



Jens-Wilhelm Wessels. *Economic Policy and Microeconomic Performance in Interwar Europe: The Case of Austria, 1918-1938.* Stuttgart: Franz Steiner Verlag, 2007. Beiträge zur Unternehmungsgeschichte. 414 pp. EUR 54.00 (paper), ISBN 978-3-515-08476-5.



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Economic Policy and Industrial Performance in Interwar Austria

Jens-Wilhelm Wessels's ambitious study challenges an important argument common in the historiography of interwar Austria. Wessels's main thesis is that the economic policies pursued by the Austrian National Bank and the Austrian government did not determine the real and quite unsatisfactory performance of Austrian producers between the wars. Rather, the firms' failure to adapt successfully to two structural challenges was to blame: The first challenge was the emergence of the periphery (the Americas and Asia) as a more efficient producer of traditional (primary and semi-manufactured) goods, and the second was the necessity of replacing old industries in Europe with modern ones. Demand conditions and long-term structural transformations determined investments and growth. While the deflationary policy pursued by the National Bank and frugal budgetary policy subscribed to by the government were bad for economic growth, they themselves did not determine Austria's economic performance.

To prove his thesis, Wessels divides the lifespan of the Austrian Republic into three periods (inflation, nor-

mality, depression) and analyzes the effect of economic policy on the performance of Austrian companies during each period separately. Each part begins with an overview of the European economies and places Austria in its wider context before its own performance is treated. Wessels engages in a meticulous analysis of the balance sheets of twenty-four Austrian firms, collected and published annually by the financial journal *Die Bilanzen*, and shows that their performance was not determined by the policies pursued by the government and National Bank, but that instead, the firms' growth and profits differed according to their ability to meet the two structural challenges. Traditional industries such as coal, iron, metal, textiles, or paper generally suffered from low productivity, foreign competition, and overcapacity, whereas companies engaged in modern sectors such as electrical engineering, chemicals, rubber, or motor vehicles were competitive and able to overcome protective tariffs and thus generally fared better. Each group of firms faced the same set of economic policies (interest rates, credit restrictions, tariff policy, public investment)

and Wessels concludes that the contrast between them is best explained by the two structural transformations, with which modern industries were better able to cope than traditional ones.

Wessels's work is very clearly structured. All three parts follow the same scheme and center around the detailed analysis of twenty-four Austrian balance sheets. This organization does not make for very engaging reading, especially since Wessels repeats his basic argument again and again: Performance of Austrian firms was not determined by economic policy but by the firms' success in adapting to global structural challenges. But such criticism is purely cosmetic. More serious is Wessels's uncritical approach to the balance sheets that constitute his main primary source. Wessels uses their figures (gross and net profits, investment, liabilities, and creditors) to assess the companies' standing and performance, but ignores that balance sheets never convey a true picture; they are as often as not used to hide it. Furthermore, in Austria, before the introduction of the schilling and the passage of the law on "gold balance sheets" in 1925, the effects of inflation distorted balance sheets. After 1925, balance sheets were drawn up in order to convey the most favorable possible picture following stabilization and to minimize the negative effects of inflation in the eyes of the public and banks. The sudden collapse of Vienna's Bodencredit Anstalt in 1928 and Creditanstalt in 1931 were not only due to the banks' tampering with their own balance sheets, but also to the window-dressing of accounts of those Austrian firms in which they were most interested.

While it is possible to argue that the inaccuracies of balance sheets remain insignificant overall or cancel each other out on average, Wessels's uncritical usage of national macroeconomic data taken from publications by the League of Nations and various statistical offices of Eu-

ropean nations cannot be pushed aside as easily. Wessels uses such annual data (public expenditure and debt, gross national product, trade figures) to compare the economic performance across Europe and to show how Austria fared poorly in comparison. But we know that such figures can be informed by their compiler and compiled to serve a purpose, and more importantly, national statistics were a novelty at the time and were collected according to different criteria in each country, making them non-comparable. In light of these problems Wessels's comparative analysis of economic performance across Europe becomes meaningless.

Finally, Wessels takes the historiographic consensus that the Austrian National Bank pursued a restrictive credit policy and deflationary monetary policy at face value. He correctly concludes that historians have exaggerated the effects of monetary and fiscal policies on industrial performance, but since firms' balance sheets are his only primary sources, Wessels must rely on other historians' account of central bank policy. However, Austrian National Bank policy might in fact have been less restrictive or deflationary than contemporary and later critics have hitherto maintained. In fact, throughout the 1920s, the Bank of England was unable to establish efficient control over the Austrian National Bank and continuously complained that its credit policy was too lax. Thus, the negative effects of Austria's monetary policy on industrial performance might not only have been exaggerated; the policy might have been quite different from what Wessels and others have hitherto assumed it to be.

Despite its weak points, however, Wessels's book offers an important thesis. It is an interesting and informative microanalysis of Austrian firms' performance and makes some lucid forays into the economic history of interwar Europe.

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