

pace Wallerstein, and the fundamental business of the state was that of war and the preparation of war. The book charts in its first two parts the move from extraction based on the notion that the ruler should live off his own to one in which consideration is given to the needs of a more impersonal state. Particular attention is given here to Britain and France, but substantial sections are devoted to city states, the Spanish system, Austria, Scandinavia, Prussia and to Russia, Hungary and Poland. Huge efforts at comparability were made, both conceptually and quantitatively—with the figures on which analysis is based usefully now being housed at the University of Essex. The final part of the book seeks to establish conclusions by means of conceptual chapters on expenditure, revenues, public credit, and the fiscal burden.

Although it really is impossible to summarize the wealth of this volume in a short review, some note of principal themes can be offered. The impact of war is overwhelmingly present, above all, in the clear finding that the character of fiscal systems derives from expenditures forced by geopolitical engagement far more than from considerations of revenue. If necessity is the mother of fiscal inventiveness, it is strikingly clear that some countries had particular advantages and that they made the most of them. For one thing, northern Europe as a whole benefited from the state's early acquiring of church lands. For another, England gained advantage early on from the centralized nature of its feudalism. This eventually ensured a politics of reciprocal consent that allowed, above all through innovations in public credit, for an increase in power that ran beyond resources and that occurred before the Industrial Revolution. Considerable attention is devoted, it should be noted, to the extent to which geopolitics crowded out other investment and to the contrary notion that military Keynesianism was beneficial to economic growth. Definitive conclusions on this point, and on many others economic in character, could not be delivered, making the book in the last analysis most centrally concerned with fiscal extraction.

Very great credit for the volume rests with Richard Bonney, whose three chapters have a weight all their own—not least in their command of theories of taxation and in their ability to make thought-provoking analogies, as when suggesting that the early modern state is best understood by looking at key characteristics of the states of the developing world. *The Limits of Absolutism in ancien régime France*, a collection of Bonney's essays, spells out and expands key arguments made in the larger edited volume. Attention is paid both to the ideological and institutional bases for absolutism so as then to understand the ways in which its taxation regime occasioned protest and rebellion. If discriminating judgments are made at many places, not least in a brilliant essay comparing the French civil rebellions with the English Revolution, the overall theme to emerge here is that indicated in the title. The absolutism of the French state rested on feet of clay; that is, its much vaunted despotic powers hid the low level of fiscal extraction occasioned by the French nobility's refusal to cooperate with a state that it could not control. There seems sense, here and in the larger volume, to Montesquieu's maxim that free states tax hardest, with low taxation serving as a compensation for the absence of rights, although I suspect that industrial circumstances changes this picture, at least as far as taxation is concerned.

JOHN A. HALL, *McGill University*

#### MODERN EUROPE

*Paper & Iron: Hamburg Business and German Politics in the Era of Inflation, 1897–1927.* By Niall Ferguson. Cambridge: Cambridge University Press, 1995. Pp. xiv, 539. \$69.95.

After a plethora of books examining the German inflation after World War I via the documents of the Reichsbank, the Berlin government, and those of the magnates of the Ruhr's heavy industry, Niall Ferguson's *Paper & Iron* represents a most welcome shift of

perspective in making Hamburg and its business elite the point of departure. At the center of this elite stood the Jewish banker Max Warburg whom Ferguson portrays as the “hero” of his story (p. 30). The book’s main issue, however, is not the unfolding tragedy of this hero but a major revisionist attack on the established orthodoxy in the interpretation of the government’s and the interest groups’ policies during the inflation years. Almost two-thirds of the book is dedicated to the years 1919 to 1923 with the Hamburg perspective often used as an illustration only for what Ferguson really wants to convey: the view, that “a stabilisation of monetary and fiscal policy *could* in theory have been achieved in 1920 without a British-style recession; indeed without a recession as severe as that which did occur in Germany 1923/4” (p. 19). This policy “would probably have necessitated some political shift to the Right” (p. 19) that, however, in the eyes of Ferguson would have been much more beneficial to Germany than the “inflationary consensus” between big business, labor, and government. The main argument, therefore, is counterfactual: Germany would have been better off with a firm conservative, if necessarily authoritarian, government overcoming the “defects of the Reich’s fiscal and monetary institutions” (p. 27) and being less impressed by revolutionary movements, labor unrest, and reparations demands. Moreover, a thus revitalized bourgeois society would have been less prone to fall victim to the Nazi movement in the early thirties. The inflation here is portrayed as the linchpin of German disaster that could have been averted by sober conservative politics. Even if the path of fiscal and monetary virtue had already been left during the last two decades of the Empire, driving the “fiscally deadlocked” Reich into war (p. 446), there was still the opportunity in 1920 and 1921 to break the vicious circle of inflationary policy and achieve a bonafide stabilization of the economy and the political institutions of the Weimar Republic instead of the “illusory” (p. 450) stabilization of 1924 that already carried the seed of the 1930 to 1933 collapse of parliamentary democracy.

If few students of the German inflation will question Ferguson’s assertion that it was “theoretically” feasible to bring it to a halt in 1920 and 1921, there are yet not many who believe that it was politically feasible. The unlikely inflationary coalition was not brought together by sympathy after all. Ferguson argues that it was political weakness rather than a rational calculation of risks on the side of the German bourgeoisie that kept consecutive governments and most of the business elites from enforcing an orthodox monetary and fiscal policy. In view of an increasing number of right-wing assaults on the state and its representatives the fear of a revolution from the Left seemed overblown. On the other side a monetarily sound Reich would have been in a much stronger position vis-à-vis reparation demands, since “a more sincere attempt to pay the sums due might well have been a better way of demonstrating the impossibility of the task” (p. 315).

Since Ferguson produces no substantial new evidence on the various cabinets’ policies his retrospective risk assessment for a conservative scenario is very much open to debate—even if one follows his assumption that a deflationary policy would have been in the best interest of all parties. Given the usual academic caveats, Ferguson remains evasive about what actually constituted the underlying political “weakness” of the bourgeoisie that frequently boils down to a simple lack of courage. At one point it is argued that it was the lack of central power of the Reich that had already prevented the Empire to turn a larger proportion of its GNP into military power (p. 446). It will not be of everybody’s political taste that overcoming this “weakness” should be appreciated in retrospect, as many will find it difficult to accommodate to the view that in any sense “the years 1919–23 witnessed . . . a political crisis every bit as big as the deflationary crisis ten years later” (p. 450) that led to Hitler’s seizure of power. The book conveys its own strong and explicit political taste how to interpret known facts. It will largely be a question of taste then whether one likes it or not.

ULRICH WENGENROTH, *Technische Universität, München*