The Zollverein and the Making of a Prussian Germany

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The unification of Germany is often remembered as a sole achievement of Otto von Bismarck's genius and Prussia's military strength. Yet long before their victories of 1866 and 1871, the economic foundation of German unity had already been put into place. Prior to the creation of this Prussian-dominated customs union, the Napoleonic Wars had fundamentally reconfigured the entire system of Europe. These wars included events such as the dissolution of the millennium-long Holy Roman Empire of German Nations, the reduction of hundreds of microstates into less than 40 larger states, and the spread of modern legal, administrative, and economic processes across the German lands that exposed Germans to the benefits of larger-scale consolidations. Furthermore, the introduction of these bureaucratic systems to Germany through the creation of the Confederation of the Rhine introduced what a fully unified German state could look like and how it would function. At the center of these debates was the "German question" of what states would be included in this unified Germany, and who would lead it. The two solutions to this problem, the Kleindeutschland (Lesser Germany) and Großdeutschland (Greater Germany), were centered around the status of Austria within a unified German state. The eventual, realized solution, Kleindeutschland, was formed under the leadership of the Prussian Empire and did not include Austria. After the onset of the Congress of Vienna, the only political system connecting the German-speaking lands was the slow-moving, status-quo-maintaining, German Confederation. The structure of the confederation required unanimity for any major decisions, allowing any state, often Austria, to block any move to change existing conditions. In contrast, the Prussian-led Zollverein, established in 1834, created an economic union that would eventually allow Prussia to lead Germany towards unification. This customs union did more than promote economic growth; it laid the groundwork for political integration under Prussian leadership by consolidating the German economies into a single, protected market. From the very beginning of the union, the Zollverein slowly pushed the German states closer to unification, first through the fusion of markets, and later with the introduction of stronger administrative machinery. Overall, the Zollverein made the Kleindeutschland solution inevitable by integrating German economies under Prussian leadership, economically isolating Austria from the rest of the German-speaking lands, and creating institutions that foresaw political unity.

Before the onset of the Napoleonic Wars, it is estimated that there were around 1,800 separate customs unions in Germany. This idea was expressed by a common phrase of the time, “Miram Germanorum insaniam,” the strange madness of the German brothers.[1] Taxes were commonly levied at city gates and markets, rather than at the borders of states. This huge amount of economic disorganization made a modern commercial system nearly impossible, showing that reform was required for Germany to progress. Following Napoleon’s conquest of Germany, he reformed many of the German provinces into the Confederation of the Rhine. This state included nearly all German-speaking lands, with the exceptions of Austria and Prussia. In the wake of Napoleon’s defeat at the battle of Waterloo, Germany was freed from French domination and split back into many states. However, the number of states in Germany had still decreased from thousands to just 39.[2] Even with this consolidation, Germany’s fragmentation still made customs union reform unavoidable, as the patchwork of tariffs, currencies, and different jurisdictions created a commercial landscape so murky and divided that exchange became increasingly

[1]W. O. Henderson, *The Zollverein*. (Cambridge: Cambridge University Press, 1939), 21-2

[2]Mary Fulbrook, *A Concise History of Germany*, 3rd ed. (Cambridge: Cambridge University Press, 2019), 97, 103

difficult. As Friedrich List argued in the early nineteenth century, German economic division functioned as a national handicap:

> Thirty-eight customs boundaries cripple inland trade, and produce much the same effect as ligatures which prevent the free circulation of the blood. The merchant trading between Hamburg and Austria, or Berlin and Switzerland, must traverse ten states, must learn ten customs tariffs, must pay ten successive transit dues. Anyone who is so unfortunate as to live on the boundary line between three or four states spends his days among hostile tax-gatherers and customs-house officials; he is a man without a country.[3]

By framing economic fragmentation as a national crisis, List implicitly justified the need for a dominant state capable of enforcing large-scale integration, a role that Prussia was best-positioned to fill. He also argued that the problems described above would take large-scale cooperation among the German states, insisting that "a nation that greatly values its independence and its safety, must make a vigorous effort to elevate itself… [by] uniting and perfecting… its own agriculture, manufactures, navigation, and commerce."[4] As the lead writer of the Petition of the Union of Merchants, he further argued that these customs barriers were a leading factor preventing Germany from achieving further national cohesion. Without a common tariff, he believed, men within the German territories will have no connection to his country. The first instance of this idea being put into action was with Prussia's tariff of 1818. This piece of legislation effectively abolished all internal economic borders in Prussia and created a single external tariff, foreshadowing the chance of an eventual unified market.[5] Prussia first established

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[3]Henderson, *The Zollverein*, 22-3, quoting Friedrich List.

[4]Friedrich List, "Excerpt from *National System of Political Economy* (1841)," *German History in Documents and Images*, https://germanhistorydocs.org/en/from-vormaerz-to-prussian-dominance-1815-1866/friedrich-list-excerpt-from-national-system-of-political-economy-1841.

[5]Fulbrook, *A Concise History of Germany*, 113-4.

the tariff within its territory, after which it was adopted by the Prussia-Hesse-Darmstadt customs union and later became the basis of the Zollverein.[6] Prior to Prussia's passage of the law, economic struggles throughout Germany had forced states of the German Confederation to try and use the machinery of the legislative body to remove all tariffs throughout the confederation. Austria, as the leader of this union, was able to block this attempt due to worries about protecting its own infant industries and its Hungarian half's agrarian society. Austria's ability to easily veto movements supported by much of the German Confederation demonstrated the weakness in its structure; the unanimity clause steered Germany towards stagnation. The response by Prussia to this was its own tariff, and in turn its own customs union. In October of 1819, Prussia pressured its first state into joining the Zollverein, Schwarzburg-Sonderhausen. As Henderson notes, this accession was "Important not because of the interest involved… but because of the precedent it created."[7] Many of the smaller nations surrounding Prussia began fearing that their own economic sovereignty would soon be trampled over by Prussian attempts to enlarge her customs union. Immediately following this in 1820, many German states reintroduced the idea of abolishing internal tariffs at the meeting of the German Confederation. Austria once again blocked this attempt, largely because it was unable to support low-tariff policies without angering eastern agrarianists.[8] Austria's economy, with its sluggish industrial base and agriculturally-dependent Hungarian counterpart, could not handle any type of low-tariff system, suggesting the growing incompatibility between Austria's economic structure and the demands of German modernization.

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[6]Henderson, *The Zollverein*, 39-43.

[7]Henderson, *The Zollverein*, 45.

[8]Henderson, *The Zollverein*, 27-9.

The Zollverein unified markets and strengthened Prussia, transforming the economies of Germany from an assortment of isolated regional markets into an interconnected commercial system that became increasingly more administrative under Prussian leadership. Following the tariff of 1818, which was designed by Prussian finance minister, Hans von Motz, Prussia consumed all enclaves located in Prussian territory.[9] Motz adjusted the revenue sharing formula of the then-called Prussia-Hesse-Darmstadt customs union to make admission to the union economically attractive to smaller states, granting them a disproportionately large share of tariff income.[10] This willingness to sacrifice Prussia's immediate monetary advantage demonstrated her wider intentions to take on leadership within Germany. Furthermore, this fiscal policy helped Prussia overcome competing customs unions and continue to expand the membership of the later-named Zollverein. The two customs unions, the South German Union (Bavaria-Württemberg) and the Middle German Commercial Union (Saxony, Electoral Hesse, the Thuringian States), were each created to challenge Prussian economic dominance. These unions, however, were largely ineffective due to the aforementioned revenue-sharing policies. Additionally, the incorporation of Hesse-Cassel into the Prussian customs union connected the eastern and western Prussian provinces, allowing merchants within the union to completely avoid any type of transit fees. Subsequently, the other customs unions saw their revenues plummet because merchants would opt to solely pay the Prussian fee. Motz's policies in 1829 "sealed the fate of the Middle German Commercial Union. The commercial treaty with Bavaria and Württemberg, the agreements in road-building with Meiningen and Gotha… prepared the

[9]James J. Sheehan, *German History, 1770-1866*, (Oxford: Oxford University Press, 1989), 503-4.

[10]Henderson, *The Zollverein*, 90-2.

way for the dissolution of the Union and for the founding of the Zollverein."[11] Motz's motives in his policies were clear; he used deliberate diplomatic engineering to bind states to Prussia through treaties, infrastructure, and financial dependency, establishing Prussia as the leader of the emerging German market. Later on, the South German Union, led by Saxony, negotiated to also join the Prussian sphere of influence. Starting January 1st 1834, nearly all of Germany, excluding Austria, now operated under the newly named Zollverein. The officially formed Zollverein operated in such a way that facilitated the economic growth of Germany.[12] The elimination of guarded borders within the Zollverein altered the internal economic landscape of Germany. As contemporary economic assessments have noted, the customs union "eliminated 781.5 miles of guarded borders, increased the customs area by 605.9 square miles and its tax efficiency was therefore greater than that of Prussia."[13] This coalition completed the transformation of what was formerly a splintered collection of regional markets into a unified commercial space, reducing transaction costs and proving the structural advantages of a Prussian-led unified German market. These advantages extended directly into German industrialization. Industrialists could now reach into further domestic markets with lower transaction costs and trust that their capital investments would return profit. The unified tariff also succeeded in protecting infant industries from mature foreign rivals, embodying List's principle that a nation with a developing industrial base must "protect national industry in its

[11]Henderson, *The Zollverein*, 80.

[12]Sheehan, *German History, 1770-1866*, 502.

[13]R. H. Dumke, "Tariffs and Market Structure: The German Zollverein as a Model for Economic Integration," in *German Industry and German Industrialisation: Essays in German Economic and Business History in the Nineteenth and Twentieth Centuries*, ed. Robert Lee (Oxford: Taylor & Francis, 2017), 11, https://doi.org/10.4324/9781315223261.

trunk and in its roots."[14] Within these developments, Southern Germany specifically experienced large gains after joining the Zollverein. The combination of an increased market and the elimination of tariffs on its exports allowed the Southern states to grow their industrial sectors by 1.66 million thalers and 5,000 employees, as well as an additional 6.66 million thalers and 84,000 more employees in the cotton sector.[15] The cumulative effects of these policies made it clear that the economic center of Germany had shifted northward. As member states grew successful under the Prussian system, they also became more dependent on Prussian infrastructure and administration. By doing this, Prussia successfully excluded Austria from the process of German modernization. The Zollverein had become more than a customs union, as by the early 1840s Prussia had laid the foundations for the Kleindeutschland solution by positioning itself atop German politics.

The structural weakness of Austria's economy, driven by an underdeveloped industrial base, fiscal instability, and an overall disconnected empire, fatally undermined its ambitions to rival Prussia as the leader of Germany. From the beginning of the post-Napoleonic era in Germany, Austria refused to consider reduced tariffs because of its severely immature industrial system and chronic fiscal instability. The fragility of Austrian finances was evident in its default on state loans in 1811 and in the fact that "even a little expedition against a handful of rebels in Naples in 1821 threw the finances into virtual bankruptcy."[16] This weakness showcased the impossibility for Austria to adopt the low-tariff policies necessary for participation in any larger

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[14]List, "Excerpt from *National System of Political Economy* (1841)".

[15]Dumke, "Tariffs and Market Structure", 9.

[16]F.R Bridge, *The Habsburg Monarchy among the Great Powers, 1815-1918*. (New York: Berg, 1990), 27.

German customs union. Austria also regularly faced significant resistance from its Hungarian territories in tariff negotiations, as Hungary's agrarian nobility still held the power to oppose tariff reform that threatened grain exports. Austria had also grown very dependent on foreign great powers to assist it in maintaining its empire. Without the support of Great Britain or Russia, it lost control over many of its economically prosperous Italian territories.[17] The inability of Austria to modernize its economy in order to be a relevant part of the German market eroded its influence as the German states grew closer to Prussia. Austria believed that by remaining the de facto leader of the German Confederation it could prevent Prussian dominance. The confederation, however, "was never more than a loose association of states, incapable of decisive action and paralyzed by the requirement of unanimity."[18] The Austrian strategy of relying on this body proved to be ill-advised; just as the confederation had been too fragmented in the 1810s to implement tariff reform, it was now too disjointed to defend Austrian interests or hinder Prussia's influence. Upon realizing the confederation could not be relied on as a warden of Austrian supremacy, Austria looked for alternative ways to challenge Prussia. It began with attempts at forming a rival customs union to the Zollverein. Although Austria briefly attracted support from certain middle German states, it ultimately failed to assemble a viable rival customs bloc. Many German states felt diplomatically aligned with Austria, but the economic benefits from coordinating with the Zollverein outweighed anything that leaders in Vienna could offer.[19] Following the collapse of the Austrian proposal, it was realized that "the only effective policy for

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[17]Bridge, *The Habsburg Monarchy among the Great Powers, 1815-1918*, 34-9.

[18]David Blackbourn, *History of Germany, 1780-1918*, 2nd ed. (Malden, MA: Blackwell Publishing, 2003), 121.

[19]Fulbrook, *A Concise History of Germany*, 122-3.

Austria was either to try and break up the Zollverein or else to… force her way into the Zollverein,"[20] reflecting Vienna's desperation. They could neither match the economic incentives of Prussian leadership nor offer member states any competitive model. Prussia also successfully blocked Austrian entrance into the Zollverein by exerting its control of overall customs administration and convincing smaller states, that experienced great economic growth from Zollverein policies, that Austrian admission to the union would result in increased tariffs that would hurt foreign trade. The continued economic decline of Austria extended into the recession of 1857, in which Austria struggled mightily while Zollverein members generally prospered. Austria's isolation from the Zollverein principally ended Austrian participation in German politics, especially following the Prussian victory in the Seven Weeks' War.

The Zollverein fostered habits of political cooperation and a shared German identity, as well as enabling Prussia to assert leadership through economic leverage, leading to the Kleindeutschland solution. Along with the monetary advantages of the Zollverein, Prussia also used the power it held as the leader of the union to build infrastructure to integrate territories into the Prussian system. This effectively made German states reliant on Prussia for any type of railway usage, as many of the railways were financed using Prussian money and spread across a multitude of German states. As Germany as a whole modernized, it did so under the umbrella of Prussia. The most unstable period during the ascension of the Zollverein, the Revolutions of 1848, pushed Germany closer to unification under Prussia. Even before the Frankfurt Parliament convened, liberals at Heppenheim had already identified the Zollverein as the natural next step for German unification, as many nationalists across Germany agreed "to endorse a set of reforms based on the Zollverein, which was to be given wider political powers and representative

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[20]Henderson, *The Zollverein*, 96-7.

institutions."[21] This revealed the extent to which economic integration had prepared the groundwork for political transformation. When the Frankfurt Parliament, formed by liberals from across the German states, later attempted to crown Prussian king Frederick William IV as king of a unified Germany, it confirmed that Prussia was now considered the leader of Germany, even though he denied the crown and the democratic reforms that would've come with it.[22] The failures of 1848 demonstrated that full political unity could not precede economic unity. Instead, the Zollverein would have to serve as the structural foundation for future attempts at unifying Germany. At this stage, Otto von Bismarck emerged as the central architect of German unification. Building the basis of the Zollverein, Bismarck used diplomacy to officially draw Germany together. First, Bismarck secured an offensive alliance in the Austro-Prussian war, ensuring Austria faced a two-front war. While Austria was able to secure limited backing from southern German states, it remained fundamentally an Austro-Prussian affair. Following the swift Prussian victory, Prussia dissolved the German Confederation, replacing it with the North German Confederation, officially eliminating Austria from German affairs. Prussia's success is often attributed to its superior infrastructure, specifically its railway network, since "the General Staff and the railways cooperated more and more closely so that in time of war the army could count on good transport arrangements."[23] This logistical advantage was a product of decades of Prussian administration and economic modernization through the Zollverein. The war revealed that Prussia possessed the organizational strength and modern capacity necessary to lead the German states, signaling that Prussia was nearly prepared for full-scale political unification. For

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[21]Sheehan, *German History, 1770-1866*, 636.

[22]Fulbrook, *A Concise History of Germany*, 117-120.

[23]Jonathan Steinberg, *Bismarck: A Life* (Oxford: Oxford University Press, 2011), 235.

decades, the Zollverein had held northern and central Germany together through common tariffs, shared administrative responsibility, and overall adherence to general Prussian policy. The confederation was deliberately built upon the existing administrative framework of the Zollverein; it featured shared institutions, weighted voting, and Prussian presidency, thereby transforming the economic precedent into political unity. Because the Zollverein had already integrated their economies and established Prussian administrative supremacy, northern states joined the confederation accustomed to existing in a Prussian-led system. In practice, the North German Confederation transformed the economic unity of the Zollverein into a formal political structure under Prussian leadership. Bismarck had also negotiated defensive pacts with the remaining independent southern German states, which ensured their entry into the Franco-Prussian war in 1870.[24] The shared military effort deepened the cooperation already established by the Zollverein, and at the end of the conflict Wilhelm I was proclaimed German emperor and Bismarck became chancellor of the new empire. While the war served as the final catalyst for German unification, it did not create German unity on its own. Rather, it revealed and formalized the political cohesion that had been developing for decades under Prussian-led economic integration.

Overall, the Zollverein provided the economic basis for the Kleindeutschland solution. By binding the German states into a coherent German market, the union created habits of cooperation under Prussian leadership. Through economic integration, Prussia emerged as the uncontested leader of the German states. As the Zollverein expanded its influence to encompass nearly all of the German-speaking world, it effectively restricted Austrian authority and made Kleindeutschland emerge as the only viable form of unification. In 1871, the political map finally

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[24]Steinberg, *Bismarck: A Life*, 268-71.

caught up with the economic realities that the Zollverein had shaped for decades. By the time the crown had been placed on Wilhelm I's head at Versailles, the real unification of Germany had already occurred in the customs houses of the Zollverein.

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