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and the German Free-Trade Movement

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John Prince Smith was the creator of the German free trade movement and its leader from (sic) the 1840s until his death in 1874.¹ He was born in London in 1809, and, after leaving Eton prematurely, on account of the death of his father, began working at the age of thirteen for a London commercial firm, later turning to journalism. His journalistic activity brought him to Germany, where in 1831 he took a position as a teacher of English and French at the Gymnasium in Elbing, in East Prussia. It was in these years that he acquired fluency in the German language, to the point where he was later able to earn a living as a writer on economics and politics.

It appears likely that Prince Smith's acquaintance with economic literature, while still a young man in England, was not extensive and that he taught himself the elements of the discipline after he had settled in Germany.² He claimed that Bentham's utilitarianism exerted a strong influence on his thinking.³ As we shall see, however, his commitment to *laissez faire* was considerably more "doctrinaire" (or consistent) than Bentham's. Prince Smith's interest in economic questions may also have been stimulated through personal acquaintance with some of the leaders of the anti-corn law agitation which was occurring in England at the time and which he followed closely.

While still a teacher at the Elbing Gymnasium, Prince Smith contributed articles to the local paper, including one, in 1835, on the question of how wages are determined. In this piece he presented an "optimistic" view, that is, suggesting a steady, long-range improvement in living standards for working people in a free market economy. That he was already in some wider sense a liberal by the mid-1830s is shown by his attitude towards the "Göttingen Seven," the professors at the University of Göttingen who in 1837 protested the revocation of the Hanoverian constitution and were accordingly dismissed.⁴ Prince Smith attempted to

¹ Julius Becker, *Das Deutsche Manchestertum* (Karlsruhe: G. Braun, 1907), p. 26. Wilhelm Roscher refers to Prince Smith as "the leader of the whole [free trade] tendency"; Roscher, *Geschichte der National-Oekonomik in Deutschland* (Munich: R. Oldenbourg, 1874), p. 1015. W. O. Henderson terms him the rival of Friedrich List: see his "Prince Smith and Free Trade in Germany," *The Economic History Review*, Second Series, II, no. 3, (1950): 295-302. The standard biography is by Otto Wolff, *John Prince-Smith: Eine Lebensskizze*, in John Prince Smith, *Gesammelte Schriften* III, Karl Braun, ed. (Berlin: Herbig, 1880), pp. 209-398. See also Donald G. Rohr, *The Origins of Social Liberalism in Germany* (Chicago and London: University of Chicago Press, 1963), pp. 85-91.

² Wolff, *John Prince Smith: Eine Lebensskizze*, p. 215.

³ *Ibid.*

⁴ *Ibid.*, pp. 226-27. Göttingen University had been a main center for the spread of the free trade ideas of Adam Smith throughout Germany in the last decades of the eighteenth century; see, Wilhelm Treue, "Adam Smith in Deutschland: Zum Problem des 'Politischen Professors' zwischen 1776 und 1810," in Johannes U. Ruth Muhle, ed., *Deutschland und Europa: Historische Studien zur Völker- und Staatenordnung des Abendlandes* (Dusseldorf: Droste, 1951), p. 102.

stir up a protest in Elbing, eliciting a stinging reprimand from the office of the Prussian minister of the interior. Further difficulties with the educational administration (stemming in part from his lack of any talent for teaching twelve and thirteen year olds) led to his leaving his post in 1840. He turned to free-lance journalism full-time.

His first production was a series of articles entitled, "Apology for Industrial Freedom," in which he dealt, among other subjects, with the source of pauperism. This he attributed mainly to the costs of a bloated military establishment.⁵ Prince Smith's anti-militarist and anti-war attitudes remained constant, at least until the last years of his life, when the heady Prussian triumphs over Austria and France seem to have affected him as they did so many other liberals. Twenty years after this early work, in 1863, he wrote in his essay, "The Market":

The great evil for the workers lies in this, that the profit on capital and capital accumulation are to such a great extent diminished by state expenditures on unproductive purposes—the capitalists would be able to give to the people who work for them much more to consume, if they did not have to support so many peace-time soldiers besides, whose consumption is not reimbursed through labor. If the Swiss militia system were introduced in all European states, in a short time capital would so increase, wages would so rise, that there would be no more question of want in the working class. Here lies the solution of the worker-question.⁶

It may be remarked that the proposal to replace the Prussian standing army with a citizens' militia would tend to cast Prince Smith as a much more *politically* radical thinker than has usually been supposed. For one thing, the consequences for the Prussian authoritarian (*obrigkeitlich*) monarchy would have been incalculable and perhaps fatal.

In 1843 Prince Smith published a pamphlet, in Königsberg, "On Hostility to Trade," a major event in the history of the free trade movement in Germany. Here he placed the cause of free trade in a historical and sociological context more reminiscent of the industrialist school of French thinkers of the early nineteenth century than of Bentham. He already had to submit to attacks as "the Englishman,"⁷ although by this time he had become in spirit and legal fact a Prussian. An Address (sic) to Robert Peel which Prince Smith composed and which he and several of his associates sent in 1846 congratulated the British Prime Minister on his work in connection with the income tax, the bank act, and, above all, repeal of the Corn Law. Peel replied, which created something of a *cause célèbre* and thereby fostered public discussion of the free trade question. Later that year, Prince Smith moved to Berlin.

By now a crusading free trader,⁸ his aim was to establish a movement on the model of the Anti-Corn Law League, and lead it to victory. In December 1846 he

⁵ Wolff, *John Prince Smith: Eine Lebensskizze*, pp. 234-35.

⁶ John Prince Smith, *Gesammelte Schriften*, I, Otto Michaelis, ed. (Berlin: Herbig, 1877), p. 20.

⁷ Later his protectionist enemies spread the story that he was in the pay of English interests. Georg Mayer, *Die Freihandelehre in Deutschland: Ein Beitrag zur Gesellschaftslehre des wirtschaftlichen Liberalismus* (Jena: Gustav Fischer, 1927), p. 53.

⁸ Prince Smith used the term "free trade" in a wide sense, as in his assertion in Rentsch's

gathered a number of business leaders and scholars together to consider the formation of a German Free Trade Union (*Deutscher Freihandelsverein*). Despite some harassment from the police, the organizing meeting took place the next March in the Hall of the Berlin Stock Exchange, where about 200 people, the great majority of them businessmen, were present (among them a Mendelssohn).⁹ Some of those attending objected to Prince Smith's concept of an association devoted to propagating free trade ideas, preferring one that would discuss the question of free trade versus protectionism. In deference to this group, the name "Scientific Union for Trade and Industry" (*Wissenschaftlicher Verein für Handel und Gewerbe*) was adopted; very soon, however, the organization came to be referred to simply as the Free Trade Union (*Freihandelsverein*). Branches were set up in Hamburg, Stettin, and other German towns.

Prince Smith led the German delegation to the famous Free Trade Congress that met in Brussels on September 16, 1847, at the invitation of the Belgian Free Trade Union. His biographer, Otto Wolff, characterized the banquet that concluded the conference as "the high point of that first period of the European free trade movement, which had celebrated its greatest triumph in the reform of the English tariff and which doubtless would even then have led to practical free trade reforms in a great part of the continent, if the revolution of 1848 and its consequences had not intervened."¹⁰

Prince Smith seems to have remained comparatively unaffected by the great movement for liberal constitutional reform and national unification of 1848; his efforts were, and continued to be, focused instead on economic reform in a free trade direction. He addressed a petition to the National Assembly in Frankfurt on "Protection Against the Limitation of Trade," outlining his views on the current state of affairs.¹¹ The European situation, in his view, was one of "armed peace," characterized by the maintenance of standing armies, excessive governmental power, "monstrous" taxes, mass impoverishment, and threats to the social order. The cause he identified as the ambitions of the political power, which has become an end in itself. Free trade and maximum economic freedom were the remedies.

The petition, however, attracted little interest or support from the liberals at the Paulskirche, who were concentrating their efforts precisely on the issues Prince Smith considered secondary. By now he had married Auguste Sommerbrod, the daughter of an affluent Berlin banker and settled in quarters on Unter den Linden; after the revolutionary turmoil died down, he turned to renewed activity on behalf of his cause.

His chief goal was to establish a free trade association that would cover all of Germany, and, probably with the experience of the Anti-Corn Law League in mind, he was very conscious of the need for substantial amounts of money to achieve this end. Money was needed to publish brochures and books, to arrange to

Handwörterbuch der Volkswirtschaftslehre that "To the state free trade assigns no other task than just this: *the production of security*." Cited in Becker, *Das Deutsche Manchestertum*, p. 103 (emphasis added). It may be of importance that Prince Smith makes use of the term popularized by Charles Dunoyer and other of the French school of liberal economists.

⁹ Wolff, *John Prince Smith*, pp. 267-68.

¹⁰ *Ibid.*, p. 273.

¹¹ *Ibid.*, p. 286.

have articles sent to the newspapers, and to train talented journalists in the principles of political economy. An organization was formed, the Central Union for Freedom of Trade (*Zentralbund für Handelsfreiheit*), which did not, however, succeed in attracting any considerable support. It was chiefly helpful in tunneling contributions from free trade circles in seacoast cities like Hamburg and Stettin to Prince Smith for use in propaganda. The plan to train journalists fell through for lack of suitable candidates. (In the 1860s and early 70s, free trade views came to dominate the German press.) Prince Smith was active, however, in disseminating good translations of the works of Frederic Bastiat and in gathering about him a circle of like-minded enthusiasts.¹²

A good deal of his activity in this period consisted in persuading the German *political* liberals of the desirability of free trade. Many of the leading liberals of southern and western Germany, such as Robert von Mohl, were protectionists. As Becker notes: "At that time liberal and free-trader were indeed so little identical that the south-German liberals were the most interested representatives of the protective tariff system, while conversely the conservative farmers of the north and east figured as the chief supporters of the free trade party . . . as a consequence of later political constellations, the appearance has emerged that political liberalism was always Manchesterite and that Manchesterism was always liberal-democratic. Nothing is as false as this view."¹³

In order to influence liberal and radical opinion, Prince Smith, along with his friend and fellow free-trader Julius Faucher, collaborated on the Berlin newspaper, the *Demokratische Zeitung* (later the *Abendpost*). It would seem that it was in this period that the polarization of liberal and free trader on the one side and socialist and collectivist on the other began to form.¹⁴ When the *Abendpost* was closed down by the censors, Prince Smith wrote:

The purpose of my collaboration on the *Abendpost* has to a great extent been achieved. I have brought respect for the free trade doctrine to the most extreme left. Free trade and bureaucracy, or competition and exploitation no longer count as identical with the party whose absurd conception of property made it dangerous. I have demonstrated that the doctrine of economic freedom is much more progressive [*freisinnig*] than all the projects and teachings of ordinances on property and earnings that are arbitrary and realizable only through barbaric force and that, moreover, could not in the long run be implemented by any conceivable force.¹⁵

The extension of the Zollverein, or German customs union, was proceeding apace at this time, and Prince Smith, who was acquainted with a number of the Prussian leaders, including the chief minister, Manteuffel, probably influenced them in the free trade direction. At any rate, his preference was always for working to persuade those in power, rather than adopting an oppositional stance. Continuing his agitation, he composed a declaration on behalf of commercial and

¹² Ibid., pp. 296-97, 309-11.

¹³ Becker, *Das Deutsche Manchestertum*, pp. 33-34.

¹⁴ Prince Smith was aware of the danger socialism posed for his cherished social system as early as 1850, and wrote to a friend on how crucial the need to "conquer the masses" for free trade. "Wolff, John Prince Smith., p. 315.

¹⁵ Ibid., pp. 315-16.

landed associations in West and East Prussia that were calling for occupational freedom (*Gewerbefreiheit*) and free trade. This declaration is of political interest, since it shows the strong support for free trade principles in the regions of Prussia most "backward" from the point of view of political liberalism. Its theoretical interest stems from the fact that in it he associated "protectionism" with "systematic socialism," a linkage that was standard in the writings of Bastiat.¹⁶ In 1858, the *Kongress deutscher Volkswirte* (Congress of German Economists) was founded, assembling the chief believers in the cause, many of whom had been led to it by Prince Smith during his previous twenty years of labors. Now there were many others to join him in his propagandistic and agitational work. Although Prince Smith did not assume the presidency of the Congress (evidently for various reasons), he participated in the yearly meetings, submitting papers such as the one at the 1860 gathering in Cologne against the legal limitation on interest rates. At the 1863 meeting in Dresden he spoke against patents, and the next year, in Hanover, he attacked "unredeemable paper money with so-called compulsory exchange-rate."¹⁷ He also kept closely involved with the Congress's various activities, which continued to promote *laissez faire* until the end. (Its last meeting was held in 1885.) Those members who grew increasingly disenchanted with the Congress's position on the "social question" left and, with others, founded the *Verein für Socialpolitik*, in 1872, in Eisenach. In his opening address at this conference, Gustav Schmoller testified to the influence of the movement that Prince Smith had created when he referred to "the economic doctrines which unconditionally dominate the day's market, those which have found expression in the Congress."¹⁸

From 1860 until his death Prince Smith was the head of the Economic Society (*Volkswirtschaftliche Gesellschaft*), the successor to the Free Trade Union. His home in Berlin became a meeting place for Prussian politicians, some of whom went onto (sic) form the Progressive Party (*Fortschrittspartei*) soon after.¹⁹ In 1863, the *Vierteljahrschrift für Volkswirtschaft, Politik, und Kulturgeschichte* (*Quarterly Journal for Economy, Politics, and Cultural History*) began to appear in Berlin, under the editorship of Julius Faucher, perhaps Prince Smith's closest collaborator. The chief theoretical organ of classical liberalism in Germany, this periodical continued to be published for the next thirty years. Prince Smith was an important contributor to the *Vierteljahrschrift*, and a number of his most important essays were first printed there.

The quarterly journal, the Berlin society, the congress of economists, and the informal influencing of politicians and officials were all elements of the same movement, facets of the same activism, and all fired by the spirit of John Prince Smith. This was the case also with the *Handwörterbuch der Volkswirtschaftslehre* (*Concise Dictionary of Economics*), edited by H. Rentzsch, published in 1866.²⁰ This work is similar in many respects to the one edited by Coquelin and

¹⁶ It would be desirable to know more about Prince Smith's connections with the French liberals of his time. He was perfectly fluent in French and contributed to the *Journal des Économistes*. *Ibid.*, p. 335.

¹⁷ *Ibid.*, pp. 337, 346-47.

¹⁸ Becker, *Das Deutsche Manchestertum*, p. 100.

¹⁹ Wolff, *John Prince Smith*, p. 339.

²⁰ Becker, *Das Deutsche Manchestertum*, p. 100. According to Becker, Rentzsch later gave up free trade. *Ibid.*, p. 108.

Guillaumin in France. For the *Handwörterbuch*, it was Prince Smith who was selected to write the article on "Freedom of Trade-Free Traders."

The article presents his characteristic views on economics and politics. "Liberalism," he writes, "only recognizes one task which the State can perform, namely, the production of security."²¹ Gide and Rist, perhaps relying too heavily on anti-liberal German sources, comment that "Liberalism had nowhere assumed such extravagant proportions as it had in Germany. Prince Smith, who is the best-known representative of Liberalism after Dunoyer [sic], was convinced that the State had nothing to do beyond guaranteeing security, and denied that there was any element of solidarity between economic agents save such as results from the existence of a common market."²² At any rate, Prince Smith's "minimalist" view of the functions of the state goes considerably beyond Bentham's "agenda."²³

From 1862 to 1866, Prince Smith represented Stettin in the Prussian House of Deputies, where he was not an outstanding figure, addressing the House only seldom and then mainly on economic questions. This was the period of the bitter—and ultimately decisive—constitutional struggles between Bismarck and the German liberals, whose vanguard had formed the Progressive Party in 1861. Prince Smith's *political* views had always been "moderate," and as the liberals became radicalized in the face of what they viewed as the government's arbitrary and unconstitutional actions, he distanced himself from them increasingly. In 1866, he declined to stand for reelection.

With Königgratz and the crushing Prussian victory over Austria, Bismarck scored a victory over the recalcitrant liberals as well, one that some believe sealed the fate of German liberalism before Reich was even formed.²⁴

Prince Smith was elected to the German Reichstag from Anhalt-Zerbst, but failing health prevented him from taking any but a negligible part in the proceedings, except for addressing the body on two occasions, in November 1871, on the question of currency reform.

He died in 1874, his patriotism and economic liberalism both gratified by the reality of a Germany united and committed to free trade. In Becker's words:

He had the luck, which is granted to few men in public life, to die at a moment when the definitive victory of the ideas he represented seemed to be a question of only a short time, and when the few contrary signs still, by a long way, gave no hint of how quickly the whole splendor would collapse.²⁵

This is not, however, entirely correct. In his history of German economic thought (published in the same year as Prince Smith's death), Wilhelm Roscher, after mentioning some of the practical achievements of the German free trade school, was moved to write: "But also *theoretically* I must warn as much against

²¹ Quoted in Charles Gide and Charles Rist, *A History of Economic Doctrines from the Time of the Physiocrats to the Present Day*, trans. R. Richards (Boston/New York/ Chicago: D. C. Heath, n.d.), p. 439n.

²² *Ibid.*, p. 439.

²³ On Bentham, see Lionel Robbins, *The Theory of Economic Policy in English Classical Political Economy* (London: Macmillan, 1953), pp. 38-43.

²⁴ Ludwig von Mises, *Omnipotent Government* (New Haven: Yale University Press, 1944), pp. 27-28.

²⁵ Becker, *Das Deutsche Manchestertum*, p. 41.

the underestimation of this school, which now is frequent, as against that overestimation which permitted it at an earlier time to be mistaken for economics altogether."²⁶

There is little doubt that in historical retrospect Prince Smith—as well as German liberalism as a whole—has suffered from the rout of the system he fought for. The eclipse of liberalism by national-social and imperialist currents and by Marxist (later pseudo-Marxist) socialism has tended to relegate the *entschieden* liberals²⁷ of nineteenth century Germany to the class of historical curiosities, even of creatures absurdly out of their natural element. Yet, the thinking of John Prince Smith deserves consideration, from a number of points of view.

For example. Prince Smith's famous essay, "On the So-Called Worker-Question,"²⁸ was for decades after its first publication, in 1864, the target of harsh attacks,²⁹ for which its contentious title probably bears some responsibility. Yet there can be little doubt that the essay is motivated by a genuine good will toward workers and a desire to aid in the improvement of their living standards; furthermore, it is at least arguable that it is informed with an intelligent appreciation of how that improvement is most likely to be effected.

The reference to [the] "so-called" worker-question should not be taken to indicate any "heartlessness" on the part of Pri[n]ce-Smith to what he well knew to be the stringent conditions of the laboring class. The cause of the sarcasm (if that is what it is) stems from his belief that: "By 'worker-question' one understands namely the question: 'How can the economic situation of workers be suddenly improved, independently of the general rise of the economy, which one does not wish to wait for?'"³⁰ Prince Smith held that:

For a scarcity in the means of satisfying wants there is obviously no other remedy than increased production. And evidently more can only be produced by increasing knowledge, skill, industriousness, and above all capital.³¹

²⁶ Roscher, *Geschichte der National-Oekonomik in Deutschland*, p. 1017.

²⁷ The term is standard; see, e.g., Ina Susanne Lorenz, Eugen Richter: *Der entschiedene Liberalismus in wilhelminischer Zeit 1871 bis 1906* (Husum: Matthiesen, 1981). *Entschieden* means "determined" or "firm."

²⁸ John Prince Smith, *G. S.*, I, pp. 26-42.

²⁹ Besides Becker, *Das Deutsche Manchesterium*, pp. 81-86; see Heinrich Herkner, *Die Arbeiterfrage: Eine Einführung* (Berlin: J. Guttentag, 1908), pp. 512-17; Werner Sombart, *Sozialismus und Soziale Bewegung* (Jena: Gustav Fisher, 1908), p. 192, where Prince Smith's essay is dismissed as "pitiable"; and Hans Gehrig, *Die sozialpolitischen Anschauungen der deutschen Freihandelschule* (Jena: Gustav Fisher, 1909), pp. 19-21. Gehrig at least concedes what many critics have not, that there was an ethical basis to Manchesterism and Prince Smith's position: "Because we are ourselves responsible, therefore we must be free: so runs the argumentation of a teaching that has often enough been reproached with materialism, and in characterizing which only the negative sides, as the 'theory of the nightwatchman state,' have been emphasized." *Ibid.*, p. 24. Contrast with Becker, *Das Deutsche Manchesterium*, pp. 106-07, who asks whether Ferdinand Lassalle was not "completely correct" when he wrote of the "Manchester men": "Those modern barbarians who hate the state, not this or that state, not this or that state-form, but the state altogether. And who, as they now and again clearly have admitted, would most prefer to abolish the state, auction off justice and police to the cheapest suppliers, and have war run by joint-stock companies, so that there should nowhere in all of creation still be an ethical point from which resistance could be offered to their capital-armed mania for exploitation."

³⁰ John Prince Smith, *G.S.*, p. 29.

³¹ *Ibid.*, p. 27. The unsupported assumption of most of his critics in this area seems to be that the "social question" in the mid-nineteenth century could have been "solved" by trade-unionism

To the "iron law of wages" proclaimed by Lassalle, Prince Smith opposed a "golden law," which affirmed the steady, long-range improvement in living standards of working people.³² As for the poor:

The ones really in want are those whose labor power lacks nearly any support through capital and therefore produces correspondingly little, those who have remained on a pre-economic level, and for whose integration into genuine economic enterprise the available capital is still insufficient. Yet all the capital sufficient for full employment can easily and even quickly be created with full freedom of economic action—as long as the state does not devour too much of what is created.³³

A field in which greater originality has been claimed for Prince Smith is historical sociology. In the view of Georg Mayer, Prince Smith's early essay, "On the Political Progress of Prussia" (1843), shows a surprising resemblance to historical materialism; for Prince Smith, "it is exclusively changes in the economic structure that are considered as the ultimate motives of events." Because of economic developments, Prussia is entering the stage in which the feudal element must necessarily dwindle internally and peaceful commercial relations become the rule in foreign affairs.³⁴ Although Mayer emphasizes the "Marxist" overtones of this essay,³⁵ it appears that Prince Smith's thinking here bears a much greater resemblance to the ideas of the French Industrialist school and of the Benjamin Constant of *De l'esprit de conquête*. (It is likely that by the 1920s, when Mayer was writing, these writers had been completely lost sight of in Germany.) There would perhaps be a place for a study on Prince Smith and his historical sociology, which would serve also to draw attention to the French writers mentioned above. At the same time it would help correct [the] commonly accepted legend of Marxism's monopoly on the idea of the "priority of the economic over the political."

and the redistribution of wealth from capitalists to workers.

³² Ibid., pp. 21, 32-33.

³³ "Der Markt," in *ibid.*, pp. 21-22. A curious feature of the essay on the working class is Prince Smith's discussion of the *underclass* of modern society, "an old and entrenched hereditary derelict culture," from which "most of the criminals proceed." "As ineradicable lichen and fungi coat every lightless, damp surface, so these demoralized ones nestle and multiply in all the unclean recesses of human dwelling places. . . . Against proliferating demoralization there is only one remedy: it must be exterminated, as dry-rot is exterminated, by letting in the air and light of civilization down to the deepest and most hidden spaces of the social edifice, and where possible snatch the children from their moldy birthplaces." *Ibid.*, p. 37.

³⁴ Georg Mayer, *Die Freihandelslehre in Deutschland*, pp. 56-57.

³⁵ The dependence of both political evolution and the structure of ideas on economic change in Prince Smith's thought is also emphasized by Julius Paul Kohler, *Staat und Gesellschaft in der deutschen Theorie des auswärtigen Wirtschaftspolitik und des internationalen Handels von Schlettwein bis auf Fr. List und Prince Smith* (Stuttgart: W. Kohlhammer, 1926), pp. 118-23. Köhler, however, does not link this to the thought of Marx, stating simply that it "reflects contemporary sociologies," p. 123.