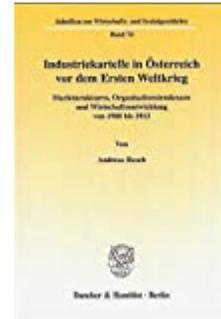




Andreas Resch. *Industriekartelle in Österreich vor dem Ersten Weltkrieg. Marktstrukturen, Organisationstendenzen und Wirtschaftsentwicklung von 1900 bis 1913.* Berlin: Duncker & Humblot, 2002. 312 S. EUR 68.00 (gebunden), ISBN 978-3-428-10823-7.



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Structuring the Austrian Economy before the First World War

Andreas Resch's study of cartels in Austria is a welcome addition to the growing literature on the structure of monopolies in historical perspective. The introduction outlines his object of study and his approach. Examining several schools of thought on monopoly structure and development, Resch presents the reader with a rigorous and nuanced theoretical understanding of the ways in which social scientists seek to analyze economic behavior. It also elucidates the conceptual path the author intends to follow. Resch relies almost exclusively on the "Structure-Conduct-Performance" approach to investigate the relative importance of cartels in one of the most important phases of industrial growth in Austria. Following the economic depression of the 1870s, historians have long argued that the Austrian economy and those of Central Europe only gained steam in the late 1890s, inaugurating an era of economic dynamism and high growth. In addition, the Austrian economy was also increasing in complexity. Resch uses the "Structure-Conduct-Performance" schema to investigate the behavior or "conduct" of businesses operating in a variety of environments. It is, indeed, the flexibility of this model that allows Resch to chart the development of enterprises

in different types of markets and look at business concentration, scale, and barriers to entry that arise in different "structural" contexts. Banks, state regulation, and the shifting patterns of demand impinged on business, creating a multitude of cartel types. These various types of cartels effected market structure and responded to the pressures of demand, state intervention, and technological change in a recursive relationship. The ultimate "performance" of cartels in terms of the general welfare of the Austrian economy is treated most in depth in the conclusion.

After a somewhat cursory presentation of the legal and political context of Austria, Resch focuses on the empirical case studies that make up the bulk of his study. The analysis is broken down into seven main types of cartel: 1) stable cartels with a high degree of centralization, for example, the iron and steel industries; 2) unstable cartels in homogenous mass markets, like the textile and paper industries; 3) "federative" cartels organized around regional markets such as the brewing and sugar industries; 4) heavily regulated organizations in which the state played a major role like the oil industry and

match manufacturers; 5) unstable cartels with increasing levels of concentration found in such industries as mechanical engineering; 6) highly competitive mass markets with increasing levels of concentration like manufacturers of wood furniture and the glue industry; 7) cartels with high technical barriers to entry resulting in organized production quotas, the most salient examples being the glass bottling industry and makers of light bulbs.

By this method of organization, it follows that the different characteristics exhibited by each cartel type break down according to the nature of the industry. The structure of the industrial sector is most directly affected by the dimensions of scale and the size of the market. The iron and steel industry, being resource-intensive enterprises with high production volumes, showed a remarkably high degree of centralization. The dominant market position of these few firms was reinforced by the larger banking houses, who maintained generous credit lines in the interest of steady profits. This level of organization eventually led to the specialization of production and a division of labor within the industry itself. By contrast, the textile and paper industries possessed a whole host of competitors in the largely homogenous mass market for their products. Strong cartel organizations failed to develop as barriers to entry were low, allowing newcomers to easily mimic what incumbent firms produced. These types of markets came closest to a textbook example of "perfect competition." Some cartels were transient in nature, such as the cartel organizing mechanical engineering firms; the cartel merely provided the opportunity for larger firms to swallow their smaller brethren as the quota system and cooperative transparency between 1907 and 1911 gave firms the perfect opportunity to size up the competition or pay off small business for their share of the industry quota.

The nature of the market also affected the composition of the sugar and brewing industries, a cartel type Resch describes as "federative." The regional differences in production, consumption, and distribution of these goods led to market shares dominated by local firms, which loosely organized themselves to allay large fluctuations in input prices and, to a lesser extent, take advantage of monopoly rents. Yet, because these firms were responsible for basic foodstuffs, public scrutiny was always more pronounced with regards to these industries than with other consumer goods. Price increases and the resulting protests and public unrest they engendered limited the ability of these federative cartels to function effectively, as state intervention to secure politically tolerable prices increased.

One major aspect of Resch's analysis that is underutilized is the role of the state. The Austrian government was active in every aspect under which cartels were formed. The legal system, jurisprudence, and political legislation that regulated businesses and their conduct remained relevant for every cartel type yet are only explicitly addressed in section B, II "Rechtliche Rahmenbedingungen" (pp. 80-100). It remains a rather descriptive account of legislation and legal developments that is not fully integrated into the empirical study. We see Resch's reliance on state influence in the typology he sets up at the outset, but there is no overarching theoretical role for the state to play: it only serves as one factor among many for each type. For example, the state played an essential role in the granting of patents, a major technology barrier that affected industries in the lighting industry. The legal protection of light bulb patents was integral to the development of cartels in the 1890s and again in 1906 as coal thread bulbs were replaced by newer technology, which relied on metal thread. The patents for such technologies were in the hands of established firms that were able to capitalize on their intellectual property. The most direct instance of state influence was in the actual organization of the market for mineral oil or match manufacturers. Resch offers no compelling reason for the interest of the state to dominate these industries as much as it did. One can only surmise that the government sought to utilize a new and promising technology for mercantilist purposes of keeping Canadian and American firms out of the Austrian market. In any case, the state's intervention was disastrous as heavy losses and continued subsidies did not have the desired effect (p. 201).

While charting the diverging purposes of cartels in Austria and describing how firms and cartel organizations behaved are novel undertakings, the author fails to embed these organizations fully in the broader historical context. This failure is, in my opinion, linked to the underdeveloped role of the state in his schema. Resch, who teaches at the Wirtschafts-Universität in Vienna, utilizes a market-dominated approach that has much in common with the Anglo-Saxon literature on business and economic history. The statistical analyses are based solely on older quantitative measurements from the period, and there are few original calculations. However, this volume has much to offer the specialist in economic history. The introduction provides a clear and valuable overview of the literature on cartels and, in the conclusion, Resch is careful to extend his findings to address the larger context and present some definitive findings. Cartels often did not have the desired effects they intended

nor have historians always been correct in the level of influence that they have ascribed to them. Cartels did not succeed in keeping newcomers out, nor did cartel members keep each other from defecting when the opportunity arose. Banks had an influence on the development of cartels but could not determine the strategic behavior of firms. Only the state, it seems, using protective tariffs, succeeded in keeping cartels and firms in check. Had this insight been systematically incorporated into the study, Resch's work would be much more convincing.

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