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Gerald Sturmayr. *Industrielle Interessenpolitik in der Donaumonarchie.* Vienna: R. Oldenbourg Verlag, 1996. 231 pp. DM 64,00 (paper), ISBN 978-3-486-56183-8.

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Seeking Favors from Government

This is an interesting book with a misleading title. Gerald Sturmayr's study of the evolution of business associations between 1848 and 1914 does not deal with the *Donaumonarchie*, but only with Cisleithania. The account can stand on its own; however, readers should be warned that it barely touches upon two of the more important aspects of the Austrian interest groups' history: their relationship with Magyar agriculturalists in matters of trade policy, and their reactions to Hungary's industrial development schemes following the 1867 *Ausgleich*. These stories remain to be told by someone who has access to Hungarian archival materials.

Sturmayr has done a diligent job of combing diverse sets of sources, and he presents a coherent description of some very convoluted events. This judgment is not weakened by his less than successful attempt to surround the description with the theoretical framework of what he calls the "model of *organisierter Kapitalismus*." He attributes this concept to Rudolf Hilferding. But, lacking any sort of dynamic, a concept *per se* does not make a model. Herbert Matis, whom Sturmayr fails to cite in this connection, provides a much stronger case for "organized capitalism" as a paradigm, when he defines it as "the tendency toward the collective ordering of competition" that marked institutional developments after the Great Crash of 1873.[1] For reasons not very clearly explained, Sturmayr dismisses an alternative interpretation: that the various organized interest groups were the evolutionary antecedents of the corporatist institutional arrangements characterizing the First and Second Republics. This is an interpretation supported by Anton Tautscher,[2] among others.

To an economist, the whole story is in perfect accord with the theory of "rent-seeking behavior." The generic term, rent, refers here to any supernormal returns derived by businesses from non-competitive factors. Favorable legislation and regulation clearly rank high among these factors.[3] What Sturmayr describes are the prototypical patterns of coalitions seeking economic advantages by exerting influence on legislature, executive, and bureaucracy. The nature of these advantages and therefore of the goals of rent-seeking activity are the easier to define, the smaller and more cohesive a coalition. Absent of full agreement on goals, large industrial coalitions have to offer their members some other non-controversial inducements for belonging, such as joint resistance to labor unions.

Sturmayr's careful tracing of the origins and development of various interest groups clearly substantiates these points. Some of the conflicts (among the member firms and among associations) that he describes are generic to rent-seeking coalitions, rather than unique to the Austrian situation. For example: the interests of large corporations in a sector tend to diverge from those of small and medium-size firms; the interests of primary and semi-finished goods producers in an industry are different from those of its final-goods producers; and regional interests often clash with economy-wide goals.

Other factors preventing industry from developing a single organization and unified positions on policy issues were rooted in the Monarchy's peculiar conditions. Even if one sets aside the "Hungarian problem," as Sturmayr does, one can find ample sources of tension within Cisleithania. There is no need to rehearse this well-known story, except to point out that virtually every facet of the ethnic, political, and social conflicts besetting the realm was reflected also in the policy stances taken by firms and coalitions. And one must add to these the unique problems arising from the Monarchy's belated push to join the club of industrialized nations. On this latter subject, I can do no better than to direct non-specialists to Max-Stephan Schulze's recent survey.[4] It forms an excellent backdrop to the story told by Sturmayr.

Finally, it is worth noting that the evolution of coalitions took place in parallel with the development of two other sets of collective institutions. The first of these

were the quasi-official *Handels- und Gewerbekammern*, founded after 1848 and organized along branch lines. Despite some overlap in leadership, their existence under government sponsorship continued largely separate from the voluntary associations that would emerge and disappear over the following half-century. It is worth recalling that, even today, membership in the appropriate chamber is mandatory for Austrian businesses. The second consisted of the growing number of price-fixing and market-sharing cartels. According to Matis, by 1910 some 120 cartel agreements were in force, covering virtually all major industrial markets.[5]

Starting in the 1870s, firms in particular industries began to form numerous associations, with the sugar, textile, paper, and metal industries leading among them. Even these coalitions with their ostensibly well-focused interests were not immune to internal frictions. For example, conflicts existed between the textile industry's spinners and weavers. The former supported protective tariffs, while the latter were interested in getting their raw materials as cheaply as possible, regardless of their origin.

Although the Great Crash of 1873 and the subsequent retreat from economic liberalism marked the onset of coalition-forming on a large scale, there were two forerunners, both essentially single-purpose organizations. As early as the 1830s, *Gewerbevereine* were established with the goal of maintaining the competitiveness of, mainly crafts-based, small enterprises vis-a-vis the emerging industrial firms. And in 1862, a group of owners of large enterprises banded together in the *Verein der oesterreichischen Industriellen* (VOeI) for the sole purpose of blocking the government's efforts to conclude tariff-reduction agreements with the Zollverein, England, and France. Having failed at this, the VOeI was dissolved at the end of the 1860s.

In 1875, industrialists made another attempt to counter Vienna's liberal commercial policy. The *Industrieller Club* (IC) was founded under the motto: *Schutz der einheimischen Arbeit* (protection of domestic labor... against "overwhelming" and "unfair" foreign competition, of course). The IC united members from various industries, and although it branched out into other policy areas, it managed to survive until the outbreak of World War I, mainly on account of its vocal representation of protectionist interests. Sturmayr characterizes it as an "exclusive club" rather than an all-embracing coalition; as late as 1913, its membership consisted of no more than 244 influential industrialists.

Based on the membership not of individuals but of various branch organizations, the *Centralverband der Industriellen Oesterreichs* (CVIOe) was founded in 1892. Conceived as an association of associations, the coalition was nevertheless dominated by the textile, paper, and heavy industries. Run in a rather authoritarian fashion, despite such trappings of democracy as a delegates' assembly and an association convention, the CVIOe became the central body for the representation of large firms' interests. Its activities as a "consultant" to ministries, together with its contacts with political parties and individual parliamentarians, assured the association of some influence in the formulation of a wide range of policies. Not too surprisingly, the growing strength of the labor movement was among the CVIOe's major concerns.[6]

Throughout the 1870s and 1880s, firms had formed numerous associations, most of them branch-based, but some also intended to represent regional interests. Their membership was made up mainly of small and medium-sized firms, the *Gewerbe*, engaged in final-goods production. Squeezed between cartelized industries on one side and growing pressure from organized labor on the other, the owners of these firms thought themselves badly represented, if not actually ignored, by the CVIOe. Therefore, in 1897 they formed their own central organization, the *Bund oesterreichischer Industrieller* (BOeI), which deliberately distanced itself from the existing coalitions.

Their hope was to create a body whose concerted efforts would be aimed at improving the lot of small-scale manufacturing; however, the founders ran into the problems typical of all-embracing coalitions: member firms were geographically dispersed; they ranged from technologically backward businesses to successful exporters; some felt directly threatened by large industrial competitors, while others faced no such threats. Consequently, their political interests were anything but coherent. The BOeI attempted to deal with these problems by setting up an elaborate structure of regional and branch organizations, many of which quickly developed separatist tendencies.

It was no wonder that, despite some local successes, the coalition's influence on the Vienna government's policies remained modest, compared to that of the CVIOe. Thus, a rapprochement with big-business interests became inevitable. In 1906, the two organizations constituted the *Hauptstelle Oesterreichischer Arbeitgeberorganisationen* (HSOeA, main office of Austrian employer organizations). Although the top positions in the new body were allocated on the principle of parity, *de facto* the big industrialists dominated the setting of the

HSOeA agenda. A particularly contentious issue was the establishment of a "strike insurance fund," strongly supported by small business but resisted by the industrial enterprises. Recognizing that their views on the matter would not prevail, in 1913 the BOeI representatives resigned from the HSOeA and founded their own *Verein zur Entschaedigung der Industriellen in Strikefaellen* (sic) (Association for the indemnification of industrialists in case of strikes).

Thus, the last attempt to "organize capitalism" on a unified basis had failed, and a lot of ill will had been created in the process. The outbreak of World War I forced the embattled associations once again to cooperate more closely. Ironically, it was only when the war effort was going very badly, in February 1918, that they managed to create yet another centralized organization, the *Reichsverband der oesterreichischen Industrie.* Needless to say, conditions were such that this body could no longer hope to exert any real influence on the government's policies. This, as so many other moves, was just an example of the too little, too late that characterized so much of the Monarchy's late history.

Having read the story, one naturally asks the question whether producers' associations aided or hindered the process of Cisleithania's industrialization between 1848 and 1914. On the face of it, the very existence of rent-seeking coalitions would seem to run counter to the liberal tenets that set off the spurt in development; however, in the political environment that prevailed over most of the period, one could well imagine that such coalitions might exert a tempering influence on wrong-headed government measures. And in matters of commercial policy, some might even invoke the much-maligned infant-industry argument. As Sturmayr makes clear, however, this influence was in fact minimal, when set against the other forces shaping economic growth. The formal record of the industrial associations' successes may look modest. But, as the author concludes in his insightful summary, it would be difficult to appreciate fully the informal influence that the coalitions' leaders exerted through their personal connections to parliamentarians, ministers, and bureaucrats. That they most likely used this influence as members of a socioeconomic elite, rather than as the official representatives of their organizations, does not diminish the significance of their role.

I hope that my observations on the weakness of Sturmayr's "theoretical model" did not create the wrong impression. I recommend his book as an important piece of descriptive history.

Notes:

[1]. Herbert Matis, *Oesterreichs Wirtschaft 1848-1913* (Berlin: Duncker & Humblot, 1972), pp. 367-413.

[2]. Anton Tautscher, *Wirtschaftsgeschichte Oesterreichs auf der Grundlage abendlaendischer Kulturgeschichte* (Berlin: Duncker & Humblot, 1974).

[3]. A useful introduction to the subject is C.K. Rowley, R.D. Tollison, and G. Tullock, eds., *The Political Economy of Rent-seeking* (Boston: Kluwer, 1988).

[4]. Max-Stephan Schulze, "Economic Development in the Nineteenth-Century Habsburg Empire," *Austrian History Yearbook*, XXVIII (1997), pp. 293-307.

[5]. Matis, p. 370.

[6]. An excellent, brief discussion of labor-market development and the condition of the working class can be found in Felix Butschek, *Der oesterreichische Arbeitsmarkt–von der Industrialisierung bis zur Gegenwart* (Stuttgart: Gustav Fischer Verlag, 1982), esp. Chapter 1.

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