ARTICLES

Institutional Change under Pressure: Enlightened Government Policy in the Eighteenth-Century Habsburg Monarchy

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Institutional change is one of the least understood aspects of economic development. Although much attention was devoted to it from the very inception of the discipline of economic history, particularly by the German historical school and its many disciples, these studies were merely the descriptive narratives characteristic of historical writing of the time. With the emergence of quantitative economic history, topics such as institutional change and entrepreneurship,

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which resist mathematical modeling, and for which the cliometricians' tools are not well suited, were, in the main, neglected. This situation remains a major hindrance to our understanding of long-run economic change. Existence of this blind spot was brought to our attention most recently by Douglass North, who proposed to explore this topic in the same analytical manner as other topics in economic history[1]. The extent to which this study will open new vistas partly depends on the extent to which specific changes in institutions are studied and the emerging generalizations can be tested in a comparative framework. This study contributes to such an avenue of inquiry.

The late eighteenth-century Habsburg experience is a good case study of institutional change, for the degree and success of peaceful economic restructuring were perhaps unprecedented in Central Europe. This revolution, instituted from above, was not to be repeated. The French were surely less successful at bringing about peaceful change in the eighteenth century.

Hitherto the economic reforms of Maria Theresia (1740-80) and her son have been explained by exogenous factors such as the humiliation suffered at the hands of Frederick the Great and losing Silesia to him. The enlightened leadership of the empress, her son - later Emperor Joseph II - and the cameralist advisors surrounding them was interpreted as having been of overriding significance. In contrast to previous studies, the present paper interprets the reforms more broadly.

In this study, I consider institutional change to be endogenous. The main thesis expounded below is that the leaders responded to the growing economic crisis, whose major symptom was a substantial lowering of the standard of living. This situation was manifest, above all, in the diminished nutritional status of the part of the population situated at the low end of the income distribution[2]. The

[1] Douglass North, *Structure and Change in Economic History* (New York: Norton, 1981) p. IX.

[2] John Komlos, "Stature and Nutrition in the Habsburg Monarchy: the standard of living and Economic Development". *American Historical Review*, 90 (Dec. 1985), 1149-1161; and John Komlos, "Patterns of Children's Growth in East-Central Europe in the Eighteenth Century". *Annals of Human Biology*, 13 (1986), pp. 33-48.

crisis threatened the stability, perhaps even the very existence, of the monarchy. The destabilizing exogenous factor was population growth, similar to other instances noted by North[3]. In this article, I outline ways in which the decline in welfare led to institutional innovations.

Other scholars have noted that the demographic developments of the second half of the eighteenth century led to new forms of legal structures because, given that the total quantity of arable land was constant, no other way out of the crisis existed[4]. In England private landowners enclosed common lands, while in Austria the same pressing need for reform led to emancipation of the serfs. Placing reform clearly in the context of economic circumstances makes the motivation of the monarchs more comprehensible than had previous arguments. To be sure, the form of the response to the crisis was in keeping with the intellectual currents of the time and was quite similar to reforms attempted or undertaken elsewhere in continental Europe at the time [5]. Without the threatening circumstances, the power and privileges of the aristocratic oligarchy or of other vested interests such as the Church or the guilds could probably not have been successfully curtailed by the monarchs[6].

The pressure which declining welfare of the population exerted on the leadership also enables one to understand the success with which the monarchs were able to overcome parochial interests, the cornerstone of the absolutist state. Attacking these interests meant, in a sense, that the monarchs were chipping away at the pillars supporting the throne. That they managed to balance the interests of

[3] KARL GRÜNBERG, *Die Bauernbefreiung und die Auflösung des gutsherrlich-bauerlichen Verhältnisses in Böhmen, Mähren und Schlesien* (Leipzig: Duncker und Humblot, 1894), pp. 158, 159. North, p. 29. Among contemporaries, some argued that an increase in population would lead to an increase of well-being, others argued that the line of causation went the other way.

[4] WILHELM ABEL, *Agrarkrisen und Agrarkonjunktur: Eine Geschichte der Land - und Ernährungswirtschaft Mitteleuropas seit dem hohen Mittelalter* (Hamburg and Berlin: Verlag Paul Parey, 1966), p. 249.

[5] JEROME BLUM, *The End of the Old Order in Rural Europe* (Princeton: Princeton University Press, 1978), p. 216.

[6] MANCUR OLSON, *The Rise and Decline of Nations. Economic Growth, Stagflation and Social Rigidities* (New Haven: Yale University Press, 1982).

various lobbies is in itself a topic worthy of another study. My present task is to outline the reforms and explore how they were enacted to illuminate the economic motivation of institutional change and its consequences for subsequent economic development.

Policies that began to emerge in the 1750s, although a logical continuation of earlier efforts, constituted a watershed in the economic history of the Habsburg monarchy. One contemporary observer suggested that the change in economic policy began in 1752[6a]. Although legal reforms were undertaken during the first half of the XVIIIth century, institutional change did not keep pace with the requirements posed by population growth and the declining standard of living. Consequently, by the mid-century, "severe tensions" (a phrase used by Alexander Gerschenkron) had arisen between representatives of the status quo and the forces of change. The state "thought it was its duty... to solve or attempt to solve these (problems) not consciously according to a plan all at once, but to the extent developments forced it to act... in its own interest, its need for power and the welfare of the state[7]".

Faced with these tensions, Maria Theresia, the reigning monarch, and her advisors, not only recognized the impending crisis, but also realized that economic change was necessary to avert greater problems in the future. Consequently, they endeavonred to understand the preconditions of economic development and the institutional changes necessary to bring them about. In spite of the inertia of the bureaucracy and the opposition of groups such as the guilds, less progressive members of the aristocracy, and in some instances the provincial estates and their representatives at court - which stood to lose from the reforms, the central government succeeded in creating, within four decades, an environment propitious for economic develop-

[6a] JOSEPH WEINBRENNER, *Patriotische Gedanken und Vorschläge über den gehemmten Ausfuhr Handel* (Vienna 1781) as cited by Hermann Freudenberger, "An Industrial Momentum Achieved in the Habsburg Monarchy". *The Journal of European Economic History* 12 (Fall 1983) 2, pp. 339-350.

[7] KARL GRÜNBERG, *Franz Anton von Blanc. Ein Sozialpolitiker der theresianisch-josefinischen Zeit* (München: Duncker, 1921), p. 24.

ment[8]. In brief, they accomplished this feat by lowering the rent of the peasantry, thereby redistributing income more equitably. In addition, they reformulated the legal and institutional framework by allowing peasants greater access to the industrial sector thus increasing the size of the national product, and reversing their declining standard of living.

The effective formulation of mercantilistic policies designed to promote development, and their subsequent evaluation, required information. To gauge the extent of population growth a census was taken in 1754 and at regular intervals thereafter. To learn about the extent of economic activity, compilation of systematic data on industrial activity began in the 1760s (its collection had been requested as early as 1749)[9]. This hiatus of 17 years bears witness to the inertia of the newly-created bureaucracy and the difficulty of enforcing central government policy.

Ideological background of the reforms

For formulation of policies fostering development, the monarchs relied on cameralist economic advisers whose opinions were often divided, particularly over issues which turned on a subjective evaluation of the state of the market[10]. They properly used various models of imperfect competition to conceptualize contemporary market structures. Eventually, however, with extension of the market, and under

[8] GRÜNBERG, 1921, pp. 33, 40.

[9] HENRYK GROSSMANN, "Die Anfänge und geschichtliche Entwicklung der amtlichen Statistik in Österreich", *Statistische Monatschrift*, 1916, p. 419 (331-423). For the patent "Fabriquen und Manufacturen Aufnahme" from June 11, 1749, see Codex Austriacus vol. 5, 1777, pp. 424-25 and 446-48. JOHANN SLOKAR, *Geschichte der österreichischen Industrie und ihrer Förderung unter Kaiser Franz I*, (Vienna: G. Tempsky, 1914), pp. 65, 104, 65, 104. By the middle of the 1820s the regular collection of industrial data ceased. The institution of factory inspectors, responsible for collecting statistics, was dissolved in 1825. As a contemporary observed, the dominance of a liberal government economic policy rendered them superfluous. Since the government no longer intended to intervene actively in the economy, data collection was no longer necessary. Statistics of the profit tax adopted in 1813 replaced industrial data.

[10] JOSEPH von SONNENFELS, *Politische Abhandlungen*, (Vienna 1777).

the influence of physiocratic and liberal economic thought from abroad, these advisers began to apply models applicable to economies which resembled more closely those of perfectly competitive ones. The policies which emerged from their deliberations could be termed in a very vague sense "industrialization ideologies" (Gerschenkron again).

The motivation for formulating these policies was the desire to maintain the well-being of a growing population, which, given the rigid institutional framework of the time, was encountering difficulties supporting itself primarily from agriculture. Statesmen were made aware of the deteriorating conditions of the peasantry through eyewitness accounts and through the accumulation of back taxes in Bohemia. The government policies, which evolved slowly, were meant to reverse this decline in the standard of living.

The humanitarian disposition of the enlightened despots made legal reform a necessity. Maria Theresia was convinced that one of her foremost duties was to foster the alimentation of her subjects, and she was concerned about the developments which threatened the nutritional status of her peasants. The description of the peasantry's condition was read in Vienna, according to a document from a cabinet meeting of 1769, "with astonishment, indeed, with true horror and... with ardent emotion[11]. This concern was manifest time and again[12]. To be sure, the empress was motivated not merely by humanitarianism, but also by the realization that prolonged suffering of even part of the population might lead to unrest, emigration, and even serious confrontation which could threaten the existence of the state. Bloody clashes between peasants and the army first occurred in Silesia during the summer of 1766; 137 villages took part in another outbreak of disorder in the spring of 1767. During the revolts in Bohemia in 1775, the peasants refused to honor their labour

[11] Grünberg, 1921, p. 25; (Grünberg 1894) I, p. 209.

[12] E. g., a 1764 instruction to the provincial governments to enforce economic policy so as to increase the well-being of the inhabitants, KARL PRIBRAM, *Geschichte der österreichischen gewerbepolitik von 1740 bis 1860. Auf grund der akten* (Leipzig: Duncker und Humblot, 1907), p. 104.

obligations to the lord of the manor, the robot[13]. According to one count, there were 16 uprisings and 64 refusals to perform the robot around this time[14].

Such confrontations showed that the government could not remain indifferent to the peasants' conditions. These manifestations of discord threatened stability directly, and eroded the ideology which maintained the cohesion of the absolutist social fabric[15]. Maria Theresia could not hope to remain in power unless she acted justly, that is, in congruence with expectations of the common law. Thus, as the vice regent of the Almighty on earth she was expected to persevere on behalf of the common weal. The political theories developed for the practice of enlightened absolutism allowed her to disregard particularistic considerations in pursuit of this goal: "A Prince, ordered by God to be leader and protector of a people, is justified in doing everything that the welfare of the state, entrusted to him, demands[16]".

It is symbolic of this mentality that on being crowned in Bohemia, one of the two questions the archbishop of Prague asked a Habsburg monarch (except for Joseph II, who was too enlightened for such rituals) was: "Do you want to rule and defend the kingdom lent to you by God with the justice of your fathers?" With an affirmative response, the anointment followed[17]. Hence, Maria Theresia could not remain idle in the face of the peasants' immiseration without disturbing the implicit social contract and thereby undoing that

[13] Grünberg, 1921, p. 44.

[14] JOSEF PETRÀN, "Der Höhepunkt der Bewegung der untertänigen Bauern in Bohemia", *Historica*, 3 (1969), pp. 107-140, p. 130.

[15] Ideology is important for the economy because it lowers the transaction costs of supervising the subjects. North, 1981.

[16] Sonnenfels, 1777, p. 254.

[17] The other question was: "Do you (in the familiar, du, form)... want to remain true to the Catholic religion?..." G. N. SCHNABEL, *Statistische Darstellung von Böhmen*, (Prague 1826) p. 86. A recent article by William J. McGill stresses Maria Theresa's sense of having a God-given responsibility for the welfare of her subjects. WILLIAM J. MCGILL, "In Search of the Unicorn: Maria Theresa and the Religion of State", *Historian*, 42 (February 1980), pp. 304-19.

socialization of the population on whose obedience social tranquillity was based.

The notion of natural right also helped the reformers decide whether certain policy options were workable. In this formulation the peasant, too, had the rights to partake of the general well-being. As Franz Anton von Blanc, one of the reformers, put it: "the justification of an adequate subsistence for the peasantry is not based alone on the reason of state, but also on the natural rights of men and citizens[18]". In their thinking about natural rights, the Habsburg reformers were clearly influenced by ideas from abroad. At this time, philosophers, including such figures as Voltaire and even Kant, were arguing in favour of a meritocracy to displace the aristocratic privileges in force throughout most of Europe[19]. Blanc defined the subsistence minimum to include even the ability to save for times of need. He argued that all contracts threatening this minimum were void, because no one could legally agree to his own destitution[20].

Thus in the realm of intellectual history one can find a clue to understanding why the response of the government took the form it did. Statesmen of the monarchy were influenced by ideas of the eighteenth-century philosophers. These ideas considerably limited the options they were willing to consider seriously. The state surely could have dealt with its economic problems with other means. The forced colonization of Southern Hungary to relieve the population pressure in Bohemia would have been one possibility, as was use of greater force against the peasantry, which had its advocates[21]. The state could have confiscated land from the aristocracy, but it respected private property, and the estates were considered the private property of the lords[22]. These options were disregarded because the Habsburg monarchy was neither a modern dictatorship nor an Orien-

[18] Grünberg, 1921, pp. 22, 25.
[19] Blum, p. 308.
[20] Grünberg, 1894, I, p. 170.
[21] Grünberg, 1921, pp. 52
[22] Grünberg, 1894, p. 154.

tal despotism. As one reformer put it, the peasant is not "a slave in the Roman or Turkish Empire", and the idea that freedom should be secured for the peasant was mentioned more and more frequently[23].

Government policymakers were influenced not only by new ideas of natural right, but also by the pronatalist doctrines of mercantilism. A fundamental tenet of mercantilism was the belief that a state's power depended, to a large extent, on its population size. The Codex Austriacus of 1704 stated this quite explicitly:

> In order to promote the general prosperity of the population factories should be introduced which will provide livelihood for thousands of people, keep the raw materials within the country that can then be processed further, prevent the population from becoming lazy, and keep money within the country, which will in consequence become populous and prosperous[24].

Maintenance of the population would be threatened and its growth jeopardized if the deterioration of the standard of living were allowed to continue. Hence the idea was frequently expressed in bureaucratic correpondence that the aim of government policy was to increase industrial opportunity, thereby increasing the alimentation of the monarch's subjects[25]. A directive in 1776 stated that the aim of the government was to "facilitate as much as possible the tasks of manufacturers, craftsmen, and similar workers to support themselves by honest means[26]".

The effort to maintain the standard of living was undertaken partly

[23] Grünberg, 1894, I, p. 20; Petrán, p. 110.

[24] Hans Leo Mikoletzky, *Österreich, das grosse 18. Jahrhundert: von Leopold I bis Leopold II.* (Wien: Österreichischer Bundesverlag, 1967), p. 53. Karl Pribram, p. 42. Increased circulation of money was synonymous with with an increased gross national product in the sense of the quantity equation. Joseph Sonnenfels, on becoming Professor of Finance at the University of Vienna in 1763, was the most ardent advocate of this viewpoint.

[25] Statni ustredni archiv v. Praze (hereafter referred to as S.U.A.), Č. G. Commerz, 7, Fasc. 1, 1796-1805, folio 2-6.

[26] Pribram, p. 327.

as a means of increasing the population[27]. In fact, a "litmus test" for adopting a policy was whether it would be favourable to the increasing population. Since policymakers had no notion at this time of diminishing returns to labour, they maintained a pronatalist policy even in the face of the pauperization brought about by population growth. Urging guilds to allow journeymen to marry was one example of such pronatalist policies[28].

An important reason for the pronatalist policy was that according to mercantilist thinking, the government's ability to tax, and, in turn, its financial and military power, was a function of population size. Maintaining military power is indeed a necessity in an international framework with a number of predatory states[29]. Maintenance of power depended on military might, so a standing army had to be provisioned even in peacetime. The size of the army one could muster depended partly on the size of the population from whose ranks soldiers were recruited and partly on the people's well-being which determined the amount of taxes that could be collected to pay for the army. A growing and well-nourished population therefore had to be an important aim of economic policy. (Not only was the

[27] In 1777 Sonnenfels had urged the government, in order to promote marriage and therefore population growth, to place strict curbs on the entry of women and youth into the monastic life. Sonnenfels, 1777, pp. 254-55.

[28] Sonnenfels thought that the policy of encouraging marriages ought to be aimed at the "middle category" of the population (Sonnenfels 1777), pp. 241-42. Another step, which had Europewide ramifications, was establishment of a *cordon sanitaire* within the military frontier separating the monarchy from the Ottoman Empire. This system was designed to increase population by protecting public health. Checkpoints were begun around 1740, but not until 1770 was the entire system introduced. The *cordon sanitaire* consisted of a series of watch posts with soldiers patrolling between them. Travellers were held in quarantine from 10 to 42 days depending on the circumstances. Imported goods were generally disinfected. Gunther Rothenberg, *Die Österreichische Militärgrenze in Kroatien, 1522 bis 1881* (Vienna: Herold; 1970), pp. 118-20.

[29] NORTH, pp. 205-206. A modern observer put it this way: industrialization in one country will invite emulation in another, if for no other reason than to maintain a balance of military power. Gautham Sen, *The Military Origins of Industrialization and International Trade Rivalry* (London: Frances Pinter Publishers, 1984), p. 7.

army enlarged at this time because of outside threat, but a reserve army of 24 thousand was called into being in 1753. (The state budget was increased proportionately). Hence, the declining welfare of the population posed an imminent threat to tax revenues[30].

Maria Theresia expressed her awareness of the relationship between the peasantry's well-being and maintenance of her power more eloquently in 1769:

> the peasantry is the largest class among the state's citizens and therefore it is the foundation and the greatest support of the state. The peasants have to be maintained in such a condition that they can nourish themselves and their families and at the same time be able to contribute to the taxes. The private right of the manors have to be subordinated to this view[31].

Some advisers cautioned that "diminishing the landlord's rights would be an outrageous interference in the sanctity of private property". Ultimately, they did not prevail[32].

The monarch and her advisers, while respecting the lords' private property, reinterpreted the meaning of private property to let the central government interfere ever more energetically in the lord-peasant relationship[33]. The lords were inclined to incorporate taxable peasant land into their own domains to claim tax-exempt status for it. Thus, the government also acted in its own self-interest when it intervened on the peasantry's behalf. In addition, the increase in

[30] The land tax per holding in Bohemia was raised from 52 florin in the 1740s to 60 florin in the 1760s. Jaroslav Purs, "Struktur und Dynamik der industriellen Entwicklung in Böhmen in letzten Viertel des 18. Jahrhunderts, "*Jahrbuch für Wirtschaftsgeschichte*, 1965, pp. 160-96, p. 169.

[31] Grünberg, 1894, I, p. 71. "daß der Bauernstand, als die zahlreichste Klasse der Staatsbürger, und der die Grundlage, folglich die größte Stütze des Staates ausmacht, in aufrechtem and zwar in solchem Stand erhalten werde, daß derselbe sich und seine Familie ernähren, und daneben in die allgemeine Landes umlagen bestreiten könne". German version of final sentence not available. (Grünberg, 1921) p. 31.

[32] Grünberg, 1894, I, p. 209.

[33] This new conceptualization of the lord-peasant relationship was similar to changes in thinking which would let the government intervene between industrial workers and factory owners in the nineteenth century.

back taxes worried officials sufficiently to prompt them to send a special investigator to Bohemia[34]. The back taxes indicated decreases in per capita income as well as increased obligations imposed on the peasantry. Worried about its tax revenues, the government ordered the estates not to "grieve" (kränken) the peasants with excessive demands, "but instead to do everything to maintain them in a condition so they can pay their taxes[35]".

One should not conclude that maintenance of the tax base was the only, or even the primary motive for the policies of Joseph II and Maria Theresia. Joseph's view was that "the peasantry should not be protected only so far that they are always able to meet their tax obligations... but the road to well-being should be opened for it[36]". In furthering economic development, the Habsburg monarchy thus became, in modern terminology, an incipient welfare state, a notion by no means foreign to the mercantilist thinkers of the time[37]. Providing welfare, to be sure, is one of the major aims of all governments, the others being protection and justice[38]. In seeking their subjects' welfare, therefore, the eighteenth-century Habsburgs were not different from other monarchs. Their uniqueness lies in their success. In short, a combination of self-interest (maintaining power) and a feeling of responsibility for their subjects' standard of living accounts for Maria Theresia and Joseph's resolve to reform the industrial

[34] Grünberg, 1894, I, p. 156. This investigator's suggestions were later incorporated into new agricultural laws related to labour services of peasants.

[35] Grünberg, 1894, I, pp. 122, 162.

[36] Grünberg, 1894, p. 321. "Der Bauernstand... sollte nicht bloß soweit geschützt werden, daß er stets imstande bleibe, seinen landesfürstlichen Schuldigkeiten, zu genügen... sondern es sollt ihm der Weg zum Wohlstand geöffnet werden".

[37] Alois Brusatti, *Österreichische Wirtschaftspolitik vom Josephinismus zum Standestaat* (Vienna: Jupiter, 1965), pp. 15, 20. Herman Freudenbergen, "State Intervention as an Obstacle to Economic Growth in the Habsburg Monarchy", *Journal of Economic History*, 27 (1967), 4, pp. 493-509, p. 505. Freudenberger is sceptical of the effectiveness of Habsburg economic policy, but admits that the welfare motive was one of the aims of this policy.

[38] Walter Rostow, *Politics and the Stages of Growth*, Cambridge University Press, 1971, p. 11.

and agricultural laws. Reform leading to industrial and agricultural advance became the only escape from the dilemma posed by the peasants' immiseration. (This explains why government policy tended to exclude from the industrialization drive agriculturally more productive areas such as Hungary and Galicia[39]). Support of industrial activity loomed large in this programme because government advisers realized that industrial output was more elastic than agricultural output and consequently it would be difficult to obtain greater tax revenues from the agricultural sector[40]. One way to increase a population's income was to allow more time to work; thus, many religious holidays were eliminated in 1754[41].

Decreasing the peasantry's labour obligations to the lords became a priority, because peasants would then have more time to devote to their own land, or if they did not own land then to devote their time to the "creation of other value". The reformers did not always believe that this would lead to an increase in the total national product. They did not believe that the peasant's labour productivity was greater when he was allowed to dispose of his own labour freely than when he rendered obligations to the lord. Yet they asserted that reformulation of the peasants' labour dues was needed because the lords ought not to have a greater claim on the peasant's time than that which still left him sufficient time to ensure himself at least the minimum of existence. This was clearly an income redistribution scheme[42]. Reformulation of the agricultural laws would make the peasant better off and hence dissuade him from emigrating[43]. The government also strove to increase agricultural production by increasing ploughland and by more intensive use of land already in use[44].

[39] KARL GRÜNBERG had already noted in the nineteenth century that government's concern for welfare led logically to agricultural reforms. Grünberg, 1894, I, p. 292. This point, however, has eluded subsequent historians.

[40] PRIBRAM, p. 4.

[41] GRÜNBERG, 1894, I, p. 83.

[42] GRÜNBERG, 1921, pp. 25, 27.

[43] SONNENFELS, 1777, p. 238.

[44] GRÜNBERG, 1921, p. 26.

For the rulers of the Habsburg lands, the proper formulation and conceptualization of the monarchy's economic problem was rendered all the more necessary by the unfavourable outcome of the wars against Prussia in 1740-48 and 1756-63: the loss of the industrially most advanced province of the monarchy, Silesia, except for two small counties. According to some opinions, one-fourth of the weavers and spinners in the monarchy had been lost as a consequence[45]. Some historians have contended that loss of Silesia prompted the monarchy to support industrialization in Bohemia[46]. Had that been truly the primary motivation, then reforms would have been limited to substituting for the industrial labour force lost to Prussia. Indeed, reforms could have been limited to the linen industry alone, the primary industry of the lost territory. Moreover, the reforms began in the mid-fifties at the outset of the second Prussian war, before the final outcome of the struggle was actually known[47].

Hence, humiliation suffered at the hands of Prussia was probably not the primary cause of the sweeping reforms of the next four decades; it does, however, help to explain the relative ease with which these reforms were adopted. In mid-eighteenth-century Austria, external threat, a key factor Rostow mentions as playing a role in the politics of the preconditions of economic development, was clearly present. In the absence of such a threat, an oligarchy whose power was based on land might have opposed much more vehemently the reforms needed to transform the economic structure[48]. The monarchs gained the support of many Bohemian aristocrats in their effort to provide employment for their subjects. Like the monarchs themselves, these aristocrats were motivated to found industrial enterprises by their awareness of the deteriorating living standards of the population. Count Johann Joseph von Waldstein put it succinctly:

45 PRIBRAM, p. 94.
46 PURS, p. 169.
47 GRÜNBERG, 1894, I, p. 193.
48 ROSTOW, 1971, p. 64.

> I... have founded this factory in Oberleutensdorf, from purely Christian love and through the grace of God, so that my subjects would be able to make a living and find sufficient nourishment. They will be diverted from condemnable idleness, and will have no cause to find their bread with begging[49].

These factories were often unprofitable: they were partly charitable undertakings, brought into being out of noblesse oblige[50].

The government's concern for the people's livelihood, taken over by some members of the aristocracy, actually became a commonplace of the language. By the late nineteenth century, entrepreneurs requesting licenses from the government seldom failed to point out the social benefits their undertaking would confer by providing subsistence for the poor or decreasing the number of beggars and poverty-

[49] *Mitteilungen des Vereins für Geschichte des Deutschen in Böhmen*, 71, p. 142 as cited by ARNOST KLÍMA, "Die Textilmanufaktur in Böhmen des 18. Jahrhunderts", *Historica*, 15, 1967, pp. 123-81, p. 153. For a detailed study of Waldstein's factory, see HERMAN FREUDENBERGER, *The Waldstein Woolen Mill: Noble Entrepreneurship in Eighteenth-Century Bohemia* (Boston, Baker Library, Harvard School of Business Administration, 1963). Freudenberger, disagreeing strongly with the stereotype of the Bohemian noble landowner as obstinate reactionary, has repeatedly stressed the contribution made before 1780 by the aristocracy to the economic development of the Bohemian crownlands. Nowhere else in Europe, he argues, "can one find as many aristocrats in industry, providing as great a share of the output as in Bohemia and Moravia". HERMAN FREUDENBERGER, "An Industrial Momentum", p. 347. For evidence that some of the nobility took an interest in scientific and technological, as well as industrial, progress, see HERMAN FREUDENBERGER, "Progressive Bohemian and Moravian Aristocrats", in STANLEY B. WINTERS and JOSEPH HELD (eds.), *Intellectual and Social Developments in the Habsburg Empire from Maria Theresia to World War I: Essays Dedicated to Robert A. Kann* (Boulder [Colorado]: East European Quarterly, distributed by Columbia University Press, 1975), pp. 115-30.

[50] GRAF JOSEPH KINSKY, according to an observer, made not only his subjects "happy" by providing employment and nourishment for them, but his offspring as well. Some people believed he had decreased his wealth by founding factories. Whether he actually did so is unknown; however, one knowledgeable observer of the eighteenth century industrial scene disagreed with this notion. This person, while suggesting that Kinsky might have suffered some losses because people took advantage of him, nonetheless concluded that there was still plenty of wealth left for the Bohemian aristocrat's heirs. JOSEPH SCHREYER, *Kommerz, Fabriken und Manufakturen des Königreichs Böheim, theils, wie sie schon sind, theils, wie siees werden können*. Prag and Leipzig, 1790, vol. II, p. 110.

stricken[51]. Such language was used less frequently in the nineteenth century, but it persisted nonetheless[52].

One should note that government concern for maintaining the tax base was motivated not only by fear of declining ability to pay, but also by greatly increasing expenditures. The cost of the bureaucracy reached 28 million florin and that of the military approached 66 million by the late 1780s. This meant a doubling since the beginning of Maria Theresia's reign. Even in the face of such a difficult financial burden, Zinzendorf advised against lowering the military budget, arguing that the consequent loss in military prestige would have been unacceptable[53].

Institutional change in the industrial sector

During the second half of the eighteenth century, government intervention was crucial for economic mobilization. Government actions included the following policy instruments: (1) enacting new laws fostering industrialization; (2) financially supporting industrial development; (3) substituting for "missing prerequisites" of development, such as banks and entrepreneurship; and (4) defending the peasantry from the lords by reformulating agricultural laws. So that these policies could be more effectively pursued, new institutions were created within a centralized bureaucratic structure, which would not be indebted to parochial interests.

To achieve the aims mentioned above, the institutional bottlenecks existing at mid-century had to be weakened or eliminated, particularly the "strict" guild system[54]. In modern terminology guilds were a combination of unions and cartels. Like modern unions, guilds limited entry of workers into occupations and determined production technology and number of hours worked. Guilds also acted as cartels

[51] S.U.A. Č.G. Com. 1796-1805, 13/3-8, Box 613.

[52] S.U.A. C.G. Com. 1816-1825, 13/1, Box 894.

[53] Haus-, Hof-, und Statsarchiv, Vienna, Zinzendorf Nachlass, p. 365. GRÜNBERG, 1901, p. 123.

[54] PRIBRAM, p. 346.

in limiting the production of goods in order to support their predetermined price and quality.

Guilds protected the existing masters from competition, thereby securing their well-being at the expense of those outside the organization. Because guilds limited industrial expansion, they might work reasonably well at a time of slow demographic change, when agriculture was capable of expansion, or at a time of excess demand for industrial labour. During the mid-eighteenth century, however, none of these conditions prevailed in Bohemia. Industrial laws protecting guild power became the major hindrance to economic development.

Complete abolition of the guild system was contemplated - not for the first time[55]. The government decided, however, not to embark immediately on a programme of sweeping changes; instead it chose a cautious strategy of gradual reforms, adopted "to the extent that developments forced it to act[56]". This cautious attitude permeated the whole reform movement until by the end of Joseph's reign the power of the guilds had been whittled away.

As early as 1731-32 industrial activity was allowed in rural areas, as long as the master craftsman was incorporated into the guild of the nearest town[57]. This compromise seemed to maintain the guilds' authority in principle, while actually weakening them. Outside city limits, such authority must have been difficult to exercise; yet before protoindustrial development could proceed unfettered, the power of the guilds had to be curtailed further[58]. Another instrument the monarchs used to circumvent the power of the guilds was granting

[55] PRIBRAM, pp. 54, 75. The issue had also been raised in 1699. ARNOST KLÍMA, "Mercantilism in the Habsburg Monarchy - with Special Reference to the Bohemian Lands, "*Historica*, 11, 1965, pp. 95-119, p. 115. Freudenberger, "An Industrial Momentum", p. 343.

[56] GRÜNBERG, 1921, p. 24.

[57] PRIBRAM, p. 48.

[58] Similar action was taken by other governments elsewhere on the continent. ALAN S. MILWARD and S. B. SAUL, *The Economic Development of Continental Europe, 1780-1870* (London: George Allen und Unwin, 1973), p. 36.

the privilege of establishing a factory[59]. The privilege was tantamount to a license to be outside guild control as well as protection of the owner from competition[60]. The latter aspect was similar to a patent. At first these privileges were granted sparingly, and did not seriously threaten the guild system. Yet by granting an exclusive privilege for producing goods not yet manufactured in the monarchy, such as cotton textiles, the government was able to keep guilds entirely out of new industries that had not been under their control[61].

Under Maria Theresia the principle was enunciated that new industries not under guild control would be allowed to remain free thereafter[62]. Thus with the founding of the cotton textile factory in Schwechat in 1726 under such a privilege, this branch of industry remained permanently free from guild restrictions. One might argue that between 1726 and 1763, or at least during part of that time, the granting of privileges had actually become a hindrance to the growth of this industry. The large number of cotton textile factories founded shortly after Schwechat's exclusive patent lapsed indicated that the market had increased sufficiently to support more than one factory[63]. No doubt it had reached that stage earlier. Infant-industry arguments might have made the initial granting of the privilege optimal, though that alone would require a monograph to establish; howerer, the presumption is that the privilege was in effect longer than could be justified by such arguments alone. Without monopolization of this industry, however, the guild system might have extended its influence over it. In that case, the privilege was indeed a second-best solution: the existence of an imperfection (the guilds) rendered suboptimal the case (no privileges) which would have

[59] GUSTAV OTRUBA, *Österreichische Fabriksprivilegien vom 16. bis ins 18. Jahrhundert und ausgewählte verwandte Quellen zur Frühgeschichte der Industrialisierung* (Vienna: Böhlau, 1981), pp. 18, 20.

[60] SLOKAR, p. 1.

[61] PRIBRAM, p. 12.

[62] SLOKAR, p. 86.

[63] PRIBRAM, p. 154.

been optimal in the absence of the imperfection. Instead, the second-best solution (privileges) might have been warranted in this case.

In 1754 the government took a most important step to curb the power of the guilds. Industrial enterprises were divided, in some cases quite arbitrarily, into those producing for the local market and those producing for a distant market, either domestic or foreign[64]. The former were designated "police" industries; the latter became "commercial" industries and were placed outside of the guild restrictions. This action was again a compromise, an attempt to placate the guilds by maintaining the appearance of their power in their traditional environment, while at the same time severely limiting extension of their influence over industries working for a foreign market. This legal differentiation greatly diminished the power of the guilds. The guilds could no longer prevent growth in strategically important sectors, but continued to determine the number of producers necessary to maintain equilibrium between local demand and supply. The number of masters producing for local consumption was still not allowed to increase unless, in the opinion of the guild, local conditions warranted it. From 1754 onwards, the number of masters working for distant markets could be determined freely by market forces. Guilds now had to compete with rural workers outside their control[65].

Initially the central government enumerated commercial industries and continued to enlarge the list over time[66]. In 1776, the right to grant licenses for commercial industries was delegated to provincial authorities[67]. The central government's most important step in encouraging industrial development was allowing peasants to weave in their homes without any restrictions. In 1740 cotton weaving and

[64] PRIBRAM, pp. 38, 104.

[65] PRIBRAM, p. 268.

[66] Not until 1809 were the "police" industries clearly listed. At that time the list included 97 occupations, including fish merchants and barbers. SLOKAR, p. 135.

[67] PRIBRAM, pp. 319, 329, 361, 514. The latter change in regulation might not have been effective until 1781.

spinning were allowed in rural areas[68]. Since this sector was rather small, the new law had significance only in setting a precedent. In 1740 linen weaving was also allowed freely in Silesia. This permission was also insignificant, since it was confined to two counties[69]. In 1755 linen weaving was allowed in Moravia and Bohemia: all persons regardless of gender living outside towns were allowed to weave and spin linen at home. Woollen textiles could be woven outside of guild regulations as of 1764. Woollen sock knitting was declared a free profession in 1773[70]. In 1773 the printing of linen and cotton textiles was released from all restrictions save proof of competence. Six years later this stipulation was also lifted[71]. Thus by the 1760s, all weaving industries had been declared open professions. To increase the well-being of the population, the government had succeeded in isolating guilds sufficiently to open the way for protoindustrial development and growth of the factory system.

Guilds were allowed to continue as long as they could compete without government protection. In some places, they maintained their authority within the municipality: in Reichenberg, for example, the system continued to thrive. Yet the guilds came increasingly under government surveillance and regulations opening up restrictive practices were forced on them. Masters weaving woollen textiles were

[68] STEPHEN RITTER von Keess and W. C. W. BLUMENBACH, *Systematische Darstellung der neuesten Fortschritte in den Gewerben und Manufacturen und des gegenwärtigen Zustandes derselben* (Wien: Gerold, 1829-30), Vol. 1 (1829), p. 121.

[69] PRIBRAM, pp. 57, 164.

[70] SLOKAR, p. 358. Otruba, 1981, p. 61. Similar edicts were formulated in France at this time. Milward and Saul, p. 94. In 1762 peasants of Upper Normandy gained the right to manufacture cloth without joining a corporation. GAY L. GULLICKSON, "Agriculture and Cottage Industry: Redefining the Causes of Proto-industrialization," *Journal of Economic History*, 43 (1983), p. 847.
In 1770 Austrian women were allowed to produce silk goods. Journeymen in Vienna were so infuriated by this measure that they took to the streets. The journeymen were threatened with severe punishment if they continued to oppose the ordinance, since this step was seen as a means of protecting the family by increasing its income. Pribram, p. 217. In 1773 linen weaving and sock knitting were declared free professions for the rural population throughout Cisleithania. Pribram, p. 218.

[71] PRIBRAM, p. 217.

allowed in 1765 to have as many looms and apprentices as they pleased[72].

Metal workers' guilds remained more powerful than textile guilds, although new opportunities were being created there, too. Thus journeymen, after six years of satisfactory performance, could no longer be denied master status[73]. From 1781 pig iron production was deregulated, and three years later, so were bronze foundries[74].

The glass industry was the least affected by the reforms. Only in 1835 was it freed completely from regulation. From 1818 on, however, glass factories could be founded even by those with no special education in the trade[75].

The guilds seem not to have understood fully that the government was pursuing a policy inimical to their interests. Since they had no other avenue of redress, they continued to turn to the government for financial aid throughout the first half of the nineteenth century, but without success[76].

Although the guilds were greatly weakened, many industrial regulations remained in effect. The state took over the regulatory functions, such as licensing, in many instances.

The government was not content to foster industrialization merely by removing institutional bottlenecks; it took several other steps as well. It promulgated quality ordinances for woollens cloth produced

[72] Similar steps were taken to free industrialists from the lord's monopsony rights. In 1775 the lord's fulling mill lost this privilege. SLOKAR, p. 317.

[73] PRIBRAM, p. 366.

[74] SLOKAR, pp. 445, 501.

[75] SLOKAR, p. 515.

[76] The Clothmakers Guild of Humpoletz in Czaslau County petitioned the Emperor on March 10, 1844, to help alleviate the unemployment of some of their members. It complained that the army did not purchase from them because their prices were above the market price. To lower their inventory, they were willing to reduce the price, but this did not help them because their quality was not up to par either. Their petition was rejected. In 1848 the Nationalbank, however, granted the Clothmaker Guild of Iglau a 20,000-florin loan since they were terribly hurt by Italian events having cut off their markets. Unemployed men on the street were making threatening remarks. Without the loan, insurrection was certain. Kriegsarchiv, Vienna, Hofkriegsrats Acten, Monturs Commission, 1844 E 2/107 and 1848 E 2/69.

in Bohemia in 1758. This was designed to defend the reputation of Bohemian cloth. In the absence of such legally stipulated quality ordinances it might be worthwile in the short run for a producer to sell less than average quality product while claiming it to be Bohemian cloth of average quality. He would thereby damage the ease with which other Bohemian producers could sell their cloth. In 1761 the government announced a prize for the three best woollen cloth bolts manufactured[77]. In 1777, it lowered the weavers' tax burden at the lords' expense when it abolished the "wool-cent", paid to the manors[78]. The government had founded schools for spinning in Bohemia as early as 1755; after 1764 this policy was carried out more energetically. All towns in Bohemia were ordered to open a spinning school, and studying spinning became mandatory for all children between the ages of 7 and 15. In 1768 the government spent 12,000 florins to found a school for lace making in Prague. In 1786 it promised a subsidy of 12 florins for every loom suitable for weaving batiste linen which was put into service within the next six months. By 1789 there were 181 batiste weavers in Bohemia. Batiste output was subsidized at a rate of 3-6 kreuzer per bolt[79].

Another instrument supporting the industrial sector was tariff policy. To induce import substitution, protectionist measures were introduced in 1764, aimed at foreign textiles in general, and Silesian wool and linens in particular. Importing woollen was entirely prohibited[80]. The government saw this as part of the programme of fighting prejudice against domestic goods[81]. In addition to trying to induce import substitution, the government adopted export subsidies

[77] SLOKAR, pp. 318, 323.
[78] SLOKAR, p. 318.
[79] SLOKAR, p. 362.
[80] ALFRED HOFFMANN, *Wirtschaftsgeschichte des Landes Oberösterreich* (Salzburg: Otto Müller, 1952), I, p. 322. Prussia retaliated by prohibiting glass and iron goods, imports from Austria. For a recent study of debates within the government over tariff policy during this period, see Helen P. Liebel, "Free Trade and Protectionism under Maria Theresia and Joseph II," *Canadian Journal of History*, 14 (Dec. 1979), pp. 355-73.
[81] PRIBRAM, p. 64

for woollen cloth in 1768 to stimulate trade. The one-florin subsidy per bolt was about 2 percent of value, and seems to have had no appreciable effect. (One florin had a silver content of 23.39 grams.) In 1783 the export premium was raised to two florin per bolt for domestic woollen cloth[82]. Until 1771, it had been possible for goods produced in the monarchy, but exported as semi-finished for purposes of finishing, to be re-imported under a special tariff. In that year the government abolished this privilege[83]. To diminish foreign trade further, Jews were entirely forbidden to trade in foreign goods between 1764 and 1772[84].

To foster domestic competition, in 1775 the government abolished tariff barriers that had hitherto hindered trade among the western provinces of the monarchy. It thereby became one of the largest free trade areas in Europe[85].

In 1784 prohibitive tariffs were placed on all industrial goods, thereby protecting domestic producers from outside competition. Factories, however, could import machinery with permission subject to a low tariff. The enactment of these tariffs was a sign that the market had expanded: by enacting such tariffs, officials expressed their view that the domestic supply of industrial goods was sufficient to meet domestic demand or at least sufficiently elastic to do so in the near future. The prohibitive system stayed in effect until the middle of the nineteenth century. Initially it was a great incentive to development; however, it might have remained in effect longer than was optimal.

In addition to tariff protection, factories enjoyed other kinds of

[82] Slokar, p. 318.

[83] Pribram, p. 209. In 1761 linen yarn was not allowed to be taken to Silesia for bleaching; this restriction was later lifted. Slokar, p. 360.

[84] This restriction was lifted because it was said not to have helped the Christian merchants, indicating how inelastic the supply of Christian entrepreneurs was at the time. Pribram, p. 238.

[85] In Bohemia, Eger and its surroundings, as well as the county of Pilsen, remained outside the customs union until 1784. Eastern Galicia, acquired in 1772, was incorporated into the customs union in 1783, while western Galicia was incorporated in 1796. Slokar, p. 3.

government support. They were initially exempt from real estate and, until 1812, income taxes[86]. Their buildings could not be used for quartering soldiers. Workers were exempt from labour services they might have owed to the manor as peasants, and were also free from the draft until the Napoleonic Wars. Factories could import foreign skilled workers and those machines and raw materials not produced in the monarchy. They were promised protection from competition, at least in the regions where they were located. Factories could subcontract work to the guilds. Labour contracts were enforced by making it illegal for a factory owner to hire any worker lacking a written letter of discharge from his previous employer[87]. By enforcing such contracts, the government protected factories' investment in on-the-job training. Otherwise market failure could have come about through the refusal of entrepreneurs to invest in the training of workers when the benefit of such investment might have accrued to someone else.

Although the monopoly of the Schwechat cotton textile factory was renewed for the last time in 1753, such monopolies were increasingly seen as hindering industrial progress. The market had grown sufficiently by then to accommodate a larger number of enterprises. Hence the privilege came to resemble a mere license to produce without guild restrictions, rather than an outright monopoly[88]. During the next decade the notion of a warrant for production in factories came into the bureaucratic language, although the word *privilege* continued to be used as well[89]. The licensing procedure was deemed necessary to guard entrepreneurs from ruin through overproduction. Since the government had more information at its disposal than the entrepreneur, this requirement sought to foster optimum allocation of scarce resources available to the economy. Yet

[86] SLOKAR, p. 129.

[87] PRIBRAM, p. 206. SLOKAR, p. 131. The fine for breaking this law was 50 florins. SCHREYER, 1790, II, p. 181.

[88] PRIBRAM, pp. 72, 228.

[89] OTRUBA, 1981, p. 15.

industrial statistics were kept secret until 1790, although their dissemination would have made the entrepreneurs' decision - making much easier[90]. By the 1780s, very few exclusive privileges were granted, and only in cases in which existing industries would not be hurt, or if the entrepreneur were using an entirely new technology. The idea of an exclusive privilege came to resemble the modern form of a patent[91].

While eager to promote industry, the authorities were also keenly aware of the importance of maintaining adequate food supplies; they wished to keep workers from being attracted to the industrial sector in sufficient numbers to cause shortages in agriculture[92]. The marginal product of labour in agriculture was not perceived to have been zero.

Cloth factories were originally allowed to sell only to wholesale merchants. This limitation on their clientele was slowly lifted. In 1764 they were allowed to sell to the public on their own premises or at fairs, but not less than one bolt at a time[93]. Ten years later, the position of factories was further strengthened at the expense of merchants by allowing the former to sell retail at their premises unrestricted. In 1783, this was extended by letting factories sell retail in open stalls; this privilege was not limited to fairs[94]. The merchants' exclusive right to trade was further undermined by allowing larger factories to establish warehouses in the provincial capitals of the empire. Better capitalized enterprises could act as middlemen for smaller firms[95].

These measures, enabling factory owners to profit at the expense of merchants, can also be interpreted as indicating the inadequate size of the tertiary sector. Had there been enough merchants, perhaps industrialists would not have been favoured in this way. They had no comparative advantage vis-à-vis merchants in this respect. The less

[90] PRIBRAM, p. 350.
[91] PRIBRAM, p. 368.
[92] PRIBRAM, pp. 12, 243.
[93] SLOKAR, pp. 142, 144.
[94] PRIBRAM, pp. 332, 382.
[95] PRIBRAM, p. 86.

than optimal size of the tartiary sector can be explained in part by the strict government licensing procedure, which required 20,000 florins capital to become a wholesale merchant[96].

The government's direct industrial promotion programme started modestly, for only minimal funds were at its disposal for such purposes. Subsidies were initally financed by collecting a small sum of 2,000 florins per year from the guilds. Certain minute fines were also allocated to this end. Beginning in 1755, a monthly "weaving-cent" was collected from every rural Bohemian weaver to support development of the province's mountainous regions. In Moravia the annual tax totalled not more than 17,000 florins[97].

Clearly from these amounts, initially at least, financial support granted to the industrial sector must have been minimal. Certainly to some extent the policy entailed a redistribution of income within the industrial labour force in favour of poorer members, because of welfare considerations. The total sums the government spent for industrial promotion has not been collected. It is known, however, that in 1780 loans of 680,000 florins granted during the previous two decades were still outstanding; it is not known how much had been repaid by that time. Bohemia and Lower Austria were the only two provinces receiving meaningful support; the above sum was divided equally between them[98].

From the late 1770s on, and increasingly in the 1780s under Joseph's reign, the government slowly but increasingly disassociated itself from granting loans and subsidies; requests were now regularly turned down[99]. When the state did make loans, it acted like a

[96] In Vienna the sum was 30,000 florins. In addition non-Catholic merchants needed the emperor's permission to acquire real property. PRIBRAM p. 241.

[97] SLOKAR, p. 66.

[98] About 100.000 florins of the above sum was thought dubious. PRIBRAM, p. 396. This sum might be compared with the 85,000 florins annual profit the government received from the industrial enterprises it owned.

[99] PRIBRAM, pp. 231, 267, 390. For instance, Joseph refused the petition of a factory owner for a loan, stating that if his factory were run well he would be able to procure private loans. PRIBRAM, pp. 346, 390.

private bank: it usually demanded collateral[100]. Instead of using loans or subsidies to foster industrial progress, the state preferred to encourage more competition among producers; this new policy made sense in the context of the enlarged market of the 1780s[101].

Protoindustrialization received further government incentive in the 1780s, when local authorities were granted the right to help small producers with loans or subsidies of between 200 and 500 florins, which could be dispensed without permission from higher authority. This policy (in Gerschenkron's terminology) substituted for some "missing prerequisites of economic development". The state acted as banker and entrepreneur. In this respect the directive was even explicit. In fostering small firms, local governments should not do more than a *merchant* would under similar cicumstances; they were to emulate the behaviour of entrepreneurs[102].

The policy of supporting small producers, begun in the mid-1760s with the founding of spinning and weaving schools, the distribution of looms and spinning wheels among the peasantry, and the support given to itinerant masters to instruct peasants in spinning and weaving continued. Small producers were also given financial aid to help them buy tools necessary for their work[103].

The government also provided occasional support at times of calamity. In response to the economic crisis of 1769-71, brought about by harvest failures, the government, acting in the true spirit of a welfare state, spent 100,000 florins to buy linen textiles to help support the suffering population. In 1779, when a similar crisis occurred, the government spent an even larger sum subsidizing the linen industry[104]. This policy continued into the nineteenth century. In 1805, the government purchased 300,000 florins worth of linen goods

[100] PRIBRAM, p. 399.

[101] PRIBRAM, p. 346. According to one contemporary observer, industrial prosperity was evident in certain areas of Bohemia: instead of wooden houses, brick houses were being built.

[102] PRIBRAM, pp. 392, 393.

[103] PRIBRAM, p. 69.

[104] PRIBRAM, p. 232.

to help the suffering weavers. Another 250,000 florins were granted as interest-free loans[105].

Industries requiring unskilled labour were fostered in rural areas. By fostering labour-intensive industries, the government revealed its preference for maximizing employment even at the cost of efficiency, which slowed the diffusion of technology into the monarchy. Taking his reasoning from Montesquieu, Joseph von Sonnenfels argued for the prevention of technological unemployment: "Since marriages thus depend chiefly on employment, and are with it either increased or decreased, so one must avoid everything that diminishes the quantity of employment[106]". (The fear of technological unemployment goes back to Roman times[107]).

One ought not form a negative opinion of the government's support of industry from the many bankruptcies that occurred or from its difficulty in recouping some of its loans. Many positive externalities were not lost to the economy, even if the subsidized enterprise ultimately failed. The buildings erected, experience accumulated, skills disseminated, and information generated about market conditions continued to benefit the economy.

The government took direct steps to regulate the incipient market, thereby fostering its orderly growth. To ensure that yarn would be produced relatively cheaply, beginning in the 1750s, the government regulated spinners' wages. To guard against competition among yarn puttersout, the estates assigned them districts, in which they were given monopsony power. Spinning was allowed even outside the already allocated spinning districts, affording newcomers the opportunity to acquire spinners.

This policy of assigning districts was introduced to prevent market failure, which might have followed from the positive externalities associated with putterout's efforts. The putterout initially organized

[105] SLOKAR, p. 368.
[106] SONNENFELS, *Abhandlungen*, 1777, pp. 245-46.
[107] JOHN A. GARRATY, *Unemployment in History (New York: Harper and Row, 1978), p. 7.*

the market, instructed the peasantry in the art of spinning, and often provided capital as well, in the form of a spinning wheel. Had his investment not been legally protected from the encroachment of competitors who would otherwise have benefited from the initial investment, then less than the optimal amount of effort would have been forthcoming. The government's policy aimed at equating social and private benefits and was reasonable in the context of the economic environment prevailing at the time.

It was also reasonable for the government to set spinners' wages. It protected peasants from excesses that might have come about because of the putterout's monopsony power. Spinning was largely a part-time occupation of women and children; its opportunity cost was near zero, especially during the winter, when men worked only a few hours a day[108].

In the absence of the minimum wage, the lower bound of the wage would have been determined by the marginal utility of leisure, which would not have been substantial among populations living under the pressure of a diminishing standard of living. (Spinning in some cases might even have been considered an antidote to boredom). The wage might have been determined by the level of short-run subsistence, but that is not the same as the subsistence level in the long run[109]. Once spinning districts were apportioned, the

[108] In early twentieth-century Russia, peasants worked on average only three hours per day in February and two hours per day in October. A. V. CHAYANOV, *The Theory of the Peasant Economy* (Homewood: Irwin, 1966, first published in 1925), p. 75.

[109] Subsistence is not a precise notion. LLOYD REYNOLDS, "The Spread of Economic Growth to the Third World", *Journal of Economic Literature*, 21 (Sept. 1983), pp. 941-80, p. 947. Information on subsistence would not have been available to the population. How much food intake was needed to fight off certain diseases, for example, must not have been well known at this time. It does not help to think of the subsistence wage as that which enables society just to reproduce itself in the steady state, because there is no guarantee that wage will be unique. If by subsistence one means the ability to stay alive from one day to the next, then peasants were still above that level. The problem should probably be posed in terms of the wage affecting life expectancy. Peasants were fighting to maintain their standard of living. The actual wage would, no doubt, have been determined by bargaining. As the market expanded the wage would have risen through competition, had this institutional framework of spinning districts not existed.

wage would have been determined by bargaining between peasants, in excess supply, and monopsonist putterout. Given the putterout's greater bargaining power, in disequilibrium, the government policy again redistributed income in favour of the peasantry. It is true that in the long run the policy could have become inimical to the peasants' interest, but this institution remained in effect only long enough for the market to become well organized.

After two decades the district system for spinners was abolished, indicating that the enlarged market had rendered protection of the parties concerned superfluous. In addition, investments of the yarn puttersout had been amortized over a long enough period so as not to require further government protection. The district system was abolished for linen yarn spinners in 1772. By the mid-1770s, all districts were abolished, and spinners were free to sell at will, or sign long-term contracts with puttersout[110]. Abolishing these rights also indicates that new economic policies were being formulated in a liberal spirit in the late 1770s[111].

A disadvantage of the institutional setting created by the government, aside from the many legal problems which arose when new factories or puttersout encroached on someone else's spinning districts, was that once the spinning wage and districts had been established, they became part of the cultural environment. The districts persisted even after they were no longer mandated. This tenacity is indicative of the difficulty of enforcing laws, problems involved in disseminating information under incipient market conditions, and the dogged persistence of cultural patterns of behaviour and institutional forms. Even decades later, the spinning districts gave rise to many legal quarrels among puttersout[112]. In fact, one generalization that emerges from the history of government policy is that government reforms and new

[110] PRIBRAM, pp. 219, 373. In 1776 monopsony powers granted to paper producers to purchase inputs and to leather merchants in Bohemia were abolished. Soap makers were granted monopoly rights within certain districts between 1772 and 1776.

[111] PRIBRAM, p. 338.

[112] S.U.A. C.G. Com., 1796-1805, 13/3, Box 613.

institutions remained in effect longer than was warranted by economic circumstances.

The government also intervened in the labour market by attempting to decrease shirking among workers. To this end, it decreed that journeymen should be paid only for actual days worked rather than in a weekly lump sum. It was hoped that this would call forth more effort[113].

As part of the government's programme of mobilizing society for the difficult task of defending the standard of living, religious orders without useful economic functions were disbanded. Monasteries were confiscated and auctioned off to manufacturers or rented at low rates. In 1773 the Jesuit order was banished[114], a sign of the rationalizing attitudes Max Weber described; these attitudes were a concomitant of economic development. The action taken against the monasteries was also symptomatic of the growth of anti-Church, and even antireligious, sentiment, an influence of the Enlightenment on a once solidly Catholic country[115].

By the late 1770s the market had expanded considerably. The government responded by relying more and more on free market forces, abandoning its reliance on mercantilistic policies. It no longer tried to overcome all difficulties associated with an underdeveloped market by specific directives from above. Instead of advancing the common weal by prescribing policy (to the minutest detail in some instances), the government was willing to try to implement, even if

[113] That this decree was not appreciated by the workers is shown by the unrest in Vienna on July 8, 1805, caused by a similar decree. PRIBRAM, pp. 247, 248.

[114] PRIBRAM, p. 401. Such practices were not confined to Austria. JOEL MOKYR, *Industrialization in the Low Countries, 1795-1850* (New Haven and London: Yale University Press, 1976), p. 39.

[115] The intellectual historian ERNST WANGERMANN contends that "scepticism and irreligion" became "fashionable in educated middle-class circles" during the years of Joseph II's church reforms. By the mid-1790s, WANGERMANN argues, such "rationalist ideas" had even come to be accepted by "a not inconsiderable number of people from the lower strata of Vienna's population". ERNST WANGERMANN, *From Joseph II to the JACOBIN TRIALS: Government Policy and Public Opinion in the Habsburg Dominions in the Period of the French Revolution*. (London: Oxford University Press, 1959), pp. 15, 19.

not completely, a liberal economic policy which allowed individuals freedom of action to accomplish the same end of maximizing the common weal. In the 1780s, for example, provincial authorities were instructed a number of times to administer the laws in the spirit of free trade[116] (No doubt domestic trade was meant). The government's willingness to let market forces determine the relationship between spinner and putterout is just one manifestation of this spirit. The change in attitude was made possible by market expansion, destruction of guild hegemony, and development of sufficient dynamism in the economy that models of imperfect competition were no longer the only, or even the best possible, way to conceptualize economic processes. The market, of course, was by no means a perfectly competitive one, but it was moving in that direction and it made sense for policymarkes to adopt liberal or physiocratic economic formulas more frequently in shaping policy.

In the 1780s, partly in response to more liberal official policy, a large number of factories came into being[117]. This phenomenon testified to the growth of the market: factories were organizations requiring a relatively large market in order to operate efficiently. In turn, they were able to capture economies of scale in production, and thereby produce at a lower cost than smaller firms.

Although factories were no longer able to count on loans regularly, some were forthcoming nonetheless[118]. In 1786 the state granted 140,000 florins worth of loans, and in 1787 loans of 110,000 florins. During the following year, under pressure of the Turkish war, the sum shrank to 40,000 florins. Subsidies were henceforth kept to a few thousand florins annually[119]. Although outright subsidies had become minimal, the government continued to help the industrial sector overcome unanticipated difficulties. For instance, when the American Revolutionary War cut off overseas markets of the Bohemian

[116] PRIBRAM, p. 361.
[117] PRIBRAM, p. 374.
[118] PRIBRAM, p. 271.
[119] PRIBRAM, p. 401.

linen weavers, the government gave 50,000 florins quarterly for two years, partly as loans to merchants and partly as outright support for the unemployed[120]. This policy of a government-sponsored safety net fits well into the conceptualization of this absolutist monarchy as an incipient welfare state.

Larger factories were allowed, in 1787, to establish warehouses in all provincial capitals of the monarchy. This regulation founded the distinction between "formally" privileged factories and the "simple" privileges granted to factories not permitted to do the same[121].

The criteria for acquiring the formal designation were never formulated, which subsequently caused many difficulties[122]. Initially this regulation enabled larger factories to respond more quickly to distant market opportunities. In 1791 local or municipal authorities were given the right to grant simple privileges, thereby making it much easier to found factories. Formal licenses remained the prerogative of the provincial government[123]. In case of denial the entrepreneur could petition higher authorities all the way to Vienna.

About 1800 this distinction, too, became blurred as factories with simple privileges were granted the right to maintain warehouses at other locations, not by law, but by liberal practice. (By 1820 it was especially easy to obtain access to the Viennese market[124]). Another manifestation of liberal tendencies was that monopolies were no longer

[120] PRIBRAM, p. 390.

[121] PRIBRAM, p. 383. Once the profit tax was introduced in 1813, formally privileged factories fell into different tax brackets than simple privileged ones. The former were divided into five categories and in Vienna they paid a tax of 50 to 1,500 florins Conventionsmünze per annum. In Prague, Brno, and Linz taxes were lower: from 40 to 1,000 florins. Simple privileged factories in Vienna were divided into ten categories and paid a tax of between 5 and 100 florins. Outside of Vienna, they paid from 3 to 50 florins in five steps. Slokar, p. 129.

[122] The confusion in this regard is shown by Slokar's assertion that an entrepreneur did not need to possess a simple factory privilege before receiving a formal one. Slokar, p. 130. However, I do not know of a single instance in which this is not the case. In fact, the petitions usually emphasized that the petitioner already had a simple privilege.

[123] PRIBRAM, pp. 515, 569.

[124] SLOKAR, p. 448.

granted for goods produced for the common man but were still possible for luxury goods. Such a policy indicated a desire to foster the market for mass consumption goods.

Religious toleration was another important aspect of Joseph's reforms. Catholicism was the state religion. After 1725, dispensation could be granted to Protestant industrialists living in Vienna; a tax similar to the one on Jews was, however, levied on them. While the former tax was abolished, the latter remained in effect until the mid-nineteenth century. In Bohemia, too, foreign Protestant manufacturers were allowed to settle as of 1725, though also with special permission and subject to a special tax[125]. In 1781 toleration of Protestants became general, and many foreigners immigrated into the monarchy as a consequence. Their moving expenses were often paid by the Austrian government[126].

In the 1780s Jews, too, became more integrated into the industrial structure. The degree of their toleration had varied from province to province ever since 1629, when they had received the right to trade at all markets. From 1709 on, Jews were allowed to travel unencumbered and trade with products they produced in royal free towns. They could buy and sell wool but were not allowed to own real property outside an area designated for them. Between 1726 and 1747 Jews were allowed to become peddlers. In 1745 Maria Theresia ordered the Jews out of Bohemia because she suspected them of collaborating with her enemy, Frederick II. She revoked this rescript in 1748 and extended their stay for a decade, partly because they were willing to pay 200,000 florins tax per year[127]. Jews were allowed to live in the

[125] PRIBRAM, p. 147.

[126] PRIBRAM, pp. 356, 403. While fostering skilled immigration, the law prohibited from 1752 onward the emigration of skilled glass workers. Those who turned in individuals intending to emigrate received 100 florins from 1761 onward. This sum of money might be considered a measure of the externality the emigrant caused. SLOKAR, p. 511.

[127] CHRISTIAN D'ELVERT, "Zur Geschichte der Juden in Mähren und der Österreichischen Schlesien". *Schriften der historisch-statistischen Secktion der k.k. mährischen Gesellschaft zur Beförderung des Ackerbaues, der Natur-und Landeskunde*, 30 (1895), pp. 26, 179-81, 186.

Czech and Polish provinces, in Hungary, and in Vienna, but nowhere else in Lower Austria or in Upper Austria or Steyermark. In Moravia Jews were confined to small towns; they could not live in Brünn, or the six royal free towns. The toleration patents of 1781/82 did not extend their allowed place of residence, although Jews could petition to live in Lower Austria providing they founded a factory, but only if it were in a rented building[128]. Nonetheless, a large number of professions were opened to Jews to "increase their means of earning a living so that they would be discouraged from practicing usury and deceptive trade so characteristic of them[129]". Regardless of how the new law was justified, their new legal position enabled Jews to become more active in the industrial sector. Many merchants and puttersout were Jews[130]. Jews were well represented among shoemakers and tailors. Some Jewish tailors started to produce ready-made suits for the Viennese market, an innovation at the time.

Jews came in contact with, and established links with, the spinning and weaving peasantry, although they themselves did not practise these trades. To the extent that spinners' wages were set by the government, Jewish middlemen, practising an occupation never particularly well-liked, were perceived as exploiting the peasantry, whereas they were merely carrying out government policy[131]. Animosity toward the Jews is shown by many reports blaming them for smuggling[132].

Bohemian Jews had at least been allowed to practise most professions since 1748. With the important exception of cotton printing

[128] SLOKAR, p. 260. For a more recent study of the intragovernmental debates that led to the toleration patent, see PAUL P. BERNARD, "Joseph II and the Jews: The Origins of the Toleration Patent of 1782", *Austrian History Yearbook* Volume 4-5 (1968-69), pp. 101-19.

[129] PRIBRAM, p. 357.

[130] HOFKAMMER ARCHIV, Vienna, Commerz, Rt. Nr. 796. In 1769 60 percent of Moravian merchants were Jews.

[131] PRIBRAM, pp. 356, 357. Examples of complaints about Jews, or of Jewish middlemen "monopolizing the market" abound. Letter from Trebitsch, April 18, 1848. Kriegsarchiv, Vienna, Hofkriegrats Acten, Monturs Commission, 1848 E 2/74.

[132] SLOKAR, p. 149.

and dyeing works, they could, with special permission, found factories; they could hire Christian journeymen. Jewish fortunes fluctuated, to be sure. From 1764 to 1772 Jews were forbidden to trade in foreign goods[133]. In 1765 they were again allowed to become peddlers in the Czech provinces, although peddling luxury goods among the rural population was still forbidden[134]. The toleration patent opened all professions to Jews, and allowed them to learn trades from Christian masters[135]. They were finally allowed to purchase public buildings to use for industrial purposes, but Jews still generally faced difficulties in acquiring real estate, except for acquiring real property from the government, open to them from 1780 on[136].

Some municipalities refused Jews permission to buy real estate from Christians or asserted that the town charter prohibited Jews from living within town walls. In cases which were appealed, the higher authorities invariably intervened on the side of toleration. If no other compromise were possible, Jews were allowed to rent buildings for production purposes, if not for domicile[137]. In 1791 the Jews of Prague were allowed to buy houses outside of the ghetto for production, and in 1801 the cotton textile printer Porges was allowed to buy land for a bleachery. In 1817 this became a general practice. Jews were allowed to own factory buildings, provided that repurchase right in case of cessation of production remained with Christians[138].

The enlightened disposition of the monarch was also manifest in his concern for the well-being of children working in factories. Joseph II was less effective in this regard, however, than in other aspects of his reform.

[133] PRIBRAM, p. 238.
[134] PRIBRAM, p. 380.
[135] PRIBRAM, p. 358.
[136] KARL GRÜNBERG, "Die Grundeigenthumsfähigkeit in den böhmischen Ländern vor 1848". *Schmollers Jahrbuch für Gesetzgebung, Verwaltung, und Volkswirtschaft*, XXI. Reprinted in KARL GRÜNBERG, *Studien zur österreichischen Agrargeschichte* (Leipzig: Duncker and Humblot, 1901), pp. 101-77, p. 113.
[137] S.U.A. C. G. COMMERZ, 1796-1805, 13, Box 614.
[138] SLOKAR, pp. 73, 261, 263.

A large share of workers in textile factories was originally women and children. The ratio of the value of their marginal product to their opportunity cost was considerably greater than for men. In the textile factories, no great strength was required and women and children were dextrous enough to perform the required tasks, while in agriculture the reverse was true, strength was of more importance. Because of accelerated population growth, a large share of the population was children (about 34 percent), who were a great financial burden to their parents. Indeed government considered employing children a priority, and in petitions entrepreneurs emphasized that they employed or were willing to employ children. Children had to work early in a preindustrial setting as well[139]. To protect children working in factories Joseph II promulgated a law on their behalf in 1786[140], although it was not enforced. Not much was actually done on behalf of child labourers until 1816, when the government stipulated that children working in factories should also go to schools and visit doctors regularly[141].

With the premature death of Joseph II in 1790, industrial reform came to a halt. Successive administrations were preoccupied with foreign policy and military affairs during the Napoleonic war. Though Joseph's successors are often depicted as conservative, even reactionary, their policy ought not to be described in such terms. In many ways the economic outlook of Franz I was liberal: industrial freedom remained a cornerstone of his policy, and was explicitly stated as such in 1809. It is true that between 1802 and 1809 founding of factories was forbidden in Vienna. Some scholars have interpreted this as an antiindustrial stance, but in fact it was an effort to keep the cost of living down in the capital whose population had swollen. Outside

[139] As one author put it recently, "The employment of women and children was... aggravated by industrialism, *but* it was not a new problem... The women and children of the poor had always worked... often at harder labor, for longer hours, and... at a younger age". GERTRUDE HIMMELFARB, *The Idea of Poverty* (New York: Knopf, 1984), p. 141.

[140] SLOKAR, pp. 8, 101.

[141] SLOKAR, p. 102.

Vienna, however, a liberal policy was maintained even during that interlude[142]. The idea of the propitious effects of free competition was often enunciated[143], as reflected in the words of a bureaucrat in 1818: "The liberal commercial policy of His Majesty aims at freedom of industry, with the removal of all ancillary considerations[144]".

Government Policy and the Agricultural Sector

As in the realm of industrial laws, the government proceeded cautiously, after mid-century, to reform the agricultural system. Reforms were concentrated in Bohemia, Moravia, and Silesia, where economic circustances were most pressing. In Lower Austria the lord-peasant relationship had become less formal; Joseph II sought to introduce into these crownlands a moderate system of lord-peasant relationship on the Lower Austrian model[145].

The material condition of the peasantry was generally dismal from the twentieth century point of view. An outmoded legal system, backward agricultural technology, and most importantly, decline in the general economic climate confined the peasantry to a low standard of living[146]. In addition, population growth, which accelerated at the middle of the eighteenth century, burdened the peasantry ever more heavily, as their ability to expand production was greatly limited by availability of land.

The government, however, did not take resolute action to ameliorate the peasant welfare until forced to do so by peasant uprisings. All of the robot edicts were preceded by upheavals. Those of 1680 and 1717 were preceded by riots (after the 1678 uprising, 55 peasants were executed). The 1738 edict was preceded by the murder of a lord by his subjects. Similarly, reforms of the 1770s were preceded or accompanied by rioting[147].

142 Slokar, pp. 49, 51, 63.
143 Slokar, pp. 49, 136.
144 S.U.A. C.G. Com., 1816-1825, 1/1, Box 873.
145 Grünberg, 1894, I, p. 283, "Gemäßigtes Untertänigkeit".
146 Grünberg, 1894, I, p. 209.
147 Grünberg, 1894, I, pp. 128, 1692.

Although land redistribution in favor of the peasantry was discussed among the confidants of the empress, reformers chose instead to seek more limited but easily attainable solutions. Given the strength of the landed oligarchy and the great variety of relationships between lords and peasants, the best reformers could hope to achieve in the short run was regulating the peasantry's "indebtedness", its labor service (*robot*) obligations. To alleviate the apprehension of the provincial estates, they were assured that the government had no intention of limiting their rights, but merely wanted to enumerate mutual rights and obligations, thereby making arbitration in case of dispute easier[148]. Codifying labor service obligations would itself be a step forward. It would reinforce the claim of central authorities that they had a right to transgress on certain customary rights of lords. A thorough reform was impracticable because there was no feasible way to make the peasants better off without making the lords worse off. No matter how much the reform-minded government factions wanted to improve the peasants'situation, the aristocratic landlords remained, as a group, resistant to change, although some members of the aristocracy were willing to sacrifice to improve the material lot of their subjects by supporting industrial development[149].

Another formidable obstacle to reform was that for government to intervene on behalf of the peasantry, property rights had to be redefined or at least conceptualized so as to allow intervention. Manorial estates were legally the property of the manorial lords, who had jurisdiction over the peasantry[150]. Furthermore, the landlords understandably opposed central government efforts to impose a rent ceiling at a time when the growing population was increasing the marginal product of the land. Rents were rising all over Europe and landlords of the Habsburg monarchy, too, wanted to capture at least part of the increased value of their land by increasing labour obligations of the peasantry. This desire was made difficult by Maria

[148] GRÜNBERG, 1921, p. 20.
[149] GRÜNBERG, 1921, pp. 25, 26, 30, 40; GRÜNBERG, 1894, I, p. 205.
[150] GRÜNBERG, 1894, I, p. 256.

Theresia's accepting the thesis that "the lords as owners of the land had allowed the peasants use of it for as much services and payments in kind as... the net output of the land warranted[151]". The peasants were mere tenants without rights to the land itself. In fact, since the fourteenth century the relationship of peasants to the land they occupied had been referred to merely as one of rental[152]. Consequently, determining rent had been traditionally the private affair of the lord and his peasants. Nonetheless, reasons of state necessitated reformulation of this tripartite relationship among lords, peasants, and state.

The Agricultural System Prior to the Reforms

The system of land tenure and agricultural laws in effect in the eighteenth century prior to the reforms is often misunderstood, for it is somewhat alien to our way of thinking. It would be desirable if, in addition to describing the legal system prevailing in the countryside, one could complement it by describing actual conditions prevailing there. It would, for instance, be interesting to explore the actual workings of manorial courts to be able to clarify our preconceived notions of how they functioned. Unfortunately, systematic analysis of this aspect of the past is not available at present for the Habsburg monarchy and awaits future historians.

Although rural lands were owned by free cities, the Church, monasteries, and the monarch himself, most of the land, divided into manorial estates, was owned by lords and knights. Initially aristocrats alone could buy estates. Peasants alone could occupy land on the estates, citizens of towns could not. "The peasant worked the land without owning it[153]". The peasants, settled on the lord's land,

[151] PRIBRAM, 1921, p. 40. "Robot ist... ein Äquivalent für die der Unthertanen überlassene Bodennutzung". GRÜNBERG, 1894, I, p. 340.

[152] GRÜNBERG, 1894, I, pp. 184. GRÜNBERG, 1894, I, pp. 96, 183. Obligations included such stipulations as having to bring at harvest time enough of their own straw to bind the lord's grain into sheaves.

[153] FRANZ MEYER, "Die volkswirtschaftliche Zustände Böhmens um den Jahren 1770, "*Mittheilungen des Vereins für Geschichte der Deutschen in Böhmen* (1876), pp. 125-49, p. 134.

had the right to its use, in effect renting it in exchange for labour obligations and many small obligations in kind, such as spinning some yarn for the lord[154]. Although peasants could purchase land, they generally did not, according to one observer, because then they would not be able to rely on the lord's help in case of calamity[155].

Peasants were subjects of the land owner, not his property. Neither they nor their labour could be sold to other estates. Peasants were not considered property. The word *Leibeigene*, meaning property of body, though often used to refer to the system prevailing in the eighteenth century, was not used by contemporaries until the 1770s. It came into usage only at the time of the reforms[156].

Prior to the reforms, peasants were not allowed to leave the estate without permission because the lords feared not being able to find replacements. (This is similar to the system prevailing in the Soviet Union, in which individuals may not leave a particular locality without prior permission). Increasingly, however, in the eighteenth century with the growth of the population such fears became less important, and peasants were allowed to leave after paying as much as 5 percent

[154] GRÜNBERG, 1894, I, p. 340.

[155] GRÜNBERG, 1894, I, p. 100.

[156] GRÜNBERG, 1894, I, pp. 3, 28, 87. Peasants were bound to the soil and if an estate were sold, they went with it. Recently JEROME BLUM (p. 48) has suggested the opposite by claiming that peasants were, indeed, bought and sold. This assertion, however, rests on meagre evidence. Blum cites Stark, who mentions the case of a locksmith allowed to leave an estate with his wife and children upon paying a fee of 53 Thaler. WERNER STARK, "Die Abhängigkeitsverhältnisse der gutsherrlichen Bauern Böhmen im 17. und 18. Jahrhundert", *Jahrbücher für Nationalökonomie und Statistik*, 164 (1952), p. 359. On closer examination, we see that this case concerned a craftsman and his family, not an ordinary peasant, and it is by no means clear to what extent this single event could be considered representative. Stark does not explain what happened to the locksmith subsequently. Blum suggests that other lords paid for the subjects' freedom, but in this instance it is not clear that such was the case. The man could have bought his release from the estate himself and gone to live in a town. GRÜNBERG, who studied that society more meticulously than anyone else, did not believe that peasants were bought and sold. In addition, in an environment in which peasant complaints were voiced frequently about almost every aspect of the peasant-lord relationship, it would be odd if such a system of buying and selling peasants prevailed without any peasant complaints being heard.

of their wealth. One estate charged between 12 and 56 florins for permission to leave. This was by no means an insignificant sum, for there were villages in Bohemia at the time in which there were not two florins among all of the inhabitants[157]. Yet there were rich peasants; some were said to buy grain futures from the less well-to-do prior to harvesting. A peasant was usually allowed to leave also if he found a diligent replacement[158]. Peasants who had left their estates without permission had to be returned to their lords, and other lords who granted them asylum were threatened with a fine[159].

Day labourers who were not in possession of any land could leave the estate more easily, but only when their labour was not needed would permission be granted on payment of a 1/2 florin tax. Permission to marry someone living on another estate, however, was granted readily. Unemployed people whose labour was not needed on the estate were also allowed to migrate[160].

Legal authority over all those living on manorial estates was vested in the lord of the manor, who delegated this authority to his bailiffs or stewards. Thus, the estate was a unit of local government as well as a form of private property and a unit of agricultural production[161]. In their capacity as local governments, the estates regulated marriage. This power was deemed all the more prudent as the burden of taking care of the indigent, poor, and the orphans fell on the estates[162]. The poor were able to receive an advance of seed in order to be able to plant for a share of the harvest[163].

[157] MEYER, pp. 134, 136, 137.

[158] GRÜNBERG, 1894, I, pp. 8, 19. This resembles the system of payment citizens of Romania and East Germany have to make on emigrating more closely than the New World slavery system, in which human beings were bought and sold without their consent.

[159] GRÜNBERG, 1894, I, p. 12.

[160] GRÜNBERG, 1894, I, pp. 15, 19, 29.

[161] GRÜNBERG, 1894, I, p. 3.

[162] A fee of 1/2 florin was levied at the time of marriage. GRÜNBERG, 1894, I, p. 18. JOHN KOMLOS, "Poverty and Industrialization at the End of the 'Phase-Transition' in the Czech Crown Lands", *Journal of Economic History*, 43 (1983), pp. 129-35.

[163] MEYER, p. 134.

That the peasant was a subject of the lord and under his immediate legal authority ought not be construed to imply that the peasant was without legal protection. Peasants could sue their lords; this right had never been taken from them. The peasant could also appeal to higher authorities, all the way up to the monarch[164]. If peasants brought suits against their lords, lawyers were available free of charge to represent them. That peasants could make use of this right is attested to by their being referred to as being "litigious."[165]

In any event, lords and their bailiffs would surely want to avoid capricious behaviour in their own self-interest, since they relied on internalized socialization to maintain tranquillity. Transaction costs would otherwise have made the economic system prohibitively expensive to monitor, especially since police authority was weak[166]. The threat of vengeance on the part of the peasantry must also have been a deterrent to acting against common law of the estate. Peasants could run away, which was a threat, since the lord needed their labour. Hence, the lord had an incentive to maintain a semblance of justice. Of course, that is not to say that wherever possible lords and their bailiffs did not interpret particular situations in their own interest . The notion that the lord's behaviour was constrained by the above factors is, however, often absent from discussions of the lord-peasant relationship in the Habsburg monarchy.

The monarch often admonished the lords to behave virtuously; this was codified in the edict of 1738. Although the lord could punish the peasant, punishment was not supposed to endanger the peasant's health or nourishment. Lord were to treat their peasants in a "fatherly" fashion, in a spirit of "Christian mildness". The edict threatened lords not only with fines, but with loss of their estates if they mistreated their peasants; furthermore, cruel lords could be declared

[164] MARIA THERESIA received many anonymous memoranda about the distress of the peasantry. GRÜNBERG, 1894, I, p. 191.

[165] GRÜNBERG, 1894, I, PP 30-32, 209.

[166] NORTH, P 44.

ineligible for ownership of any other estate. Bailiffs who acted unjustly could be fined and put in irons or jailed[167]. One such incident did take place in 1770 on a Bohemian estate with the worst reputation for exploiting the peasantry. Bailiffs of the lord were arrested and jailed by the central authorities; the lord had to compensate the peasants 2,500 florins[168].

Although the peasant had some rights, the system of agrarian relations placed obstacles in the way of his economic advancement. In most cases the lord possessed both monopoly and monopsony rights (the latter is an exclusive right to purchase something); buying grain is an example of such manorial privilege, which lords often farmed out to merchants[169].

Legal status of the peasantry fell into several categories. The *Angesessene* (settled peasants) occupied some land, or were cottagers, occupying only a house, or simply servants of the lord, working on the demesne, land which the lord planted on his own account[170]. *Angesessene* included those who occupied holdings liable to taxes by the monarch (*Rustikalisten*); and those who rented that part of the land which the lord had retained for working on his own account (*Dominikalisten*). These lands were subject only to extraordinary taxes, also paid to the monarch.

The relationship between the Dominikalisten and lord depended on the nature of the contract between them. Rental contracts for Dominikalisten were often for one to six years. Rent for these lands was usually higher than for rustic land, because the former were taxed at a lower rate and the lord paid the (extraordinary) taxes on them, not the peasant[171].

Both categories had peasants who had purchased their land, and therefore had an outright title to it (*Eingekauften*)-a small minority, and those renting the land, usually without written contract (*Wirt*

167 GRÜNBERG, 1894, I, pp. 24, 31, 128; II, p. 37.
168 GRÜNBERG, 1894, I, p. 199.
169 GRÜNBERG, 1894, I, p. 42.
170 GRÜNBERG, 1894, I, p. 50.
171 GRÜNBERG, 1894, I, p. 54.

weiter). These were tenants at will (*Zeitbesitzer*) although customary law interpreted this most often as life tenancy, particularly since rustical land could not be rented on any terms except for life. Such tenancies were usually inherited; between 1770 and 1790 this practice was required by law. Thereafter the peasant became tenant-for-life, but the land was in practice almost always inherited[172]. In Bohemia peasant landholdings were often inherited by the youngest son, who compensated his siblings in money[173]. The land could not be subdivided. Even the Eingekaufte peasants were not allowed to subdivide without the estate's permission.

No part of the lord-peasant relationship is more misunderstood than the labour obligations the peasant rendered to the lord in exchange for use of the lord's land. Most writers quote the upper range of such obligations, rather than the mean, rendered by peasants who occupied a full holding, the size of which varied inversely with the quality of the land. Blum wrote recently, for instance, that "a family in Austrian Silesia in the 1840s who had about 42 acres of land had to give its lord each year 108 to 144 days of labor service with a two-animal team, 28 days of hand labor...."[174] Such a family would have been extremely wealthy in contemporary terms. In Moravia, for instance, in 1800 a mere 4.6 percent of peasant families had a full holding[175]. (A full holding was the amount of land that was once deemed necessary to provide subsistence for a peasant family. Since land was worked more intensively by the eighteenth century a full holding was no longer a prerequisite to the survival of a family.) The family did not have to provide the labour itself, but could send hired labour to perform the obligation.

Were the rents excessive? One way to judge is to note that total annual labour dues owed by peasants in Cisleithania in the 1840s was

[172] GRÜNBERG, 1894, I, pp. 50-54, 60, 268, 272, 364. GRÜNBERG, 1901, pp. 187, 192.

[173] GRÜNBERG, 1894, I, p. 66.

[174] BLUM, p. 74.

[175] GRÜNBERG, 1894, I, p. 52.

on the order of 69 million days[176]. This was a per capita obligation of about 5 days, or 25 days per peasant family. Therefore, the labour obligations were, on average, far less burdensome than historians have generally assumed. This is not to suggest that the condition of life was idyllic, but only that the system was neither arbitrary nor invariably oppressive.

Yet, in the eighteenth century, landlords were motivated to increase rents on their land in keeping with the rising demand for it. They found themselves locked in unfavorable long-term contracts. The lords began to encroach on the lands leased to the peasantry by subdividing them or by having the land revert back to their own use. In some cases, lords forced a peasant to switch his landholding to another part of the manor[177]. In other cases more robot services were demanded than were actually due[178].

The Agricultural Reforms

Against the backdrop of this complex system of land tenure and institutions evolved slowly out of the feudal past, the government decided to act resolutely to defend the peasantry's well-being. The task was complicated because the lord-peasant relationship varied substantially from province to province and even from one manor to another. Interfering in local customs and rights was a delicate matter because the Crown could hardly afford to alienate a powerful element of the social fabric.

The government's major goal was to prevent the lord's encroachment on the rustic land occupied by the peasant. The encroachment is often misinterpreted as though it meant that the land was expropriated from the peasantry. The encroachment of the lords was not confiscation of the land at all, but conversion of tenures-for-life

[176] JOHN KOMLOS, *The Habsburg Monarchy as a Customs Union: Economic Development in Austria-Hungary in the Nineteenth Century* (Princeton University Press, 1983), p. 236.

[177] GRUNBERG, 1894, I, p. 56.

[178] MEYER, P. 134.

into short-term leases. The peasant continued to work the land, but under less favourable tenure and financial arrangements. Peasants were seldom expelled from the manor because they were an important source of revenue, and, after all, industrious peasants did not grow "like mushrooms overnight[179]". The more flexible contract, of course, was to the lord's advantage in a period of rising population and rising demand for land, since it opened up the possibility of raising rents in the future. How prevalent this practice was is unknown, but one investigation found that 5 percent of the rustikal land was converted into dominikal land in this way[180]. Converting leases, however, threatened the government because changing the legal status of the land led to loss in tax revenue. The allodial land of the lord was subject only to extraordinary taxes which had to be approved by provincial assemblies[181]. The government attempted to cope with this situation by ordering lords to pay taxes on the rustikal land converted into dominikal land, but the provincial estates resisted resolutely in the name of the ancient tax-exempt status of the lords. Consequently, this approach was not very successful[182]. Beginning in 1751 in Bohemia (in 1733 in Silesia and 1776 in Moravia), the government adopted another strategy to defend the peasantry's status by requiring that exchanging a peasant's plot for another and reverting rustikal lands to dominikal land have prior approval of county authorities. The law stipulated that lords were to compensate (ex-post) peasants who suffered because of illegal manipulation of the lands they worked, a part of the law said to have been enforced sparingly[183]. After 1769 conversion of any kind was prohibited in Bohemia. Eventually lords were prohibited even from purchasing land from the peasantry. Yet their own position was made more tenuous when the government, in 1786, allowed commoners to pur-

[179] GRÜNBERG, 1894, I, p. 258.
[180] GRÜNBERG, 1894, II, pp. 113, 325, 330.
[181] GRÜNBERG, 1901, p. 101.
[182] GRÜNBERG, 1894, I, p. 242.
[183] GRÜNBERG, 1894, I, pp. 157, 190, 244, 253.

chase manors[184]. Peasants were thus able to expand their land holding; they even acquired manors by forming companies. In 1805 there were 12 such manors in peasant hands in Bohemia; ownership was divided among 215 peasants[185].

Clearly, the government chose to support the peasants' claims not only to maintain its tax base, but also as part of its "welfare programme[186]". It also became apparent that the peasantry was difficult to defend without better knowledge of local circumstances. To overcome this problem, the government ordered the manors of Bohemia in 1771 to produce a protocol of peasant obligations which government commissioners could examine[187]. In the meantime, the Crown undertook a major land reform on its own estates, known as the Raab system, by abolishing labour services and distributing land on favourable credit terms among its own peasants. All crown land was distributed to the peasantry.

Through the Raab System, peasants became outright owners of lands they had previously occupied. This reform was similar to mid-nineteenth-century laws known as the emancipation of the peasantry. The major difference between the two reforms was that unlike the 1848 law, under the 1775 law the state-peasantry bore the full burden of compensation by purchasing land they had previously rented. This reform also affected peasants living on manors belonging to royal free towns and to the Jesuits - nationalized in 1773[188]. Although this may not have been an immediate gain for peasants situated on government property, the next generation benefited greatly. During the inflation of 1811, peasants repaid their debts to the government in paper money of negligible real value. The programme

[184] GRÜNBERG, 1901, pp. 112, 133.
[185] GRÜNBERG, 1901, p. 136. Eight of the manors are in Elbogen county.
[186] Wohlfahrtsprogramme. GRÜNBERG, 1894, I, p. 255.
[187] GRÜNBERG, 1894, I, p. 203.
[188] These numbered 43 manors in the Czech Crownlands. GRÜNBERG, 1894, I, pp. 221, 307.

therefore meant that government peasants were recipients of a large income transfer[189].

The Raab reforms fueled rural unrest because rumour spread that the monarch had ordered these reforms on all estates without exception. These political developments were superimposed on an already desperate economic situation for the Bohemian peasantry. The subsistence crisis of 1770-71, during which tens of thousands perished[190], and the peasant uprisings which followed put immense pressure on the government which had to take sides between the angry peasantry and a powerful oligarchy. To avoid more bloody uprisings and for the additional reasons cited above, Maria Theresia took the side of the multitude.

Even before completing the protocol, which was to list obligations of the peasantry, Maria Theresia promulgated an agricultural regulation for Bohemia and Moravia in 1775. This was an important step improving bettering the peasantry's lot[191]. Perhaps the cottagers, who had very little land and paid taxes (contribution) of between 1.5 and 30 Kreuzer per annum gained the most; their rent was nearly halved. Those peasants who previously worked between 78 and 104 days for the lord now had to work only 52 days; those previously obligated to provide 52 to 78 days to the lord had their rents reduced to 26 days; those whose obligations had been 24 days now owed only 13 days[192].

The peasants in Bohemia who had previously purchased dominikal land from manors received the right to break the contract and receive their money back if they so desired. However, in rump-Silesia only landlords had the right to void the contract. The most important provision of the new law was that peasants of the Bohemian crownlands

[189] GRÜNBERG, 1894, I, p. 312.

[190] The famine death toll has been estimated at about one tenth of the population. That is probably an upper bound. FRANZ MARTIN PELZEL, *Geschichte der Böhmen* (Prague: JOHANN ADAM HAGEN, 1774), pp. 622-23.

[191] GRÜNBERG, 1894, I, p. 257.

[192] GRÜNBERG, 1894, 1894, I, pp. 177, 222-26. This listing of mutual obligations was not completed until 1778.

could choose between their old obligations and the new ones. This insured that they would not be worse off because of some peculiarity of local circumstances. Poorer peasants gained exemption from extraordinary robot[193]. The upper ceiling on labour services was set at three days a week for those occupying between a quarter and a full holding.

To ensure an adequate labour force for manors in light of the general reduction of rents rendered in labour services to the lords, they won the right to claim the same amount of labour as they had prior to the new law, but had to pay cash for the difference between the previous level of labour and the new one. Wages were set by the government at 15 Kreuzer per day during the summer, ten during the spring, and seven at other times. This would have enabled the peasant to purchase about two pounds of beef for a day's work[194]. Under no circumstances, however, was a peasant to be required to work more than three days a week on manor land. This policy clearly meant a transfer of income to the peasantry[195].

After the reforms, lords could not expect much gain from owning their estates. They could not raise rents. They were prevented from encroaching on rustikal land. Yet they were still obligated to erect buildings for the peasantry as the need arose, maintain all buildings of the peasants, and come to their aid at a time of emergency. The manors were, however, now able to charge for use of pasture land and firewood under certain circumstances, even if previously these were free of charge[196].

The manors remained the court of first instance, but the lord himself could maintain his tenure as judge only to the extent it was sanctioned by the appellate court. The upper court could name an administrator of the court (Gerichtsverwalter) if it saw the need for it. The penalties manorial courts could render were limited to arrest

[193] Grünberg, 1894, I, pp. 223-226.

[194] Alfred Pribram, *Materialien zur Geschichte der Preise und Löhne in Österreich* (Vienna: Ueberreuters, 1938), p. 462.

[195] Grünberg, 1894, I, p. 227.

[196] Grünberg, 1894, I, pp. 239-40.

or forced labour of not longer than eight days' duration. Fines were allowed only in case of financial damages caused by the peasant, and expulsion from the estate was allowed only for peasants caught smuggling. More severe penalties needed approval of county authorities[197].

Toward the end of his reign, Joseph II wanted to proceed even farther to better the lot of the peasantry. The laws under which all labour services would have been converted to money payment had already been formulated. In addition, he wanted to introduce a uniform system of taxation throughout his realm applicable also to the dominikal land of the lords. Under this system the *maximum* peasant burden, including all taxes and rent payments to the lord, could not exceed 30 percent of the peasant's gross output. (This would have been still a substantial burden of about 40 percent of net output). Since the government land tax was on average about 12 percent, that law would have left 18 percent for rent and local taxes[198].

This reform was Joseph's work alone. It was formulated without achieving consensus among the various factions at court such as the Staatsrat and the Hofkanzlei. The provincial estates were not consulted. The peasants were only halfheartedly behind the proposed reform because they were worried about their ability to acquire sufficient cash to meet their new financial obligations. In addition, the wages Joseph II specified in the new law were deemed too low by the peasants. After Joseph's death, therefore, the reforms were shelved. The old tax system remained in effect; continuing labour services was not, however, received with animosity by the peasantry. A few estates did have disturbances because some peasants, anticipating the new laws, had decreased their animal stock and fired their farm

[197] GRÜNBERG, 1894, I, p. 287.

[198] GRÜNBERG, 1894, I, p. 323. For a recent study of agrarian reforms during the reign of Joseph II, and of the controversy within the government over these reforms, see Helen P. Liebel, "Count Karl von Zinzendorf and the Liberal revolt against Joseph II's economic reforms, 1783-1790", in Hans-Ulrich Wehler (ed.), *Sozialgeschichte Heute. Festschrift für Hans Rosenberg zum 70. Geburtstag*. (Göttingen: Vandenhoeck und Rupprecht, 1974), pp. 69-85.

hands so that they would be able to start making cash payments to the lords[199].

Conclusion

After the death of Joseph II in 1790 institutional reform came essentially to a halt. Thereafter the government ceased to innovate; it persisted, however, in administering those policies then in force. The achievements of the previous three decades were not reversed, although Joseph's new tax law was not adopted[200]. Guild hegemony and the industrial restrictions prevailing at mid-century were not restored, although these forces did attempt to reassert themselves[201].

The market had expanded to such an extent that it would have been impossible, even had the government really attempted to do so, to reimpose the restrictions dismantled earlier by Maria Theresia and Joseph II. At first, upheavals of the Napoleonic Wars distracted the government from active industrial promotion; by the time peace was restored, the market was well enough developed to expand without relying on the central government's active support. In addition, demographic development of the last few decades would, by itself, have made a return to the old economic system impossible. The older mode of production could not have sustained a population which had doubled since the beginning of the reforms.

Further reforms were not undertaken to any significant degree, and perhaps for this reason some historians have mislabeled the regime of Franz I as reactionary. His predecessors had removed the major obstacles to economic development; the preoccupation with a quarter century of war rendered active government support of industry unlikely even had Franz's predecessors not already reversed that aspect of their economic policy. Yet the mixture of liberal industrial policies with paternalism formulated between 1750 and 1790 remained the cornerstone of government policy, lingering on well into the nine-

199 GRÜNBERG, 1894, I, pp. 334-52.
200 PRIBRAM, p. 508.
201 PRIBRAM, p. 573.

teenth century. Certain aspects of it are even discernible in Austria to this very day.

To the credit of the Habsburg enlightened despots a Malthusian crisis was averted. This was not the case in Ireland. Austria's two monarchs abolished important ancient privileges more successfully than the French monarch. The Austrian enlightened monarchs acted on their own behalf and on that of the population to foster economic development, which proceeded at an unusually high rate. Theirs was an enlightened policy par excellence.

Unlike many instances when government policy was impotent, the Habsburgs were quite successful in the eighteenth century[202]. This success was one of the reasons that the Habsburg Monarchy weathered the political storms at the turn of the century relatively smoothly. Sismondi observed in 1819 that aiding a group that no doubt would have been oppressed had it been left undefended, the state compensated for most of the government's vices. It did this for its own sake and its subjects, in the interest of stability for a large part of the population composed of peasants and land owners living in comfort who had been made happy. These subjects, aware of their happiness and fearing any change, had turned down each project of revolution or of conquest against the empire[203]. Sismondi might have painted a too idyllic picture of the Austrian countryside, but his main thrust is incontrovertible: the stability of the monarchy was maintained because of institutional change.

The reforms were enacted slowly, over more than a generation, and the outcome was by no means optimal. While some reforms increased economic efficiency others did not. The new conceptualization of the property rights of the lord in the land was done for the sake of equity, not of efficiency. It did, however, contribute to stability of the political system. In so far as a stable political order is a

[202] Freudenberger, however, suggested that they promoted development in a fitful way. Freudenberger, 1967, p. 495.

[203] Cited in Grünberg, 1901, p. 170. Stein also held favorable views about the Austrian agricultural laws.

prerequisite for efficient production, redefining property rights themselves could be thought of as (indirectly) leading to a more efficient economy than the one which would have probably prevailed in its absence.

Despite many criticisms which could be mentioned in connection with this reform programme, it is amazing that the reforms could be enacted at all, given the unequal distribution of privilege which prevailed. It was, in a sense, an advantage that all groups of society did not have to be drawn into the bargaining process. Fortunately, the monarchs were sufficiently enlightened to represent the well-being of the population vis-à-vis the vested interests[204]. This is, of course, quite contrary to the Marxist theory of the state, in which institutions of a nonsocialist government represent the interest of the ruling class. The exploitation theory of the state does not fit well the Habsburg experience in the eighteenth century. To be sure, one could argue that the ruling class merely sacrificed power and wealth in the short run only in order to be able to exploit the population in the long run. This argument, however, admits that there existed real bounds on the extent of rent extraction from the peasantry in the short run. In the long run, however, the strategy of the aristocracy failed to maintain their power, which continued to diminish and eventually vanish. Hence, had their strategy been to exploit the peasantry in the long run at the expense of short-run sacrifices, the policy was not a successful one.

The Habsburg experience might be conceptualized more fruitfully as conforming to North's notion of the neoclassical state, according to which protection and justice are traded for revenue and the state maximizes power or wealth. The maximization process in the Habsburg monarchy did not lead to an optimum solution, because the process was fraught with uncertainties and constrained greatly by the existing legal system, under constant external threat and threatened as well by internal political turmoil. The monarchs

[204] OLSON, p. 37.

exhibited a bounded rationality, which entailed the seeking of possible solutions to the economic problems within the cultural milieu. They often made economically correct choices, but not invariably. The solution that ultimately emerged was not efficient by any means, but it was reasonable, not extremist and consequently at least acceptable to all parties concerned. In addition, it provided a framework within which the economy could evolve successfully for the subsequent half-century.

In evaluating the Austrian reforms, one should keep in mind that the statesmen were faced with a crisis with which they did not quite know how to deal. Their response was to seek a satisfactory solution slowly and cautiously. They were much better equipped intellectually and financially than their predecessors confronted with a Malthusian crisis in previous centuries. The outcome was the beginning of the industrial revolution and the elimination of the threat of another institutional crisis. The economy was able to escape the Malthusian trap.

At least in one sense, however, the legacy of the monarchs was undesirable. Although they changed many institutions, they did not institutionalize change. The ability of government to meet the challenges of the future depended excessively on the personality of the monarch and his entourage, which was much less true for a political system such as England's. This was the general weakness of Habsburg absolutism and of absolute monarchies in general. Maria Theresia and Joseph II were able to maintain the stability of society. Yet as Mancur Olson points out, this very stability can eventually become a drawback because it might lead to the accumulation "of networks of distributional coalitions[205]". Such coalitions successfully barred reform of major proportions during the subsequent two generations.

Those who followed in the footsteps of Maria Theresia and Joseph II neglected institutional change, and the aristocracy was not inclined

[205] OLSON, p. 145. Such coalitions barred reform of major proportions durin the subsequent two generations.

to give up any more of its power or wealth on its own accord. This was not of great importance during the first two decades of the nineteenth century, since war diverted society's energies. Even in the third decade this neglect of fundamental institutional change did not produce many obvious ill effects, since the economy continued to develop for decades before the fissures became appreciable. By the fifth decade of the century, however, the laws and institutions created by the enlightened despots were not in keeping with the economy's requirements. Unfavorable harvest conditions of the late 1840s exacerbated the population's lot. The unfortunate Ferdinand, on the throne when the outburst of 1848 began, was incapable of meeting the new challenges. A century after the great reforms had started, a new revolution took place. This was an upheaval far more costly in lives than the reforms of Maria Theresia and Joseph II, but economically it had less impact on the lives of the multitude[206]. To be sure, it abolished aristocratic privileges *de jure,* and eradicated many of the feudal institutions still in force, save the most feudal of all, the guilds, which persisted for another decade.

[206] Komlos, *The Habsburg Monarchy as a Customs Union*, p. 109.