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Junkers, Grain, and War: Gerschenkron's *Bread and Democracy in Germany*

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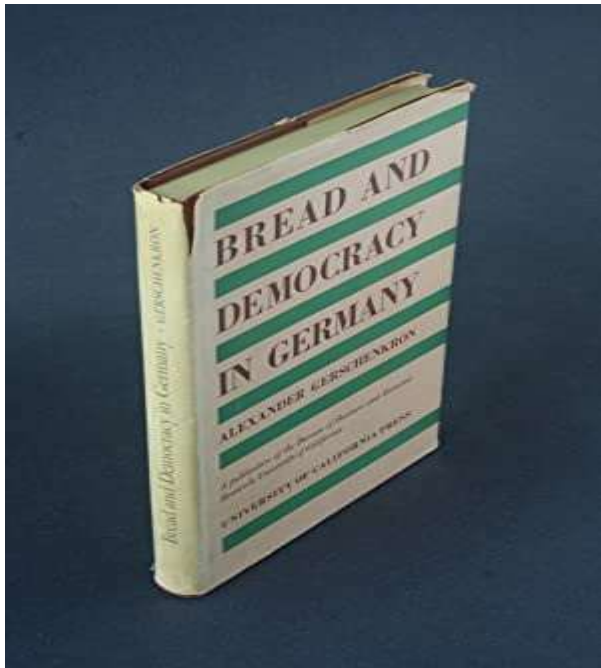
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Synopsis

The argument of Gerschenkron's first book, *Bread and Democracy in Germany*, published in 1943, is that bread is the basic foodstuff of peoples and that issues around the cultivation and the price of bread are of fundamental economic, social, and political importance. In Germany bread had been made chiefly from rye, grown by the larger Junker farmers in East Germany – in the lands East of the Elbe. Under the impact of global competition, and the challenge of superior bread grains like wheat, these Junker grain cultivators were placed under economic pressure from the 1870s, the response to which was the imposition by the German state of agricultural tariff protection designed to sustain a high-cost grain cultivation system in East Prussia. The combined result of this was to consolidate the aristocratic, militaristic, Junker class, while reducing living standards for the mass of the urban population whose access to better quality foods and manufactured products was correspondingly restricted. This artificially high price of bread in the interests of a reactionary agrarian Junker elite was a key factor in explaining what historians have come to see as Germany's failure after 1871 to develop a liberal constitutional politics, with instead a recurring tendency to authoritarian government and militarism. Gerschenkron argues that it would continue to have this effect unless the Junker class were eliminated and the policy of artificially high grain and bread prices ended. 'If the grain of the Junkers grows, the grain of German democracy will wither and perish from the earth.'¹ Hence the ultimate point of Gerschenkron's book was to answer to the question: what to do about the Junkers after World War Two? The answer: they must be eliminated as a social and economic class if German democracy is to have a chance of consolidating itself.

¹ A. Gerschenkron, *Bread and Democracy in Germany* (1966 edn., Cornell University Press), p. 224.

Alexander Gerschenkron's *Bread and Democracy in Germany* was published in 1943, when the author was attached to the University of California, having left Russia in 1920 and continuing his education in Austria. The book's purpose was to help form Allied policy towards Germany once the war was won. Its dominating theme was the role of the Junker class of East-Prussian landowners in distorting Germany's economic development from the 1870s onwards through relentless pressure for tariff protection for German grain cultivation in general and rye in particular. By helping Germany sustain an exaggeratedly large grain producing agricultural sector, Junker-inspired tariffs inhibited the diversification of German agriculture, held back peasant farming, raised the cost of living to the urban working class, and promoted a form of politics which was conservative and tending towards militarism and the pursuit of autarky in food supply as a condition for war. Gerschenkron developed this argument so as to vindicate his call for the Allied powers to oversee the destruction of the Junker class after the war and end a policy of favouring grain cultivation in Germany. Only then, he believed, would German democracy and liberalism be safe and the prospect of future German wars avoided. Naturally, therefore, Gerschenkron's book provides a relentlessly focused analysis on the evolution of agricultural policy in Germany and its contribution to shaping Germany politics, notably with respect to hindering progressive-democratic politics which, he implies, would have prevented Germany's initiation of two world wars. The stakes were high and Gerschenkron's policy recommendations were correspondingly radical.



A 1943 Edition of *Bread and Democracy in Germany*

The Junkers

What is a Junker? A Junker is the class of larger aristocratic landowners occupying estates in such provinces as East and West Prussia and Posen east of the river Elbe in Germany.



These Junkers cultivated grain, and especially rye, which was well-suited to their soil. Why, according to Gerschenkron, were these Junkers a problem?

- They exercised disproportionate political power within the Prussian and German state.
- They staffed the government and the army leadership, allowing them to prioritise their interests and objectives.
- They propagated an agrarian ideology which promoted an exclusive and mystical conception of German nationality.
- They opposed democracy and the rise of the urban working class.
- They pursued policies against the interests of the mass of the German population, whether consumers or small farmers.
- They used protectionism to favour themselves at the expense of Germany as a whole.
- They pressed for Germany to be self-sufficient in foodstuffs – a policy designed to isolate Germany from international trade and promote autarky, a strategy chiefly justified in terms of feeding Germany's population during time of war.

- Their agrarian conservative ideology fed into Nazism and they played a key role in the appointment of Hitler as Chancellor.

Because of these negative and anti-democratic consequences for Germany of Junker philosophy, interests, and policies, Gerschenkron was clear that the Junkers simply had to be got rid of as a social element within Prussia. 'The main conclusion of this analysis', he writes, 'is that democratic reconstruction of Germany after the victory of the United Nations and insurance of world peace call for a radical elimination of the Junkers as a social and economic group.'¹

The Junkers had been strengthening their position in Prussia since the eighteenth century. They gained land at the abolition of serfdom in Prussia in 1807 since, although the peasants in Prussia now gained ownership of the land they had previously worked, they had to pay the existing landowners for this land by giving up claims to a share of the land they had hitherto used and relinquishing rights to common land. Many found themselves occupying farms too small to sustain their families and fell into debt, forcing them to sell their land to the Junker estates for whom they now worked as wage-labourers. Thus, between 1800 and 1860 2.5 million acres of peasant land were added to Junker estates. In this way, says Gerschenkron, the position of the Junkers as a feudal, agrarian, militaristic elite within Prussia was consolidated. The Junkers dominated Prussia and Prussia dominated the Reich.²

During the 1860s Prussia followed a free trade policy. Between 1865 and 1879 Germany had free trade in grains, and in 1873 the last duties on iron were removed. The Junkers exported grain to international markets, including London. Indeed, Prussia's free trade policy was one reason why Austria felt unable to join a united Germany in 1871 since it believed that its industries needed protection.

Agricultural Depression and Pressure for Protectionism

But from 1873 there was a rapid reaction towards protection in Germany due to economic crisis and the influx of cheap grains from the Americas. High cost German farmers could not compete with cheap grains from the New World and began to be squeezed out of export markets and then the home market. By 1879 Germany was a net importer of rye to the tune of 1.4 million metric tonnes. Imports of wheat rose rapidly too, as did those of oats and barley.

Thus in the second half of the 'seventies, when the agricultural crisis first revealed the fact that Germany had become a high-cost area for grain production, that country found itself on a net import basis for all the major grains.³

¹ *Ibid.*, p. xxxvii.

² *Ibid.*, p. 25.

³ *Ibid.*, p. 43.

The Junkers saw that if they were to sustain their rural power-base they needed protection from cheap foreign grain. They thus switched support from free trade to protection. High grain prices most benefited larger estate owners, but the Junkers needed to persuade the rest of the agricultural sector to support protection, even when only about 25% of German farmers would benefit from higher grain prices. Hence Junkers pushed the idea off a *homogeneity of the farming interest*:

- A shared conservative attachment to the soil.
- Shared opposition to the rise of the Social Democratic Party (SPD), which was a pro-free trade, working class party.
- A collective opposition among landowners and peasants to socialism, which was the ideology of the SPD and significant sections of the working class movement.

Crucially, industrialists, too, were turning to protection in response to the economic downturn of the early 1870s, and in 1876 the Central Union of German Industry, including iron and cotton manufacturers, was formed to press for protection. This was followed, in 1877, by the formation of the protectionist Union for Fiscal and Economic Reform amongst farmers. By 1878, 204 Reichstag deputies were supporting the introduction of protectionist measures in Germany.

The Alliance of Iron and Rye 1879

This support for protection among grain farmers and industrialists was seized upon by Otto Von Bismarck, the Junker Chancellor of Germany, who saw protectionism as offering the chance to construct a protectionist 'solidarity block' to re-found his political position on a conservative basis. As a result, he dropped his culture-war against the Catholics and introduced tariffs in 1879. Wheat, rye, and oats were subject to a duty of 1 mark per 100kg; on barley and maize 50 pfennigs; on flour 2 marks; on meat 12 marks; on oxen 20 marks; sheep 1 mark; pigs 25 marks. The duty on pig iron was 1 mark; on semi-manufactured goods made from iron and steel it ranged from 2 to 2.5 marks; for other iron and steel goods the duty ranged from 7.5 to 15 marks.¹ This was the famous alliance between Iron and Rye. In 1885 tariffs on grain were trebled and they were raised further in 1887.

Thus, while in countries like the UK and Denmark the fall in grain prices led to a shift in agriculture towards livestock and dairy farming, in Germany the decision was taken to protect high cost grain production against foreign competition. The result was:

the transformation of the grain-growing sector of German agriculture into a high-cost area in the aggregate of world economy during the last quarter of the nineteenth century.²

¹ https://en.wikipedia.org/wiki/German_tariff_of_1879

² Gerschenkron, *Bread and Democracy in Germany*, p. 17.

The economic effects of this policy shift were negative:

- Raised cost of living led to upward pressure on wages, raising costs.
- Reduced supply of labour from the agricultural sector
- Raised cost of manufactured goods for farmers due to tariffs on iron and machinery.
- Raised cost of grain inputs into farming.
- Raised land values and rents since farming became more profitable.
- Reduced incentive for farmers to diversify output and switch to livestock and dairy.

In essence the tariffs were driven by an alliance between large landowners in the East and the iron and steel firms. Their sectional interest prevailed over interests of Germans as a whole. The effect was to preserve the feudal power of the Junker elite.

In the German setting the establishment of the solidarity bloc meant a perpetuation of the feudal element in German society through preservation of the traditional economic basis of the Junkers. There are few historical events to which an equally disastrous effect on the destinies of German democracy can be ascribed. At every stage of their development in the Hohenzollern monarchy as well as in the Weimar Republic the forces of democracy were hamstrung by the opposition of the East Elbian aristocracy.¹

The solidarity block campaigned against Germany's free trade treaties and these gradually lapsed, and the world itself moved away from free trade in the late nineteenth century – for example, with the McKinley Tariff in America in 1890.

Grain prices, however, remained low despite tariffs. Meanwhile industrialists, whose problems were cyclical rather than structural like agriculture's, were doing better and wanted the benefits of expanding world trade. In the 1890 election the conservative coalition of National Liberals and Conservatives did badly, being defeated by the SPD, the Catholic Zentrum party, and the Progressives. Leo Caprivi succeeded Bismarck as Chancellor and began a programme of reducing tariffs between 1891 and 1894. The duty on wheat and rye, for example, was reduced from 5 to 3.5 per quintal. These tariff reforms benefited industry, yet industrialists were also worried by the scraping of anti-socialist laws, and this opened up the possibility of reconstituting the conservative block. The Junkers, too, were restless: by 1892 grain prices were 70% the level of the 1870s. The Junkers fought back, forming the Union of Agriculturalists in 1893 to conduct propaganda for enhanced protection. Their preferred policy now was for a state monopoly over grain imports to control the entry of grain into Germany. This was embodied in a motion by the Junker Count Kanitz which called for the state to control imports of grain, and for any grain imported to be sold at the average price of the period 1850-1890. This meant doubling the price that imported grains sold at. Kanitz declared: 'With grain culture stands and falls German agriculture; with German

¹ *Ibid.*, p. 47.

agriculture stands and falls the German Reich.’¹ It was said that Germany needed food self-sufficiency in time of war and that the rural population was the basis of the army. The arguments deployed were thus, says Gerschenkron, anti-democratic, anti-capitalist, and militarist. Three times the motion was proposed in the Reichstag and three times defeated.

In 1894 Caprivi was forced from office and replaced by Prince Hohenlohe of Bavaria. The pressure for increased protection continued to mount. The Peasant Association of the Rhineland supported the Kanitz motion. In 1896 a law was passed making it illegal to trade in grain futures. Within the Zentrum party peasants pushed for greater protection and the Union of Agriculturalists maintained its leadership of all farmers – so even livestock farmers supported increased protection. In 1898 the National Liberal Party pledged to increase protection. Industrialists remained alarmed by rise of labour and in 1900 were hit by a recession.

Von Bulow and the Return to Protectionism 1902

The situation in 1900 was thus ripe for a return to protectionism when Von Bulow succeeded Hohenlohe as Chancellor. Von Bulow wanted to restore Bismarck’s conservative bloc strategy. He himself supported protection as a means to keep a ‘balance’ between industry and agriculture and for reasons of autarky. In 1902 a Tariff Act passed, doubling duties on most grain products. The extra revenue was to be used for a fund for widows and orphans – making it hard to cut back tariffs later. Duties were also increased for livestock, meat, and butter. German grain production was one of the most protected in the world.

The SPD tried to resist the tariff increase but failed. The move on tariffs was bad news for the SPD since it raised the cost of living to the working class while the solidarity block was a barrier to the SPD getting democratic power, uniting, as it did, the peasants of Germany around the Junkers in opposition to socialism. The return of tariffs was thus ‘a defeat of democratic forces in the country and a fateful retardation in the development of free institutions in the Reich.’² Protectionism ‘perpetuated the economic and political existence of a class whose economic interests and general philosophy were bitterly opposed to all democracy stood and stands for.’³ So the agricultural crisis of the last quarter of the nineteenth century, far from breaking the power of the Junkers, actually strengthened it. It enabled them to emerge as the leaders of the peasantry and to be politically stronger than ever. A golden opportunity to break Junker power, writes Gerschenkron, had been missed.⁴

¹ Quoted *ibid.*, p. 54.

² *Ibid.*, p. 67.

³ *Ibid.*

⁴ *Ibid.*, p. 68.

The Effects of Protection

The basic effect of protection was to favour the cultivation of rye. Although wheat was also protected, rye was better suited to the soil and climate of Prussia and therefore rye was more cultivated than wheat. Even after 1906, when the wheat tariff was raised above that of rye, rye remained the favoured crop. The price of rye, which had reached a low point in 1894-6, now increased following the new tariffs.

1903 – 132 marks per ton

1907 – 193 marks per ton

1912 – 186 marks per ton

Poor harvests in Russia 1904-08 contributed to this. Wheat prices also rose, helped by a global rise in wheat prices from 1900. Other developments also encouraged grain production:

- Prices of agricultural machinery were falling in real terms 1860-1910, which encouraged mechanisation in grain harvesting.
- Artificial fertilisers were imported duty-free, which benefited the Junkers
- Increasing yields and mechanisation cut labour costs per unit of output.

There was thus an expansion of rye cultivation in Germany. In 1900 the area under rye was 5.9 million hectares. By 1913 it was 6.4 million. Rye yields per unit of land rose 33%. During the same period the acreage under wheat remained stable. In terms of both acreage and yields, rye won the battle of the grains.

These grain tariffs had numerous negative effects on livestock farming in Germany:

1. Raising bread prices reduced household real incomes and therefore reduced demand for dairy and meat products.
2. Duties increased the cost of grain feed to animals.
3. Foreign competition in livestock products, where tariffs were lower, reduced profitability of German livestock farming. Dairy products and eggs were hardly protected at all and their import from Denmark and Holland (which had access to cheaper feed) rose rapidly. Although a duty was placed on live pig imports it did not offset the increased cost of pig feed due to tariffs.

The basic effect of tariffs, therefore, was to push German agriculture into an ever-growing reliance on grains, favouring the larger grain farms. Peasant farming in the west and south of Germany was impaired – these smaller farms could not diversify into livestock due to increased feed costs. ‘All in all’, comments Gerschenkron, ‘there is little doubt that the compromise between the growers of grain and the rest of

German agriculture was weighed heavily in favour of the former.’¹ Why were the Junkers able to do this?

- The peasants were attracted to the idea of a homogenous farming interest – they were ready to follow the lead of the Junkers.
- The peasants hoped high grain prices would reduce their need to diversify from traditional crops.
- The peasants shared the Junker dislike of socialism and labour and were happy therefore to unite in the ‘solidarity block’ to resist social democratic politics.
- Because of the increased price of grain feed the peasants needed more protection from cheaper livestock products from Denmark and Holland and the Junkers supported them in this. Thus did the increased protection for grains yield a shared interest in agricultural protection in general.²

The Problem of Demand

Despite the success of protection in raising returns to grain production, there was a problem: over time demand for rye tends to decline as rising real incomes cause people to switch from rye to wheat bread. In England and France demand for rye bread had been falling since the eighteenth century. The ‘progress of democracy in Europe was long associated’, says Gerschenkron, ‘with the progress of wheat and the decline of rye in human consumption.’³ So the ‘reactionary’ Junkers pressed ‘reactionary’ rye upon the German people and rye remained the main ingredient of bread through the nineteenth century. Even so, from the 1890s per capita wheat consumption rose in Germany and per capita rye consumption fell slightly. From 1905 consumption of both grains declined as people switched to higher-quality foodstuffs. Rye’s share of total grain consumption fell between 1899-1900 and 1913-14 from 34.5% to 32.6%, while wheat fell from 18.8% to 18.3%. Barley and maize rose 19.4 to 22.6%.

Not surprisingly, the supply of rye began to exceed domestic demand. To deal with this problem export subsidies were paid on rye to encourage its export. This meant cheap subsidised rye was being supplied to non-German users. This had two effects:

- It reduced feed costs to foreign farmers: the German people were subsidising cheap grain to non-German farmers, giving them a further advantage.
- Exporting rye caused downward pressure on world rye prices. This hurt Russian rye producers especially and stirred anti-German opinion among Russian landowners. Protection and the rye issue was thus a factor contributing

¹ *Ibid.*, p. 75.

² *Ibid.*, p. 76.

³ *Ibid.*, p. 82.

to strained relations between Germany and Russia in the lead up to World War One.

World War One and the Survival of the Junkers

Gerschenkron sees the Junkers' agricultural policies as contributing to World War One in the following ways:

1. The formation of the solidarity block hindered the growth of democracy, which would have been less bellicose.
2. Encouraging war-like rhetoric and the cult of German nationalism linked to the soil.
3. Belief in autarky as a means to ensure that Germany had the food reserves to sustain war.
4. Strained relations with Russia.

'It is indeed difficult', he concludes, 'to ignore the large part which the system of German grain protection played in involving the country and the world in the First World War.'¹ Ironically with the outbreak of war all duties on imported food were lifted reflecting the need to maintain food supply and promote unity with the working class.

After Germany's defeat in the war German politics were democratised. One person one vote was introduced. The Kaiser and the princes were removed. The SPD was elected to power in Prussia and Weimar. Now, says Gerschenkron, was the time to attack the Junker elite by removing Junker army officers, replacing Junker civil servants in Prussia, and undertaking land reform to break-up the Junker estates. In practice nothing was done: the Junkers still headed the army; the civil service was not reformed; most importantly, no land reform was undertaken.

Why, asks Gerschenkron, was nothing done to break the power of the Junkers?

1. There was not much pressure to break up the Junker estates. There was little population pressure on the land in the East. While peasants in the West may have wanted more land, they did not want poor quality Eastern land!
2. The SPD was an urban working class party. It had no programme of land reform.
3. The SPD had, since its founding as a Marxist party, become a reformist not a revolutionary party. The more radical Independent Socialists had broken away.
4. Under pressure from the Communists the government needed the support of the Junker-led army.

¹ *Ibid.*, p. 88.

5. Most important: German agriculture in a state of exhaustion after the war and the priority was the resumption of food supply – not land reform. The total area sown had declined by 1919. Supplies of fertiliser had fallen: nitrate supplies were 44% lower in 1918 compared to 1913-14. Grain yields were 21% lower. There were shortages of labour and of horses – one million horses having been taken by the army. Machinery and coal were also in short supply. Livestock numbers had fallen through the war as it was illegal to feed grains to animals. By 1921 number of cows in Germany was 80% the 1913 figure and the number of pigs 60%. The total output of all crops in 1918 was 55% lower than in 1913. The wheat crop in 1913 was 4.6m tons; in 1918 2.6m. The weight of cattle had fallen and milk yields per cow had fallen 28%. Meat consumption had fallen 82% since 1914. Quite simply, German agriculture was in crisis and Germany was set to lose land in the Treaty of Versailles. Even with rationing, Germany was 1.2 m tons short of bread grains. In this context of food and grain shortage, land reform in Junker territories threatened ‘to lead to violent disorders and bring the people close to starvation.’¹

For all these reasons land reform was impossible after the war and the Junkers survived. The only measure passed was the 1919 Reich Settlement Act, the purpose of which was to free up some land in the East for settlement by small peasant farmers, it being hoped that these small farmers would also provide labour services to the Junker estates.

After the war the priority for German agriculture was to increase production of grains to feed the population and reduce food imports that the country could not afford. At first the state compulsorily purchased grain and sold it at low prices to the urban population. This was unpopular with the farmers and from 1921 state grain purchase was phased out. By 1923 the grain market was the freest it had been since 1879. There were no import duties and world grain prices were high. Hyperinflation in 1923 benefited the Junkers by reducing their debts essentially to nothing. However, from 1924 pressure for a return to agricultural protection began to mount.

- While agriculture was not protected, industry was. As a result the terms of trade shifted against agriculture. Whereas in 1924 the price of rye was close to its 1913 level, the price of iron was 38% higher, coal 33%, fertilisers 25%, agricultural machinery 41%.
- Rising incomes fuelled by the Dawes plan led to a shift in consumption from grains to meat and dairy produce.
- German wheat prices were below the world average. This was because German wheat was inferior to American and more was required to make bread, so depressing its value.

The Junkers were not prepared to be squeezed out of the market by foreign competition and they made their grievances felt. Already in 1919 the German Agrarian

¹ *Ibid.*, p. 98.

League was formed, which in 1921 became the Reich Agrarian League, with 5.5 million members. Meanwhile their political position was strengthening: in December 1923 four members of the Junker-supporting German Nationalist Party joined the government as the SPD left it. In the 1924 elections the GNP got 103 seats, the German Peoples Party (another conservative party) 51 seats, and a section of the Catholic Zentrum party supported protection too. Thus by 1924 a solidarity block similar to Bismarck's and Von Bulow's had reconstituted itself in Germany. Not only were agrarian interests more powerful in parliament, but the industrialists were supporting greater protection in the wake of hyperinflation: firms had over-expanded during the inflation and many were going bankrupt. Hence industry was ready to support greater protection.

In 1925 a return to protection began. Duties on wheat and rye were set at 3.50 and 3 marks per quintal. 1926 saw tariffs raised again – for wheat and rye to 5 marks per quintal. This was basically a return to the tariff levels of 1902. Rye was favoured because the tariff with wheat was the same but rye production costs were lower. To appease smaller peasant farmers, duties on feedstuffs were lower or non-existent while tariffs on animal products such as butter, beef, and milk were raised. This was, observes Gerschenkron, the first time that peasant farming had been properly protected and shows the growing power of the peasants.¹

In some ways German agriculture prospered in the later 1920s. By 1927 livestock production was back to 1913 levels and demand for animal products was growing with rising incomes. Per capita egg consumption was 17% higher in 1929 than 1913. Butter prices were 38% higher in real terms in 1928-9 compared to 1913. Grain cultivation also prospered. By 1928-9 the price of rye was 47% higher in real terms than in 1910-13 and wheat 22% higher. Rye output increased, especially as yields rose.

And yet there were mounting problems:

- While output of rye increased, demand for rye fell as real incomes rose. Per capita rye consumption fell 17% 1924-29. Hence Germany was over-producing rye again and the solution was again to export the surplus: by the late 1920s one million metric tons were being exported each year.
- German farmers had borrowed heavily in the 1920s and interest payments on loans were higher in real terms than before the war.
- Taxes were rising.
- Imports of livestock products were increasing. German producers, who had failed to develop livestock production in the years before 1914, could not compete with the superior efficiency of Danish and Dutch farmers.
- World grain prices were falling as they had done in the 1870s. Wheat prices fell 40% 1925-9 due to increased production in America driven by use of tractors and combine harvesters. German prices were kept higher by tariffs, but from 1928 German grain prices fell too.

¹ *Ibid.*, p. 118.

Peasants began to go bankrupt and were evicted from the land. They blamed the government for failing to restore their prosperity and resisted tax collectors and protested against evictions.

In response to the problems of agriculture a Green Front was founded in 1929 to represent the interests of all farmers, uniting the Junker Reich Agrarian League with Catholic peasants in the south. The Front pushed for higher protection from the SPD government, which had been formed in 1928. The SPD agreed to act. It decided on a policy of *stabilising* food prices. This was a compromise, an attempt to please both farmers and urban workers – though of course it was more in the interest of the farmers. In July 1929 tariffs on wheat, rye, and oats were raised to 6.5, 6, and 6 marks per quintal. They were raised again in December 1929, and in March 1930 tariffs increased still more – to 12 marks per quintal on wheat. These tariff increases were the last act of the SPD government before it fell, showing, says Gerschenkron, how even they had been forced to follow the policies of the Junkers.¹

By 1931 tariffs on grain were about 4-5 times the level of 1906-14, while those on animal products were 2-2.5 times higher. In addition:

- The government bought up rye to keep the price higher: during 1930 300,000 tons were purchased and stored. The government even bought Polish rye to stop the price falling.
- A law of 1929 stipulated a proportion of German wheat must be used in all bread.

The result was a rise in the relative price of wheat, which now eclipsed by a strong margin the price of rye, whose demand base was narrowing. Consequently, between 1929 and 1932 the area given over to wheat cultivation increased at the expense of rye and oats.

Germany was thus tending to become self-sufficient in grains. This was, of course, an old Junker objective and would be a Nazi objective too. The problem was that Germany was not well suited to the production of wheat. It *was* well suited to rye, but this was in decline. In economic terms Germany needed to move away from grains to livestock products, but this was politically impossible due to Junker dominance of agrarian policy. In effect, by stabilising the grain and potato market these products became more profitable than livestock production, whose prices were not supported and whose demand fell with the depression. Cash returns to non-stabilised commodities fell 40% 1929-33. And higher grain prices reduced real incomes, further reducing demand for high-value farm products.

¹ *Ibid.*, p. 138.

The Rise of the Nazis

The failure to protect animal products adequately left peasant farmers angry and they began to abandon the Junker-dominated German Nationalist Party. At this point the Nazis issued their agrarian programme in 1930. It said that Germany should be self-sufficient in all essential foodstuffs and that the share of the population engaged in agriculture should remain constant, and spoke of reducing the burden of taxation and interest in debts of farmers. Little was new here, but Nazis propaganda was effective and the party was not tainted by past failures. So in the 1930 election many peasants switched their votes from the German Nationalists to the Nazis, who accumulated 6.2 million votes.

The rise of the Nazis had positive and negative effects on the Junkers. Negatively, the Nazis reduced the political power of the Junkers. They went from being the second biggest party in the Reichstag to being a small group. Positively the Nazis were able to mobilise the masses against democracy – something the Junkers approved of. The Junkers thought they could control and use the Nazis and retain their power. In 1931 the Nazis, German Nationalists, and the Agrarian League formed the Harzburg Front. The Junkers provided prestige to Hitler while industry supplied money. Meanwhile Chancellor Brüning was deflating the economy at the same time as maintaining agricultural protection, further squeezing the living standards of urban Germans.

Despite substantial tariff support, agriculture in the East remained in poor condition. Agricultural indebtedness was rising rapidly, standing at 11.6 billion marks in 1930. The state tried to help these farmers. For example, under the East Help Act of 1931, 500 million marks were made available to allow eastern farmers to convert short-term debt into lower interest long term debt. Taxes in the east were reduced and freight charges lowered. But this didn't stop farm bankruptcies. In 1931 176,662 hectares of land were put up for sale, of which 69% was estates of over 100 hectares. The state bought this land (to keep up land prices) and then sold it to peasants. Once again government money was being transferred to the Junkers. But it was the *way* the money was distributed that caused a scandal: by the end of 1932, 722 of the 12,420 recipients of funds got 46% of the money and many were friends and relatives of those allocating it. Brüning decided to move against the corruption by simply handing over bankrupt estates to peasant farmers.

President Hindenburg, who had himself been given an estate in the East, objected to this 'agrarian Bolshevism' and in May 1932 he sacked Brüning and appointed Von Papen, who was in turn replaced by Von Schleicher. But Schleicher also proposed that some of the bankrupt East Elbian estates be given over to peasant cultivation. He was attacked by the Agrarian League for intending to plunder agriculture and was dismissed and Hitler appointed Chancellor January 1933.

The victory of the Hitler movement in Germany was due to a variety of causes. Yet it is impossible to overestimate the momentous role which the economic and political interests of the Junkers played in the long process of disintegration of democracy leading to the untimely end of the Weimar Republic ... ¹

Under the Nazis the basic goals of agricultural policy did not change – but the methods did. The Reich Food Estate began a policy of price fixing and quotas and strict exchange control reduced all food imports, including of meat and fats. The incomes of farmers rose steadily. The bias towards food grains remained, which was necessary for any system of autarky and self-sufficiency in war. In practice, therefore, Nazi policy favoured the Junker farmers, despite the rhetoric about the nobility of the peasant. They were also helped by low wages for farm workers and the forcing of urban youth to work on farms. The amount of land resettled fell under the Nazis: from a peak in 1932, by 1937 it was down to 37,506 hectares. Thus the first five years of Nazi rule saw no fundamental change in the structure of land ownership. 18,000 families owned 20% of all German farmland. Politically, however, the Junkers continued to lose power, especially with the Night of the Long Knives in 1934 and the eclipse and death of Hindenburg.

The Post-War Settlement

Thus, concluded Gerschenkron in 1943, the problem of the Junkers remained to be solved if a democratic, peaceful, Germany was to emerge after the war. Unlike after World War One, there needed to be a far-reaching change in the social structure of Germany. ‘The fate of German democracy depends largely on the solution of the agricultural problem in that country.’ The issue of the peace ‘will be settled on the grain fields of the East Elbian provinces.’² The first and foremost necessity for agrarian reconstruction, he argued, was the elimination of the Junkers, who had been the authors or co-authors of all the acts of aggression perpetrated by Germany in the last 80 years. ‘Preservation of the Junkers means autarky, and autarky in Germany means war.’³ The problem of the Junkers was not a purely economic one – it was a political and sociological issue too. A radical land reform must accordingly be initiated immediately upon Germany’s defeat. After the First World War the pressing need to feed the German population had eclipsed any possibility of land reform. This food-supply issue would arise again following the Second World War, and the Allies must this time be prepared to provide Germany with food, which, Gerschenkron believed, would be possible since the USA and Canada had large grain surpluses. Expropriating the Junkers would release about 3 million hectares of agricultural land. Much of this

¹ *Ibid.*, p. 153.

² *Ibid.*, p. 173.

³ *Ibid.*, p. 183.

land was marginal and should be converted to forestry. Germany should no longer be seeking self-sufficiency in grain based on the high-cost cultivation of this area. It needed, instead, to switch from grains to high-value foodstuffs like milk, eggs, fruit, meat etc. A high price of bread, concluded Gerschenkron, threatened disaster to any free government in Germany.¹

Retrospect

Gerschenkron's study of agricultural policy in Germany between the 1870s and 1945 is a masterpiece of political economy. By focusing upon the influence of the grain-growing Junker landowners of Prussia, Gerschenkron shows how state policy towards the farming sector was distorted in Germany, with a consistent bias towards protecting the interests of the Junker elites and their cultivation of rye, an inferior grain crop best suited to the sandy soils and seasonal conditions within East Prussia, through the imposition of tariffs upon imported grains. Economically, the effect of this policy was to bankroll excessive production of grain and hinder the diversification of German agriculture towards livestock and dairy farming in response to the influx of cheaper grain products from the New World, as happened in such countries as Denmark, Holland, and the United Kingdom. Socially, the effect was to preserve the lifestyle and culture of the Junker nobility whilst reducing the living standards of urban workers and limiting the ability of smaller peasant farmers to thrive through new higher-value products. Politically, the defence of agriculture underpinned a 'conservative block' of Junker, peasant, and larger industrial interests which stymied the growth of progressive liberal and social democratic parties and sustained a Prussian-led elite in power centred around the Hohenzollern monarchy and later the conservative presidency of Hindenburg. In this way Gerschenkron convincingly shows how economic issues and policy in Germany go a long way towards explaining Germany's political catastrophes, including two World Wars and the rise of the Nazi party. Of course, he exaggerates the importance of Junker-inspired protectionist policies. As Griswold observed in a 1944 review, Gerschenkron says little about the social and political activities and attitudes of the Junkers as a class. His focus is very much upon their agricultural interests, which means that Gerschenkron's attempts to link political developments to Junker machinations are not properly developed. The ideology of Prussianism, Griswold writes, of which the Junkers were the mainstay, was 'a far more deadly enemy of democracy than protective tariffs.'² But a greater structural weakness of the book is that it accords to the Junkers an excessive importance in explaining the course of German history from the 1870s. While the Junkers were at the forefront of pressure to introduce protectionist policies in Germany, they were not the only ones.

¹ *Ibid.*, p. 223.

² A. Whitney Griswold, Review of A. Gerschenkron, *Bread and Democracy in Germany*, *Journal of Political Economy*, Vol. 52, No. 4 (Dec., 1944), p. 366.

Large industrial interests also supported tariffs. More importantly, Germany was not the only country to respond to cheap American grain imports in the 1870s by raising tariffs – most countries did, including Italy, France, and Switzerland, despite not having a Junker-style landlord class. Germany itself was not the only country to have a traditional landed gentry class with great social and political influence: Britain's aristocracy and gentry were just as associated with agricultural production and took leading parts in government and the army, and were damaged by the import of cheap grain – yet there was no move to autarky or militarism in response to these developments.¹ And as Peter Gourevitch writes, the 'Junkers did not put Hitler in power by themselves'.² In other words, many of the processes Gerschenkron attributes to the Junkers had other causes and were not, as he implies, a direct consequence of this particular agrarian elite, and indeed would probably have happened in some form even had the Junkers not existed. Likewise, as Karl Brandt (who fled Germany when the Nazis came to power) observes, it does not follow that if the Junkers had, as Gerschenkron suggests, been eliminated in 1919 'Germany and the world would now be at peace.' 'This is extremely doubtful ... because a sufficient degree of social and economic distress will invariably give political gangsters and men of violence ideal opportunities for their exploits ...'³

Gerschenkron's book shows the power of economic history in elucidating social and political trends so as to make sense of a given contemporary situation: namely, the land question in Germany after the war. Yet it also demonstrates history's weaknesses as a guide to future events since unexpected 'Black Swan' occurrences can render historical extrapolation redundant. For this is precisely what happened to Gerschenkron's own policy recommendations. When the Second World War ended the Junker lands fell under Soviet control and were subsequently incorporated into the socialist states of East Germany and Poland. The westward extension of Poland's borders after the war absorbed 56% of Junker lands East of the Elbe, while within East Germany sweeping land reform expropriated the remaining Junker estates.⁴ The Junkers were thus obliterated – but not in the fashion Gerschenkron envisaged. Far from giving way to a mixture of afforestation and peasant livestock farming, the Junker lands were collectivised into state farms and the Junkers as an agrarian class disappeared from history. The consequences for democracy were mixed. Democracy did indeed consolidate itself in the Federal Republic of Germany, though for reasons owing little to the absence of the Prussian Junkers. And where the Junkers had themselves once held court East of the Elbe, they were indeed no more to be seen – but then neither was democracy in the East German and Polish successor states.

¹ C.f. Karl Brandt, Review of A. Gerschenkron, *Bread and Democracy in Germany*, in *Journal of Farm Economics*, Vol. 27, No. 2 (May, 1945), pp. 495-498.

² Peter Gourevitch, Review of A. Gerschenkron, *Bread and Democracy in Germany*, in *German Politics & Society* No. 19, Civil Rights and Civil Liberties in the Federal Republic (Spring 1990), pp. 90-93.

³ Brandt, Review of Gerschenkron, *Bread and Democracy in Germany*, *Journal of Farm Economics*, Vol. 27, No. 2 (May, 1945), p. 497.

⁴ Gerschenkron, *Bread and Democracy in Germany*, p. xxxiii.