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State Formation from Below—Subsidiarity and the Origins of Coordinated Capitalism in Nineteenth-Century Germany*

Abstract

In late-nineteenth century Germany, the new public services required under rapid industrialization could not be provided in a top-down manner, despite Bismarck's authoritarian aspirations. Lower-level actors therefore pushed for an alternative—well-established during centuries of internal state formation—based on the principle of subsidiarity (Latin for "assistance"): the coordination of mutual assistance, from local auxiliary funds to new electoral systems. The article theorizes the initially ecclesial programme of subsidiarity in the terms of modern politics and economics, and proposes a five-stage model for the rise of coordinated institutions from the private to the public level in late nineteenth-century Germany, based on an analysis of historical sources.

Keywords: *Varieties of Capitalism, State formation, Decentralization, Germany*, *Subsidiarity, Coordinated Capitalism, Nineteenth Century*

Despite reunified Germany's continuing evolution beyond its postwar West German "social market economy,"[1] the origins of its traditional model of coordinated capitalism[2] continue to attract the interest of political economists and historical sociologists.

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1 Kathleen Thelen, *Varieties of Liberalization and the New Politics of Social Solidarity*, Cambridge Studies in Comparative Politics (Cambridge: Cambridge University Press, 2014); Pablo Beramendi et al., eds., *The Politics of Advanced Capitalism* (New York: Cambridge University Press, 2015).

2 Peter Hall and David Soskice, "An Introduction to Varieties of Capitalism," in *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*, ed. Peter Hall and David Soskice (Oxford and New York: Oxford University Press, 2001), 1–68.

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What processes, during the nineteenth century, brought about a system of non-market mechanisms for organizing economic production (including collective bargaining, "conservative" welfare provision via social insurance funds, worker-employer cooperation in the economic realm, and grand coalition politics in parliaments)?

The literature on political economy and on the welfare state dealing with these questions, however, continues to struggle with the German case—with its lack of top-down political steering, it does not fully fit into the often-two-dimensional typologies of capitalism differentiating between (decentralized) liberalism and (centralized) coordination.[3] In much of the existing scholarship, Bismarck's top-down aspirations serve as the starting point for coordinated capitalism. At the same time, more recent accounts have all raised the question as to why, despite the Iron Chancellor's role, the momentous challenges of industrialization ultimately motivated greater centralization elsewhere, *but not in Germany*. While some have argued that any centralized solution faced serious difficulties in implementation, as diverging inheritance patterns had fostered rivalling local production regimes within a single national economy,[4] others believe that the specific risk profiles of large manufacturing producers led them to oppose centralized social insurance institutions.[5] Other possible explanations include the notion that the survival of the traditional artisanal economy created competition with the new industrial sector over crucial issues such as skill formation regimes;[6] that religious cleavages led to the emergence of Christian Democracy, which vetoed centrally funded social insurance;[7] or that earlier traces of "proto-coordination" facilitated the provision of public goods, freeing German elites—unlike their counterparts in Britain and France—from the need to turn to democratic central states to manage industrialization.[8]

3 Philip Manow, *Social Protection, Capitalist Production: The Bismarckian Welfare State in the German Political Economy, 1880–2015* (New York: Oxford University Press, 2020), 6.

4 Gary Herrigel, *Industrial Constructions: The Sources of German Industrial Power* (Cambridge: Cambridge University Press, 1996).

5 Isabela Mares, *The Politics of Social Risk: Business and Welfare State Development*, Cambridge Studies in Comparative Politics (Cambridge and New York: Cambridge University Press, 2003).

6 Kathleen Thelen, *How Institutions Evolve: The Political Economy of Skills in Germany, Britain, the United States, and Japan* (Cambridge: Cambridge University Press, 2004).

7 Philip Manow and Kees van Kersbergen, "Religion and the Western Welfare State—The Theoretical Context," in *Religion, Class Coalitions, and Welfare States*, ed. Philip Manow and Kees van Kesbergen (Cambridge: Cambridge University Press, 2009).

8 Torben Iversen and David Soskice, *Democracy and Prosperity: Reinventing Capitalism Through a Turbulent Century* (Princeton: Princeton University Press, 2019); see also Mark Hewitson, "The Wilhelmine Regime and the Problem of Reform: German Debates about Modern Nation-States," in *Wilhelminism and Its Legacies. German Modernities, Imperialism, and the Meanings of Reform, 1890–1930,* ed. Geoff Eley and James N. Retallack (New York: Berghahn Books, 2003), 73–90.

This article proposes a more structural explanation for the link between decentralization and coordination in Germany. It argues that key institutions in nineteenth-century Germany emerged as part of a process that ran in the opposite direction from existing, often still prominent, top-down explanations: state formation from below. In making this claim, the article draws a parallel with subsidiarity, a principle that had acted as a counterbalance to the impact of absolutism in German state formation since at least the early modern period. Through representational linkages and shared sovereignty, subsidiarity involves the provision of mutual support and higher-level assistance (lat. *subsidium*) among nonetheless still self-administered groups. Crucially, this entails coordination between the interests of different societal groups and actors. This historical German experience of state formation through "densification" grew out of a setting in which political decentralization had long prevented any top-down imposition;[9] its nineteenth century variant was a bottom-up process in which lower-level actors themselves, faced with rapid industrialization, pushed for the provision of mutual assistance through the creation of a national, coordinated political economy.[10] The result was the creation of coordinated institutions both prior to full democratization and in the absence of political centralization.[11]

To substantiate this argument, the article draws on historical evidence of interventions by specific political actors and interest groups. Thanks to the diligent work of numerous historians, the relevant sources are easily accessible; nonetheless, they have not been comprehensively drawn upon by political economists working on these questions. By systematizing this evidence temporally and hierarchically, the article argues for a five-stage process in which coordinated institutions emerged from the bottom-up—from the local and private to the national and public level. Beginning

9 Peter Moraw, "Cities and Citizenry as Factors of State Formation in the Roman-German Empire of the Late Middle Ages," *Theory and Society* 18 (1989): 631–62.

10 See the wider re-interpretation of Imperial Germany in Oliver Haardt, *Bismarcks Ewiger Bund: Eine Neue Geschichte des Deutschen Kaiserreichs* (Darmstadt: Wissenschaftliche Buchgesellschaft Theiss, 2020).

11 Compatible with the idea of comparably egalitarian elections before the turn to democracy, as presented in Margaret Lavinia Anderson, *Practicing Democracy: Elections and Political Culture in Imperial Germany* (Princeton: Princeton University Press, 2000); and Brett Fairbairn, "Membership, Orgnization, and Wilhelmine Modernism: Constructing Economic Democracy through Cooperation," in *Wilhelminism and Its Legacies. German Modernities, Imperialism, and the Meanings of Reform, 1890–1930*, ed. Geoff Eley and James N. Retallack (New York: Berghahn Books, 2003), 34–50; ultimately, the argument presented here ties in with recent reassessments of more teleological takes on German history in the 'Sonderweg' tradition as summed up in Hans-Ulrich Wehler, *Deutsche Gesellschaftsgeschichte. Bd. 3: Von der 'Deutschen Doppelrevolution' bis Zum Beginn des Ersten Weltkrieges 1849–1914* (Munich: C. H. Beck, 1995); however, the argument does not push this reassessment as far as Hedwig Richter, *Aufbruch in die Moderne: Reform und Massenpolitisierung im Kaiserreich*, Edition Suhrkamp 2762 (Berlin: Suhrkamp, 2021).

with local auxiliary funds around the middle of the nineteenth-century, this process culminated in a development as part of which political economists have, in recent years, highlighted the role of lower-level, private interests: the reform of electoral systems to facilitate cooperative politics in some German regional states just before the outbreak of the First World War.

In terms of implications, the article locates the rise of coordinated capitalism in the context of state formation,[12] linking it to the emergence of broader patterns of political organization, representation, and sovereignty—including, but by no means limited to, democracy, electoral systems and party politics, which have become very influential in the recent political economy literature.[13] As such, it connects to recent works highlighting the strategic complementarities between welfare states and production regimes.[14] However, by analyzing coordination and decentralization as structurally versus unintentionally linked, the article moves beyond theoretical treatments of the German model as a curious anomaly. The schematic perspective proposed here is instrumental for this understanding, even if historical dynamics may, in practice, have been more intricate at—and in between—each stage and in relation to other developments beyond the five stages representing key the institutional characteristics of modern coordinated market economies.

Conceptualizing the Emergence of Subsidiarity

In studies on the origins of coordinated capitalism, subsidiarity is usually considered a (paternalistic) idea developed out of late nineteenth-century Catholic social teachings.[15] Indeed, in 1891, Pope Leo XIII's encyclical *Rerum Novarum* presented the concept as the papal response to the challenges of industrializing society. This was, however, an unlikely revival of a normative programme of ecclesial governance initially developed by Calvinist thinkers in the sixteenth and seventeenth centuries. During that period, subsidiarity had emerged in the Holy Roman Empire in reaction to the early modern (Habsburgian, Catholic) agenda of centralization. Safeguarding local patterns of community organization was a goal that united Calvinist theoreticians,

12 See also Stefan Berger and Thomas Fetzer, eds., *Nationalism and the Economy: Explorations into a Neglected Relationship* (Budapest and New York: Central European University Press, 2019).

13 Beramendi et al., *The Politics of Advanced Capitalism*, 2015.

14 Manow, *Social Protection, Capitalist Production*.

15 See Kees van Kersbergen, *Social Capitalism: A Study of Christian Democracy and the Welfare State* (London and New York: Routledge, 1995); Gøsta Esping-Andersen, *Social Foundations of Postindustrial Economies* (Oxford: Oxford University Press, 1999).

such as Johannes Althusius (ca. 1563–1638), with their nineteenth century Catholic counterparts as they confronted Bismarck's anti-clerical *Kulturkampf*.

The concept of subsidiarity was built around the idea that local, lower-level units—whether individuals, families or church parishes—should self-organize and practice self-help, unless and until they require assistance (lat. *subsidium*) from hierarchically higher levels.[16] The underlying argument was that—as the smallest units of societal life—families and local communities are "governed by special sets of rules specific to them, and not by a general rule of sovereignty."[17] While local units could receive help where necessary, they could not be replaced by distant political centres. Instead, it was "the state's function to guarantee and facilitate the steady and orderly proficiency of the lower social organs up to a point where these components can operate independently of political arbitration."[18] Subsidiarity was thus concerned with the bottom-up management of multi-level interaction and complexity, in particular the constantly negotiated allocation of political power among plural communities.[19] In Germany, notions of subsidiarity had long been influential. The earliest processes of early modern state formation were already fundamentally driven from below by "densification"[20]—in short, by the *coordination* of political and economic interests through patterns of decentralized representation. During the integration processes of the late nineteenth century, centralization remained limited, resulting not only in the empire's federal constitution, but also in the relatively democratic Reichstag suffrage with which Bismarck hoped to counter liberal forces. Hierarchically higher levels of authority were built on representative elements and focused on assistance to locally self-administered institutions, rather than on the top-down provision of services.

As a normative programme, therefore, subsidiarity emerged in a historical setting where centralization was traditionally absent, local patterns of organized production survived, and processes of institution-building were driven from below, via the coordination of mutual assistance. As such, subsidiarity challenges implicit notions of a necessary nexus between political centralization and non-market mechanisms for organizing production. Instead, under subsidiarity, the independent agency and self-administration of a community's constituent parts appear as *preconditions* for organized approaches to social relations within it, including in economic production regimes.

16 Johannes Althusius, *Politica. An Abridged Translation of Politics Methodologically Set Forth and Illustrated with Sacred and Profane Examples,* ed. and transl. with an Introduction by Frederick S. Carney (Indianapolis: Liberty Fund, 1995).

17 Thomas Hueglin, "Federalism at the Crossroads: Old Meanings, New Significance," *Canadian Journal of Political Science/Revue Canadienne de Science Politique* 36, no. 2 (2003): 279.

18 van Kersbergen, *Social Capitalism*, 182.

19 Hueglin, "Federalism at the Crossroads: Old Meanings, New Significance."

20 Moraw, "Cities and Citizenry as Factors of State Formation in the Roman-German Empire of the Late Middle Ages."

The prisms of political science and political economy yield a theoretical explanation for the link observed: subsidiarity combined negotiated (namely: organized) variants of political decentralization with self-managed (namely: decentralized) forms of organized production. In other words, each concept mirrored central characteristics of the other, as key actors formulated subsidiarity as a normative programme wherein neither the top-down imposition of mechanisms for organized production, nor unmitigated decentralization were viable. This led to very distinct patterns of political decentralization and organized production, overlapping in the specific manner in which public goods were provided: if public goods are not simply allotted by centralized authorities from above, their supply must be *coordinated* as mutual assistance among decentralized units. This is how state formation under subsidiarity led to the emergence of coordinated capitalism (see Figure 1 for a graphic representation of this relationship).

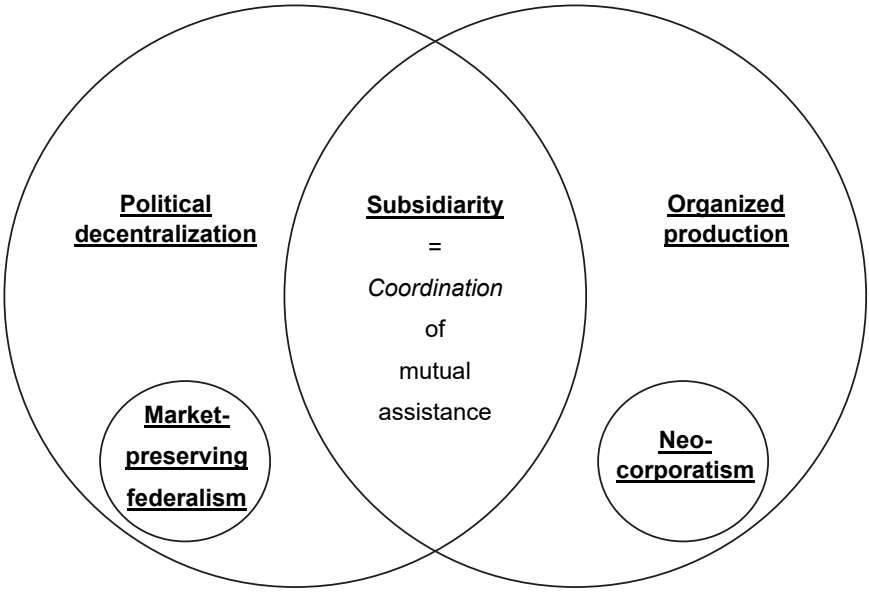

Figure 1: *Conceptual relationships between subsidiarity, political decentralization, and organized production*

In the terminology of political science, the decentralization foreseen under subsidiarity does not equal the rights-based division of powers as in, for instance, Barry Weingast's "market-preserving federalism."[21] There, a clear-cut division of rights tends to limit

21 Barry R. Weingast, "The Economic Role of Political Institutions: Market-Preserving Federalism and Economic Development," *Journal of Law, Economics & Organization* 20, no. 1 (1995): 1–31.

state involvement, preserving less regulated markets by inhibiting coordination across sub-units.[22] The modern reference model for political decentralization—the rights-based federalism of the United States[23]—never saw the emergence of self-administered institutions of worker-employer coordination. In contrast, the decentralization envisaged under subsidiarity helped maintain non-market mechanisms for organized production; in the nineteenth century, this form of coordinated decentralization was arguably what made the political construction of an integrated market through the German Customs Union possible. Subsidiarity entails consensual exchange by means of cross-level representation, as in the decentralization theorized, for instance, under Gerhard Lehmbruch's "managed co-existence of representational monopolies."[24]

Indeed, the focus on self-administration in subsidiarity highlights that economic production can only be coordinated among actors whose views and interests exist in relative autonomy from each other; this requirement lends itself to decentralized politics. As such, it also points to an understanding of organized production that is different from the one expressed in studies in the corporatist tradition, wherein organized production was "an ideology of social partnership expressed at the national level; a relatively centralized and concentrated system of interest groups."[25] Subsequently, respective top-level bargains were thought to be matched in the political realm by a similar centralization, often through the establishment of strong roles for political leaders and bureaucrats.[26] These views, however, do not seem very compatible with the prioritization of self-help and a merely supportive role for higher levels in the hierarchy under subsidiarity.

In contrast, later political economic approaches have explained organized production by reference to theoretical premises that are, despite their differences, more open to bottom-up dynamics such as individual firms interested in coordination with

22 See also Cathie Jo Martin and Duane Swank, "The Political Origins of Coordinated Capitalism: Business Organizations, Party Systems, and State Structure in the Age of Innocence," *American Political Science Review* 102, no. 2 (2008); "Gonna Party Like It's 1899: Party Systems and the Origins of Varieties of Coordination," *World Politics* 63, no. 1 (2011): 78–114.

23 William H. Riker, *Federalism: Origin, Operation, Significance*, LB Basic Studies in Politics (New York: Little, Brown & Co, 1964).

24 Gerhard Lehmbruch, "From State of Authority to Network State: The German State in Developmental Perspective," in *State and Administration in Japan and Germany. A Comparative Perspective on Continuity and Change*, ed. Frieder Naschold and Michio Muramatsu, De Gruyter Studies in Organization 75 (Berlin: Walter de Gruyter, 1996), 56.

25 Peter J. Katzenstein, *Small States in World Markets: Industrial Policy in Europe*, Cornell Studies in Political Economy (Ithaca: Cornell University Press, 1985), 32.

26 Colin Crouch, *Industrial Relations and European State Traditions* (Oxford: Oxford University Press, 1994), 52, 55; Martin and Swank, "The Political Origins of Coordinated Capitalism: Business Organizations, Party Systems, and State Structure in the Age of Innocence," 185; "Gonna Party Like It's 1899: Party Systems and the Origins of Varieties of Coordination."

workers.[27] More recent work has moved even further, highlighting the role of electoral politics in shaping different models of economic and welfare system governance in advanced capitalist democracies.[28] Subsidiarity, as a theoretical concept, provides a structural framework for understanding the bottom-up emergence of patterns of organized economic production in a setting of sustained political decentralization. The underlying idea is that, for private preferences to be able to coordinate mutual assistance from below, decentralized actors need to be engaged in self-management in the first place.

Nineteenth Century Implications: Five Stages to Coordination

The well-established limits to centralized steering in contemporary German capitalism do not in and of themselves prove that decentralized patterns drove the emergence of coordinated capitalism in the nineteenth century.[29] Indeed, the logic of unintended consequences has long played a prominent role in historical accounts. Most famously, Bismarck's initial state-corporatist plans for social insurance legislation ended up providing his biggest adversary, the workers' movement, with an administrative stronghold in the evolving system of economic governance.[30] Following this logic, much of the political economy literature analyses how twentieth-century democratic politics came to underpin the coordinated institutions that emerged out of authoritarian imposition.

The alternative argument—that coordinated capitalism emerged as part of processes of state formation from below—becomes more tenable, if Bismarckian social insurance legislation is situated as a specific episode in the context of a larger bottom-up process. Undoubtedly driven by staunchly illiberal aspirations, the Iron Chancellor's state-corporatist initiatives, and even their unplanned consequences, appear less awe-inspiring from such a perspective. Unintended as they certainly were by Bismarck himself, the setbacks to his state-corporatist agenda point to the long-term influence of decentralization patterns. New stages in the continued bottom-up process

27 Hall and Soskice, "An Introduction to Varieties of Capitalism"; Thelen, *Varieties of Liberalization and the New Politics of Social Solidarity*.

28 Beramendi et al., eds., *The Politics of Advanced Capitalism* (New York: Cambridge University Press, 2015).

29 Kathleen Thelen, *Union of Parts: Labor Politics in Postwar Germany* (Ithaca: Cornell University Press, 1991); Peter Hall, "Central Bank Independence and Coordinated Wage Bargaining: Their Interaction in Germany and Europe," *German Politics and Society* 31 (Spring 1994): 1–23.

30 Gerhard A. Ritter, *Sozialversicherung in Deutschland und England: Entstehung und Grundzüge im Vergleich* (Munich: C. H. Beck, 1983).

reflected the desire of lower-level actors for the coordination of mutual *assistance* on hierarchically higher—but not very centralized—levels, as rapid industrialization required solutions that continued to transcend established local political economies. Subsidiarity was, as Kees van Kersbergen aptly put it, "a crucial parameter of what might be called community production."[31] The relevant actors included artisans, craftsmen, and medium-sized businesses, but soon also skilled workers in larger companies, their employers, local administrations and, later, increasingly pragmatic political parties. To many of them, Bismarck's nineteenth-century East-Elbian authoritarianism was as challenging as the Habsburg's fifteenth and sixteenth-century centralization attempts. Just like the embattled Protestants of early modern times, Germany's nineteenth century Catholics, targeted by Bismarck's *Kulturkampf*, again invoked subsidiarity as a normative concept. Meanwhile, rapid industrialization was indeed *res nova*—the "new thing" invoked in the title of Pope Leo XIII's encyclical, motivating demands for coordination and assistance on the higher, geographically broader levels of the quickly emerging national political economy. Bismarck and his central-state elites were of course important, for instance for the social insurance legislation of the 1880s. Yet the subsequent decade, during which the chancellor attempted to utilize his social insurance plans as a tool against the rise of social democracy, was only one stage in a much longer process of state formation. As a result, coordinated capitalism developed on a trajectory from lower (private) to higher (public) levels, or, following Johannes Althusius, from the particular to the general.[32]

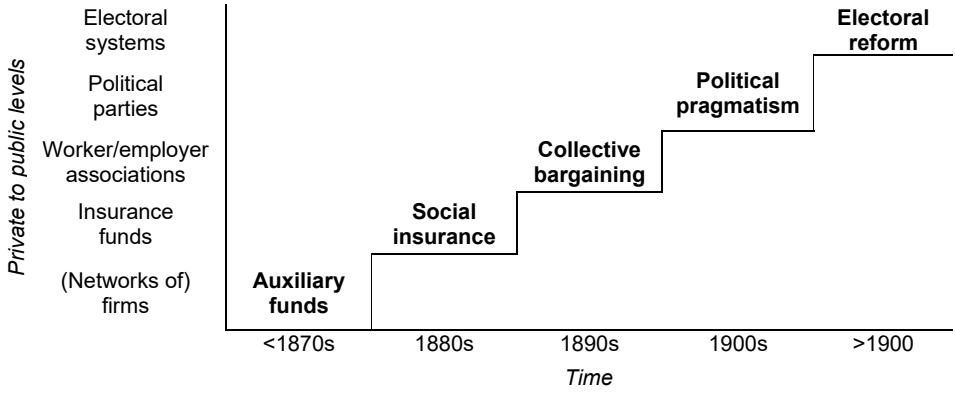

Figure 2: *Five stages to coordination in nineteenth-century Germany*

31 van Kersbergen, *Social Capitalism*, 189.

32 Hueglin, "Federalism at the Crossroads: Old Meanings, New Significance," 278.

This argument reveals a five-stage process within Germany's turn to coordination (see Figure 2). Growing out of centuries of early coordination in miners' brotherhoods, craft guilds, journeymen associations and their successor organizations, the first stage of this process began in the 1870s, when (1) auxiliary funds began to provide basic welfare coverage in cities and at the level of large volume producing companies. In the 1880s, the introduction of (2) social insurance saw workers and employers involved in the administration of the schemes—building on pre-existing local institutions and initiatives. The increase in (3) collective bargaining in the 1890s subsequently sparked greater coordination between organized labour unions and employer associations. This was not without consequence for party politics, where around 1900, the evolution of modern interest parties away from parties of notables triggered a rise in (4) political pragmatism and coordination across the new, capitalist cleavage. Interest parties took this evolutionary process to its final stage, the (5) electoral reform in some regional legislations just before the outbreak of the First World War—a topic recently much debated by political economists, and a first hint at the turn to democracy yet to occur.

From Auxiliary Funds to Social Insurance

An announcement from the very top of the Wilhelmine state is often portrayed as the starting point for the emergence of coordinated capitalism in Germany: the imperial message (*Kaiserliche Botschaft*) of 17 November 1881, outlining the government's programme for social insurance legislation and complementing the repressive anti-socialist laws enacted three years earlier.[33] However, as early as 1993, Florian Tennstedt—lead editor of the multi-volume collection of sources on the history of German social policy that has become the standard in the field and upon which this section draws—quipped: "Only without knowledge of the prehistory, well-documented in the primary sources, can one arrive at the perception that social policy was designed on the basis of the programme presented [in the imperial message]."[34]

In the years preceding the imperial message, local political and economic actors coordinated assistance in response to the increasingly insufficient fault-based liability laws and local poor relief schemes. Under the liability law of 1871, an employee could only be compensated for a workplace accident, if he could prove that the accident was the employer's fault. But in the context of steam-driven heavy industrialization, and

33 Ritter, *Sozialversicherung in Deutschland und England: Entstehung und Grundzüge im Vergleich*.

34 Florian Tennstedt, "Sozialpolitik und Innere Reichsgründung. Politische Rahmenkonstellationen in Europa Als Ausgangspunkt für Deutschlands Aufbruch Zum Sozialstaat," in *Soziale Sicherheit in Europa: Renten- und Sozialversicherungssysteme im Vergleich*, ed. Günther Lottes (Heidelberg: Physica-Verlag, 1993), 64.

thus accident-prone factories such as steelworks, this practice became untenable. It overburdened the basic poor relief schemes of local communities into which injured workers fell, and thereby cast doubts on the paternalist ambitions of employers for workplace relations. Political economists have highlighted how employers recognized the limits of managing the risks of rapid industrialization through private law. This search for solutions was a driving force behind the 1880/81 proposal for public accident insurance.[35]

However, employers were more than the mere providers of blueprints for Bismarck to turn to, but key *instigators* of social insurance legislation. Among the business representatives—rather than authoritarian government officials—unsuccessfully pushing these ideas, between the 1848 revolution and the 1869 North German industrial code, were Ruhr heavy industrialist Friedrich Harkort, his Saar counterpart Karl Fredrich Stumm, and Eupen factory owner August Wilhelm Hüffer.[36] Reacting to their demands, Bismarck had, in a 1863 letter to the interior ministry, still inquired about the potential prospects for pension funds. Nonetheless, Bismarck's interest in the "workers' question" during the period of conflict over the Prussian constitution had given way to a rather obstructive positioning by the late 1870s.[37] Instead, lower-level actors led the way during the 1870s. A 1875 newspaper contribution by Ruhr heavy industrialist Louis Baare, for example, lambasted the shortcomings of the liability law.[38] One year earlier, as part of a publication by Gustav Schmoller's *Verein für Socialpolitik*, Wiesbaden chemicals producer Fritz Kalle made the case for compulsory auxiliary funds,[39] which became the official policy of the industrialists' association *Centralverband Deutscher Industrieller (CDI)* after its foundation in 1876.[40] In 1878, as a member of the imperial diet, Stumm reiterated his calls for compulsory invalidity and pension funds for factory workers, modelled on miners' brotherhoods (*Knappschaften*). In contrast, in 1878, Bismarck's office notified the Prussian trade ministry that the

35 Mares, *The Politics of Social Risk: Business and Welfare State Development*, 65.

36 Heinrich Volkmann, *Die Arbeiterfrage im Preußischen Abgeordnetenhaus, 1848–1869*, Schriften zur Wirtschafts- und Sozialgeschichte 13 (Berlin: Duncker & Humblot, 1968).

37 Florian Tennstedt and Heidi Winter, eds., *Grundfragen Staatlicher Sozialpolitik. Die Diskussion der Arbeiterfrage auf Regierungsseite Vom Preußischen Verfassungskonflikt bis zur Reichstagswahl von 1881*: *Quellensammlung zur Geschichte der Deutschen Sozialpolitik, I. Abteilung (1867–1881)*, vol.1 (Stuttgart: Fischer, 1994), 14.

38 Florian Tennstedt and Heidi Winter, eds., *Von der Haftpflichtgesetzgebung zur ersten Unfallversicherungsvorlage*: *Quellensammlung zur Geschichte der Deutschen Sozialpolitik, I. Abteilung (1867–1881)*, vol. 2 (Stuttgart: Fischer, 1993), 50.

39 Fritz Kalle, "Eine Deutsche Arbeiter-Invaliden, Wittwen- und Waisen-Casse. Gutachten," in *Ueber Alters- und Invalidenkassen für Arbeiter* (Leipzig: Duncker & Humblot, 1874).

40 Ute Frevert, *Krankheit als Politisches Problem, 1770–1880. Soziale Unterschichten in Preußen Zwischen Medizinischer Polizei und Staatlicher Sozialversicherung* (Göttingen: Vandenhoeck & Ruprecht, 1984), 181.

chancellor saw no need to "approach the matter" of liability law reform.[41] Meanwhile, liberal politicians were among the most outspoken advocates of local wide-ranging public services—from vocational training institutes and water works to savings banks—as described by the German term *Daseinsvorsorge* ("providing for existence"). The local auxiliary welfare funds within this setup were more than mere templates for the subsequent social security legislation. Their own substantiveness is reflected in the gradual processes of legislative expansion and regulatory tightening in Prussia before 1870.[42] The ambitiousness behind the local *Daseinsvorsorge* project was summed up by one of its flagbearers, Frankfurt's liberal mayor Johannes von Miquel. Upon leaving his post in 1890, Miquel called for the boundaries still constraining communal powers in public services provision to be pushed ever further afield.[43]

Despite these desires for horizontal expansion, however, the model had reached its vertical limits. Existing liability and poor relief arrangements were under pressure, for instance, from the increased spatial and professional mobility of workers under rapid industrialization.[44] But even the proposals of ambitious Prussian trade ministry official Theodor Lohmann as of early 1878 still contended themselves with an expansion of the fault-focused logic under the existing liability law, via a new, standard presumption of employer fault.[45] Facing the real limitations of existing arrangements, local businesses provided the impetus for social insurance. The protocol of a January 1880 board meeting at Baare's Bochumer Verein steelworks points to preparations for an accident fund covering the plant's entire workforce; Negotiations with an insurance company had been underway since 1878.[46] After a chance encounter in Berlin in early February 1880, Baare sent a report to trade secretary Karl Hofmann in April, suggesting an expansion of his Bochum model to all of Germany: an accident insurance covering all workers, which, in turn, would largely release employers from their liability for workplace accidents.[47] Three months later, in a draft paper to trade secretary Hofmann, Lohmann followed suit and also dropped the fault dogma. Instead, he

41 Tennstedt and Winter, *Von der Haftpflichtgesetzgebung zur ersten Unfallversicherungsvorlage,* XXV, 73.

42 Volkmann, *Die Arbeiterfrage im Preußischen Abgeordnetenhaus, 1848–1869*, 59.

43 Dieter Langewiesche, *Liberalismus in Deutschland* (Frankfurt am Main: Suhrkamp, 1988), 200.

44 Volker Berghahn, "Demographic Growth, Industrialization and Social Change," in *Nineteenth-Century Germany: Politics, Culture and Society 1780–1918, 2nd ed.*, ed. John Breuilly (London: Bloomsbury, 2020), 186; Toni Offermann, *Arbeiterbewegung und Liberales Bürgertum in Deutschland, 1850–1863*, Reihe Politik und Gesellschaftsgeschichte 5 (Bonn: Verlag Neue Gesellschaft, 1979), 142.

45 Tennstedt and Winter, *Von der Haftpflichtgesetzgebung zur ersten Unfallversicherungsvorlage*, 57.

46 Ibid., 120.

47 Ibid., 125, 161.

proposed a voluntary accident insurance under private law, based on a new, general assumption of employer liability for workplace risks (*Gefährdungshaftung*), to be co-financed jointly by the workers.[48] But such was Bismarck's obstructionist reputation, that Hofmann feared the chancellor would not accept this plan. Instead of proposing the new *Gefährdungshaftung* plan, he thus reinserted the older, seemingly less radical fault presumption idea before passing the draft on to the chancellor. This, however, backfired spectacularly. Bismarck reacted furiously, rejecting the presumption idea as an institutionalized mechanism for blaming employers. Hofmann was removed from his post, and Bismarck took on the role of Prussian trade secretary himself.[49] It was only during his parting visit later in the summer of 1880 that Hofmann handed Baare's initial report to Bismarck. Only now did the chancellor realize that what he had considered a threat to large employers largely reflected their preferences. This was the turning point. Working through Baare's report, Bismarck manually highlighted the idea of a public insurance authority under imperial auspices. But rather than reinstating Hofmann, Bismarck made the Bochum-born idea his own, asking its initial author, Baare, to turn his proposal into a draft bill.[50]

By setting up a competition for the best draft bill between public servants and private industrialists, Bismarck ensured that the outcome was a solution under public rather than private law, an "imperial or state insurance" without workers' monetary contributions. Baare and Lohmann were unhappy with this top-down path towards welfare state formation in line with older, paternalistic visions for centralized insurance demanded by industrialists like Stumm since the 1860s. The Reichstag—elected under relatively democratic suffrage—removed Bismarck's main paternalistic tools, including a financial contribution from the federal government and an imperial insurance authority. This, in turn, prompted Bismarck to engineer an upper house veto against his own, severely altered bill in 1881.[51] Central state authorities were constrained, not least by a lack of the required tax revenues—the quest for which was repeatedly blocked by the traditionally powerful regional states. This further increased the role of contributions from workers and employers and, in turn, the influence of these groups.[52]

48 Ibid., 189.
49 Ibid., 214.
50 Ibid., 161, 239.
51 Florian Tennstedt and Heidi Winter, "'Der Staat hat wenig Liebe – activ wie passiv': Die Anfänge des Sozialstaats im Deutschen Reich von 1871. Ergebnisse Archivalischer Forschungen zur Entstehung der Gesetzlichen Unfallversicherung," *Zeitschrift für Sozialreform* 39 (1993): 390.
52 Jürgen Kocka, "Bismarck und die Entstehung des Deutschen Sozialstaats," *Francia* 43 (2016): 404.

The accident insurance would only come into force in 1884. Like the health insurance passed in the previous year and the pension insurance completing the edifice by 1889, the groundbreaking accident insurance ended up taking a more decentralized shape than Bismarck had intended. Yet, this also meant that social insurance came much closer to what its local instigators had initially intended. Neither Bismarck's disinterested obstruction in the 1870s, nor his authoritarian enthusiasm in the decade that followed proved very durable within the context of ultimately limited central state powers. Instead, social insurance emerged in a process of state formation from below, a densification process in which differentiated interests—from factory owners to municipal administrations, insurance companies and the imperial government—coordinated the provision of social insurance as a new type of higher-level assistance required under rapidly industrializing capitalism.

From Social Insurance to Collective Bargaining

The institutional architecture of the new social insurance bodies famously included elected worker representatives. This benefitted labour union centralization, an organizational stabilizer that would turn out to be crucial for the further development of Germany's welfare state.[53] However, the limitations and shortcomings were just as important. As of the 1890s, lower-ranking actors coordinated the provision of assistance through a self-administered industrial relations system that neither existing administrative bodies of social insurance nor the central government could or wanted to provide. The context was provided by the end of the anti-socialist laws in 1890. The share of workers organized in free unions rose from 5 to 18 percent between 1895 and 1903.[54] As the economy continued to expand by the mid-1890s,[55] one result was a significant increase in strike activity.[56] The anti-socialist laws had slowed the development of a functioning industrial relations system from below, but an 1889 report by the Berlin police president to the Prussian interior minister still counted some 240,000 union members.[57] A decade of restrictive measures seemed to have

53 Manow, *Social Protection, Capitalist Production*.

54 Klaus Schönhoven, *Expansion und Konzentration. Studien zur Entwicklung der Freien Gewerkschaften im Wilhelminischen Deutschland 1890 bis 1914* (Stuttgart: Klett-Cotta, 1980), 114.

55 Gerhard A. Ritter and Klaus Tenfelde, *Arbeiter im Deutschen Kaiserreich, 1871 bis 1914*, Geschichte der Arbeiter und der Arbeiterbewegung in Deutschland seit dem Ende des 18. Jahrhunderts 5 (Bonn: J.H.W. Dietz, 1992), 65.

56 Klaus Tenfelde and Heinrich Volkmann, *Streik. zur Geschichte des Arbeitskampfes in Deutschland während der Industrialisierung* (Munich: C. H. Beck, 1981), 295.

57 Wilfried Rudloff, ed., *Arbeiterrecht*: *Quellensammlung zur Geschichte der Deutschen Sozialpolitik, II. Abteilung (1881–1890)*, vol. 4 (Darmstadt: Wissenschaftliche Buchgesellschaft, 2008), 415.

left business and state elites with the worst of both worlds: a labour movement that remained well-organized, but had little incentive to cooperate with the authorities that had criminalized it. Well-organized workers threatened to disappear into the wilderness of unregulated industrial action. Assistance was required in the form of an industrial relations framework.

An 1890 bill introduced special courts staffed equally by workers and employers, to help with the resolution of industrial conflicts, while the 1891 industrial code reform paved the way for the introduction of company-level work charters and worker councils.[58] The underlying *Neuer Kurs* (new path) agenda had been announced in Wilhelm II's 1890 February decrees. Under pressure from shifting Reichstag majorities, he connected to older and much longer lasting coordination efforts by lower-level actors, which had thus far been obstructed by authoritarian elites. Employers, including even some conservative heavy industrialists, had begun to discover the value of coordinated industrial relations, of co-determination and the expansion of employment laws, as an effective tool for preventing the organizational disintegration of their work forces and, consequently, "wild" strikes. As early as 1886, newspapers reported that the small-business *Deutsche Volkspartei (DtVP)* had publicly called for the introduction of industrial courts staffed by workers and employers.[59] Where such courts already existed, employers reverted to them to get workers to end their strikes, as indicated by court reports from industrially advanced regions such as Leipzig.[60] In an 1887 report to Bismarck, Düsseldorf district president Hans von Berlepsch highlighted the courts' role as arbitration boards in the local small iron and metal industries.[61] But in contrast to various Reichstag initiatives for such industrial courts beginning in 1886, even a progressive central state civil servant like Lohman, in an 1888 note, still expressed his relative scepticism towards the immediate need to act.[62]

This changed with the great Ruhr miners' strike of 1889. In white papers and reports, public servants pondered possible strategies to limit the impact of such industrial action.[63] In their absence, even traditionally liberal actors such as the leader of Essen-based mining industry association Friedrich Hammacher—an advocate for a negotiated solution to the Ruhr miners' strike—saw no other way but to urge the government to take a tougher line against "contract breaching" employees not

58 Hans-Jörg von Berlepsch, *'Neuer Kurs' im Kaiserreich? Die Arbeiterpolitik des Freiherrn von Berlepsch 1890 bis 1896*, Forschungsinstitut der Friedrich-Ebert-Stiftung, Politik- und Gesellschaftsgeschichte 18 (Bonn: Verlag Neue Gesellschaft, 1987), 291.

59 Rudloff, *Arbeiterrecht*, 205.

60 Rudloff, *Arbeiterrecht*, 304.

61 Rudloff, *Arbeiterrecht,* 295.

62 Rudloff, *Arbeiterrecht*, 352.

63 Rudloff, *Arbeiterrecht*, 391.

returning to work.[64] Eventually, the government changed its stance. In a report to Bismarck, interior state secretary Karl Heinrich von Boetticher suggested the tableing of an amendment to yet another, liberal bill under consideration in parliament, which designated industrial courts as "arbitration offices,"[65] namely as facilitators of collective agreements rather than just examiners of individual employment issues.

The unusually democratic Reichstag suffrage provided a transmission channel for lower-level initiatives towards new fora for modern industrial relations. Between the 1878 and 1887 elections, the socialist vote share rose from 7.6 to 10.1 percent. In the February 1890 polls, it almost doubled to 19.7 percent, while the Catholic Centre party remained the strongest force in the Reichstag.[66] Even if these votes did not translate into comparable seat shares under the majoritarian electoral system, the election results demonstrated the failure of the anti-socialist laws of the 1880s and sealed the end of Bismarck's "cartel." More moderate local representatives like Berlepsch could no longer be disregarded. Having attempted to mediate in the miners' strike in his region earlier in 1889, he argued in an autumn report to Bismarck for the introduction of work councils, arbitration boards and equally staffed chambers in the mining sector.[67]

The growing influence of such lower-level voices in government and parliament set the stage for not only a more pragmatic stance, but also Bismarck's eventual departure in the following year. The protocol of the Prussian crown council meeting of 24 January 1890 documents Wilhelm II's desire to mitigate the risk of renewed strikes with new social policy initiatives, while his chancellor insisted instead on an extension of the anti-socialist laws—even if the new lack of Reichstag majorities had become obvious in a vote just a day earlier.[68] Berlepsch took over from Bismarck as Prussian trade secretary just before the disastrous 1890 elections that were followed by the chancellor's departure.[69] The new trade secretary continued to draw on previous legislative work passed, at times unanimously, in the Reichstag, while Wilhelm II

64 Rudloff, *Arbeiterrecht,* 420.

65 Rudloff, *Arbeiterrecht,* 479.

66 Gerhard A. Ritter, *Wahlgeschichtliches Arbeitsbuch. Materialien zur Statistik des Kaiserreichs 1871–1918*, Statistische Arbeitsbücher zur Neuen Deutschen Geschichte (Munich: C. H. Beck, 1980), 12, 38.

67 Rudloff, *Arbeiterrecht*, 455.

68 Wolfgang Ayaß, Florian Tennstedt, and Heidi Winter, *Grundfragen der Sozialpolitik. Die Diskussion der Arbeiterfrage auf Regierungsseite und in der Öffentlichkeit*: *Quellensammlung zur Geschichte der Deutschen Sozialpolitik, II. Abteilung (1881–1890),* vol. 1 (Darmstadt: Wissenschaftliche Buchgesellschaft, 2003), 479.

69 von Berlepsch, *'Neuer Kurs' im Kaiserreich? Die Arbeiterpolitik des Freiherrn von Berlepsch 1890 bis 1896*, 48.

chaired the relevant state council meeting based on a word-by-word outline prepared by senior civil servants.[70]

The emperor rebranded what were, in fact, lower-level initiatives. The industrial code reform of 1891was intended to increase public regulation of private industrial relations. Larger companies were required to introduce internal workplace charters, formalizing the terms of previously often verbal employment contracts. Moreover, workers' councils were to be introduced. Many heavy industrialists such as Krupp were opposed, but meeting minutes still note the support of a majority of employers present at an 1890 Prussian state council gathering.[71] As early as 1885, when the Social Democratic Party (SPD) had called for industrial code reform, the protocols of Reichstag commission meetings highlighted the political backing not only from Centre leaders such as the party's social policy expert Franz Hitze, but also from liberals and even moderate conservatives. Back then, the main conflict had been over how worker representatives on company or industry councils should be elected.[72]

In the following year, businessman and National Liberal Reichstag MP Wilhelm Oechelhäuser published a pamphlet in support of equally-staffed work chambers. Oechelhäuser's proposal differed from the broadly similar initiatives put forward by the Social Democrats in that he wanted the chambers to focus on surveillance, mediation, and increasing protection for employers from "contract breaches."[73] Years before the government caught up, therefore, the debate in the Reichstag had moved beyond the question whether industrial relations should become more coordinated; instead, representatives for worker and employer interests were already bargaining over the exact power balance in these new institutions, such as worker and industry councils.

Beginning in the 1880s, workers and employers displayed a growing interest in coordinating assistance by institutionalizing their conflicts. Even conservative Reichstag MP Stumm described worker councils as "a blessing" during an 1890 Reichstag committee meeting.[74] Via the works charter enacted at his Saar iron works in 1895, Stumm hoped to expand his authority into workers' private lives.[75] But protocols from the meetings of the council of elders at the Marienhütte ironworks in Silesia—one of Germany's oldest worker councils—point to less paternalistic effects. Instead, the

70 Wolfgang Ayaß, *Grundfragen der Sozialpolitik: Quellensammlung zur Geschichte der Deutschen Sozialpolitik 1867 bis 1914, III. Abteilung: Ausbau und Differenzierung der Sozialpolitik Seit Beginn des Neuen Kurses (1890–1904),* vol.1 (Darmstadt: Wissenschaftliche Buchgesellschaft, 2016), XIV, 89.

71 Rudloff, *Arbeiterrecht,* 1.

72 Rudloff, *Arbeiterrecht*, 94.

73 Rudloff, *Arbeiterrecht,* 175.

74 Rudloff, *Arbeiterrecht*, 90.

75 Rudloff, *Arbeiterrecht,* 220.

minutes from the 1880s abound with references to employee self-control.[76] Around the same time, articles in worker publications also praised the "disciplining" effect of social democratic organization on otherwise wild-striking employees.[77]

While the government had once again lost interest by the middle of the 1890s, the workers' movement's interest in self-moderation kept growing from below. At an 1899 trade union gathering in Stuttgart, any remaining, orthodox opposition was dropped and collective bargains with employers were formally endorsed.[78] According to leading trade unionist Carl Legien, strikes were now the exception and no longer the rule.[79] Out of a total of 1625 officially registered strikes and lockouts in 1904,[80] industrial courts addressed 399[81]—a substantial share, considering that the municipal nature of the courts contrasted with the increasingly supra-regional nature of industrial action.[82] Businesses also established specific employer, not just industry, associations.[83] The charter for the nationwide and cross-sectoral central office of employers' associations, founded in 1904,[84] reflects an increased interest in the assistance provided by collective bargains, even among traditionally independent-minded business leaders.

By 1907, 10 percent of all workers were covered by collective agreements.[85] As with the existing industrial courts, factory charters and worker councils, the advances towards collective bargaining preceded any respective legislation on the state level, which would follow only after the First World War.[86] Liberal activists and politicians

76 Rudloff, *Arbeiterrecht*, 38, 320, 355.

77 Rudloff, *Arbeiterrecht,* 141.

78 Hans-Peter Ullmann, "Industrielle Interessen und die Entstehung der Deutschen Sozialversicherung 1880–1889," *Historische Zeitschrift* 229, no. 3 (1979): 200.

79 Carl Legien, *Das Koalitionsrecht der Deutschen Arbeiter in Theorie und Praxis. Denkschrift der Generalkommission der Gewerkschaften Deutschlands* (Hamburg: Verlag der Generalkommission der Gewerkschaften Deutschlands, 1899).

80 Tenfelde and Volkmann, *Streik. zur Geschichte des Arbeitskampfes in Deutschland währen der Industrialisierung*, 296.

81 "Die Tätigkeit der Gewerbegerichte 1904," *Soziale Praxis. Centralblatt für Sozialpolitik* 14 (May 1904): 1325.

82 Jutta Rabenschlag-Kräußlich, *Parität statt Klassenkampf? Zur Organisation des Arbeitsmarktes und Domestizierung des Arbeitskampfes in Deutschland und England 1900–1918* (Frankfurt am Main: Peter Lang, 1983), 78.

83 Hans-Peter Ullmann, "Unternehmerschaft, Arbeitgeberverbände und Streikbewegung 1890–1914," in *Streik. zur Geschichte des Arbeitskampfes in Deutschland während der Industrialisierung*, ed. Klaus Tenfelde and Heinrich Volkmann (Munich: C. H. Beck, 1981), 197.

84 Rudloff, *Arbeiterrecht*, 505.

85 Hans-Peter Ullmann, *Tarifverträge und Tarifpolitik in Deutschland bis 1914: Entstehung und Entwicklung, Interessenpolitische Bedingungen und Bedeutung des Tarifvertragswesens für die Sozialistischen Gewerkschaften* (Frankfurt am Main: Lang, 1977), 98.

86 Sabine Rudischhauser, *Geregelte Verhältnisse. Eine Geschichte des Tarifvertragsrechts in Deutsch-*

such as Karl Flesch ensured a further expansion of employment regulations, thereby reshaping worker-employer relations from the factory floor up, as "a new economic order cannot be constructed or decreed."[87]

From Collective Bargaining to Political Pragmatism

By the summer of 1895, Berlepsch had already requested to be removed from his post. In his resignation letter to Wilhelm II, he complained about the obstruction to his progressive course exerted by Stumm and other conservative and National Liberal forces.[88] The risk was not only that authoritarian elites would revert to outright suppression; orthodox positions in the Catholic and social democratic camps were also threatening to block further progress. Lower-level actors therefore began to coordinate assistance in the form of a push for a new pragmatism on the next, higher, stage—national party politics. Less than five years after the end of the anti-socialist laws, the government's so-called subversion bill (*Umsturzvorlage*) of December 1894 envisaged new obstacles to Social Democracy. Following the 1896 Hamburg port workers strike, conservative state elites tried to double down even further, tabling the 1899 prison bill (*Zuchthausvorlage*). This bill was rejected not only by the Catholic Centre party, but also by large segments of the National Liberals, previously members of Bismarck's "cartel." In response, vice chancellor Arthur von Posadowsky-Wehner again steered the government closer towards the February decrees.[89] But overall, the government remained a volatile veto player.

In contrast, political parties increasingly became key instigators. In terms of intra-party organization, this dynamic rested on greater representation for groups of lower-level actors; in terms of inter-party relations, cooperation gradually began to emerge. On the left, the unions were no longer willing to accept the leadership of the Social Democratic party over the entire workers' movement; they positioned themselves *against* the desire of politicians for political strikes. Within the Catholic milieu, Centre party leaders and workers' representatives pushed the pope to *allow* Catho-

land und Frankreich (1890–1918/19), Industrielle Welt, Schriftenreihe des Arbeitskreises für Moderne Sozialgeschichte 92 (Cologne: Böhlau, 2017), 614.

87 Karl Flesch, "Die Tragödie des Arbeitsvertrags," *Süddeutsche Monatshefte* 2 (1905): 243.

88 Wolfgang Ayaß, *Arbeiterschutz: Quellensammlung zur Geschichte der Deutschen Sozialpolitik 1867 bis 1914, III. Abteilung: Ausbau und Differenzierung der Sozialpolitik seit Beginn des Neuen Kurses (1890–1904),* vol. 3 (Darmstadt: Wissenschaftliche Buchgesellschaft, 2005), 335.

89 Karl-Erich Born, *Staat und Sozialpolitik Seit Bismarcks Sturz. Ein Beitrag zur Geschichte der Innenpolitischen Entwicklung des Deutschen Reiches 1890–1914* (Wiesbaden: Franz Steiner, 1957), 146.

lic workers to become members in (formally interdenominational) Christian trade unions. While the socialists benefitted from their existing organizational status as a modern mass party,[90] the Centre's evolution meant a deeper organizational mutation from an elite party of notables to a party engaged in interest-based politics.[91] When the party voted against the government's plans for army expansion in 1893, this triggered early elections and concluded a process in which middle class politicians had replaced aristocratic notables at the Centre's helm. After 1900, these middle-class forces came under increasing pressure from the growing Catholic workers' movement. The high point of this social Catholic influence was reached in late 1906, when, under Matthias Erzberger's leadership, the Centre voted jointly with the Social-Democratic Party in the Reichstag to withhold further funding from the government's colonial genocide campaign against the Nama in Southwest Africa, again triggering early elections. As of 1907, however, middle class forces managed to regain some ground.[92]

The Centre's transformation rested on organizations such as the People's Association for Catholic Germany (*Volksverein für das katholische Deutschland*) and on Catholic workers' associations, whose emergence in the last decade of the nineteenth century effectively provided the party with its locally rooted mass-movement underpinnings. These associations were self-help institutions designed to improve worker welfare and training, with local chapters organized along parish lines and presided by clergymen and Catholic employers.[93] This appeared to be in line with Pope Leo XIII's encyclical, which had rediscovered the concept of subsidiarity as a Catholic response to the challenges of rapid industrialization. Drawing on the thinking of Bishop Emmanuel von Ketteler and other German social reformers since the 1860s, the encyclical confirmed the social Catholic movement's achievements .[94]

Within local associations, specialist committees emerged for each profession. In the eyes of *Volksverein* founder Franz Hitze, the professional sub-associations should coordinate regionally, thereby providing a Catholic alternative to socialist trade unions. But as this model turned out to lack the unions' organizational prowess, Catholic workers

90 Robert Michels, *Zur Soziologie des Parteiwesens in der Modernen Demokratie; Untersuchungen über die Oligarchischen Tendenzen des Gruppenlebens* (Leipzig: Werner Klinkhardt, 1911).

91 Ulrich von Hehl, "Vom Honoratioren- Zum Berufspolitiker? Das Zentrum im Kaiserreich," in *Regierung, Parlament und Öffentlichkeit im Zeitalter Bismarcks. Politikstile im Wandel*, ed. Lothar Gall, Otto-von-Bismarck-Stiftung (Paderborn: Ferdinand Schöningh, 2003), 151–83.

92 Wilfried Loth, *Katholiken im Kaiserreich: der Politische Katholizismus in der Krise des Wilhelminischen Deutschlands*, Beiträge zur Geschichte des Parlamentarismus und der Politischen Parteien 75 (Düsseldorf: Droste, 1984).

93 Thomas Bredohl, *Class and Religious Identity: The Rhenish Center Party in Wilhelmine Germany* (Milwaukee, WI: Marquette University Press, 2000), 60.

94 Klaus Schatz, *Kirchengeschichte der Neuzeit II*, Leitfaden Theologie 20 (Düsseldorf: Patmos, 1989), 109.

in industrial centres quickly began to set up interdenominational trade unions. Coal miner August Brust led the way by founding the Professional Association of Christian Miners (*Gewerkverein Christlicher Bergarbeiter*) in Essen in 1894.[95] The Christian trade unions engaged in collective bargaining, were willing to revert to industrial action, and worked together with their socialist counterparts.[96] This may have been facilitated by a pattern already noted by contemporaries: as Catholic social teaching focused on morals rather than economics, the *Volksverein* and other Catholic workers' organizations turned to the work of social democratic academics of the time, the so-called *Kathedersozialisten*, for intellectual guidance.[97] Yet, bottom-up attempts at worker representation and cooperation with Protestants and even socialists did not go unanswered. Ecclesial elites used their authority to prevent Catholic workers from joining non-Catholic (even if Christian, non-socialist) trade unions. The bishop of Trier, Michael Felix Korum, professed: "Even if the unions had only Catholic members, but assigned the leadership to a worker, we would have to fight them. What matters is that the clergy remains in control of Catholic workers."[98] In the ensuing trade union struggle (*Gewerkschaftsstreit*), the *Volksverein* and Catholic workers' associations pushed for a pragmatic line devised by social reformers in the urban and industrial centres of the Rhineland, that was in favour of further democratization and worker emancipation, and open to interdenominational trade unions. The conflict deeply divided German Catholicism, including the workers' associations. In 1912, a papal encyclical decreed a compromise: workers could become members in Christian trade unions as long as they remained simultaneously affiliated with a Catholic workers' association.[99]

The idea of organized representation for Catholic workers had risen from the bottom to recognition at the very highest level. It now received assistance from Catholic Germany's political party, as the Centre veered towards modern interest-group politics and became increasingly available for pragmatic politics across the class divide. Up until the First World War, the Centre grew into an integration party with a strong emphasis on medium-sized businesses.[100] Meanwhile, the debates about revisionism

95 Karl Josef Rivinius, "Der Streit um die Christlichen Gewerkschaften im Briefwechsel Zwischen Carl Bachern, P. Pankratius Rathscheck und Bischof Döbbing Vom Erscheinen der Enzyklika »Singulari Quadam« bis Zum Tod Kardinals Kopp (1912–1914)," *Jahrbuch für christliche Sozialwissenschaften* 23 (1982): 135.

96 Helga Grebing, *Geschichte der Deutschen Arbeiterbewegung. Ein Überblick*, 7th ed. (Munich: Deutscher Taschenbuch Verlag, 1976), 127.

97 Loth, *Katholiken im Kaiserreich: Der Politische Katholizismus in der Krise des Wilhelminischen Deutschlands*, 91.

98 cited in Emil Ritter, *Die Katholisch-Soziale Bewegung Deutschlands im Neunzehnten Jahrhundert und der Volksverein* (Cologne: Bachem, 1954), 323.

99 Bredohl, *Class and Religious Identity*, 149.

100 Loth, *Katholiken im Kaiserreich: Der Politische Katholizismus in der Krise des Wilhelminischen Deutschlands,* 225.

and reformism pitted orthodox elements against less ideological forces within a Social Democratic Party that was, in the mass strike debate (*Massenstreikdebatte*), competing with pragmatic unions for the leadership of the workers' movement. From the bottom up, these dynamics transformed the party politics of the workers' movement from a risk factor into a coordinator of assistance for growing cross-class cooperation.

Social Democracy often struggled to attract working-class voters if they were Catholic, Polish, or semi-independent, and especially if they were low-skilled, or worked in the agricultural sector.[101] However, the fast-growing new middle classes of imperial Germany—"petty bourgeois" groups such as civil servants and office clerks—gradually became attainable for the party before the First World War, at least if they were Protestant.[102] Expanding its electorate to wage earners from all walks of life, social democracy had to come to programmatic terms with its voters' preferences in the conservative-capitalist society of the Wilhelmine empire. This was complicated by expectations expressed, for instance, by Friedrich Engels, that Germany would turn socialist by the end of the century.[103] Reformists, in contrast, had little interest in grand theory and its future predictions. Their thinking gained in influence in the practical politics of local SPD branches, in municipal councils and regional parliaments.[104] Among them was Bavarian SPD leader Georg von Vollmar who called on his party to focus on improving everyday living and working conditions.[105]

However, the SPD's 1891 Erfurt conference heeded the warnings of its leader August Bebel: reformism would undermine the party's position when the end of capitalism was just around the corner.[106] In contrast, theorists like Eduard Bernstein saw how the economic expansion of the later 1890s limited popular appetite for a quick overthrow of capitalism. He therefore envisaged a "democratic-socialist reform party" working pragmatically with other forces to improve everyday living conditions for its

101 Gerhard A. Ritter, *Die Sozialdemokratie im Deutschen Kaiserreich in Sozialgeschichtlicher Perspektive*, Schriften des Historischen Kollegs, Vorträge 22 (Munich: Stiftung Historisches Kolleg, 1989), 46.

102 Jonathan Sperber, *The Kaiser's Voters. Electors and Elections in Imperial Germany* (Cambridge: Cambridge University Press, 1997), 35.

103 Friedrich Engels, "Der Sozialismus in Deutschland," *Die Neue Zeit* (1892): 580–89.

104 Adelheid von Saldern, 'Sozialdemokratische Kommunalpolitik in Wilhelminischer Zeit,' in *Kommunalpolitik und Sozialdemokratie. Der Beitrag des Demokratischen Sozialismus zur Kommunalen Selbstverwaltung*, ed. Karl-Heinz Naßmacher (Bonn-Bad Godesberg: Verlag Neue Gesellschaft, 1977), 18–63.

105 Georg von Vollmar, *Über die Nächsten Aufgaben der Deutschen Sozialdemokratie. Zwei Reden, Gehalten Am 1. Juni und 6. Juli 1891 im 'Eldorado' zu München* (Munich: Ernst, 1891).

106 *Protokoll über die Verhandlungen der Sozialdemokratischen Partei Deutschlands. Abgehalten in Erfurt vom 14. bis 20. Oktober* (Berlin: Verlag der Expedition des 'Vorwärts' Berliner Volksblatt, 1891), 172.

voters.[107] The goal was a revision of Marxist theory, adapting to the—often hardly progressive—realities of Social Democratic voters' lives, rather than reacting to the failure of Marxist revolutionary predictions by scolding the lower classes for what György Lukács would soon label their "false consciousness."[108] But the decisive push emerged from the changing realities of industrial relations on the ground. The unions' increasingly pragmatic interactions with employers contrasted with both the desire for political strikes and the expectations of imminent revolution among national SPD leaders. Union membership also vastly outperformed that of the SPD.[109] Consequently, the 1906 Mannheim agreement terminated the strike debate in the unions' favour, confirming their independence and thus ruling out purely political strikes.[110]

This shifting balance also proved popular at the polls. Not only did the SPD become the strongest party in the Reichstag by the First World War,[111] but semi-official newspapers also noted how, in industrial court elections, social democratic candidates were supported by small and medium-sized employers.[112] These dynamics left their mark on policies across the political spectrum. For instance, Prussian state ministry minutes from 1901 noted how it was pressure from the Centre and the National Liberals that left the government with no choice but to endorse a further strengthening of industrial courts as arbitration offices.[113] Around the same time, writers in socialist publications began to drop their previous scepticism towards social insurance, and in the Reichstag, the SPD voted with the majority on several social insurance reforms.[114]

From Political Pragmatism to Electoral Reform

In several regional states, social democrats, liberals, and other "bourgeois" parties began to partner in more fundamental ways. Around 1900, this cooperation often focused on attempts at electoral reform, a central concern of the more recent political

107 Eduard Bernstein, *Die Voraussetzungen des Sozialismus und die Aufgaben der Sozialdemokratie* (Reinbek bei Hamburg: Rowohlt, 1969 [1899]).

108 *Geschichte und Klassenbewußtsein*, Georg Lukács Werke 2 (Bielefeld: Aisthesis, 2013 [1923]).

109 Joachim Eichler, "Von Köln nach Mannheim. Die Debatten über Maifeier, Massenstreik und das Verhältnis der Freien Gewerkschaften zur Deutschen Sozialdemokratie innerhalb der Arbeiterbewegung Deutschlands 1905/06. Zur Entstehung des 'Mannheimer Abkommens,'" *Arbeiterbewegung* 26 (Münster: Lit, 1992), 59.

110 Eichler, 234.

111 Ritter, *Wahlgeschichtliches Arbeitsbuch. Materialien zur Statistik des Kaiserreichs 1871–1918*, 42.

112 "Neue Erfolge der Sozialdemokratie," *Neueste Mittheilungen,* 2 October 1894.

113 Rudloff, *Arbeiterrecht*, 408.

114 Ayaß, *Grundfragen der Sozialpolitik*, XXXII, 589.

science literature.[115] Given the regional nature of these reforms in Germany, political economists have drawn on the work of historians to study the interplay between local patterns of emerging coordination and cross-class coalitions enacting electoral reforms to improve workers' representation, such as in Saxony, where small and medium-sized producers were influential, as well as in parts of the Southwest.[116] Not least due to resistance from and within powerful Prussia, until the end of the First World War, progress on the national level occurred mainly in intellectual debates in which, however, lower-level progress towards greater coordination began to serve as examples.

Pre-1914 data on Reichstag MP voting patterns and constituency-level alliances suggest that the political right's *success* in forming local coalitions reduced the overall cohesion of the resulting parliamentary parties.[117] By the turn of the century, therefore, the existing majority runoff system created internally fragmented parties on the right just as increasing party *system* fragmentation in parliament (namely, the continued rise of Social Democracy) and increasing supra-local economic integration would have required the opposite: greater party-internal cohesion enabling the negotiation of deals that could coordinate political assistance for the cross-class management of the new, industrialized economy beyond local constituencies. Proportional representa-

115 André Blais, Agnieska Dobrzynska, and Indridi H. Indridason, "To Adopt or Not to Adopt Proportional Representation: The Politics of Institutional Choice," *British Journal of Political Science* 35, no. 1 (2005): 182–90; Josep M. Colomer, "It's Parties That Choose Electoral Systems (Or, Duverger's Laws Upside Down)," *Political Studies* 53, no. 1 (2005): 1–21; Marcus Kreuzer, *Institutions and Innovation. Voters, Parties, and Interest Groups in the Consolidation of Democracy. France and Germany, 1870–1939* (Ann Arbor (MI): University of Michigan Press, 2001); Martin and Swank, "The Political Origins of Coordinated Capitalism: Business Organizations, Party Systems, and State Structure in the Age of Innocence"; Jonathan Rodden, "Why Did Western Europe Adopt Proportional Representation? A Political Geography Explanation. Revised Version of Paper Prepared for Presentation at the 2008 Annual Meeting of the American Political Science Association, Boston," 2009; Lukas Leeman and Isabela Mares, "The Adoption of Proportional Representation," *The Journal of Politics* 76, no. 2 (2014): 461–78; for the historians' view, see Anderson, *Practicing Democracy: Elections and Political Culture in Imperial Germany*; Hedwig Richter, *Moderne Wahlen: Eine Geschichte der Demokratie in Preußen und den USA im 19. Jahrhundert* (Hamburg: Hamburger Edition, 2017).

116 Thomas Cusack, Torben Iversen, and David Soskice, "Economic Interests and the Origins of Electoral Systems," *American Political Science Review* 101, no. 3 (2007): 373–91; Thomas Cusack, Torben Iversen, and David Soskice, "The Coevolution of Capitalism and Political Representation: The Choice of Electoral System,," *American Political Science Review* 104 (2010): 393–403; James Retallack, "'What Is to Be Done?' The Red Specter, Franchise Questions, and the Crisis of Conservative Hegemony in Saxony, 1896–1909," *Central European History* 23, no. 4 (1990): 271–312.

117 Valentin Schröder and Philip Manow, "An Intra-Party Account of Electoral System Choice," *Political Science Research and Methods* 8, no. 2 (2020): 251–67.

tion delivered this cohesion by incentivizing the formation of party organizations that could assist with the nationwide coordination of diverse, bottom-up interests.

Meanwhile, the SPD managed to become the strongest party in the 1912 Reichstag elections, despite the majoritarian system and structural gerrymandering in place. The SPD could hope for even better Reichstag results under proportional representation, but it also supported proportional representation on hierarchically lower levels—including electoral systems for industrial and mercantile courts, but also to the administrative bodies of social insurance after 1900—even where it threatened to weaken its existing position. Donald Ziegler has noted how the Social Democrats, "failed to produce articulate opposition to proportional representation. 'The fact,' concluded one writer in 1909, 'that proportional representation could cost us mandates in a number of social-political organizations cannot be decisive. It will be offset by other gains.'"[118] The publicist quoted by Ziegler was reformist strategist Friedrich Kleeis, writing in the SPD's programmatic publication, *Die Neue Zeit*, where he recounts how SPD decision-makers supported initiatives for proportional representation time and again after 1900, even when bourgeois forces bet on it to dilute worker dominance of of social insurance and industrial relations bodies. Kleeis' "other gains" overriding the logic of mandate maximization lay in the systemic effects of proportional representation on the workings of these institutions: "A representative body should reflect the views and demands of the electorate with the greatest possible accuracy so that minorities can also participate in the activities of these bodies, in accordance with their strength."[119]

On the next higher, more systemic level of electoral "rules of the game," proportional representation offered a better reflection of the emerging interest-based politics of the centre-right—something Bismarck had long tried to prevent through his "cartel." This expanded on previous developments on the hierarchically lower level of industrial relations, where the (national) coordination of employer interests had been aided by encounters with an increasingly organized workers' movement. The turn to proportional representation helped encourage the institutionalization of business interests so that the SPD and the unions could bargain with them. On the national level, rather than preventing the turn to proportional representation jointly with the conservatives and the far left, the Centre party had already begun to support electoral reform before the end of the War.[120] Meanwhile, the SPD's longstanding advocacy for proportional representation as the most accurate representative system evolved to also

118 Daniel Ziegler, *Prelude to Democracy: A Study of Proportional Representation and the Heritage of Weimar Germany, 1871–1920* (Lincoln, NE: University of Nebraska Press, 1958), 34.

119 Friedrich Kleeis, "Die Einführung der Verhältniswahl bei den Sozialpolitischen Instituten," *Die Neue Zeit: Wochenschrift der Deutschen Sozialdemokratie*, 1909, 516.

120 Manfred Rauh, *Die Parlamentarisierung des Deutschen Reiches*, Beiträge zur Geschichte des Parlamentarismus und der Politischen Parteien 60 (Düsseldorf: Droste, 1977), 411.

reflect its benefits for the management of intra-party interest coordination.[121] With proportional representation already assisting reformist socialists and the moderate centre-right with the coordination of their coalitions in lower-level, regional-state and industrial relations bodies, the national-level debate was already decided in favour of reform before the end of the empire.

Beyond Electoral Reform

This article has argued that the choice for politically and economically coordinated arrangements in late nineteenth-century Germany should be seen in the wider context of the politics of state formation under subsidiarity. Across several stages, coordinated arrangements assisted with the further institutionalization of a particular mode of public service provision amid ongoing pressures from rapid industrialization and the absence of top-down solutions. While this article dealt with the specific case of Germany, its results have broader implications for research on capitalist continuity and change. Analyses on the historical origins of coordinated capitalism should go beyond notions of strong government that have long flowed through the literature. In Germany, authoritarianism was a normative prism through which ruling elites looked at the beginnings of coordination, especially during the Bismarckian era. However, the emergence of coordinated capitalism during that time is, overall, better understood as the result of bottom-up dynamics based on subsidiarity—this is, the coordination of mutual assistance under conditions of political decentralization. Indeed, the greater appreciation for bottom-up dynamics in the recent literature on coordinated capitalism should be explored further in comparative studies beyond the scope of this article. Historical beginnings as well as recent developments should be reassessed in light of the role of broader, institutionalized patterns of decentralization. Patterns of state formation structure discrete political choices by creating incentives and constraints for the groups of actors engaged in the much-studied electoral politics of modern capitalist societies.

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121 Eberhard Schanbacher, *Parlamentarische Wahlen und Wahlsystem in der Weimarer Republik: Wahlgesetzgebung und Wahlreform im Reich und in den Ländern*, Beiträge zur Geschichte des Parlamentarismus und der Politischen Parteien 69 (Düsseldorf: Droste, 1982), 38.