

Lost Momentum: Austrian Economic Development, 1750s–1830s. By *Herman Freudenberger*. Vienna: Böhlau Verlag, 2003. 301 pp. Bibliography, notes, index. Paper, €45. ISBN 3-205-77061-7.

Reviewed by Ivan T. Berend

Herman Freudenberger is the unquestionable doyen of eighteenth- and nineteenth-century Austrian–Bohemian economic history. One cannot understand the economic development and problems of the Habsburg Empire without reading his works. *Lost Momentum* is the product of fifty years of research in all the significant archives, and it represents the accumulation of a tremendous amount of knowledge, both theoretical and factual. Freudenberger, indeed, encompasses his topic and is, as always, extremely strong on details. Here he searches for an answer to a central question: why, after a very promising start toward economic modernization around the turn of the eighteenth and nineteenth centuries, did Austria–Bohemia lose momentum from the 1830s on, rendering it unable to match the economic vitality of its western European and, most of all, its German counterparts by World War I? This book, as Freudenberger states at the beginning, is not a comparative study. However, it takes a comparative approach in attempting to answer the question.

Freudenberger analyzes three main facets of the Austrian–Bohemian economic performance: the agricultural background of industrialization; the part played by the state; and the role of various kinds and types of entrepreneurs.

In a relatively short chapter on agriculture, he concludes that “the Bohemian, Moravian and Austrian villages had many built-in characteristics that were hostile to change” (p. 43). Although production of grain more than doubled between 1789 and 1904–13, on a per capita basis it declined by 17 percent. The country remained agricultural but did not experience the agricultural revolution that occurred first in the Netherlands and Britain and then in Germany. In other words, the agricultural prerequisites of modern industrialization were not accomplished.

Freudenberger’s main interest is in the central “Schumpeterian” figure of industrial transformation, the entrepreneur. In three chapters, he presents a triptych of

interesting, representative portraits: the merchant-craftsmen, the merchant-banker, and the aristocratic entrepreneur. The cases of Johann Georg Berger, Johann Liebig, Johann Leitenberger, Nathan Arnstein, Bernhard Eskeles, Georg Simon Sina, Solomon Rothschild, and others, though not unknown, here form a comprehensive picture of entrepreneurship in the Habsburg lands. Freudenberger maintains that the strong entrepreneurial role of the aristocrats was “unique,” and that, compared with “other aristocrats in Europe, they were prominent in industry in the eighteenth century and in the early decades of the nineteenth century” (p. 207). The Waldsteins, Schwarzenbergs, and Kinskys were, indeed, main players in the early industrial development of this region, but Freudenberger’s rejection of the proposition that European aristocrats did not enter into profit- and market-oriented ventures is questionable. These entrepreneurs were interested only in processing their products and raw materials; in the nineteenth century, they soon gave up industrial activities. Jürgen Kuczynski made a broader generalization when he spoke of the “Prussian type” of industrialization, which involved the participation of feudal landlords. This type was, in fact, not unique in the eastern half of the continent: besides the Czech lands, such a scenario also characterized Hungary and Russia. Archduke Rudolph was certainly right when he stated in 1878 that Austrian aristocrats were “frivolous dilettantes” (p. 259), incapable of leading a successful campaign of industrialization.

In the three chapters on the role of the state, Freudenberger discusses the forms of state intervention and bureaucratic regulations. Although the Habsburg governments preferred private initiative, “in the absence of a strong entrepreneurial class and the lack of many desirable institutional artifacts, the rulers and officials felt it necessary to intrude to a considerable degree in the private sector” (p. 258). Interestingly, despite recognizing the lack of satisfactory private initiative, Freudenberger still maintains that state intervention “curbed a spontaneous and robust spirit of entrepreneurship” (p. 259). When he compares Austria to Germany, he maintains that Prussian interventionism was not working in the new western territories of the Rhineland and Westphalia, a failure that he contends gave Germany a critical advantage over Austria. This analysis is, however, controversial, as it mixes causes and consequences. According to Alexander Gerschenkron, state intervention was a substitute for genuine capital accumulation in

backward countries. The Habsburg model, in this respect, is more analogous to the pattern developed in central and eastern European than to the one that emerged in western Europe.

Why did Austria–Bohemia lose the economic momentum it had attained by 1810 and fall far behind Germany, which had not enjoyed a relative advantage up to that time? The answer provided by *Lost Momentum* is not entirely clear. Was the failure a consequence of too much state intervention? insufficient development of agriculture? curtailed entrepreneurship? Why are these characteristics specific to Austria? The reasons are not self-evident. A broader comparative analysis would have illuminated more aspects of the picture, perhaps revealing the differences among the western, southern, and eastern regions of Europe and the gradual prevalence of economic backwardness, extending from the west toward the east and from the north toward the south. An isolated analysis cannot answer the central question. For instance, Freudenberger does not even include the eastern territories of the Habsburg Empire in his analysis. In reality, there was a strong interrelationship among Hungary, Galicia, Bukovina, Croatia, Dalmatia, and, later, Bosnia–Herzegovina, on the one side, and Austria, Moravia, and Bohemia, on the other. It is very likely impossible to explain Austrian–Bohemian economic development without examining the positive and negative role of the Empire’s eastern territories.

Although several of its inquiries remain unanswered, this book helps us to ask the real questions and contributes to the search for better answers.

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