, the British realized that German traders had infiltrated their foreign markets and were selling their goods at a lower price and in a manner that was not fair (Palmer, 1950). In this way, what List had achieved in relation to German unification in the political and economic field, was

realized by Bismarck. To meet the changed situation, Bismarck revised the entire legal system and expanded it to include the entire empire. New civil and criminal laws were appointed and the financial situation was improved by ranking the price of securities, giving the right to supervise banks to the Bundesrat, and establishing an imperial bank in 1876. With the establishment of the Railway Department, the railway lines were put under a single administration. On the other hand, he raised taxes, and bought the railroads through the government (Littlefield, 1964). Therefore, according to List's theory, Bismarck wanted to develop transportation lines and create railways. Bismarck also made changes in Germany's foreign policy position; In this way, he brought Germany into a new alliance; This alliance was initially in line with his policy of balancing forces against France, so in 1873 he concluded an alliance agreement with Austria and Russia, in addition to the military alliance, agreements were also made in the economic field, including the reduction of customs duties. Later, due to the separation of Russia from this alliance due to the Balkan crisis of 1878, Bismarck consciously chose all of Italy as his new ally. From 1879 onwards, Germany was in an industrial situation, and naturally labor issues, syndicalism and socialism were growing in this country. In this year, with the help of the center and conservative parties and against the discouragement of many of his allies, Bismarck gave up the free trade policy and imposed a customs tariff to support domestic goods, the revenues obtained from this way were necessary to cover the government's expenses and it was also a source of peace of mind for farmers and industrial masters (L'Andelyn, 1958). With the rapid and noteworthy expansion of the country's industries, the working class of Germany was added and socialism spread among the ranks of the German people. A thing that became a source of horror for Bismarck. As a result of two attempts by radical elements to kill the emperor (and none of them were from the direction of the social democrats), Bismarck got the necessary excuse to use anti-socialist laws to ban any gathering of socialists and the publication of their newspapers from 1878 to 1890. Socialism was illegal for twelve years. Bismarck encouraged the workers to believe in him and the German Empire instead of Marx and the socialist movement (Palmer, 1950). It was clear to Bismarck that if

the government provided part of the social security for the workers, as the historical school said, it would be possible for the workers to turn away from the socialist party and become interested in the monarchy. For this purpose, in ten years after 1880, he established a series of laws to improve the social conditions of workers.

In 1883, he enacted the Health Insurance Act. A year later, the Accident Insurance Act was enacted, and in 1889, it passed pension insurance and dismemberment and disability insurance. In this way, the government insured the workers against illness, accidents and old age. In health insurance, workers paid two-thirds of the insurance premium, and employers provided one-third of the accident insurance. In the limb violation and disability insurance, the insurance cost was divided between the government, the employer, and the insured person (Pulzer & Pulzer, 1997). Such a policy was considered very bold and new at that time, and it did not exist in any other country except Germany. For this reason, Bismarck was hailed as the father of the modern German social state. With a firm determination, he initiated the establishment of social laws in order to win the loyalty and support of the workers and to ban the growth of socialism and women-burning movements by eliminating the causes of dissatisfaction. He believed that: "give the worker the right to work as long as he is healthy and assure him that he will be taken care of when he is sick and taken care of when he is old.", and then no matter how much noise the socialists make, it will be ineffective, and as soon as the workers understand that the government cares about their welfare, they will refuse to join socialism " (Littlefield, 1964).

6) The German economy from 1890 to 1914

Following Bismarck's resignation in 1890, Germany entered a new era under the leadership of Kaiser Wilhelm II. From this period onwards, the Germans made many claims about the development of their navy and continuously strengthened their navy. In 1896, in his speech on the occasion of the 25th anniversary of the founding of the German Empire, Wilhelm II announced his decision to transform the German Empire into a world empire. In this history, Germans were active in all the economic centers of the world, and Germany's economic interests, like the scientific and cultural activities of this country, were

prominent everywhere (Berstein & Milza, 2014). The establishment of the fleet and naval equipment was exactly the same idea that Frederik List had mentioned many times and considers this naval fleet to be the cause of Germany's economic development. Thus Wilhelm II acted according to his theory. In the first step, Wilhelm was trying to strengthen the unity of his allies. For this purpose, the amount of customs tariff applied by Germany for the import of wheat to Austria is reduced; And in return, he increased the customs duties on the Russian court. Russia, which considered this action of Germany to be contrary to previous agreements, proposed to Germany in 1892 to conclude a full-fledged contract, but it faced a negative reaction from this country because the Germans thought that sooner or later the Russians would have to export their surplus wheat. As the differences between the two countries intensified, Russia also increased the customs duties on goods imported by Germany between 20 and 30 percent from 1893 onwards. This situation caused Russia's exports to Germany to gradually stop, until finally, in 1894, through an agreement, Germany committed to receive customs duties on Russian wheat equal to Hungarian wheat for 10 years and on the other hand, Russia reduced the amount of customs duty on German industrial goods (Thomson, 1962). Germany's economic growth during the years 1871-1890 was amazing. The population increase from 41.01 million in 1871 to 65 million in 1910 was more than 50%. German Prime Minister von Caprivi (1890-1894) promoted colonial development and concluded counter-contracts with Austria-Hungary, Russia, Romania and Italy, and according to these contracts, in order to obtain concessions for the export of industrial goods from duties, the import of wheat was reduced (Littlefield, 1964). Between 1890 and 1913, the population of Germany increased from 49.9 to 69.9 million. This increase in population, which might lead to the increase of Germany's power and putting pressure on the neighboring countries, caused the concern of Germany's neighbors, especially France. Germany's industry had also developed unprecedentedly during the twenty years of Bismarck's presidency, Germany's industrial production had doubled by 1913, and in 1900, it was the second largest in the world after the United States. Germany had become an exporting nation that every year kept pace with Britain in its trade. Most of all in

the chemical and electrical industries. German experts and researchers gained an international reputation in medical technology and science. Also, the first electric trams in the world were launched in Berlin in 1881. In 1896, the construction of underground trains began to make commuting in Berlin better. Along with the extension of the industry, Germany's need for the world market is increasing. The expansion of Germany's foreign trade made this country a British competitor in Asia and Latin America. In addition, Germany, which had obtained its colonies in Central and West Africa (Togo & Cameroon) since 1884, sought to expand its possessions in other parts of Africa. However, German imperialism did not have much chance in conquering unoccupied areas due to the fact that it entered the campaign much later than its counterparts. However, until 1914, after Britain and France, it became the largest colonizer in Africa (Pulzer & Pulzer, 1997).

One of the areas that provided the basis for German artifacts was the Ottoman Empire. Germany's economic and military influence in this Empire expanded day by day and continued until the First World War. The concession of the Istanbul-Baghdad railway to Germany and the right to use it for 99 years during the March 1903 agreement ensured Germany's economic superiority in the Ottoman Empire. Germany's silence in front of the massacre of Christians by Sultan Abdul Hamid in 1894-96 had no reason other than to protect the interests of this country and attract the Ottoman emperor. The reign of Wilhelm II should be seen as an era of economic prosperity and public prosperity; In the 1890s, several big innovations were spread at once, including public electrification, along with the start of motorization and the start of radio systems. This economic process first showed its impact in social consequences and then in political consequences. To the extent that the intensity of class struggle was reduced from a social point of view (Haffner & Steinberg, 2019). Although during this period, Germany had entered its economic growth, but with the arrival of the First World War (1914-1918) and the fronting of two hostile camps, Germany's economic growth entered its period of stagnation. Because Germany spent a lot of its economic income on the military force and related weapons; As a result, the economic growth of this country stopped and after the end of the war, be-

cause Germany was one of the defeated countries in the war, it was condemned to pay heavy tribute and hand over its industrial areas to the allied countries in the Treaty of Versailles in 1918. Therefore, a period of stagnation and severe inflation came in Germany, which completely stopped the economic growth of this country until 1933.

CONCLUSION:

At the beginning of the 19th century and during the time when the German country had a chaotic and unstable situation, so that this country included 39 independent principalities, each of which ruled according to its own endowment and this country was surrounded by numerous customs barriers, Frederick List, through his historical school, tried to call these independent principalities to unite by creating a customs union inside this country and try to revive the declining economy of Germany. By presenting the historical discussion of the German customs union, the List provides the economic grounds for this union. List also wanted to make this country an advanced country in industry by proposing issues such as the livelihood and welfare of the working class and the expansion of German industries, so that it could compete with Britain and its markets. His theories were first realized with the formation of the customs union in 1834 and then by the chancellor of Prussia, Otto von Bismarck, in 1870.

After the unification of Germany, Bismarck tried to strengthen the industries of this country based on the recommendations of the List and succeeded in strengthening the industry of this country in a short period of time. Bismarck also tried to attract the trust of the working class by creating social laws such as pension insurance and health care. List's ideas were followed in a more effective way during the reign of Kaiser Wilhelm II. So that Germany was trying to expand the German economy by strengthening and expanding its naval fleet. As a result of the policies of Wilhelm II, in 1914, Germany was able to gain the second place in the economy after the United States of America. Therefore, List's theories from the time of the unification of Germany to 1914 rendered the success of this country's economy. But the government's disproportionate attention to economic affairs, including the proliferation in the military budget during the era of

Wilhelm II, coerced the German economy to the brink of devastation right at the incipient of the First World War.

ACKNOWLEDGEMENT:

I conducted this study during my post graduation at Shahid Beheshti University, Tehran, Iran. The author would like to thank the professors of the Faculty of Letters and Human Sciences of Shahid Beheshti university for approving this study and for their support and guidance.

CONFLICTS OF INTEREST:

As The Author, I declare that I have no Known Conflicts of Interest, affiliations with, or involvement in any organization or entity with any financial interest (such as honoraria; educational grants; participation in speakers' bureaus; membership, employment, consultancies, stock ownership, or other equity interest; and expert testimony or patent-licensing arrangements), or non-financial interest (such as personal or professional relationships, affiliations, knowledge or beliefs) in the subject matter or materials discussed in this manuscript.

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Citation: Rezapour N. (2023). Friedrich List and the historical school in German economics from 1871 to 1914, *Br. J. Arts Humanit.*, 5(2), 78-89. <https://doi.org/10.34104/bjah.0230780089> 