Government's Economic Role: German Artisanal Corporatism in the Postwar Period

Frederick L. McKitrick*

Department of History
Monmouth University

This paper seeks to address the issue of government in business and business in government by examining one segment of small business in Germany, namely artisans. I have chosen this group because of its economic significance, its important historical position in twentieth century Germany, and because it possesses a set of institutions in which are combined governmental, regulatory, and managerial functions unique in Europe. It is the historical development and present function of these institutions that will be the focus of this paper, and I hope at the same time to point up some of the ideological differences between the way Americans and Germans approach economic, social, and cultural issues of small business and government regulation versus "pure" market competition.

Significance of Artisans

Why artisans? What is their significance current and historical? Unlike the Anglo-American world where artisans have become relics of folklore and a mere pre-history to industrialization, *Handwerk* (to use the German word with its rich cultural connotations) remains a dynamic and important sector of the German economy. Handwerk is a legal category including 125 trades (grouped in seven categories: building; electrical and metal; wood; textiles; food; health (including chemical cleaning); and glass, paper, ceramic, and miscellaneous. In 1994, in the area of reunified Germany, there were 563,000 independent Handwerk shops employing 6.1 million people. This represented over one-quarter of all firms and about 10 percent of all gainfully employed persons. Turnover in Handwerk was 800 billion DM, well over 10 percent of the German gross national product [Arbeitsbericht, 1997, p. 44; Heinen and Surac, 1997, p. 7]. The trades themselves range from the most traditional to the most modern and have changed over time. While many trades remain oriented towards

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production, since the early twentieth century others have grown up for the installation, service, and repair of industrial products. Work organization and techniques, while traditional in a few trades, are modern – that is, they are characterized by a high degree of division of labor, use of sophisticated machinery, and even assembly line techniques. In production technique and size Handwerk shops may overlap those of industry (some shops employing over 200 people), but what distinguishes Handwerk is that owners are certified master craftsmen who have gone through the apprentice system [Streeck, 1992, ch. 4].

Handwerk's historical significance lies in the key role it has played, along with other segments of the lower middle class, in the German crisis of modernization of the late nineteenth century through the 1920s. As apparently more efficient industry seemed to threaten Handwerk with extinction, artisans internalized the Marxian (and Smithian) prediction that their mode of production would soon be redundant and feared that they as a class would be relegated to the dustbin of history and as individuals demoted to the proletariat [Marx, 1992, p. 27]. Their political reaction was to move toward the radical right, and finally the Nazis [Volkov, 1978; Winkler, 1972; Childers, 1983; von Saldern, 1979 and 1992]. In the postwar period the removal of this social anxiety and of the antagonism with industry has contributed in no small way to the political stability of the Federal Republic and must be considered part of a revolution in German class relations in the twentieth century.

I will argue that this change was accomplished by the corporate institutions that represent Handwerk and has involved several dimensions: the encouragement – even forcing – of its economic adaptation, its political integration, and the transformation of its world-view. How have they been able to do this? First, their structure is comprehensive. Handwerk institutions are divided into two divisions: one, the guilds, are organized locally by individual trades; the other, the chambers, include all trades in a district and wield a wider authority. Local organizations are grouped in several ascending tiers of regional associations, and these parallel structures are finally brought together in one national peak organization, The Central Association of German Handwerk. Together they enjoy a monopoly of representation of all artisans [Chesi, 1966].

But the key to their effective power in transforming Handwerk has been their legal status, one scarcely known in Anglo-Saxon law. The chambers are defined as corporations of public law – i.e., they are semi-public bodies, overseen by the state – and which have an authority unique in Europe (except for Luxembourg) to set standards for and control entrance to all the trades [Kölver, 1967]. Any person who wishes to open up his or her own shop in any one of the trades legally recognized as Handwerk – to become independent – must be certified by the chambers. This means he or she must do an apprenticeship of 3 to 3½ years (depending on the particular trade), a journeymanship of similar length, pass a master's examination, and produce a masterpiece. It is the chambers, and not the state, that run the schools, set the curriculum, administer the exams, and judge the masterpieces. In the United States, some trades require a license and the passing of a rigorous exam, but

this requirement, where it exists at all, is generally for reasons of public safety and it is administered by the state. By contrast, in Germany the idea is that the market alone tends to reduce the levels of skill and professional reliability and that the trades themselves, organized in corporate bodies under state review, are the most effective mechanism to maintain and raise them.

Handwerk in German History

Before going on to examine how these institutions have functioned in the postwar period, it is necessary to understand the history and logic of this system. The corporate authority outlined above seems to recall in its comprehensiveness that of the medieval guild, but in fact it is modern in both theory and function. What remained of the old guild regulations, whose whole function in a limited market was to protect the livelihood of its members, had been abolished by the mid-nineteenth century. It was the Nazi regime which in 1935 granted this authority in its modern form. This law marked a great and long-sought victory for German Handwerk. The reasons this authority had been the centerpiece of Handwerk political aspirations for almost one hundred years are complex, but key to them was the reactionary expectation that it would be used for protectionist ends (social as well as economic), that is, to restrict entrance to the trades in order to limit the numbers practicing for the benefit of those already in business [Schweitzer, 1964; Wernet, 1952]. The roots of this reaction are to be found in the perceived threats of industrialization – even though as industrialization proceeded into the twentieth century, the artisanal sector proved far more durable than anyone had expected [Schmoller, 1919; Koshar, 1986] – as well as the simultaneous threat posed by the rise of big labor and the political socialism of the Social Democratic Party [Kautsky, 1919].

The way in which this corporate authority developed, however, disappointed these reactionary hopes. After 1935 a progressive artisanal leadership, which had been influenced by the rationalization movements in industry in the 1920s, and which was convinced that Handwerk's survival – economic, social, and political – depended on an accommodation with industry and an adoption of some of its methods, used this authority to accomplish just that. It did so in the following way: the apprentice system – the most important tool at their disposal – was used not to restrict the supply of new artisans, but rather to train them in production techniques of modernization and rationalization, and this is key, to educate them in modern techniques of marketing and management as well [McKitrick, 1996]. Bookkeeping, for example, was made a mandatory part of the curriculum by law in 1938 [Chesi, 1966, p. 84], a major adjustment for old fashioned masters who had customarily tossed receipts into an old cigar box.

These policies of rationalization and modernization were accelerated during the war when Handwerk organizations oversaw the weeding out of the least efficient shops [Reichstand, 1937], and when, under Nazi technocrats headed by Minister of Armaments & Munitions, Albert Speer, they worked to

restructure the relation of Handwerk to industry. This was accomplished by a series of formalized agreements which steered appropriate Handwerk trades (mostly metal) away from a disadvantageous competitive relation to industry and towards a cooperative subcontractural one more appropriate to their productive skills and capacities [Ministry of Armaments, 1943; Gurland, 1943].

This trend toward modernization and accommodation with industry became even more pronounced after the war with a new generation of artisanal leaders [Schulhoff, 1973] who were determined both to continue the economic process of adaptation to industry, and (this is the political corollary) to marginalize the reactionaries – the smallest, least efficient, and least able to adapt – who had brought artisans into bed with Nazism in the first place and, avoiding the splinter parties of Weimar, to integrate Handwerk into the main, middle class political parties [Cologne Handwerk Chamber, p. 8].

This was to be accomplished, of course, under the auspices of the chambers and their legal authority. It ran directly counter, however, to American efforts during the Occupation to reform economic and political life. Thus in 1948 the U.S. Military Government stripped the chambers of their authority in the American zone of occupation, the idea being that this was an authoritarian Nazi holdover, incompatible with political and economic freedom. The market alone, the Americans said, should regulate the supply and quality of goods and services [House of Representatives, 1947, p. 23]. In the five-year campaign to get it back – which Handwerk institutions did in 1953 when Handwerk corporate authority once again became the law of the land – artisan leaders had to be especially careful to frame their argument and outlook in modern, anti-protectionist, anti-exclusionary terms [Mitteilungen, 1947]. Thus – and this is an important part of this process of transforming the German artisanate – not only did artisans learn the rules of the capitalist marketplace but they were socialized to abandon a pre-industrial, anti-capitalist world-view and embrace competition as a positive virtue.[1]

Success of Artisanal Institutions

But educating artisans to be good capitalists does not necessarily make them successful ones. While the small shop had proved far more durable than Marx and other prophets of petit bourgeois doom had predicted, the reality was that in many respects during the postwar period the small shop remained at a disadvantage with respect to economies of scale, not to mention political influence. This is where artisanal corporate authority comes in again. Artisanal institutions rushed in to fill this need for a number of reasons, not least among which was the desire to secure their own power base in the emerging political landscape of the Federal Republic. The functions they assumed (some were an

[1] At the same time they remained careful to distinguish their relation to their work and tools as creative and unalienated. This represents a continuation of an old social Catholic critique of capitalist alienation which, unlike Marxism, stressed the socially stabilizing and moral value of craft production [Arbeitstagung, 1953; Uhl, 1975].

expanded version of older programs, while others were entirely new) today amount in economic terms to a kind of supra-firm management, in political terms to a modern interest organization, and socio-cultural terms to the custodians of their self-identity. They include the following categories.

First, the chambers organize and maintain the apprentice system. An apprentice's and journeyman's training generally consists of two parts. The practical or craft part takes place, as it has traditionally, in individual shops under the supervision of certified masters. But a modern Handwerk education requires much more. The rest of it – theory, management, accounting, marketing – occurs within a vast system of schools staffed and supported by the organizations. To appreciate the scope of an operation like this, it is helpful to have an idea of the extent of knowledge considered necessary in Germany to practice a trade: if you clean buildings, you take biology and chemistry (you know the germs you're killing and with what); and even at the cultural level, if you build houses, you study poetry composition, because traditionally, upon the completion of a house, it is dedicated by the reading of an original poem by the builder to the owner.

Importantly, the schools also provide continuing education for established masters in the most recent production and managerial techniques and the retraining of artisans whose trades have become obsolete. This can obviously take on real social importance during periods of economic restructuring, as it did in the 1950s when agriculture was motorized and sattler and cartwright masters were guided into, for example, auto body repair. Thus labor and skills are redirected within the artisanal sector as a whole by the institutions. This market sensitivity functions at a wider economic level, too, because Handwerk supplies industry with up to 50 percent of its skilled labor.

Second, they organize and manage cooperatives. These fall into several categories. Purchasing co-ops buy raw materials, semi-finished goods, tools and equipment in bulk, as well as energy and water resources at prices which otherwise would be available only to larger firms with greater resources. At the selling end of the production process, other co-ops arrange the marketing, advertising, and distribution of the finished product. Finally, institutions organize cooperative ventures among independent shops on an ad hoc basis. This is especially common in the building trades where shops of the same and different trades will temporarily combine in order to be able to bid competitively on large construction projects.

Cooperatives organized by the chambers, then, make up for several disadvantages inherent in the small shop: limited consumption and capital that preclude purchasing economically in bulk, and limited managerial scope and capacity to advertise and market effectively, including limited command over and knowledge of a wider geographical market, especially for export.

Third, artisanal institutions fund and maintain six major research and development institutes throughout Germany: the Research Institute for Vocational Education at the University of Cologne; the Heinz-Piest Institute for Handwerk Technology at the University of Hannover; the Seminar for

Handwerk at the University of Göttingen; the Institute for Handwerk Economy in Munich; the Institute for the Application of Man-Made Materials in Industry and Handwerk in Aachen; Institute for the Technology of Firm Management in Karlsruhe; and the Institute for Handwerk, Business, Finance, and Tax Law in Munich [Tätigkeitsbericht, 1997]. Thus any shop, no matter how small, has the benefit of the latest technological, managerial, or market research.

Fourth, in the political realm institutions function as organs of interest group representation on several levels. The guilds, organized by individual trade, represent shop owners/masters in labor negotiations with the unions (journeymen are unionized). Meanwhile, at the state and local level institutions agitate for pro-Handwerk legislation. This organizational muscle has made Handwerk in the postwar period into a formidable political force, the passing of the 1953 Handwerk law being only the most impressive example [Erhard, 1948]. At the level of benefits, they also organize artisan pension funds, health and accident insurance [Handwerk – Brücke, 1975].

Moreover, class and labor relations since 1945 have been characterized more by a spirit of "social partnership" and cooperation [Kursbestimmung, 1975] than was the case in the 1920s (sometimes people do learn from the past), and Handwerk has asserted itself, and has been accepted, as a full partner. Thus, government, industry, and labor work closely with artisan organizations to work out disputes, settle turf issues, develop new programs, and improve productivity [Bericht, 1960]. All of these, including the trade unions, have created entire departments in their bureaucracies devoted to Handwerk issues [John and Krugler, 1983].

Conclusion

To return, then, to the issue of business in government and government in business: the organizational structure, legal status, and tasks of German Handwerk institutions have operated after 1935 and especially after World War II in a unique way that has combined both private business and governmental regulatory functions. Their success in doing so and in overseeing the accommodation of Handwerk to industry – economically, socially, politically, and even culturally – may be attributed to the monopoly of representation they enjoy and the unique authority over the entrance to the trades they wield. This authority has been accepted by the public at large both because it accords with a German economic tradition which neither reveres the unrestricted freedom of the marketplace, nor draws the same line between the private and the public as in the United States. It has been accepted by artisans themselves not only because of its obvious material success; artisanal institutions have also managed at once to embody both progressive accommodation to capitalism and a traditionalism which includes a still vital corporate identity as well as a set of values. Indeed, it is precisely because organizations have embodied these identity and values – an at least vestigial belief in the organic unity of the apprentice, journeyman, master work relation and in the validity of the "moral

economy" – that they have successfully overseen this transition and have unified behind a collective purpose people whose trades, skills, and levels of income are as diverse as German Handwerk.

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