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Gustav Schmoller and Globalisation

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Abstract

Based on a relativist approach to the history of economic thought, in this paper it is argued that both Gustav Schmoller's methodology and his views on economic and social policy can be seen as a reaction to the challenges Germany's increasing integration into the world economy brought about. We hold that his integrated, dialectical understanding of the globalisation process offers insights that have not lost their significance up to the present day. This is certainly not true of his views on imperialism and naval policy, which are often left aside in modern appraisals of his work. However, we hold that they are important to a complete picture of Schmoller's views on globalisation.

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1. Introduction

Certainly, the astonishing career of the term 'globalisation' is "more than just a symptom of collective misjudgement" (Osterhammel / Petersson, 2003, 7). However, the rigor with which some scholars – not to mention journalists and politicians – claim globalisation to be a new and unique social phenomenon reflects not only a lack of historical consciousness. As we argue in the following, it is also the outcome of a methodological tradition in the social sciences to theorise human society from the perspective of the nation-state. Most economic historians agree that the era of the classical gold standard was a period of rapid globalisation and that on the eve of the First World War economic integration may even have been higher than it is today.[1] Some

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[1] The most distinguished analysis of the historical dimension of globalisation is to be found in Paul Hirst's and Grahame Thompson's book *Globalization in Question* (1996). The authors' main conclusion that "international trade and capital flows, both between the rapidly industrializing economies themselves and between these and their various

"sceptics"[2] of the globalisation thesis see internationalisation and regional fragmentation as mutually connected processes.[3] According to them, our age does not only witness globalisation, but also the emergence of large trading blocks and regional states which on the one hand promote internal integration of formerly separated nation-states, but on the other hand insulate themselves against outside influence (see e.g., Hettne, 2003, 367). Other authors argue that not only are integration and fragmentation often to be observed simultaneously, but also that history shows that phases of globalisation and de-globalisation have repeatedly followed one another. According to them, the post-war 'Keynesian' welfare state is a prime example of this: The consensus that nation-states should be able to pursue a relatively autarkic economic policy was based on the conviction that the unleashed economy had been one of the major causes of the two World Wars. In this sense, they argue, the relative de-globalisation after 1945 can be seen as a reaction to the preceding globalisation process. As all previous movements in direction of globalisation had sooner or later been retarded and often (if not regularly) replaced with periods of 'de-globalisation', they hold, it is an entirely open question whether the 21st century will really be the age of globalisation or if we simply go through one of the more or less short-lived periods of internationalisation that sooner or later will be followed by a 'regressive' movement (see e.g., Borchardt, 2001, 20 – 1).

Independently from the rather speculative question whether we already stand on the threshold of the second phase of Karl Polanyi's famous 'double movement' (Hettne, 2003, 368):[4] If the history of globalisation is a history of

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colonial territories, were more important relative to GDP levels before the First World War than they are probably today" (31), is shared by a number of authors (see e.g., Zevin, 1992, 51 – 2; Gilpin, 2003, 350).

2 According to a common classification introduced by David Held et al., within the globalisation literature one can distinguish three camps of authors: The "hyperglobalisers", who argue that "globalisation defines a new epoch in human history" (Held et al., 1999, 3), the "sceptics", who claim that "contemporary levels of economic interdependence are by no means historically unprecedented" (Held et al., 1999, 5) and the supporters of the "transformationalist thesis" who take a middle position. On the one hand, they agree with the "hyperglobalisers" that "contemporary processes of globalisation are historically unprecedented such that governments and societies across the globe are having to adjust to a world in which there is no longer a clear distinction between international and domestic, external and internal affairs". On the other hand they agree with the sceptics that globalisation is not a pre-determined process and that accordingly its future is unknown to us (Held et al., 1999, 7).

3 See especially Ian Clark's book *Globalization and Fragmentation. International Relations in the Twentieth Century* (1997).

4 The basic idea of the "double movement" thesis, which Polanyi presented in his principle work *The Great Transformation* (1944), is that the 19th century was marked by alternating periods of extension of the market and by attempts to restrict the market by political means. The counter-movements were necessary, he argued, because the unleashed market threatened the cohesion of society, which accordingly had to find the means to 'defend' itself against the destructive impact of the market.

alternating periods of internationalisation and regionalisation – a view which we share – in order to understand the whole process, de-globalisation deserves our attention as much as globalisation (Borchardt, 2001, 4). Gustav Schmoller, the "master" (Rieter, 2002, 145) of the younger historical school, was the key figure in German economics from the 1870s until his death in 1917. In contrast to the great period of free trade (lasting from about 1840 to 1880), the last three decades before the First World War were marked by growing protectionism, colonisation and international political tensions. At the same time, international economic integration continued to increase and in the 1910s reached a level that was again reached only at the end of the 20th century.

In this paper we intend to show that one reasonable interpretation of Gustav Schmoller's economic thought is to see it as a reaction to the challenges of globalisation.[5] As we will argue, his basic methodological proposition that economic affairs should not be analysed separately from their political, social and cultural context was basically an answer to the differentiation processes caused by the increasing inclusion of the German economy into what in German contemporary terminology was called the *Weltwirtschaft* ['world economy'].[6] It was Schmoller's main concern that too fast a transformation of social relations would endanger social cohesion. This is the main reason why he directed his attention mainly to the interplay between state and economy and demanded to give the national interests of the country priority over its relation to the international community. However, it would be in no way justified to present him as an 'opponent of globalisation'. Quite on the contrary, to him "the riddle which must really be explained" of all social science was the issue of *Vergesellschaftung,*[7] that is, the question how "from poor, savage, isolated-

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5 We agree with Birger P. Priddat (1998) that there are "histories" rather than "a history" of economic thought, for in our view history emerges from the questions and problems with which the scholar turns to the past. Therefore, different approaches and questions lead to different histories.

6 Bernhard Harms (1876–1939) is regarded as the founder of a particular *Weltwirtschaftslehre* (theory of the world economy). Educated in the tradition of the younger historical school, in his book *Volkswirtschaft und Weltwirtschaft* (The national economy and the world economy), which was published in 1912, he rejected the historical approach and in particular the theory of the stages of economic development which was so characteristic of Schmoller and his students. In 1914 Harms was appointed the first director of the *Institut für Seeverkehr und Weltwirtschaft (Institute for maritime traffic and the world economy),* an institution which, according to Harms, was intended to stand "witness to the far-reaching importance which the reign of Kaiser Wilhelm II has attained for Germany's position in the world economy and world politics". In 1913 Harms founded the first German specialist journal dedicated primarily to the problem of globalisation, the *Weltwirtschaftliches Archiv.* For more detail see Beckmann, 2000, 19–23.

7 There is no adequate English equivalent of the word *Vergesellschaftung;* we shall therefore use the German term throughout. It was introduced into sociological discourse by Ferdinand Tönnies in his principle work *Gemeinschaft und Gesellschaft* ([1887]

human tribes rich peoples millions strong finally emerged, who now encompass the globe with their commerce" (Schmoller [1900/1904], 1919, vol. 2, 748). Progress and *Vergesellschaftung* for him was one and the same, and hence he measured progress in the size of the human associations.

As we will argue, these two propositions are basic both to his theoretical account of globalisation and to his views on trade policy, the navy issue and colonialism. Without wanting to forestall the result of this study: As critical of the younger historical school and Gustav Schmoller in particular as we generally are,[8] we nevertheless hold that his broader vision of economic affairs enabled him to see and to analyse problems caused by globalisation which today's mainstream economists with their "tunnel vision"[9] of quantifiable parameters are sometimes blind to. The remainder of the paper will be organised as follows: In section two we will briefly highlight the historical context in which the German economists of the 19th century 'discovered' the nation. In section three, we demonstrate in some detail in what sense Schmoller's methodology can be seen as a reaction to the challenges of the contemporary globalisation process. Section four is dedicated to his views on tariffs and trade policy, and section five to that on naval policy and colonies. In the conclusion we will summarise what might be learned from Schmoller's works in view of today's globalisation processes.

1963). Leaning on Tönnies, Max Weber, in *Wirtschaft und Gesellschaft* ([1922] 1978, vol. 1, 40–1), presented the definition which has remained the most popular up to the present day (here quoted in Talcott Parsons' translation): "A social relationship will be called 'associative' (*Vergesellschaftung*) if and insofar as the orientation of social action within it rests on a rationally motivated adjustment of interests or a similarly motivated agreement, whether the basis of rational judgements be absolute values or reasons of expediency." Schmoller's understanding of *Vergesellschaftung* is similar to that of Simmel who, in *Soziologie. Untersuchungen über die Formen der Vergesellschaftung* (1908), understood it in a rather general fashion as the interaction of individuals which makes social cohesion possible. Schmoller's concept is different from that of Weber and from that of Simmel in that he places more emphasis on the moment of development, the *process* in *Vergesellschaftung*. He is clearly influenced here by Herbert Spencer, to whom he directly refers when describing the connection between the division of labour and *Vergesellschaftung* (Schmoller, [1900/1904] 1919, vol. 1, 393).

8 Consequently, we also perceive the current "Schmoller Renaissance" (Peukert, 2001) with mixed feelings.

9 This term has recently been popularised by Paul Seabright in his remarkable book *The Company of Strangers* (2004). By "tunnel vision" he means "the capacity to play one's part in the great complex enterprise of creating the prosperity of a modern society without knowing or necessarily caring very much about the overall outcome." (15) Precisely this is true also for the complex enterprise of modern social science: As a quick glance at any mainstream academic economic journal reveals, one does not have to know much or even care about the overall implications of one's research to be considered a good economist.

2. Globalisation and the Transformation of German Economics

The evolution of the German economy since about the middle of the 19th century is a particularly striking example of the tight connection between inclusion in international economic relations and rapid institutional change at the national level. Certainly, Schmoller had first of all Germany in mind when he described the "total effect" of the increasing volume of trade between 1840 and 1880 to the effect that

> "the local division of labour, which had previously been limited to narrow boundaries and to certain areas and certain goods, now took on quite different dimensions: so that large-scale industry, mass transport, competition increased much more rapidly than in earlier times. ... The entire economic physiognomy of the regions, the provinces, the states became more differentiated. Industrial states now arose which imported not just a few, but 30 or even 70 % of their foodstuffs from abroad, and agricultural states which exported a large share of their crops ..." (Schmoller, [1900/1904] 1919, vol. 2, 712 – 13).[10]

Not only was the country's structural transformation closely connected with its inclusion in the world economy, but the first world-wide depression of 1873/74 also made Germany's dependence on international business cycles obvious to contemporary observers (see e.g., Abelshauser, 2001, 511). Hence, if globalisation is defined as a "a stretching of social, political and economic activities across frontiers such that events, decisions and activities in one region of the world can come to have significance for individuals and communities in distant regions of the globe" (Held et al., 1999, 15), there is no doubt that Germany has been part of a global economic system at least since the last third of the 19th century.

Indeed, the German economist Paul Arndt as early as in 1908 (1 – 4) described the world economy as a "network", whose "strings ... cover the whole Earth", so that the development of the "modern industrial and commercial states ... can only be understood and judged from the point of view of the world economy". If there is a fundamental difference between then and now it is that "markets were truly supreme and governments had little power over economic affairs" (Gilpin, 2003, 350). In our view, it remains questionable whether the period between 1870 and 1913 really accorded – more or less – with the vision Marx and Engels had outlined in the *Communist Manifesto* (Scharpf, 2003, 373). There can be no doubt, however, that the lack of institutions able to absorb the social consequences of rapid structural change at the time caused significant social problems.[11]

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[10] Although German industry since the middle of the 19th century developed at an astonishing speed, at the eve of the First World War the country could not yet be classified as an industrial country without reservations – in 1907 still 34 % of the population were occupied in the agricultural sector (see Stolper et al., 1964, 28).

Then and now the discourse on what we today call globalisation was concerned not so much with foreign trade policy but with medium and long-term structural and social change at the national or regional level (Spree, 2003, 39). The economic depression of 1873/74 was a particularly dramatic experience for Germany, because it hit a country in transition that was already destabilised – both in material and in cultural terms – by rapid institutional change. It was in 1874 that Schmoller stated

> "that we find ourselves in a period of chaos, of the transition to new conditions; all the old forms of economic life have been dissolved, an economic revolution is taking place such as world history has not yet known. It is a question of correctly ordering and arranging the wild elements into a new, sound construction or of finding oneself faced, within a short period of time, with abominable circumstances" (Schmoller, [1874] 1998, 89).

If globalisation is not a new phenomenon, the same applies to 'glocalisation'. It is neither an accident that Friedrich List developed his *National System of Political Economy* as an answer to what he saw as the consequences of international trade between unequally developed countries, nor, that Gustav Schmoller developed the concept of the nation-state as a welfare state[12] in a period of until then unprecedented international economic integration.[13]

Gustav Schmoller was never – especially compared to many of his contemporary German colleagues – a romantic thinker. He clearly welcomed the economic and technical progress brought about by industrialisation. But he was concerned that the rapid development of market relations, including the possibility of abrupt crises, would undermine the social cohesion of the nation. In his view, this problem was basic to the future economic development of the country, including its further integration into the world economy, but rather

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11 As Jeffrey G. Williamson (1997) has shown in an instructive paper, it is another common feature of the globalisation processes of the late 19th and the late 20th century that they have caused increasing inequality in the rich countries and decreasing inequality in the poorer ones.

12 Harold James (2001, 13) goes so far as to claim that "the nation-state, as we know it, is a response to the challenges of the first wave of globalisation". The standard work on the links between the rise of the historical schools and the provision of social reform in Germany is Grimmer-Solem (2003).

13 Of all the German economists in the period examined here Max Weber, in his lecture "Der Nationalstaat und die Volkswirtschaftspolitik" (The Nation State and Economic Policy, 1895) formulated the problem of the relationship between the nation and the world economy most clearly. He drew a clear line between economic theory, which must be international, and economic policy, which should be guided by the requirements of the nation: "Economics as an explanatory and analytical science is *international,* but as soon as it makes *judgements* it is bound to that expression of humanity which we find in our own being. ... The economic policy of a German state, similarly to the standard of judgement of the German economic theorist, can therefore only be German" (Weber, [1895] 2005, 559–60).

than by economic means, it could only be solved politically. Mainstream economics in the 1870s, Schmoller felt, was not able to contribute to the solution of this problem. Concentrating on the causal relations *within* the economic system, they regarded the state, if at all, as a factor which disturbed the economic mechanism. To Schmoller, in contrast, a basic issue of all social science was the interaction *between* the different subsystems of society, whereas he had relatively little interest in issues of price formation and the like (Schefold, 1989, 80).

Summarising, we may say that the methodological shift in German economics marked by the works of Friedrich List and of the older historical school did not accidentally start around the middle of the 19th century, i.e., the time when Germany was beginning to be both integrated into the international economy and transformed into an industrial country. The discovery of the nation by the German economists is a classic example of the dialectics of globalisation and fragmentation: It was the disintegrating effects of Germany's inclusion into the world economy that drew the attention of the German intellectuals to the issue of how to cope with these consequences on the local (= national) level. As we will show in the next section, Schmoller's methodology aimed at providing the tools to analyse this basic question.

3. Schmoller's Methodology and Globalisation

Some of today's social scientists are surprised that due to increasing international integration "one cannot understand the nature and possibilities of political community by referring merely to national structures" (Held et al., 1999, 30).[14] To an economist this statement looks rather strange, for at least since the times of David Ricardo economists have been aware of the impact of the international division of labour on regional economic structure. The fact that economics has traditionally been more universalistic than the social sciences can be explained, first, by the fact that it is a child of the 18th century. Sociology, the oldest of the social sciences, established itself only in the 19th century, that is, the age of the nation-states. Second, the division of labour between economics and the other social sciences meant that the latter mainly theorised society from the perspective of the nation-state, which was widely ignored by economists. The separation between economics and the social sciences was especially strict in the period between the Second World War and the late

[14] In the year that marks the end of the Cold War, the German sociologist Friedrich Tenbruck (1989) published a thought-provoking essay in which he harshly criticised the 'national' perspective of many social scientists and contrasted it with the universalism of the classics of sociology. His critique did not find much response then, but – as the above quotation shows – in the course of the globalisation debate many authors are again becoming aware of the problem.

1980s.[15] In our view, this strict separation was possible only as long as the Iron Curtain existed, which slowed down the speed of development worldwide and – due to the political competition between the systems – maintained the consensus in the Western world that the social consequences of the market economy had to be tempered by the welfare state. As a consequence, the relation between society and the economy remained stable for decades, so that the interplay and possible tensions between both seemed not to cause problems worth much scientific attention.

In periods of rapid economic development, which almost always go hand in hand with the spatial enlargement of markets, this division of labour becomes problematic. As the political institutions able to cope with the externalities produced by the economic system usually adapt only with some delay, the impression arises that the proportion of power between markets and states changes in favour of the former (see in detail Strange, 1996). This problem relating to the interplay of the economic system with the other parts of society was as topical in the times of Gustav Schmoller as it is today. As the separation between economics and the other social sciences, especially sociology, had not yet been implemented at his time, Schmoller fought out the potential conflict between the two disciplines within himself, so to speak. In our view, the key to understanding his views on globalisation is that Schmoller saw two different – even opposed – sources for the cohesion of society. On the one hand, his thought was firmly rooted in the tradition of classical liberalism. Accordingly, he was aware of the civilising function of the market economy, which

> "arises with the division of labour, with growing commerce, it connects thousands and millions, where the natural economy interlinked a few, dozens, at the most hundreds; but it leaves the interlinked individuals freer, it is satisfied with payments of money which are based on values, prices, often on free, short-term contracts. Even where compulsion and state order avail themselves of the money economy, the constraint is a much lesser one" (Schmoller, [1900/1904] 1919, vol. 2, 100).

On the other hand, however, he held that "the dissolution of old, substantial customs is sometimes accompanied by the blossoming of a higher morality, but manifoldly by a growing egoism, greater self-indulgence, the inability to sacrifice, narrow-minded short-sightedness" (Schmoller, [1864/65] 1888, 62). These destabilising consequences of the market had to be absorbed by the second source of cohesion, the common *Volksgeist,* which Schmoller – not very precisely – characterises as follows:

> "Just as formerly there was a strong internal psychic solidarity only among members of families, communities or tribes, so today such a solidarity has arisen among the members of a nation. A sum of common sentiments inspires the nation, a sum of

[15] On the emergence of the separation between economics and sociology in the postwar period see Hodgson (2001, 195 – 7).

common ideas crossed the threshold of national consciousness and creates that which we call the common national spirit (...)" (Schmoller, [1911] 1998, 220).

To Schmoller ([1900/1904] 1919, vol. 1, 5), a sound national economy could exist only where both sources of social cohesion were in equilibrium, that is, where people were bound together both by a "uniform system of trade and lively exchange" and by "the same language, ... common sentiments and ideas, morals and laws". As, according to Schmoller, these two factors both bring about and strengthen each other, he [1900/1904] 1919, vol. 1, 6; see also [1911] 1998, 222) time and again condemned it to be an unrealistic "fantasy to imagine a natural economy outside of, and separate from, any state and any state influence" and harshly polemised with his colleagues who "are nervously trying meticulously to plant the scientific boundary posts and never to chase a hare into an adjoining field ... which they neither know nor wish to know" (Schmoller, [1900/1904] 1920, vol. 1, 112).[16] To him, there could be no doubt that his time was marked by a severe disequilibrium to the disadvantage of the moral bonds:

"Every great economic advance which inundates a nation with previously unimagined riches brings its entire civilisation [*Gesittung*] into flux, changes as a rule all the previous habits of trade, of the exchange of goods, of social interaction. The old moral bonds and concepts are dissolved; the equilibrium of the moral forces is not restored immediately" (Schmoller, [1874] 1998, 79).

As history showed that "it is moral power alone, and never the presiding of egoism, which masters such crises" (Schmoller, [1874] 1998, 80), Schmoller ([1881] 1998, 112) declared that "the individualist epoch should now be followed by a socialist one in the best sense of the word, a period of reforms, of social legislation, of the concentration of forces ...". However, in judging such statements one should always be aware that relativism is one of the basic pillars of (not only economic) historicism (see e.g., Rieter, 2002, 132). Schmoller's claim referred to a particular time in a particular country. If he did have something like a general theory, it was a theory of economic and social evolution. Hence, in search of general statements on the interplay between the market and the *Volksgeist,* we have to turn to his views on development. In his PhD thesis on the *Entwicklungstheorien in der historischen Nationalökonomie des Kaiserreichs,* Thomas Düe delivered a convincing analysis of the links between "psychological and material causes" in Schmoller's theory of progress. In particular, Düe has shown more clearly than other authors, that to Schmoller economic development is mainly a process of social differentiation. Düe describes Schmoller's basic problem (2001, 95) as follows:

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16 Nicholas W. Balabkins (1989, 111) correctly points out that Schmoller, with his integral view of the economy, is rooted in a German tradition which is in contrast to the Anglo-Saxon tradition, which tends to view the economy in an isolated fashion.

> "In the primitive social communities there is a natural social homogeneity, which is reflected in an emotional foundation based on congenial feelings. With economic and cultural progress this homogeneity is lost so that the psychological foundation is no longer of an adequate capacity to guarantee the unity of the society."

This indeed is the key to understanding Schmoller's account of development: The 'base' psychological motives fundamental to the market mechanism are necessary for economic and technical development, but they also lead to social differentiation which undermines the moral bonds of society and hence jeopardises the cohesion of the social body. Therefore, every additional development of the market forces also calls for an additional strengthening of the moral bonds which – at least partly – re-establish the homogeneity of society and thus form the foundation for the continuation of the differentiation process.[17] In other words: To Schmoller, spontaneous differentiation and conscious re-integration are dialectically connected processes. In our view, it is not an exaggeration to say that in Schmoller there is a – albeit more implicit than explicit – formulation of a 'double movement' which now is associated with the name of Karl Polanyi.

To Schmoller, the dialectics of fragmentation and differentiation is inseparably connected with economic and social progress. As we have already mentioned, progress to him is nothing else than increasing *Vergesellschaftung,* which he measures by the increasing size of the social communities, leading from "the agrarian subsistence economy and tribal communities" over the stages of "municipal economy and municipal economic regions", "medium-sized and territorial states" and "the formation of larger national states and economies" finally to the "world states and the advance of world economic relationships". Schmoller was less concerned here with the territorial size of the societal unions. He measured "progress", rather, by how many people were integrated into each social entity – according to his calculations the primitive tribes consisted of 1000 to 25000 people, while the modern world empires consisted of up to 400 million people (Schmoller, [1900 / 1904] 1919, vol. 2, 764 – 5).[18]

Market relations are not only the moving forces of economic and technical development. They also bring people of different and hitherto separate communities into contact with each other for the first time. These contacts form the basis for the establishment of new moral bonds, so that the smaller inter-

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[17] As Manfred Prisching (1993, 212) aptly puts it: "Decisive for the possible perspective of reform is, according to Schmoller, only that the extension of state power keeps abreast with the differentiation of society, i.e., with its division of labour and formation of classes."

[18] Schmoller expounded his theory of development for the first time in his "Studien über die wirtschaftliche Politik Friedrichs des Großen und Preußens überhaupt von 1680 bis 1786" (Studies of the economic policy of Frederick the Great and particularly Prussia from 1680 to 1786), which was published in 1884 to 1887 in *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirthschaft im Deutschen Reich.*

acting social bodies become part of a larger society. According to Schmoller this development does not take place continuously, however, but in stages. And here is precisely the connection between the two elements of his theory of social evolution: every time a society attains a new stage of *Vergesellschaftung* this must be followed by a process of integration. Only when the latter has been completed can the society master the next round of the process of *Vergesellschaftung* without its existence being threatened by the at first disintegrating effects of this *Vergesellschaftung*.

The following quotation makes clear that Schmoller saw the main task of his time and place in integrating society at the stage of national economy that Germany had only just reached with the unification of 1871:

> "Today's means of commerce have interlinked the individual economies within the state in such a way as previously only neighbouring economies were interlinked. Although analogous threads already reach far beyond the state and create a world economy, these are yet much weaker than those existing in the interior; the national economy is still the most important thing today; whether its place will be taken later by the world economy is still uncertain; perhaps linguistic usage will then change" (Schmoller, [1911] 1998, 220 – 1).

At the same time, he himself points out the historical relativity of his statement. Thus, it is no accident that he managed completely to do without the concept of the nation when he explained the central idea of his theory of development – or more precisely: his theory of *Vergesellschaftung* – as follows:

> "What I have in mind, is the connection between economic life and the essential, controlling organs of social and political life, – the dependence of the main economic institutions of any period upon the nature of the *political body or bodies most important at the time"* (Schmoller, 1897a, 2; our italics).

4. Schmoller's Views on International Trade Policy

As Reinhard Spree (2003) argues in an instructive paper, not only does globalisation itself have a much longer history than some 'hyperglobalisers' try to make us believe, but the past has also already seen some intense debates on the issue. In our view, the main reason why these debates reached a particular intensity in 19th-century Prussia / Germany is the country's catch-up development, which started with the so-called *Stein-Hardenbergschen Reformen* in 1806 (in detail see Hubatsch, 1977). As is typical of catch-up development, a relatively backward nation took over institutions and technology from relatively advanced foreign countries, and this caused a modernisation shock: The prevailing ideology was still shaped by the feudalist age, and as 'shared mental models'[19] always only adapt to changes in the real world with some delay,

[19] This term has been introduced into economics by Douglass C. North and Arthur T. Denzau in their paper "Shared Mental Models: Ideologies and Institutions" (1994).

there emerged a conflict between ideas and reality that found its expression in the romanticists' protest against economic modernisation.[20]

What German anti-capitalism was – and partly still is – all about, is shown most clearly by the writings of Adam Müller (1779 – 1829),[21] who in the sense of Mark Perlman and Charles R. McCann Jr. (1998, 1 – 5) can be seen as something like a 'patristic' figure in German anti-capitalism. The fatal error of the Enlightenment and its political and economic implications, he ([1809] 1922, vol. 1, 58 – 9) saw in the idea "that the greatest unity and order of bourgeois transactions can only be achieved by the greatest division of the same", which he contrasted with the ideal of a "union of all the political relationships of a nation, of the spiritual and the physical, the juridical and the economic, in one single spirited will ..." (ibid., 114). The glorification of the patriarchal past of the country, allegedly marked by the 'unity' of society, runs like a thread through German anti-capitalist thought and was revived in the discussion about *Agrar- versus Industriestaat* in the late 19th century.[22]

At first glance, this debate was more about practical issues than about social ideals. It started after the conclusion of the trade agreement with Austria-Hungary in 1891, but it was fully ignited only six years later after a controversial debate between Karl Oldenberg (1897) and Max Weber (1897a) at the 8th *Evangelisch-Sozialer Kongreß*.[23] The basic positions can be summarised very briefly: The critics of Germany's transition into an industrial state feared a fatal dependence on other countries endangering national sovereignty. Therefore, they demanded high corn tariffs in order to protect the national farmers from foreign competition. Their opponents did not deny the general problem, but held that this was the price to be paid for economic modernisation, the risks of which should not be exaggerated. However, the mere disagreement about this issue certainly would not have led to a fierce debate lasting several years.

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20 To avoid a misunderstanding: By saying this, we do not want to argue in favour of a materialist understanding of history. Rather, we think that the distrust with which wide parts of the German elites met the market economy was also caused by specifically German intellectual and cultural traditions. However, although we are convinced that to understand German anti-capitalism it is necessary to consider the specific features of the German nation, we are not able to go into this matter here.

21 On Müller's significance for the historicist economic research programme see Rieter (2002, 138 – 9); a recommendable study on his economic ideas is Harada (2004).

22 Our presentation here is necessarily extremely abridged. For more detailed and differentiated presentations see Barkin (1970, chapters 4 and 5); Harnisch (1994), and Kasprzok (2005, 312 – 328 and 380 – 384). In 1903 Heinrich Dietzel, a liberal participant of the debate, provided an overview in English, which was specially designed for foreign readers (Dietzel, 1903).

23 The standard work on the debate is still Barkin (1970); for a brief account see Harnisch (1994).

Basic to all globalisation debates is "the fear that, individually and collectively, we are losing control of the forces that govern our lives" (Sandel, 1996, 3). For the population of a country that until recently had remained more or less on the fringe of the international trade and capital flows, the experience that "the whole of economic production, its course, its prospering, or at least quite considerable parts of this, are increasingly dependent on trade policy and on foreign policy as a whole" (Schmoller, [1900/1904] 1919, vol. 2, 735) was terrifying indeed.[24] As is typical of a globalisation debate, the discussion, in the course of which Lujo Brentano (1901, as a supporter of the industrial nation) and Adolph Wagner (1902, as its most prominent opponent) became the main protagonists, was about *internal* structural change caused by the internationalisation of economic relations rather than about the world economy itself. More than that, a closer look reveals that the main proponents of an agrarian state were not only concerned about Germany's growing dependence on other countries. Rather, their position reflected a deep distrust in the economic modernisation process itself. This was true not only for Oldenberg, who in his above-mentioned speech from 1897 had condemned the "unthinking frenzy with regard to progress" (73) and the "idiotic prevailing mood concerning the money economy" (75). Also, Wagner could, as Kenneth D. Barkin (1970, 145) observes, "never free himself from the warped, romantic notion of a holistic pre-industrial Germany that lacked conflict".[25] As Carsten Kasprzok (2005, 380) aptly remarks, in the last order the conflict "fed itself from the different perceptions of the relationship between the individual and society", namely, as Oldenberg (1897, 41) succinctly formulated: "Industrialisation and extreme individualism on the one hand – rural culture, the ancient conservative sovereign, on the other hand."

Agrar- versus Industriestaat was one if not *the* central political issue in German economics at the turn of the 19th century. Not only did the *Verein für Socialpolitik* dedicate its annual meeting in 1901 partly to this problem;[26] also

[24] Schmoller does not express his own view here, but characterises the position of the opponents of the industrial state. Interestingly, basically the same problem is discussed in an intense debate on "economic security", which is currently taking place in Russia, a country that has also only recently started to integrate again into the world economy. For a short account of this debate see Zweynert (2006, 14–5).

[25] For example, in his main contribution to the debate, Wagner (1902, 35) condemned the emergence of a "merchant spirit" that in his view was the necessary concomitant to industrial development: "Merchant spirit, merchant concepts, merchant interests would then dominate everything. Like what we already see today in the extension of the stock exchange game to private circles, in the trading of property in the cities, in the beginnings of the extension of the latter to promising 'beautiful places' for tourism and summer holidays in the mountains or on the coast, would increasingly pervade all layers of the people." He repeatedly contrasted this merchant spirit with the ideal of the "commitment" of the rural population.

[26] Verein für Socialpolitik (1902). The second item on the agenda was the "housing question".

all major contemporary economic reference works contained corresponding entries.[27] In view of this, it is striking that Schmoller, who hardly ever missed an opportunity to express his views on the issues of the day, remained more or less silent in the whole debate. Besides a rather short and pallid contribution at the 1901 annual conference of the *Verein für Socialpolitik* (1901a), his only explicit contribution was a review of Lujo Brentano's *Die Schrecken des überwiegenden Industriestaates* (1901) and other works on the subject, in which he summarised his position as follows:

> "This is not the place for the reviewer to state in detail his own point of view on all the important questions being dealt with. I would like only to remark that, for my part, I agree with Wagner in his desire to keep our German agriculture as strong and great as possible, although I very much doubt that agricultural tariffs which are so high and general as those presently proposed are the best means of doing so, and that, on the other hand, I agree with Brentano's historical statement that we are in the process of becoming more and more an industrial state, but I cannot follow him when he considers as rapid a pace as possible for this transition to be desirable. I am of the opinion that a somewhat slower transition combined with the maintenance and increase of our peasant estate would be compatible with our growing population, the blossoming of our industry and trade, our moderate colonial and naval policy. I also consider a certain slowing down of this process to be appropriate because I believe that the historical fact of the rapid decline and fall of so many older industrial and trading states was connected with the fact that in the too rapid pace of development there was not enough time or opportunity to form the institutions, customs and legal forms which can keep such a state healthy" (Schmoller, 1901b, 420).

In the last sentence of this quotation Schmoller makes it quite clear that he is interested not so much in the issue of the right level of the corn tariffs as such, but rather in their possible contribution to the smooth economic and social development of the nation. In the speech just mentioned, too, he did not neglect to point out that "in addition to trade policy there are other, considerable instruments which can be used for the benefit of the farmers ..." (Schmoller, 1901a, 271). Finally, in the *Grundriß* the debate is only mentioned in two places. Concluding his short account of it, Schmoller ([1900/1904] 1919, 739) explicitly states that "the customs union, imperialism, the relationship to the colonies" will be "more important for the security of food for the densely populated industrial states" than the tariffs.

In our view, it was not only due to practical considerations that he found these issues much more important. Again, we should remember that to him the basic issue was "how from poor, savage, isolated human tribes rich peoples millions strong finally emerged, who now encompass the globe with their commerce" (Schmoller, [1900/1904] 1919, vol. 2, 748). In the process of *Vergesellschaftung,* connecting and integrating more and more people in ever

[27] Besides the publications already mentioned, basic contributions to the debate were: Pohle (1902), Dietzel (1903; 1909), and Sering (1906).

larger associations, he saw his own epoch between the stage of the "formation of greater national states and economies" and that of the "new world states and the advancing world economic relationships" (Schmoller, [1900 / 1904] 1919, vol. 2, 764). At this edge, not for the first time in history the question emerged, "to what extent countries and regions which are economically highly dependent on one another can belong to different state authorities which are possibly not entirely in agreement or even hostile?" (Schmoller, [1900 / 1904] 1919, vol. 2, 740). As Schmoller warned on the occasion of the 25th anniversary of the *Verein für Socialpolitik* in 1897:

> "A commercial assault by the great world powers on the small and medium-sized civilised states lies ahead of us, which will perhaps be one of the most vital issues for a long time for the question of our social future and the situation of the lower classes in Germany" (Schmoller, 1897b, 24).

In other words, in a period which had already produced three *Weltstaaten,* namely Great Britain, Russia and the USA, the smaller countries were threatened in their very existence if they did not manage to reach a new level of *Vergesellschaftung*. In Schmoller's view, this aim could be achieved in two ways: Through "political conquest" and through the creation of tariff unions. To him, the decisive issue with regard to trade policy clearly was the creation of a Central European tariff union. In 1900, at the very peak of the *Agrar- versus Industriestaat* debate, Schmoller (1900a, 382) emphatically demanded that

> "the Central European states must put aside the political and economic elements which separate them in favour of those which unite them. As far off as a Central European customs union may be, the tasks of the century lie in the solidarity of the medium-sized and small Central European states".

In the *Grundriß* he ([1900 / 1904] 1919, vol. 2, 740) explicitly regretted that the political agitation for the Central European tariff union had been pushed into the background since about 1894 by the increasing agitation for protective tariffs. In our view, this may well explain why he did not participate in the debate which distracted attention from the task that seemed so much more urgent to him. In Schmoller's views on trade policy there is not a trace of romanticism. To him, it was beyond dispute that Germany had already transformed into a overwhelmingly industrial state. If he argued in favour of slowing down this development, he did so because he was afraid that the emerging social conflicts might endanger the consolidation process of the German nation.[28] However, as up-to-date as Schmoller's engagement for a Central

[28] In the *Grundriß* he ([1900 / 1904] 1919, vol. 2, 737) argued "that it can be more in the national interest to support the national division of labour, which often still does not exist but which is natural and politically desirable, rather than the international division of labour; the larger the states become, the more often is it still imperfect, although it is a requirement for the strong internal unity of the states".

European tariff union might look from today's perspective, one should not forget that "political conquest" and colonisation for him were inseparable parts of a reasonable national trade policy.

5. Naval Policy and Colonialism

Schmoller ([1900 / 1904] 1920, 735) fully appreciated the achievements of the free trade era which had "infinitely improved international law as far as it governs trade; it has promoted the natural and healthy division of labour of the nations, given back their rights to the elementary causes and powers of the economy, certain characteristics of which cannot be changed by any policy". Yet as much as free trade had to be seen as "one of the great advances made by mankind", just as "biased", "exaggerated" and "idealistic" had been the idea "that in the whole of economic and trade policy the means of power may not be used", Schmoller (1900b, 23) argued in a talk on "Die wirtschaftliche Zukunft Deutschlands und die Flottenvorlage".[29] To him, it was an exception rather than the rule that the trading partners were of equal strength, and "it is in the nature of trade relationships that the stronger states let their power be felt in every trading contract negotiation, that the weaker attempt to diminish the competition of the stronger by diverse means, e.g., by erecting barriers" (Schmoller, [1900 / 1904] 1919, vol. 2, 656). For Schmoller this was another sign of how "untenable" the idea was that "state power and economic aims could be completely separated" (Schmoller, [1900 / 1904] 1919, vol. 2, 694).

As we have seen in section three, according to Schmoller it was part of the dialectics of development that 'progress' was initiated by 'base' motives and instincts. To him, who until shortly before his death could have had no idea of the great wars of extermination of the 20th century, class struggle and war were related phenomena, necessary for progress and hence morally justified. Yet although he was aware that "individual persons and classes" had to "make considerable sacrifices" for social progress ([1900 / 1904] 1919, vol. 1, 395), he was convinced that at the national level the wise government, standing above the classes, was able to reduce social conflicts to a tolerable level. At

[29] He gave this talk at the *Freie Vereinigung für Flottenvorträge* [Free Union for Naval Lectures]. In the introduction by the publishing house to the two-volume collection *Handels- und Machtpolitik* edited by Schmoller, Max Sering and Adolph Wagner it is stated: "When the bill on the strengthening of the navy which has now been presented to the German Reichstag was published numerous writers, artists, scholars from every part of the Reich founded a 'Free Union for Naval Lectures'; they wished to advocate in speeches and writings their common conviction that a major increase in our naval forces is necessary in order to secure for the German people the political and economic position which has been achieved, the conditions for future fortune, and the survival of an independent nation" (anonymous, 1900, V – VI). On the foundation of the *Freie Vereinigung für Flottenvorträge* see Wulf (1968, 436 – 7).

the international level, not only this institution, but also the common *Volksgeist* was missing, and therefore violent conflicts between the nations were simply unavoidable – at least so long as development did not come to a halt:

> "The intrinsic law of the growth of the population, of production, of trade, does not allow absolute peace in the relationships of the states to one another; this could only be bought with the standstill and stagnation of all the states. Barbarous and semi-civilised countries can usually only be opened up to progress, to peaceful civilisation through the domination of civilised states. All the small civilised states, and later also the large ones, have a natural tendency to extend their borders, to reach seas and large rivers, to acquire trading posts and colonies out in the world. And there they always encounter strange peoples, with whom they sometimes get along, but more often with whom they must fight. Economic development and state expansion, the advancement of trade and the increase of power are usually inextricably bound together, even where a superfluous glance sees only questions of power" (Schmoller, [1913] 1920, 115).[30]

To Schmoller, naval policy and colonial expansion[31] were directly connected with Germany's political unification and its rise to an industrial nation. It was quite natural, he argued, that every group of persons – be it a tribe or a nation – which had achieved political unity would start "to behave towards others as an economic unit, to close itself off from stronger neighbours, to exert influence on weaker ones, to profit from them economically" (Schmoller, [1900 / 1904]

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30 The interpretation of world trade and the world economy as a stage for the peaceful and warlike competition of the nations was at that time not peculiar to historical economists. For example, in the free-trade inclined *Handwörterbuch der Volkswirthschaftslehre* (Dictionary of economics) in the year 1870 under the entry "industry" we find: "On the world market that nation will win the battle which is able to demand the least return for a certain article of consumption" (Rentzsch, 1870, 488). And the following statement by the already mentioned Bernhard Harms, who was an opponent of historicism, from the year 1909 once again shows very clearly that it was precisely the increasing internationalisation of the German economy which turned the attention of the German economists to the problem of the nation: "World history shows us the perpetual struggle of the nations for a place in the sun, and precisely in our epoch with its … economic imperialist tendencies it once again comes to the fore that although there is room on the Earth for all, *the ascent of the nations to higher forms of existence is a question of being victorious in competition.* This competition requires, however, *that the entire policy of a nation is pursued from a national point of view regardless of the consequences"* (quoted according to Beckmann 2000, 25).

31 Schmoller played a decisive role not only in the *Freie Vereinigung für Flottenvorträge*. He was also chairman of the board of the *Kolonialpolitisches Aktionskomitee* (*Colonial policy committee of action*). In the preface to a memorandum published by the committee it says: "As a free union of independent, renowned representatives of science, the arts and liberal professions who are not influenced by any particular interests in colonial matters, the Colonial policy committee of action may be regarded as qualified to contribute to this matter which is both economically and politically of equal importance to the nation." The main objective of the Committee was "to awaken understanding of, and interest in, the national importance of our colonies in ever larger circles of our nation …" (Kolonialpolitisches Aktionskomitee, 1907, VII – VIII).

1919, vol. 2, 741). Germany had not only achieved political unification, it had also gained economic power, and thus it was quite natural that the country "no longer wished to submit to trading conditions dictated from abroad, as it had in the days of the customs union" ([1900 / 1904] 1920, vol. 2, 727).

As outlined in the previous section, one of the central arguments of Oldenberg, Wagner, and others against the industrial state was that it made the nation politically dependent on other countries. Schmoller shared these fears. Naval policy to him was – besides the creation of a Central European tariff union – the second means to ensure corn supply. Also the need for colonization was directly connected with Germany's transition into an industrial country. It was unlikely, Schmoller believed, that the redundant agricultural labour force could be fully absorbed by the industrial sector. Hence, rural colonization was an important means to ease internal social conflicts. All in all, Schmoller was convinced: As damnable as brutal abuse of power was, as "allowed, even necessary, wholesome, educational for the nation and its just objectives" was the "legitimate use of power in the sphere of trade" (Schmoller, 1900b, 35).

The last quotation clearly indicates the tight connection between trade and foreign policy and the support of national unity. As Schmoller elaborated in the *Grundriß* ([1900 / 1904] 1919, vol. 2, 658), the "foreign merchant" had always been a threat to the moral bonds prevailing in a society, so that a certain degree of insulation against foreigners was an approved means of strengthening social cohesion. Free trade between very unequally developed societies could therefore not only be to the disadvantage of the weaker country from an economic point of view, but could also endanger societal cohesion to a degree which placed the further existence of the society in doubt. Mercantilist trade policy had taken this into account: By providing the prerequisites for achieving "internal unity and external recognition" it also had – and again the dialectical character of Schmoller's concept of development becomes evident – prepared "the homogeneous cooperation of humanity" (Schmoller, [1900 / 1904] 1919, vol. 2, 692). Yet even if he ultimately had the "the homogeneous cooperation of humanity" in mind, there can be no doubt that in the short run he was willing to accept the price of tensions in foreign affairs in the interest of the internal unity of the nation. This clearly emanates from the following quotation from Schmoller's talk on "Die wirtschaftliche Zukunft und die Flottenvorlage" (1900b, 38):

> "What the acquisition of Silesia meant in the days of Frederick the Great, what the founding of the German Reich was for the Emperors William and Bismarck, that will be the meaning for the present and the next human age of the founding of Germany's naval power. It will lead us beyond the petty divisions among the parties, beyond minor everyday economic cares, back to unified action, to a German national policy on a grand scale."[32]

[32] In view of this quotation, we disagree with Erik Grimmer-Solem, who in a recent paper on "Imperialist Socialism of the Chair. Gustav Schmoller and German Welt-

Indeed in 1915 he ([1915] 1920, 148) praised the unifying effects of the war, which had turned the social democrats into true patriots, and hoped that the war would mark "an entirely new epoch in German social development". However, it should not go without notice that all in all, Schmoller's comments on the war remained modest and did not contain any of the chauvinism that was so typical for most of his German contemporaries (see Lübbe, 1963, 219).

6. Conclusions

The consensus in post-war mainstream economics that Schmoller did not have a theory and that therefore his works could be forgotten,[33] can in our view be explained to a significant degree by the fact that between 1945 and 1989 the Cold War restricted international economic integration to one half of the globe, thereby slowing the speed of worldwide economic growth, and – due to the competition between the Western and the socialist blocs – leading to the welfare state which stabilised social relations within the market economies. Schmoller, by contrast, lived in a world of unprecedented international integration which – especially in Germany as a relatively backward economy – led to rapid institutional change and hence to a severe destabilisation of social relations. To put it succinctly, it is no wonder that the post-war economists who lived in a relatively de-globalised and hence relatively undynamic world had little understanding for the globalisation theorist Gustav Schmoller, and it is no coincidence that he has experienced a revival since the end of the 1980s. His central question as to the relationship between economic progress on the one hand, and the social and cultural cohesion of societies on the other is as relevant today as it was between 1870 and 1914, the period in which Schmoller wrote by far the greatest part of his works.

But just because Schmoller posed questions which interest us again today, that certainly does not necessarily mean that his answers are still convincing. It is indisputable that the present emergence of large trading blocs and of regional states, which are taking the place of national states, fits very well into Schmoller's theory of *Vergesellschaftung,* according to which in the course of

politik, 1897 – 1905" (2004, 119) tries to show that "there is a striking absence of any discussion of how the fleet and German *Weltpolitik* would further social policy or provide specific social or political benefits to the German people". In our view, Grimmer-Solem's judgement is based on too narrow an understanding of social policy. To Schmoller, the main issue of social policy was to support the internal unification of the nation, and he definitely expected German *Weltpolitik* to contribute to achieving this.

33 According to the leading German economists of the 1950s and 1960s, the historical school had "often [provided] no more that drivel" (Preiser, 1970, 215), and had "disastrously wrenched German economics for more than three decades out of the current of theoretical reasoning which was impressively developing all over the world" (Schneider 1962, 295). Accordingly, Schmoller was also considered a "dead dog" by Jürgen Kempski in 1964 (quoted after Peukert, 2001, 72).

history a gradual enlargement of societal unions can be observed. Nevertheless, we consider this aspect of Schmoller's legacy to be rather unconvincing. In our opinion most economists are well advised when they approach with considerable scepticism theories which are intended to unfold the 'laws' of historical development. Also the 'history of globalisation' proves to be an open-ended process in which phases of stronger international integration alternate with weaker ones.

Although Schmoller developed his ideas on the dialectic of differentiation and integration in close correlation to his theory of the stages of development, the former does not necessarily depend upon the latter. For Schmoller, development processes basically begin from the 'lower instincts', such as egoism and the pursuit of gain. Although they are themselves in the long run a source of *Vergesellschaftung,* the unleashing of market forces leads to social differentiation, which undermines social cohesion within society. Following episodes of economic development – which, just as they are today, were then usually triggered by processes of globalisation – a politically induced re-integration was therefore indicated, which for its part represented the precondition for further processes of development. With these ideas Schmoller anticipates the principal characteristics of Polanyi's theory of a double movement. Schmoller attempted to formulate an integrated analysis of institutional change. Even though he did not fully achieve this task, his attempt is nevertheless highly relevant with regard to the analysis of present-day processes of transformation and globalisation.

Then, as now, globalisation generates considerable welfare gains but also significant negative external effects, and the political acceptability of the former depends not least on the degree to which the latter can be overcome. If economists today are ever more seldom able to obtain the attention of the public ear, then this is in our opinion partly due to the fact that they tend to ignore the issue of political, social and cultural embeddedness of economic activity. A 'purely economic' line of reasoning does not do justice to the problems of globalisation and its social consequences. Precisely this was seen and criticised repeatedly by Schmoller when he appealed to his colleagues to abandon the strict distinction between the economy and the other spheres of society and instead to focus on the interactions among them – and this demand is as relevant today as it was then.

Schmoller's observations on naval policy and colonialism are certainly among those aspects of his work of which his present-day hagiographs prefer not to be reminded[34] – and in fact in modern appraisals they are often more or

[34] A similar position can also be observed in the case of Max Weber, who not only supported the setting up of a fleet (Weber, [1897b] 2005) but also, in his already quoted academic lecture in 1895, spoke out in favour of a *"deutsche Weltmachtpolitik"* (Weber, [1895] 2005, 571).

less elegantly evaded. From the point of view of the history of economic theory, of course, they are not particularly relevant. But they are all the more valuable if one wishes to better understand the risks which are connected with present-day globalisation processes. Germany is a model example of a country whose foreign policy aggressiveness was due not least to its inadequate national integration. This latent internal instability was not only connected with the fact that the "belated nation" (Plessner 1959) was not constituted until 1871, but also with the fact that it had gone through a socially disintegrating process of catch-up development. In Schmoller's observations on naval policy and colonialism it can be seen how the attitude of the economic climber – one is no longer prepared to put up with everything from foreign countries – and the hope of internal integration through external enemies – in this way one could return to a German national policy on a grand scale – produce an explosive mixture. This is of course one of the best researched periods of German history, but a more precise analysis of Schmoller's ideas provides a further piece of the puzzle which is not always adequately appreciated.

Our concluding evaluation of Schmoller's ideas on globalisation is ambivalent. As has already been mentioned several times, we see his most important legacy in the dialectical consideration of differentiation and integration, and the related demand that the notional separation of economics and politics in the analysis of societal processes of transformation should be abandoned. At the same time, however, it was possibly precisely this separation which, as a type of pre-analytical vision in the sense of Schumpeter (1967 [1954], 41 – 2), made a not inconsiderable contribution to the establishment and acceptance of liberal economic and foreign trade policy between 1840 and 1880 (Eucken, 1932, 302). And the abandonment of this vision, for which the name of Schmoller – at least in Germany – can be regarded as a synonym, may in the final analysis have made its contribution to the decline of the liberal epoch. Schmoller's integrated viewpoint allowed him, on the one hand, to understand the social problems of his time more realistically and – in our opinion – better than his liberal contemporaries. On the other hand, however, he also based on this his opinion that precisely in foreign trade the economic use of political power was not only 'natural' but also imperative if the interests of the nation were at stake. To this extent Schmoller's ideas on globalisation not only point to the necessity of an integrated examination but at the same time also to the considerable risks which can be connected with it.

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