
Reading the news reports concerning the Reagan administration's budget programs must give Professor Brandt a certain sense of déjà vu, for the story he tells in this work is strikingly similar in broad outline to that which is happening now in Washington. We hear of rampant centralism having resulted in a bureaucracy which doubled in size in little more than a decade; continuing deficits which have undermined the currency and which cannot be cured by increasing revenue, but only through spending cuts; a military establishment which very successfully inhibited cuts in their appropriations, leaving the brunt of reduction to be borne by the civil administration and government infrastructure programs; divisive political battles, conservative vs. liberal, one region vs. another, fought over budget issues; and so forth.

The analogy can be taken only so far: The Neoabsolutist system, while born of revolution and civil war (1848-49, in the Habsburg case), was monarchical, not republican; and the results—military debacle, crisis of confidence at home and abroad, financial upheaval, and constitutional restructuring of the political system itself—are improbable now. Though the parallels may be limited, that should not blind us to the lessons to be learned from the unhappy condition of state finances in the Habsburg Empire over a century ago.

The goals of Neoabsolutist economic policy were ambitious: a restoration of the currency after the financial ravages of the Napoleonic Wars and the events of 1848-49, development of the latent economic powers of the perceptibly backward monarchy, and the building up of a military force capable of sustaining a Great Power position in Europe. Professor Brandt's main thesis is that these goals were not simultaneously attainable, and that the government's failure to limit its striving meant not only that it achieved none of its economic goals, but also that the political system itself was doomed thereby. He is careful to argue (especially p. 820) that the financial problems did not determine the constitutional content of the political reform instituted be-
tween 1859 and 1861, but they decisively influenced the timing of change. On the basis of his own evidence, I think this argument is too starkly put (of which more later), but the overall thesis is very convincingly supported.

Fortuitous events hastened, but did not cause, the downfall of the system. The economic crisis of 1857 produced "exorbitant deficits" (p. 998) in the state budget, and in the depression which lasted "deep into the sixties" (p. 280) both agriculture and industry "perceived the cause of their misery primarily in an unsuccessful economic policy of the regime" (p. 412), which crystallized the opposition. The issue was brought to a head by the Italian war of 1859, whose financial problems were "above all so consequential because they helped a latent crisis to break out" (p. 812).

Deficits plagued the Habsburg budget throughout the period, and both political and technical limitations prevented the régime from covering them through increased income. Some of the consumption taxes had been "revolutionary tinder" (p. 466) in 1848, and a disproportionate share of taxes borne by agriculture constrained efforts to raise revenue by increasing existing taxes significantly. Reform, on the other hand, was limited by the impossibility of gaining access to individual and business financial records and by the lack of any progress in the techniques of assessing and collecting taxes. Thus cutting deficits meant, above all, reducing outlays.

Although the "conventional wisdom" points to the swollen ranks of the bureaucracy during the Neoabsolutist period, Brandt shows that the costs of maintaining order and security (the military and the Gendarmerie) not only were larger than those of the civil administration, but that outlays for this military establishment grew more, both absolutely and relatively, than did the expense of civil administration. Moreover, some of the growth in the bureaucracy was illusory: in some regions (Hungary in particular) it represented merely a transfer to the central government of functions formerly performed at lower levels of administration. But until the emperor, who had strong military sympathies, could be convinced that drastic reductions in the army were imperative, the finance ministry had no control over the military budget. With interest and amortization commitments on past debt an "untouchable" (p. 52) item (which consumed 40 percent of ordinary revenue by 1858) and military outlays beyond his reach, it is no wonder that the finance minister was forced into extraordinary measures (such as the sale of the state railways and a salary freeze in the civil service) and even chicanery in his efforts to achieve the impossible. Even the massive import of capital represented by the purchase and building of railways by private foreign enterprise, while it did expand the transport network and allow a significant increase in foreign trade, had a strongly negative impact on some Austrian industry, especially ferrous metals and metallurgy. Local industry did not have the capacity to satisfy the demands of the railroads, nor could it develop this capacity quickly. Concessionary imports for railway building in particular wasted the