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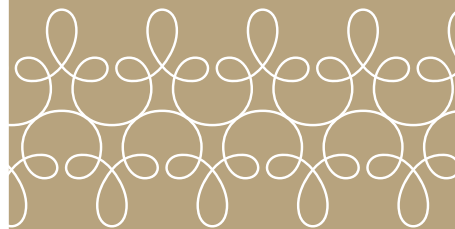
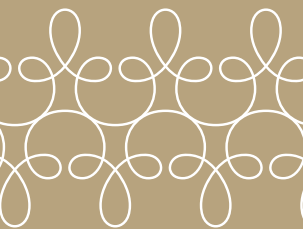
# Hungarian Historical Review

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ACADEMIÆ SCIENTIARUM HUNGARICÆ

*Business Cooperations*

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## *Business Cooperations and Economic Connections*

Judit Klement and Ágnes Pogány  
Special Editors of the Thematic Issue

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# Živnostenská Banka (Trades Bank) and Its Participation in the Banking Consortia/Syndicates of Interwar Czechoslovakia\*

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One of the characteristic features of the development of the Czechoslovak economy in the interwar period was its progressive concentration and increasing organization, whether initiated from above (the persistence of a higher degree of state interventionism) or from below in the sense of voluntary cooperation and clustering across the business environment. In addition to the traditional associations for carrying out business, such as joint-stock companies, public companies, limited liability companies, and others, which were legal entities and were usually established for an unlimited period of time, new instruments of cooperation were becoming more and more common. These were networks of cartels, conventions, gentlemen's agreements, and syndicates which restricted the free market. The study sheds light on characteristic forms of bank-to-bank cooperation, namely consortia/syndicates, using the example of the largest and most important Czechoslovak bank of the interwar period, Živnostenská Banka pro Čechy a Moravu v Praze (the Trades Bank for Bohemia and Moravia in Prague). It points out the relatively large number of consortia and offers a typology derived from their functions.

Keywords: banking consortium/syndicate, Czechoslovakia, interwar period, Živnostenská Banka (Trades Bank)

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\* The study was carried out under the Cooperatio program, provided by Charles University, History, at the Faculty of Arts. The text is a revised version of the chapter “V napětí konkurence a spolupráce. Bankovní konsorcia/syndikáty v meziválečném Československu (angažmá Živnostenské banky)” [In the tension of competition and cooperation. Banking consortia/syndicates in interwar Czechoslovakia (Engagement of Živnostenská Banka)] published in the collective monograph Miloš Hořejš, Eduard Kubů, Barbora Štolleová, eds., *Podnikatel versus kapitál – kapitál versus podnikatel. Dvě tváře jednoho vztahu ve střední Evropě 19. a 20. století* [Entrepreneur versus capital – Capital versus entrepreneur. In the tensions of competition and cooperation], Prague: NTM, 2023, 100–14.

Until the end of World War I, the economies of the Bohemian lands and Upper Hungary were firmly embedded in the Danube monarchy. Their development and modernization were closely linked to economic, social, cultural, and, last but not least, political developments. A key milestone was the abolition of serfdom in 1848 and the gradual opening of space for the formation of civil society and entrepreneurial activity. A further impetus to the dynamics of development in the Bohemian lands was given by the Austrian defeat in 1859, which meant the loss of the advanced northern Italian provinces and accelerated the transfer of the industrial core of the monarchy to the Bohemian lands. Hand in hand with this was the move towards the adoption of the February Constitution (1861) and the strengthening of the development of representative institutions of the legal order, both in the field of civil law and the legal regulation of the business environment. Viewed from the perspective of big business, economic modernization was a matter for the national German and, hence, Jewish-German elites. At the end of the nineteenth century, the Czech elites were only just beginning to play a more prominent role.<sup>1</sup>

The predominance of the German-speaking business milieu in the Bohemian lands was not only marked in traditional industries but also in industries characterized which were part of the so-called Second Industrial Revolution (the second wave of industrialization). The basis of the capital market in its large business segment developed in the same way. It was characterized both by the establishment of branches of big Viennese banks and by the formation of joint-stock financial institutions linked to private banking. A smaller but later nevertheless extremely important stream of financial institutions in the Bohemian lands was represented by the concentration of the national Czech capital. Its key source was the Schulze-Delitzsch type credit cooperative movement, which gained strength in the 1860s. In 1868, Živnostenská Banka was founded as their central financial institution. In the first decade of the twentieth century, although it still retained its provincial character and headquarters, it was one of the six largest Austrian big banks. In contrast to the Viennese institutions (and this was also true of other Czech national banking institutions), Živnostenská Banka (Trades Bank), despite its generally high turnover, financed mainly medium-sized and smaller businesses. Before the fall of the monarchy, even the nascent Czech national business was, for the most part, dependent for its financing on

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1 Jančík and Kubů, *Nacionalismus zvaný hospodářský*, continuously in the text.

the Viennese big banks, which had a dense network in the Bohemian lands and were able to offer bigger loans on more favorable terms.

The establishment of the Czechoslovak Republic in 1918 dramatically changed the nature of the capital market in the Bohemian lands. Rapidly increasing inflation in Austria and Hungary, together with monetary reform in Czechoslovakia which pushed towards deflation, effectively cut domestic large firms off from their traditional financial connections in Vienna and Budapest. At the same time, the domestic capital market was insufficiently linked to the foreign capital markets of Western Europe or markets overseas. The significance of the various types of financial institutions and, above all, the significance of the individual national segments changed dramatically. The national Czech segment, led by Živnostenská Banka, gained the upper hand. The national German segment and the Viennese segment, in particular, were significantly weakened. The latter was partly dissolved in the national Czech environment through the nostrification of companies,<sup>2</sup> which were partly “transformed” into commercially interesting and relatively strong segment of multinational financial institutions, both mixed (i.e. Czech-German) and financial institutions with foreign participation (mainly British and French capital).<sup>3</sup>

The redefinition of the capital market in the new republic had major consequences for its functioning. It reduced the power of the financial institutions. The Czechoslovak big banks were incomparably weaker and less experienced than their Viennese predecessors in terms of their potential and also in terms of their management skills. Moreover, in the early years of the republic, they concentrated on building and developing their industrial concerns by making large-scale investments in stock portfolios on their own account, which subsequently limited or even ruined their ability to offer companies credit. A new situation arose for the Czechoslovak industry in the sense that large-

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2 The so-called Nostrification Act No. 12/1920 of the Sbirka zákonů a nařízení republiky Československé [Collection of Laws and Regulations of the Czechoslovak Republic] authorized the Ministry of Industry and Trades to order companies with production plants in the Czechoslovak Republic but with their seats outside the Czechoslovak Republic to transfer their seats to the territory of the new republic. The main objective was to avoid tax losses (companies officially registered outside Czechoslovakia paid a share of their taxes to the countries in which they had their seats). However, other motives were also important. First and foremost, the act was intended to ensure the state's influence on strategic enterprises. Nostrification was seen as one of the means of strengthening the economic independence of the new state. The nostrification process became a welcome opportunity to increase the economic influence of Czechoslovak banks, especially the national Czech banks, which took over the lending of nostrified companies. In total, over 200 large companies were nostrified with state assistance.

3 Kubů and Šouša, “Die Nostrifizierung von Industrie- und Handelsfirmen.”

scale credit was more difficult to obtain and more expensive. The weakness and undercapitalization of the market became a characteristic attribute of the interwar period, undermining the modernization of industry and business in general.

### *The Capital Market and the Term Consortium*

The transformation of the capital market also led to changes in the business strategies used by banks and the firms they financed. The new conditions generated new problems and in many ways changed the nature of cooperation. On the one hand, the efforts of large financial institutions to build their concerns as an exclusive sphere of influence of the banking institution and to define sharply themselves against the competition were strengthened. On the other hand, the limited amount of capital on the market created conditions for the expansion of existing and the formation of new or until then only infrequently used manners of cooperation, even of a relatively long-term nature. The tendency to establish closer cooperation was also supported by the development of the economic cycle, especially its protracted periods of depression, which was characteristic of most of the interwar period.

A signal of a higher or even new stage of cooperation among banks in the Bohemian lands and then Czechoslovakia was the establishment in 1917 of the Association of Czech Banks, which later became the exclusive professional association of the large joint-stock commercial banks in Czechoslovakia, including the domestic German banks. It was on the basis of this association that coordinated banking procedures concerning credit and other matters were developed, in particular the creation of a Czech and then Czechoslovak banking cartel (analogous to the Austrian cartel of 1907), which determined the conditions of capital and money trade, employment issues, and last but not least consultations on cooperation with the state (internal loans, nostrification of companies, etc.).<sup>4</sup>

One important form of cooperation was the so-called banking consortia. These associations were formed for a “temporary period” to carry out one or more transactions on a “joint account.” The legal regulations varied largely from country to country. In Cisleithania, they were based on the General Commercial Code of December 17, 1862,<sup>5</sup> which was later incorporated into

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4 Kubů, “Za sjednocenou nacionálně českou bankovní frontu.”

5 *Všeobecný zákoník obchodní*, 117–18.

the legal system of the Czechoslovak Republic. The term “consortium” referred to a non-commercial company governed by commercial law, which wasn’t a legal entity, was not entered in the commercial register and did not necessarily require a written agreement (contract). The established terminology of the time referred to “occasional companies” or partnerships and “a *meta*” company. The term “syndicate” was also used in the literature of the time.<sup>6</sup> The reason for entering into consortium agreements was usually the considerable size of the planned transaction and the possibility of distributing the risks associated with a particular deal among several parties.<sup>7</sup> Consortium deals were often associated with the banking business. The expression “banking cooperative”<sup>8</sup> or “association of banks”<sup>9</sup> was also used at the time to describe the function of a banking consortium.

The number of consortium/syndicate-type agreements, which had been common in the Austro-Hungarian Monarchy before World War I, grew in Czechoslovakia in the 1920s and especially in the 1930s to such an extent that special units were set up in the large banks to manage them and keep separate accounts for these transactions.<sup>10</sup> These units were referred to as consortium/syndicate departments. There were several reasons for their establishment, including perhaps most importantly the sheer number of contracts but also the specifics and complexity of keeping the agenda. This type of business was classified in contemporary manuals and textbooks as “more difficult” from the accounting point of view,<sup>11</sup> and it was also demanding in terms of the actual negotiation and conclusion of deals and the calculation of profits and benefits achieved. Moreover, the data on consortium transactions were considered very “sensitive.”<sup>12</sup> Essentially, they were to remain hidden from the staff of other departments of the bank.

Consortia of banks are subjects touched on only marginally in the older and contemporary literature as well.<sup>13</sup> The discussion below outlines the mechanisms

6 *Ottův obchodní slovník*, vol. 2, 1045; *Slovník obchodně-technický, účetní a daňový*, vol. 9, 1402–4; Heyd, *Repetitorium obchodních bank*, 16–17, 127. See also Eichlerová, “Konsorcium.”

7 Pospíšil, “Emisní obchody bank,” 50–51; Růžička, *Organisace bank*, 100.

8 *Ottův slovník naučný*, vol. 24, 25.

9 Koloušek, *Národní hospodářství*, vol. 3, 40.

10 Kunert, “Průmysl a banky,” 137–44.

11 Rosík, *Bankovní účetnictví*, 248–69. For variations of accounting methods, see in detail *Slovník obchodně-technický, účetní a daňový*, vol. 9, 522–64.

12 Rosík, *Bankovní účetnictví*, 183.

13 Novotný and Šouša, “Změny v bankovním systému,” 245–46.

of these agreements and their economic impacts in the specific case of Živnostenská Banka as the most important financial institution in Czechoslovakia in the interwar period. It offers a typology of consortia according to the purposes and functions for which they were established as a starting point for further research. Specifically, it focuses on consortia that were founded (1) with the purpose of establishing a company or taking over and selling off shares, (2) to guarantee and place public loans and bonds of public corporations or the state, (3) to intervene in some fashion in market affairs, (4) to ensure the influence of the group of shareholders in the company (so-called blocking consortia), and (5) to secure business and credit connections of companies (credit). Last but not least, the discussion below also considers the roles of the consortium of banks for state credit operations as a specific consortium of this type. Some questions fall outside the scope of the study, including the banks' arrangements arising from ordinary banking transactions (i.e. agreements on foreign currency transfers, etc.), as well as "syndicates" in the sense of a higher organizational level of the cartel, which were legal entities (e.g. import and export syndicates, cartel sales offices), and the forced syndication of smaller firms in the 1930s for the purpose of their rational state-directed concentration.

### *A Typology of Consortia with Participation of Živnostenská Banka (According to Their Functions and Purpose)*

As already indicated, Živnostenská Banka was the leading actor in the Czechoslovak financial sector in the interwar period. In 1919, its share capital amounted to 200 million Czechoslovak crowns (by 1937, it had risen to 240 million), and its reserves amounted to 97 million crowns. The bank formed a concern that included a wide range of diverse Czech/Czechoslovak enterprises, including agriculture, sugar, engineering, textile, chemical, electrotechnical, commercial, and other companies. In principle, the bank aimed for proportional representation of all major sectors of the national economy. Živnostenská Banka benefited from its close ties to the state apparatus, to which many of its senior executives as well as middle-ranking officials moved. In the 1920s, its exponents repeatedly held the post of Czechoslovak economic minister, most often the post of finance minister. At a critical time in the birth of the state, the bank provided financial backing for its administration, direct loans and underwriting/arranging long-term public loans (see below). The extraordinary influence of Živnostenská Banka on state economic policy derived from these facts.

*Type 1.* Among the most frequent consortium agreements with bank participation in the period under review were **consortia to establish a company or to take over and sell off an issue of company shares**.<sup>14</sup> The “textbook” examples, manuals, and dictionaries of the time are based on this type of consortium agreement. A 1913 handbook of bank accounting gives the hypothetical example of Živnostenská Banka initiating the formation of a consortium to sell shares of an unnamed company.<sup>15</sup> Two other credit institutions, namely the Česká průmyslová banka (Bohemian Industrial Bank) and Pozemková banka (Land Bank), joined as members of the consortium. Each of the members of the newly formed consortium participated in the project with one-third, with Živnostenská Banka managing the project. The consortium took over the shares of the unnamed company at a predetermined price (216 crowns per share) and subsequently provided for subscription at a price above the acceptance price (230 crowns per share). The project was settled in a joint consortium account held by the gerent (bank in charge), in this case Živnostenská Banka, which included expenses, interest, and commissions. Once the transaction was closed, the profit shares were transferred to the individual consortium members.<sup>16</sup>

The importance of consortium agreements in the context of the founding activities of banks before World War I was captured by Czech historian Ctibor Nečas, who analyzed the activities of Czech banks in southeastern Europe. Živnostenská Banka, like some other domestic banks, apparently participated in several agreements established outside the Bohemian lands. It participated, for example, in the consortium for the increase of the share capital of the Trieste steamship company, in the arrangement for the transformation of the Split marble mining company into a joint-stock company, in the consortium for the establishment of the Herceg-Bosna joint-stock insurance company, and in particular in the consortium for the establishment of sugar factories (Osijek, Vrbas, Szolnok).<sup>17</sup> When issuing, buying, or selling shares, the consortium agreements did not always have to be large-scale funding projects. An example of a smaller consortium with the participation of Živnostenská Banka in the

14 On consortia in the context of banks' emission operations, see Pospíšil, “Emisní obchody bank,” 50–54; Rosík, *Bankovní účetnictví*, 263–68; Gruber, *Hospodářská organizace úvěru*, 26; Fousek, *Příručka ku čtení bursovních a obchodních zpráv v denním tisku*, 27.

15 Šikýř, *Bankovní účetnictví*, 58–59.

16 Ibid.

17 Nečas, “Organizační síť a obchodní činnost českých bank”; Tóth, “K počátkům a vývoji cukrovarnického průmyslu.”

Czechoslovak environment (its other members were the Spolek pro chemickou a hutní výrobu or United Chemical and Metallurgical Works Ltd. and “Solo” Czechoslovak United Match and Chemical Works) include the sale consortium of “Solo” shares (“Solo” was both an object and a member of the consortium), which was established in the autumn of 1937 to place only 10,075 Solo shares on the market (i.e. approximately three percent of the company’s capital).<sup>18</sup>

In practice, the simple examples presented in the manuals took on different variations, sometimes highly sophisticated, and the agreements could display various asymmetries and specificities. During its existence, the consortium typically had a gerent, either permanent or it was administered on a parity basis, meaning that the participants rotated in leadership positions at set intervals (usually after a year). The shares of securities taken over were not always equal. Each of the participating banking institutions could participate with a predetermined quota. The circumstances of the issue, purchase, or sale of corporate shares could be (and in practice were) linked to other organizational actions of the bank (such as shareholding and financing).

*Type 2.* Another type of consortium agreement involving banks was **consortia to guarantee and place public loans and bonds of public corporations or the state**. For example, a consortium of banks could be formed to underwrite municipal loan bonds.<sup>19</sup> An example of wide-ranging cooperation is the agreement of 13 national Czech joint-stock commercial banks (including Živnostenská Banka), four public financial institutions, and one Slovak bank with the Czechoslovak National Committee of November 8, 1918, i.e. only five days after the establishment of the Czechoslovak state. The subject of the arrangement was a state loan of “National Freedom” in the amount of one billion crowns. Based on this loan, debentures were issued bearing interest at four percent and maturing within four years. The loan was of great symbolic significance and the banks waived their usual remuneration and only claimed reimbursement of the costs of securing the loan, in addition to providing the state with an advance of 100 million crowns.<sup>20</sup>

*Type 3.* Consortia of banks could be set up to support the price of certain securities on the stock exchange. An example of an **intervention consortium** is the consortium referred to as “B” in the internal documentation of Živnostenská Banka. Five leading Czechoslovak joint-stock commercial banks and one

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18 AČNB, fund ŽB, sign. ŽB/154/1, Sale consortium of Solo shares, contract dated October 25.

19 Rosík, *Bankovní účetnictví*, 263–68; *Slovník obchodně-technický, účetní a daňový*, vol. 9, 554–64.

20 Kunert, “Cesta ke koruně.”

private bank agreed to form it in 1920, namely on December 24, 1920. These were the Agrární banka československá (the Czechoslovak Agrarian Bank, or simply the Agrarian Bank), the Česká průmyslová banka (Bohemian Industrial Bank), the Böhmisches Eskompte-Bank und Credit-Anstalt (BEBCA), the Pražská úvěrní banka (Prague Credit Bank), and Živnostenská Banka, which were supplemented by the private banking house of Bedřich Fuchs.<sup>21</sup> The purpose of the consortium was to carry out intervention purchases and sales of securities on the Prague Stock Exchange. For this purpose, each bank deposited three million crowns in the syndicate account and the firm of B. Fuchs deposited two million crowns. A total of 17 million crowns was to be used for the intervention purchases and sales of the thirty companies defined in the agreement. These were companies in which the participating banks had a special interest and which were included in their concerns. Purchases of shares were to be made for shares with a quotation value of up to 1,000 crowns if they had fallen by ten percent, for shares with a quotation value of up to 2,000 crowns if they had fallen by seven percent, and for shares with a quotation value of over 2,000 crowns if they had fallen by five percent compared with the last exchange rate. Other provisions of the consortium agreement specified the aforementioned basic key. The consortium was managed by Prague Credit Bank and the account was held by Živnostenská Banka. The agreement was not limited in time. The members agreed later to terminate it on June 8, 1926. The account had a passive balance of 7.3 million crowns at that time. However, the securities depot in whose favor the intervention was made showed a lot of shares of 13 companies with an exchange rate value of 13.4 million crowns. The result of the consortium was therefore positive.<sup>22</sup>

21 When the consortium agreement was signed, Bedřich Fuchs was the owner of a private banking house and a speculator who had significant influence in the informal background of the Prague Stock Exchange (trading also in less frequently traded stocks), and from this point of view, he was a welcome partner who could help influence the exchange rate. The press of the time referred to him as “the master of the Prague Stock Exchange.” Bull, “O slávě bankéřské.”

22 These included shares in Škoda Works, Česká společnost pro průmysl cukerní (Bohemian Sugar Industry Company), Česká obchodní společnost (Bohemian Trading Company), Rakovnické a poštorenské keramické závody a.s. (ceramic factories in Rakovník and Unter-Themenau, Ltd.), Západočeské továrny kaolinové a šamotové a.s. (West-Bohemian Kaolin and Chamotte Factories, Co. Ltd.), Breifeld-Daněk (engineering works Breifeld-Daněk), Českomoravské elektrotechnické závody Fr. Křížek, a. s. (Bohemian-Moravian Electrotechnical Works), Spojené továrny hospodářských strojů Fr. Melichar-Umrath a spol., a.s. (United Factories of Agricultural Machinery Fr. Melichar-Umrath and Co., Ltd.), etc. For detailed documentation on the consortium, see AČNB, fund ŽB, sign. ŽB/183/2, folder Syndicate “B”.

*Type 4.* In terms of consequences, **shareholder consortia or blocking consortia** were among the most important. František Špička, the procurer of the Bohemian Industrial Bank and author of a comprehensive manual on bank organization and the technique of bank transactions from 1926, paid considerable attention to consortium agreements in the context of the interpretation of the tasks and activities of the industrial departments of banks, which “were intended to ensure that groups which individually do not have a majority in the company have a decisive influence on the company.”<sup>23</sup> A characteristic attribute of this type of consortium agreement was that it was backed by the holding of an inalienable block of shares by the consortium members. The shares tied by the agreement served as a guarantee of the functionality of the consortium (the principle of exercising voting rights at general meetings of the companies was included in the consortium agreement). The consortium with the participation of banks and also often industrial or commercial capital (mixed consortium) served to ensure medium-term or even long-term influence on the company and was usually signed for five to ten years with an automatic renewal clause. It was also commonly referred to as a “blocking” consortium.<sup>24</sup> Its primary function was to create a controlling block of shares, thereby “blocking” the influence of other minority shareholders. It often created its own specific institutional structure, consisting of a negotiating board the function of which was to decide on the course of action within the respective firm. In essence, this was a structure analogous to the organizational structures of individual firms. The consortium was an expression of the concentration of industrial and commercial capital and the concentration of banking power. Groups of banks could seek to influence or control a key group of producers in a particular branch, or in other words, to gain a monopoly or oligopoly advantage.

One example of a blocking consortium with the participation of Živnostenská Banka is the consortium of shareholders of the Akciová společnost pro průmysl mléčný (Dairy Produce Company or simply Radlice Dairy). The agreement was concluded on June 28, 1935 on the basis of 27,587 shares of the company, which at that time represented over 78 percent of its share capital.<sup>25</sup> Participating in the agreement were Cukrovary Schoeller a spol, a.s. (Schoeller Sugar Factories and Co., Ltd., with 4,200 shares), the Bohemian Sugar Industry

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23 Špička, *Organisace banky*, 377–79.

24 Karásek et al., *Obchodník ve styku s bankou*, 89–90; Špička, *Organisace banky*, 377–78; Preiss, *Průmysl a banky*, 9–10.

25 AČNB, fund ŽB, sign. ŽB/178/1, convolut of documents – Radlická mlékárna syndicate.

Company (with 4,800 shares), BEBCA (with 5,000 shares), the Ústřední jednota hospodářských družstev (Central Union of Agricultural Cooperatives, or ÚJHD, with 12,587 shares), and Živnostenská Banka (with 1,000 shares). The management of the consortium consisted of seven representatives, with each member-entity sending one representative and the ÚJHD (given the number of shares contributed) sending three representatives. The most important position within the consortium was held by Živnostenská Banka, despite the fact that it had the lowest stake. It asserted its influence through sugar companies and also through BEBCA. The consortium shares were placed in the custody and administration of Živnostenská Banka and the members committed not to sell or otherwise transfer their ownership rights during the term of the agreement without the express consent of the other members. Ownership transfers “within the consortium” were the exception. The purpose of the consortium was “to secure for its members a permanent influence over the management and administration of the Radlice Dairy, as well as to secure for its members proper representation in all the statutory bodies of the company and to secure the joint action of the members of the syndicate in all matters concerning the Radlice Dairy.”<sup>26</sup>

The representation of the members of the consortium on the Board of Directors, the Executive Committee, and the Board of Auditors of Radlice Dairy was in proportion to the shares bound by agreement, with the position of chairman belonging to the “group” of Živnostenská Banka and the position of vice-chairman to the ÚJHD. The consortium agreement included a specific arrangement regarding the appointment of the top management of Radlice Dairy. The deliberations within the consortium were conducted by voting in proportion to the shares bound by agreement (with one share being equal to one vote). This was done by majority vote, with matters requiring unanimous approval being explicitly named (pricing strategy, payment of dividends, amendments to the consortium agreement, including the purchase of shares for the consortium, entering into cartel agreements, reducing or increasing share capital). Externally, the members of the consortium committed to exercising voting rights in the statutory bodies of Radlice Dairy in accordance with the consortium’s resolutions. The agreement was non-terminable for five years

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26 Ibid., syndicate agreement of June 28, 1935.

and was to be automatically renewed for one year each time thereafter unless terminated by a member.<sup>27</sup>

The blocking consortium could be formed with the participation of domestic and foreign interest groups. This was the case with the Pražská železářská společnost (Prague Ironworks Company, PŽS), which had its main plant in Kladno. The consortium agreement concluded in the 1930s between Živnostenská Banka and the Mannesmann concern, represented by its plants in Chomutov (Mannesmannröhren-Werke), expressed the cooperation between the Reich-German capital group, which primarily sought to secure some influence on the company's production profile and the supply of materials (ingots) for the Chomutov plant, and Živnostenská Banka group, which expressed the growing share of national Czech capital in the company and, above all, its interest in financing the company. The agreement, backed by 45.6 percent of the capital of PŽS (Mannesmannröhren-Werke providing 25.6 percent and Živnostenská Banka providing 20.21 percent), gave its participants a comfortable voting majority at the general meetings of PŽS.<sup>28</sup>

The consortium agreement was also adopted as a tool for coordination to regulate relations in the Prague company Philips Ltd. The agreement concluded on February 3, 1937 between the Dutch Philips (N. V. Philips Gloeilampenfabrieken in Eindhoven), Ringhoffer-Tatra, and Živnostenská Banka bound all the shares of the company (in the ratio 40:35:25) for ten years.<sup>29</sup> The shares with a total nominal value of three million crowns were deposited in Živnostenská Bank's depot. The agreement explicitly defined the motivations of the parties involved. The Dutch company was interested in “ensuring that the management of the Prague company bearing its name is in line with the Group's business and technical principles.”<sup>30</sup> Živnostenská Banka pursued the objective of maintaining a banking relationship with the company (specifically, the agreement stipulated a minimum scope of 80 percent financing on the relevant terms of the major banks in Prague). Ringhoffer-Tatra wanted to develop technical cooperation with Philips, and the agreement stipulated that “this effort should be taken into account to the maximum extent possible without disadvantaging

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27 Ibid.

28 Balcar, *Tanky pro Hitlera*, 38–39; Teichová, *Mezinárodní kapitál a Československo*, 89.

29 AČNB, fund ŽB, sign. ŽB/ 49-10, convolut of documents (Philips syndicate).

30 Ibid., Gedenkprotokoll aufgenommen am 3. Februar 1937 in den Lokalitäten der Živnostenská Banka in Prag über den Abschluss eines Syndikatsvertrages.

Philips.”<sup>31</sup> Živnostenská Banka and Ringhoffer-Tatra were guaranteed in writing a minimum yield on the shares tied up by the consortium (a net dividend of six percent). The Dutch company or a third party appointed by it was given the option of buying the shares belonging to the other members of the syndicate (within four weeks). A further agreement stipulated, within the same time frame, that the Dutch company would be obliged to take over the shares of Philips Ltd. from Živnostenská Banka and Ringhoffer-Tatra if they were offered to it.

Consortia of shareholders involving banks could in some cases bind blocks of shares in several different companies at the same time. This was true in the case of the shareholders’ agreements of Czechoslovak distilleries signed in the wake of the completion of the process of the so-called repatriation of Austrian capital following the financial collapse of the Österreichische Creditanstalt für Handel und Gewerbe (1931). In 1932, with the participation of the Agrarian Bank, the Družstvo hospodářských lihovarů pro prodej lihu v Praze (Cooperative of Agricultural Distilleries for the Sale of Spirit in Prague), the ÚJHD, and Živnostenská Banka, the Czech distillery consortium was established, the purpose of which was to “ensure a permanent influence on the management and administration” of the six explicitly named Czechoslovak distillery companies and to “ensure a uniform approach by the members of this consortium in all matters.”<sup>32</sup> Later, the consortium was extended and included another banking institution (BEBCA) and, temporarily, the Vienna-based A. G. für Spiritusindustrie.<sup>33</sup> The agreement provided for the establishment of a special “consortium leadership” to secure the agreement, to which the consortium members sent two representatives each. Later, detailed rules were drawn up specifying the roles of the “consortium leadership” and the “board of directors” and other mechanisms for the functioning of the syndicate.<sup>34</sup>

*Type 5. Agreements to secure commercial and credit links of companies* were also made in the form of consortia. These agreements involved the exclusive provision of the firm’s banking operations, including the direct financing by the consortium banks of capital-intensive operations that

31 Ibid.

32 For a transcript of the agreement, see AČNB, fund ŽB, sign. ŽB/665/2, syndicate agreement “Czech Distillery Syndicate” of December 15, 1932 with amendments of October 23, 1936.

33 Pátek, “Československo-rakouské kapitálové a kartelové vztahy,” 137–40; Novotný et al., “Úsilí českého finančního kapitálu.”

34 For a collection of documents on the activities of the distillery consortium, see AČNB, fund ŽB, sign. ŽB/32/1, Rules of Procedure for Companies Included in the Action Distillery Syndicate; Organizational Rules for Companies Controlled by the Action Distillery Syndicate.

were beyond the realistic capacity of a single credit institution, either because of insufficient funds or because the amount of funds committed was so large that it created an increased risk of loss. The agreements on the provisioning of the commercial and credit link were separate contracts, and in cases of the formation of a “blocking consortium,” they could also be a direct part of the agreement.<sup>35</sup> An example of banks acting jointly in the provision of credit can be seen in the draft credit agreement between Živnostenská Banka with BEBCA and the Kolin spirit potash factory and refinery from 1937. The banks established a credit framework of four million crowns. The first half could be drawn down without further conditions, while guarantees were required for the second half. For the duration of the agreement (five years), the company was obliged to concentrate all its credit and banking transactions exclusively with the participating financial institutions. The banks were to rotate in charge every year. They also stipulated that they would be the place for the deposit of shares for general meetings and the payout point for dividend coupons, for which they charged a quarter percent commission on the amount paid out. The agreement specified the loan guarantees (insurance). On request, the company was obliged to provide information on the employment of the company and the running of its business, as well as a balance sheet and an account of profits and losses.<sup>36</sup>

The Consortium Department at Živnostenská Banka had been in existence since January 14, 1921, and on that date, the credit affairs of 17 companies had fallen under it. The number of firms subsequently fluctuated. The department dealt with dozens of firms continuously,<sup>37</sup> and in 1938, according to a uniquely preserved inventory, there were 32 firms. The size of credits ranged from hundreds of thousands of crowns to millions of crowns, mainly. Most of the organizational schemes of Živnostenská Banka were preserved after the war, but all indications suggest that the Consortium Department of Živnostenská Banka was organized directly under the General Secretariat of the Bank.<sup>38</sup>

There were essentially two techniques according to which consortium transactions were conducted. The first is of the type indicated above. The firm’s/subject’s overdraft account was held with only one bank, which handled all the

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35 In the case of the aforementioned Radlice consortium, previously concluded parameters regarding the business and credit connections were addressed in the agreement. AČNB, fund ŽB, sign. ŽB/178/1, syndicate agreement of June 28, 1935.

36 AČNB, fund ŽB, sign. ŽB/150/1, draft agreement (1937).

37 Ibid., sign. ŽB/3959/1, list of consortium companies (undated).

38 Ibid., sign. ŽB/398/1, undated scheme of the structure of Živnostenská Banka.

firm's transactions and at the same time set up share accounts for the other participating banks. "Turnover settlement" was carried out at regular intervals according to agreed quotas. The management of the account could belong to one of the banks for the entire duration of the agreement, or it could be rotated at agreed times. The second way of carrying out credit consortium transactions was for the firm to set up overdraft accounts with all the participating banks, which had the advantage of enabling it to carry out transactions with several institutions and thus benefit from the flexibility of one bank for certain operations. At fixed dates, the banks would then settle the balances between the accounts, bringing the account totals into balance with the agreed quotas. There were also cases when fixed quotas were set for particular types of operations and transactions (foreign exchange operations, etc.).<sup>39</sup>

If we focus on the specific banks with which Živnostenská Banka cooperated in the area of securing financing between the wars, we can say that the range varied and evolved over time. The preserved records of the consortium department show that Viennese banks were still frequent partners for Živnostenská Banka in the interwar period, especially in the early 1920s. Živnostenská Banka shared its clients in particular with the Österreichische Creditanstalt für Handel und Gewerbe, Bodencreditanstalt, and the Niederösterreichische Escompte Gesellschaft. The counterbalance to these gradually fading links was cooperation between Živnostenská Banka and domestic Czechoslovak banks. The most frequent were the alliances of traditional national Czech banks (Živnostenská Banka, the Agrarian Bank, the Bohemian Industrial Bank, and the Prague Credit Bank) and, less frequently, the cooperation of Živnostenská Banka with domestic German institutions, such as Böhmisches Union-Bank and Böhmisches Escompte-Bank. Cooperation with the latter German bank grew significantly only after its transformation into BEBCA, when Živnostenská Banka became directly involved in its capital.

The post-1945 record of how consortium accounts were settled back to 1938 provides evidence of the nature of the cooperation between Živnostenská Banka and other financial institutions at the end of the First Czechoslovak Republic.<sup>40</sup> For this year, as mentioned above, 32 companies are listed, which may seem like a low number, but the volume of transactions behind it is undeniably large. In most cases, these were profiling entities in their field of business with

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39 For a detailed explanation, see *ibid.*, sign. ŽB/3959/1, Technique of conducting consortium transactions (undated typescript).

40 *Ibid.*, list of consortium companies (undated).

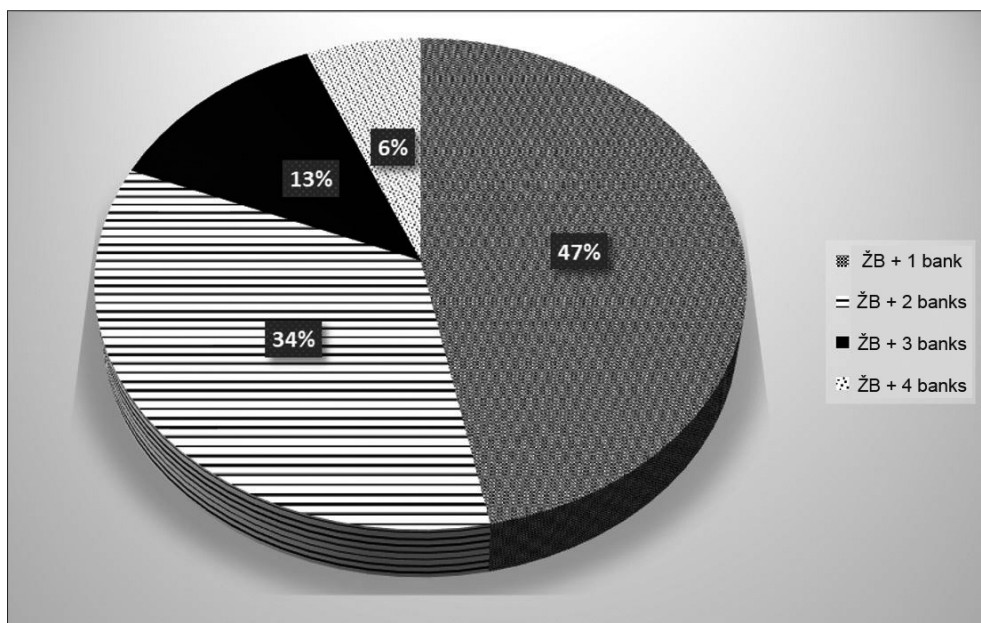


Figure 1. Banking consortia providing business and credit connections between companies with the participation of Živnostenská Banka as of 1938 (in percent)

Explanatory note: ŽB = Živnostenská Banka

Source: AČNB, fund ŽB, sign. ŽB/3959/1, list of consortium companies (undated).

many dependent companies: PŽS, Explosia, Synthesia, the distillery complex, Poldina hut' (Poldihütte/Poldi steel factory), Ringhoffer-Tatra, Vítkovické horní a hutní těžířstvo (Vítkovice Mining and Metallurgical Mining), Královodvorská cementárna (Königshofer Cement Factory), etc. In terms of the technique according to which consortium transactions were made, 17 companies were represented on the principle of a single account with an additional settlement between the participants (in nine cases Živnostenská Banka had the leadership position and in eight cases the leadership rotated). For 11 companies, parallel accounts were held with the participating banks, and the balances were settled according to quotas. For four companies, quotas were specified according to the type of transactions. The consortia in which Živnostenská Banka participated consisted of two to five banks. In 15 cases, Živnostenská Banka provided services in cooperation with one other banking institution, in 11 cases with two, in four cases with three, and in two cases with four other banking institutions (see Fig. 1). The most frequent partner of Živnostenská Banka in the provision of consortium loans was BEBCA (in 14 cases), in eight cases it was an alliance between Živnostenská Banka, BEBCA, and the Agrarian Bank

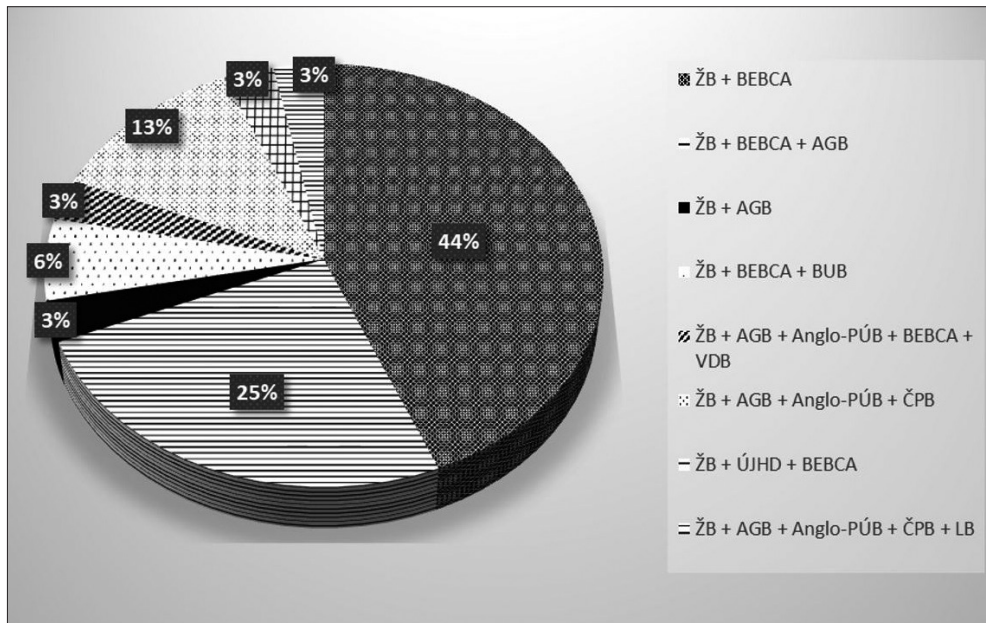


Figure 2. Formations under banking consortium agreements providing business and credit connections between companies with the participation of Živnostenská Banka as of 1938 (in percent)

Explanatory notes: ŽB = Živnostenská Banka; BEBCA = Böhmisches Eskompte-Bank and Credit-Anstalt; AGB = Agrarian Bank; BUB = Böhmisches Union-Bank; Anglo-PÚB = Anglo-československá a Pražská úvěrní banka (Anglo-Czechoslovak and Prague Credit Bank); ČPB = Bohemian Industrial Bank; VDB = Všeobecná družstevní banka (General Cooperative Bank); ÚJHD = Central Union of Agricultural Cooperatives

Source: AČNB, fund ŽB, sign. ŽB/3959/1, list of consortium companies (undated).

(e.g. in the financing of distillery enterprises), in four cases Živnostenská Banka participated alongside the Agrarian Bank, the Prague Credit Bank, and the Bohemian Industrial Bank, and in two cases Živnostenská Banka coordinated with BEBCA and the Böhmisches Union-Bank. The broad-based coalitions were rather unique and were based on the needs of the specific project. The specific configurations applied are shown in Figure 2.

A variation in the context of credit consortia was also a consortium that did not directly provide the funds but served as an intermediary and guaranteed credit from third-party entities (including another consortium of banks) with its assets.

*Type 6.* The **consortium of banks for state credit operations** was a unique type of banking consortium in interwar Czechoslovakia. This consortium was to act as an advisory body to the Czechoslovak government in financial policy, especially in its lending, either by banks directly or by intermediating loans and

purchases on foreign markets. These roles were later supplemented by other roles, such as guaranteeing domestic and foreign loans and providing advances to the state, for example, for the purchase of grain. The consortium operated on the principle of quotas. In the autumn of 1919, the Czechoslovak Minister of Finance and the directors of nine Czechoslovak banks, six banks with Czech-language administration (the Agrarian Bank, the Bohemian Industrial Bank, the Moravian Agrarian and Industrial Bank, the Prague Credit Bank, the Central Bank of Czech Savings Banks, and Živnostenská Banka), two banks with German-language administration (the Böhmisches Escompte-Bank and Böhmisches Union-Bank), and one bank with Slovak administration (the Slovak Bank in Ružomberok/Rózsahegy), took part in the preparatory work for the establishment of the consortium.<sup>41</sup> The consortium was thus the result of cooperation among a very broad spectrum of Czechoslovak financial institutions which were highly divergent in terms of their objectives and national profiles and fiercely competitive on the capital and money markets. The number of banks in the consortium was increasing, thus the quota of individual institutions decreased. The quota of Živnostenská Banka, which was set at 27.06 percent in the first year of the consortium's operation, had fallen to 15.9 percent by the mid-1930s. Even so, the role of this banking institution remained exceptional, with by far the highest quota in the group of joint-stock commercial banks (other banks had a quota in the range of 0.4 to 6.6 percent). The most significant increase in the period under review was recorded by the public-law institutions, which negotiated fixed quotas (the highest was Postal Savings Bank with a quota of 20 percent, followed by Land Bank with a quota of 6 percent).<sup>42</sup>

### *The Consortium/Syndicate Transactions in the Balance Sheets of Banks and Živnostenská Banka in Particular*

Published balance sheets of banks in interwar Czechoslovakia give only an idea of the importance of consortium deals in the context of their other business activities. On the asset side of the balance sheet, there was a separate column/item for “Participation” or “Consortium/Syndicate Participation,” which, according to contemporary interpretations of banking, was supposed to be a cumulative expression of the bank's consortium/syndicate participations as

41 AČNB, fund ŽB, sign. ŽB/103/1, minutes of the meeting on November 7, 1919.

42 For a detailed overview of the participation key, see Novotný and Šouša, “Změny v bankovním systému,” 248.

well as participations in the basic capital of non-joint-stock companies,<sup>43</sup> or a column summarizing all “financial participations in companies with which [banks] are linked by granting them credit, reserving influence on management.”<sup>44</sup> According to data from 1922, this item cumulatively amounted to only 395.7 million crowns for all joint-stock banks in the Bohemian lands and 1.29 percent of their balance sheet total.<sup>45</sup> In 1929, the item is represented by the amount of 1,054.2 million crowns (see Table 1). This indicates the growing importance of consortium transactions, though compared to other asset items, their share in the bank’s business activities still appears to have been relatively low. The dominant item on the side of officially reported assets for banks in the Bohemian lands was clearly the item “debtors” (65.86 percent of the balance sheet in 1929), followed by the items “bills of exchange” (8.70 percent) and “securities” (8.69 percent).<sup>46</sup> The latter item also indicated the increasing involvement of banks in industrial and commercial business.

Table 1. Consortium and syndicate participation in the balance sheets of joint-stock banks in the Bohemian lands (Bohemia, Moravia, and Silesia) in 1929 (in thousands of crowns)

	Banks with national Czech administration	Banks with national German administration	Banks with national mixed administration	Banks in the Bohemian lands
Consortium/syndicate participation	445,560	158,165	450,437	1,054,162
Total assets	13,930,371	6,276,616	11,138,301	31,345,288
Share of consortium/syndicate participation in total assets	3.20 percent	2.52 percent	4.04 percent	3.36 percent

Source: *Statistická příručka republiky Československé*, vol. 4, 260.

As mentioned above, consortium agreements were among the types of deals that were considered highly sensitive (even classified). Antonín Pimper, an expert on the development of Czech banking at the time, drew attention to the fact that banks’ shares in industrial and commercial businesses often tend to be weighed differently in accounting and “usually represent secret reserves

43 Rosík, *Bankovní účetnictví*, 206–9, 213, 218.

44 Klier, *Věřejné peněžnictví*, 218–19.

45 *Československé banky v roce 1922*, 94.

46 *Statistická příručka republiky Československé*, vol. 4, 260.

for the institutions in question.”<sup>47</sup> In some banks, it has become common for these shares to be balanced at the nominal share value and not at the current rate. The current rate could have been several times higher, but the nominal share value was given instead to reduce the figure shown in the final balance sheet. As a specific case of a bank that proceeded in this manner, he chose Živnostenská Banka, on which we have focused in this study. Under the item of consortium participations in 1928, Živnostenská Banka only showed a round figure of 160 million crowns, and Pimper noted in this context that “it is known to insider circles that the actual figure of Živnostenská Banka’s participation must be disproportionately larger.”<sup>48</sup> It is archivally documented that Živnostenská Banka maintained double balance sheet, an official one for the public and for review bodies, and a real one (which gave more accurate figures concerning the values of its assets) for internal use.

Table 2. Consortium/syndicate participation in the balance sheet of Živnostenská Banka by year (1921–1937), rounded to the nearest thousand crowns

	Consortium/syndicate participation	Total balance sheet assets	Share of consortium/syndicate participation in total assets
1921	21,790	5,269,744	0.41 percent
1922	26,790	4,845,008	0.55 percent
1923	51,745	4,907,020	1.05 percent
1924	51,758	4,588,810	1.13 percent
1925	50,025	4,597,858	1.09 percent
1926	150,000	4,888,009	3.07 percent
1927	160,000	5,040,327	3.17 percent
1928	190,000	5,296,753	3.59 percent
1929	217,000	5,675,660	3.82 percent
1930	217,000	5,690,956	3.81 percent
1931	217,000	5,174,312	4.19 percent
1932	217,000	4,923,228	4.41 percent
1933	217,000	4,904,853	4.42 percent
1934	217,000	5,039,139	4.31 percent
1935	217,000	5,206,099	4.17 percent
1936	217,000	5,250,292	4.13 percent
1937	217,000	5,362,328	4.05 percent

Source: *Compass. Finanzielles Jahrbuch Tschechoslowakei*, vol. 1922–1940.

47 Pimper, *České obchodní banky*, 459–60.

48 *Ibid.*, 460.

In this sense, the information on consortium/syndicate business in the balance sheet of Živnostenská Banka should be understood as indicative only, or as a “minimum figure.” However, the development trend is indisputable. In the year of establishment of the consortium department (1921), the amount of 21.79 million crowns (i.e. 0.41 percent of the balance sheet total) is stated, which gradually increased in the 1920s. In 1925, consortium/syndicate transactions amounted to 50.03 million crowns. Starting in 1926, the bank began to present a rounded figure, and from 1929, it was a fixed sum of 217 million crowns. In relation to the balance sheet total, this was approximately four percent each year (see Table 2). What the actual share of consortium transactions in the balance sheet was, however, is beyond the scope of this study and requires further research, including a detailed analysis of the bank’s books.

### *Conclusion*

The capital market of interwar Czechoslovakia had weak links to the world market, and it would not be an exaggeration to claim that it was almost entirely isolated. At the same time, it was fragmented and very complicated, both in the segments determined by the typologies of financial institutions and in the segments of big business, where there were necessarily many conflicts of interest between firms and especially between financial institutions. The intense competition in a relatively small market reached a critical stage where competitive tensions in predefined areas were declining in favor of a significant new type of cooperation. This brought cost reductions and greater efficiency. Thus, the crowded market of individual financial institutions led to another specific characteristic phenomenon, a paradox characteristic of Czechoslovakia, namely the formation of an unusually dense network of consortia.

In interwar Czechoslovakia, banking consortia formed one of the organizational components in the network of links and relationships in business. Consortium agreements were used to launch interest groups/partnerships, which were initially related to the issuing activities of banks but were subsequently applied in new contexts, especially in connection with the implementation of projects with large credit frameworks and also with efforts to coordinate the actions of interest groups within a firm or company. This was a win-win instrument for both banks and companies. Consortia allowed banks to participate in operations and transactions that would have been unaffordable or too risky for an individual bank. They were, thus, a tool to bridge market fragmentation.

Consortia supported existing close links in the capital market (coalitions of friendly banks) and sometimes acted as a catalyst, opening up possibilities for otherwise unthinkable links (cooperation among domestic German and domestic Czech banks).

In relation to the company, which was the subject of the consortium agreement, the consortium represented a tool for a stronger anchoring or multiplication of banking influence. In exchange for increased bank influence or reduced freedom of strategic decision-making, the firm increased the prospects for placing its shares on the market, gained stability in terms of financing, and, in the case of a consortial credit, achieved the necessary framework for operations and investments. Moreover, the consortium's recovery of debts was often reported to have been more benevolent than in a bilateral relationship.<sup>49</sup> The economic scope of consortium agreements in interwar Czechoslovakia, especially from the 1930s onwards, grew to such an extent that it can be said to have been an important market instrument which regulated and sometimes even monopolized entire industries. Each individual consortium agreement was to a large extent specific in its motivations, parameters, and consequences and must therefore be examined on its own. There can be no doubt, however, that the significance of bank consortium agreements cannot be measured by their statistical share in the transactions of each bank alone but rather must be assessed in the context of the growth of its influence in the cartelized sectors of the economy, the increase in trade guarantees, the increase in the volume of transactions, the tighter binding of companies, etc. Consortium transactions were an expression of the gradual modernization of the capital market, including its concentration, unification, and tendencies towards monopolization.

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# The Politics of Business: (Failed) Economic Initiatives of Slovene Liberals in the First Decades of the Twentieth Century

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Slovenian politics in the late nineteenth and early twentieth century was strongly divided along ideological lines, with the conservative and liberal camps in particular engaging in never-ending cultural struggles through their various outlets. This was also evident in the economic sphere, where the conservative camp held a strong position with a network of cooperatives across the predominantly agricultural areas of Slovenia. The liberal camp tried to gain greater influence and also founded a number of cooperatives in order to exert greater economic and thus also political influence. For reasons such as rashness, inexperience, negligence, and outright corruption, these projects were mostly unsuccessful and ended in a series of bankruptcies or financial scandals.

Keywords: economic nationalism, Slovenia, liberals, *Kulturkampf*, bankruptcy.

The economy is often understood as an area that moves, changes, fluctuates, and morphs according to its own internal laws, which can only be understood rationally to a certain extent and over which other areas have only a marginal influence. However, there are unquestionably some external forces that can be of great importance to the state of the economy, politics being one of the most important. Political decisions can have a short-term or long-term impact on the state of the economy. One of the most important factors that can arise from this direction is the concept of economic nationalism, which aims to protect the interests of a particular national group as opposed to other groups, which are usually seen as competitors if not outright enemies.<sup>1</sup> This approach may run counter to some basic axioms of economics, but it was and still is a strong doctrine in many regions. A similar situation, which can perhaps be considered a subset of economic nationalism (although its name and status are not yet clearly defined in the relevant literature), is the case of economic competition within the same nationality when political and ideological differences exist.

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1 For more on economic nationalism see e.g. Koch, “The Political Geography”; Schultz, “Introduction”; Kofman, *Economic Nationalism*. On this topic on the territory of Yugoslavia, see Lazarević, “Economy and Nationalism.”

While the Slovenian territory, which belonged to Austria-Hungary until 1918 and was then largely part of the Kingdom of Serbs, Croats and Slovenes, was characterised by strong nationalist Slovenian-German struggles until the collapse of Austria-Hungary, divisions also emerged within the Slovenian group, and these divisions became increasingly pronounced over time. In the second half of the nineteenth century, there was a political and ideological stratification among Slovenian politicians. Although attempts had been made in previous years to stand shoulder to shoulder and face the common enemy (German liberalism) together, the differences proved too great. In 1892, a Catholic party was officially founded with the name Catholic National Party, which has been known as the Slovenian People's Party since 1905. The Liberals also founded their own party in 1894, the National Progressive Party, followed by a socialist party (the Yugoslav Social Democratic Party) in 1896. The newly founded parties proved divided. They sharply criticised the views and actions of each other. As in other parts of Austria-Hungary and in many other European countries, a veritable *Kulturkampf* ensued, in which not only the political representatives but also the general public were divided into political camps. The most important Slovenian newspapers, each closely associated with one of the parties, published foul-mouthed articles about their political opponents, harsh condemnations of the opinions and actions of others, and sharply satirical, if not insulting, texts. It was not uncommon for public debates, whether in the newspapers, in the general public or in the Carniolan regional assembly, to become extremely offensive on a personal level. This political reckoning *in extremis* was an important feature of the (not only) Slovenian political landscape of the fin de siècle.

The party leaders realised that political influence could be strengthened by a strong position in the economy, and every party did its best to establish its dominance in the economic field. They had to take into account the strongly agrarian character of the Slovenian economy. The vast majority of Slovenians, up to 90 percent, belonged to the peasantry. The small percentage of the local economy that did not fall under the agricultural umbrella was mainly based on small family businesses and craft enterprises. Therefore, any group that wanted to increase its political power had to appeal primarily to the peasantry. An important part of the Slovenian peasant economy was the cooperative system, in which peasants, craftsmen, and workers contributed their savings to local cooperatives, which helped them with cheap loans, the purchase of tools and crops, and so on. At the beginning of the twentieth century, the cooperative network spread throughout Slovenia, but it was mainly under the influence of

the Catholic conservative party, despite its earliest beginnings being overseen by liberal politicians.<sup>2</sup> The liberal party, unable to come to terms with the strong influence of the Catholic Church in the rural parts of Slovenia, tried to establish its own parallel economic institutions in order to increase its own influence, even though its ideology was certainly closer to a (comparatively small) group of the Slovenian bourgeoisie.<sup>3</sup> Therefore, in many towns it was not uncommon for there to be two Slovenian cooperatives with different political orientations. The Liberals founded the Association of Slovenian Cooperatives (*Zveza slovenskih zadrug*), which in a short time included around 130 new member cooperatives. Most of these cooperatives were newly founded, but about a third were taken over from the existing conservative cooperatives. The projects with which the Liberals wanted to achieve increased influence were ambitious, but in their quest for quick success and due to management errors, they often collapsed on themselves.

### *The Old Liberals' First Attempt: The Glavna Loan Company*

There were two factions within the Liberal Party, the more conservative Old Liberals and the more radical Young Liberals. The two groups differed both in their political-ideological and economic views. At the beginning of the twentieth century, both tried to prove their competence in the economic field by founding two large cooperatives, both of which came to an unfortunate end.

The Old Liberals were the first to try their luck. They founded the Glavna loan company (*Glavna posojilnica*) in Ljubljana in 1899, although they were generally opposed to the establishment of cooperatives,<sup>4</sup> which Glavna officially was. Glavna was intended to be a serious competitor to the Catholic cooperatives, as its name indicates (“Glavna” means “the main one”), but throughout its existence it exerted only a limited influence.<sup>5</sup> The institution was plagued by financial problems early on, as several of its main debtors failed and were unable to repay their debts. The director of Glavna, the lawyer Matija Hudnik, got involved in speculative transactions to earn the money he needed and then, in desperation, made an agreement with the auditor of the Cooperative Association in Celje. The auditor touted the strength of the Glavna loan company to the

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2 Lazarevič, “National and Economic Features.” Lazarevič et al., *Zgodovina zadrugištva*, 14–42, 66–77.

3 For an overview of the economic thought of Slovene liberals see Lazarevič, “Economic Concepts.”

4 Mohorič, *O zgodovini*, 113.

5 “’Glavna posojilnica.’” *Slovenec*, December 24, 1910.

members of the association so that the cooperatives would invest more money in the company, and the auditor then received a commission from this money.<sup>6</sup> The scam could not and did not last long.

As soon as the financial problems became known to the public, German agitators allegedly appeared and called on investors to withdraw their money from the collapsing Slovenian savings banks and deposit it in the Carniolan savings bank,<sup>7</sup> an old, respected institution that was publicly associated with the German camp. The Catholic camp also allegedly spread disturbing rumors about the state of the Glavna. The liberal press was initially calm and said that there was no need to panic, but the tides soon changed and even the liberal press began to warn that everyone, whether liberal, Catholic, or German, had savings accounts and thus shares in the loan fund and should therefore contribute to its reorganization.<sup>8</sup> But it was too late. Glavna had losses of several million crowns (later sources speak of 3.6 million crowns),<sup>9</sup> and in February 1911, it went bankrupt.

The news landed on the front pages of Slovenian newspapers<sup>10</sup> and caused public outcry. The bankruptcy was a catastrophe for around 500 investors who, mostly without realizing the true significance and extent of their commitment, had pledged the credit company all their assets in case disaster struck. There were hundreds of other investors who had wisely avoided this type of guarantee. “The common good demands that an institution that relies on an unlimited commitment fulfils every penny of its obligations,” the Catholic press insisted.<sup>11</sup> The liberal press, on the other hand, was more cautious:

According to the strict wording of the law on cooperatives with unlimited commitments, they would have to cover the entire loss of the institution, which was borne by the members of the cooperative, the vast majority of whom did nothing other than borrow small amounts from this cooperative at a clearly usurious interest rate at the time and, if necessary, return them soon.<sup>12</sup>

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6 “Glavna posojilnica pred poroto (2)” [‘Glavna’ before the jury]. *Jutro*, June 6, 1911.

7 “Agitatorji ‘Kranjske šparkase’” [Agitators of the “Kranjske šparkase”]. *Jutro*, January 20, 1911.

8 “Timeo Danaos et dona ferentes.” *Jutro*, January 24, 1911.

9 “Glavna posojilnica.” *Slovenski narod*, October 25, 1923.

10 “‘Glavna posojilnica’ v Ljubljani v konkurzu!” [‘Glavna’ in Ljubljana in bankruptcy]. *Slovenski narod*, February 14, 1911.

11 “‘Glavna’ posojilnica.” *Slovenec*, January 5, 1911.

12 “Glavna posojilnica.” *Slovenski narod*, December 24, 1910.

The collapse of the credit society frightened savers in Carniola and Styria and led to a decline in lending in both regions. The Catholic newspaper *Slovenec* gave the following warning:

The collapse of the Glavna loan company in Ljubljana has affected many loan offices in southern Styria; the Cooperative Association in Celje is writhing in agony; private individuals who are investors in Glavna are cursing this institution and its leaders.<sup>13</sup>

Many cooperatives and credit companies had to publish reassuring announcements in the newspapers that they were not doing business with Glavna and that they would not lose a penny as a result of its collapse. The possible reorganization of the credit institution was discussed at the regional summit chaired by regional governor Fran Šuklje,<sup>14</sup> and the delegation of the loan company was also to meet with the Austrian prime minister and finance minister in Vienna.<sup>15</sup>

In a heated exchange that lasted for weeks, the liberal and conservative political camps accused each other of being responsible for the bankruptcy of the loan company. The Catholic press reported extensively on the disaster and blamed the incompetent and deceitful leadership of the Liberals. It emphasized that the event, which was caused specifically by the Liberal leadership of the loan company, was extremely unpleasant for the Liberals, as it clearly proved their corruption and incompetence, which they are trying to hide as much as possible in anticipation of the upcoming elections. According to *Slovenec*, this did not mean that the Conservatives were happy about the disaster, as hundreds of innocent investors had lost their money.<sup>16</sup> However, they vehemently rejected any claim that Glavna was in any way connected to the conservative camp. The liberal press, on the other hand, was convinced that the declaration of bankruptcy had been a quick procedure due to the involvement of the Catholic camp,<sup>17</sup> which had sought to blame it on the Liberals. The Liberals repeatedly warned that the merchant Tomaž Pavšlar, whose large unpaid debts were fatal to the collapse of the loan company, was also a conservative, and information began to spread that Matija Hudnik was also secretly a conservative sympathizer who had

13 "Gosp. Ivan Hribar v brezdelju" [Mr. Ivan Hribar in idleness]. *Slovenec*, July 12, 1911.

14 "O 'Agro-Merkurju.'" *Slovenski narod*, June 22, 1911.

15 "Deputacija 'Glavne posojilnice' na Dunaju" [Deputation of 'Glavna' in Vienna]. *Slovenec*, March 10, 1911.

16 "Polom liberalne 'Glavne posojilnice'" [The collapse of liberal 'Glavna']. *Slovenec*, January 21, 1911.

17 "Kako delajo klerikalci za Glavno posojilnico v Zvezdi" [How do clerics work for 'Glavna' in Zvezda]. *Jutra*, February 11, 1911.

been expelled from the liberal party.<sup>18</sup> The Old Liberals defended themselves by claiming that Glavna had been sunk by conservative debtors who had not repaid their debts on time. The discussions were interrupted, albeit rather late, by the liquidation committee, which claimed that it was not “one political party or another” that had been responsible for the disaster, but the board of directors and the supervisors, who had been “reckless and unscrupulous” in their handling of the cooperative’s assets.<sup>19</sup>

The entire press agreed, however, that the bankruptcy was “one of the saddest facts in the history of our country’s economic independence.”<sup>20</sup> There was also clear consensus that it would have serious consequences:

On the Slovenian money market, this bankruptcy is one of the worst blows that has directly affected our trade, our crafts, our private companies and even reaches deep into the conditions of private life. [...] It is true that the catastrophe of the Glavna loan company has also caused much hardship and misery in private life and many economic disasters on Slovenian soil.<sup>21</sup>

The former director Hudnik and the auditor with whom he had committed fraud were arrested and sentenced to several years’ imprisonment at the court hearing in June 1911.<sup>22</sup> The bankruptcy proceedings dragged on for several years until a reorganization cooperative was founded in 1914 to help the investors settle their debts.<sup>23</sup> The proceedings were halted by World War I, as the bankruptcy trustee was drafted into the army. The proceedings were not officially concluded until 1926,<sup>24</sup> so they lasted 15 years and are one of the longest documented Slovenian bankruptcy proceedings. The debtors received 52 percent of the amounts they had claimed.<sup>25</sup>

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18 “Klerikalni značajji” [Clerical characters]. *Jutro*, February 12, 1911.

19 Likvidacijski odbor ‘Glavne posojilnice’ [Liquidation Committee of ‘Glavna’], “Poslano” [Sent]. *Slovenec*, January 30, 1914.

20 “‘Slovenčeva’ infamija javno obsojena” [“Slovenec’s” infamy publicly condemned]. *Jutro*, June 8, 1911.

21 “Glavna posojilnica pred poroto (1)” [‘Glavna’ before the jury]. *Jutro*, June 4, 1911.

22 “Glavna posojilnica pred poroto (3)” [‘Glavna’ before the jury]. *Jutro*, June 12, 1911.

23 “Iz seje kranjskega deželnega odbora dne 27. junija 1914” [From the session of the Carniolan Provincial Committee on June 27, 1914]. *Slovenec*, June 30, 1914.

24 “Konkurz Glavne posojilnice končan” [Bankruptcy of ‘Glavna’ completed]. *Jutro*, September 30, 1926.

25 “Glavna posojilnica.” *Slovenski narod*, October 25, 1923.

### *The Attempt by the Young Liberals: Agro-Merkur Cooperative in Ljubljana*

Thus, the attempt by the Old Liberals to found their own cooperative ended ingloriously. The Young Liberals, who also wished to take over the influence in the Slovenian cooperative system from the Catholics, tried their luck at practically the same time. In autumn 1908, the Agro-Merkur cooperative was opened in Ljubljana, which traded in agricultural products<sup>26</sup> and was to become the central trading office of the Association of Slovenian Cooperatives.<sup>27</sup> Just over a year after it was founded, Agro-Merkur ran into difficulties. Dr. Gregor Žerjav, its unofficial manager and also a prominent figure of the Liberal group, had no experience running a business,<sup>28</sup> and many machinations took place in the cooperative under his management. Agro-Merkur's debts were far in excess of the officially authorized 50,000 crowns, and Žerjav tried to hide this fact. He did not convene any board meetings and merely noted in Agro-Merkur's accounts that the debt had been repaid by other loan companies.<sup>29</sup> The final sum of Agro-Merkur's debts, most of which had been accumulated at the Association of Slovenian Cooperatives, exceeded half a million crowns.<sup>30</sup> By October 1910, Žerjav's inexperience and dishonesty had driven Agro-Merkur into bankruptcy.

The reaction of the press was once again stormy. Reporters agreed that Žerjav had wanted to turn the cooperative into an economic giant or that he had wanted "immediately to pin the cooperative to the sky."<sup>31</sup> There was also controversy in the exchange of blows between the young-liberal daily *Jutro* and the old-liberal *Slovenski narod*. The Old Liberals were annoyed by the serious consequences of the cooperative experiment and tried to distance themselves from Agro-Merkur by claiming that it had been Žerjav's private company. *Jutro* defended Žerjav and blamed Žerjav's Old Liberal colleagues, who allegedly had had a bad influence on him.<sup>32</sup> Either way, in the following months the term "Agro-Merkur" was used in the Slovenian press as a synonym for the economic failure and greed of the (Young) Liberals. Žerjav had to retreat from Ljubljana

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26 "Agro-Mercurjeve manipulacije pred sodiščem (1)" [The manipulations of 'Agro-Mercur' before the court]. *Slovenec*, March 30, 1914.

27 Lazarević et al., *Zgodovina združništva*, 111–17.

28 Mohorič, *O zgodovini*, 113.

29 Arhiv Republike Slovenije SI AS 307, S 11/10, no. 45. Agro-Merkur.

30 "Agro-Mercurjeve manipulacije pred sodiščem (2)" [The manipulations of 'Agro-Mercur' before the court]. *Slovenec*, April 6, 1914.

31 "Nekaj za mladine" [Something for the youth]. *Slovenec*, July 14, 1910.

32 "Agro-Merkur." *Jutro*, November 10, 1910.

to Gorizia for a while because of his tarnished public reputation. The press offered the more dramatic report that he had fled to Egypt.<sup>33</sup> The conservative newspaper *Slovenec* commented, “Agro-Merkur is a huge cautionary tale, bitter but extremely instructive.”<sup>34</sup>

Similarly to the Glavna loan company, the cooperatives in Agro-Merkur were divided into members and other investors. Here too, the members who guaranteed the company with all their assets were threatened. It was alleged in the Catholic press that even when the cooperative was aware of its impending bankruptcy, it forced new members to join by selling them produce or wine so that they could cover their losses.<sup>35</sup>

There were many other lawsuits in which Agro-Merkur usually lost against the plaintiffs. *Slovenski narod* tried to relativize the defeats:

Busts are a natural consequence of bankruptcies. What is now being done in Ljubljana is now also being done in Klagenfurt. As is well known, the priests’ cooperative there went bankrupt, and the result was a legal dispute. But there is a big difference. ‘Glavna’ and ‘Agro Merkur’ went bankrupt due to unfortunate speculation. Mishaps in speculation can happen to anyone. Right now, there is talk of a large loss of the church ‘Volksanleihe’ in Styria, which was caused by unfortunate speculation. So ‘Glavna’ and ‘Agro-Merkur’ were destined for disaster because of unfortunate speculation, and the clerical cooperative in Klagenfurt suffered because the Catholic prelates stole millions.<sup>36</sup>

The criminal investigations following the Agro-Merkur bankruptcy proceedings attracted a great deal of public interest. Those responsible were sentenced to several months in prison, including Žerjav, who was not sent to prison due to his poor health and the outbreak of World War I. The court issued the following statement:

The reasons for the bankruptcy of Agro-Merkur lie primarily in the fact that the loans from the Slovenian Cooperative Association were used in an illegal and irregular manner. The management was not up to the tasks assigned to it, and it deployed staff who were not up to their tasks either. The events that were labelled an accident are of minor

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33 “Agro-Merkur.” *Slovenski narod*, November 9, 1910.

34 “Agro-Mercurjeve manipulacije pred sodiščem (1)” [The manipulations of Agro-Mercur before the court]. *Slovenec*, March 30, 1914.

35 “Iz liberalnega zadružnega delovanja” [From liberal cooperative action]. *Slovenec*, April 6, 1911.

36 “Klerikalna škodoželjnost” [Clerical malice]. *Slovenski narod*, March 16, 1912.

importance, as this accident was related to the overstepping of the client's scope of work. They were aware of the passivity even before they announced the bankruptcy.<sup>37</sup>

The bankruptcy proceedings were interrupted by World War I and only continued after 1918. In the new Yugoslav country, where he was also a minister, Žerjav had to deal with old accusations of embezzlement and prison sentences, which were brought up in anti-liberal newspapers. *Jutro* responded to the accusations with a reinterpretation of past events, namely that Žerjav had been sentenced to prison primarily because of his political and economic activities against the Germans.<sup>38</sup> *Slovenec* saw through *Jutro's* revisionist tactics and wrote that the liberal newspaper was using a well-known argument, according to which every act of a Slovene convicted in a court under Austria-Hungary should be understood as an act of “national merit,” and the person convicted should be seen as graced with the halo of martyrdom.<sup>39</sup> The proceedings were summarily discontinued around 1928 (without being officially recognized by a public final declaration), with creditors receiving just over six percent of their claims.

### *Banking Experiments in the New State: Jadranska and Slavenska Banks*

Despite these setbacks, the Slovenian Liberals remained influential in the economy even after the collapse of Austria-Hungary and the founding of the Kingdom of Serbs, Croats and Slovenes in 1918. While their cooperative experiments largely faded into the background following the dramatic and costly bankruptcies of two of their supposed flagships, they were still active in the economic sector, but they gradually turned more towards their original bourgeois roots, as reflected in their newfound interest in banking. The spread of influence, whether official or unofficial, was also characterized by exploitation. One of the first scandals to rock the young Yugoslav economy was related to the Jadranska bank (*Jadranska banka*), the director of which was the influential yet controversial banker, industrialist, and liberal Avgust Praprotnik.<sup>40</sup> Praprotnik began his banking career at Jadranska bank, where he quickly rose to leading positions and was appointed general director in 1920. Two years later, when

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37 “Agro-Mercurjeve manipulacije pred sodiščem (1)” [The manipulations of ‘Agro-Mercur’ before the court]. *Slovenec*, March 30, 1914.

38 Kramer, “Resnica o Agro-Merkurju.”

39 “‘Agro-Merkur’ – narodno herojstvo” [‘Agro-Merkur’ – national heroism]. *Slovenec*, March 28, 1925.

40 Lazarević and Prinčič, *Bančniki*, 80–85.

Praprotnik had already left the bank, it turned out that during his time as director, he had secretly transferred around three million crowns intended for political propaganda in Carinthia and the founding of the University of Ljubljana to his political friends, in particular Gregor Žerjav.<sup>41</sup> Because he had left the bank in time, Praprotnik, who claimed that he was innocent,<sup>42</sup> was not held responsible for the affair in front of the court, but he did gain notoriety. In a later public letter to his successor as the head of Jadranska bank, Praprotnik did almost outright admit to having committed fraud:

But what does my opponent accuse me of? Of having transferred large sums from the profits of Jadranska bank to the Yugoslav Democratic Party? Should I be ashamed of this offence? Have I really committed a crime against the country and the homeland by supporting the cultural, social, national economic, and political actions of the YDP? All banks support political and cultural endeavors with their profits.<sup>43</sup>

The affair was one of the first major economic disappointments in the newly founded kingdom, but it did not prevent Praprotnik from being appointed director of the Maribor escompte bank.

Soon Praprotnik was involved in the next sensational story. In 1918, Slavenska bank (*Slavenska banka*) was founded in Zagreb. It quickly developed into one of the largest Yugoslav banks.<sup>44</sup> It took over the property of other banks, opened branches at home and abroad, and attracted many customers who were lured by the high interest rates.<sup>45</sup> The influence of Slovenian businessmen and bankers, especially the Liberals, on Slavenska bank was great, if not decisive, as they owned the majority of shares and capital.<sup>46</sup> Praprotnik was appointed vice-president of the bank in 1923. The largest shareholders wanted to control the bank's work closely and therefore formed special interest groups from 1922, which influenced the bank's activities from the background. Žerjav was one of the members.<sup>47</sup>

In 1924, the bank showed the first signs of difficulties. An inconsistent business policy, excessive lending, and extensive debt cancellation led to a deficit. Žerjav left the interest group and sold his stake in the bank for a large sum, while

41 Perovšek, "Afera Jadranska banka."

42 Praprotnik, "Zoper klevete."

43 Praprotnik, "Poslano. Odgovor na poziv."

44 Tršan, "Propad Slavenske banke," 368.

45 Lazarević and Prinčič, *Zgodovina slovenskega bančništva*, 49–50.

46 Tršan, "Propad Slavenske banke," 371.

47 *Ibid.*, 368–69.

Praprotnik resigned from his position as vice-president.<sup>48</sup> Investors became suspicious and withdrew their deposits *en masse*. In September 1926, the bank had to stop paying out deposits, and in May 1927 it went bankrupt.<sup>49</sup> The bank's collapse caused a great stir. It was one of the biggest financial upheavals in the country's history, and the investors, 3,210 in total, ultimately only received 22 percent of their claims back after the bankruptcy proceedings,<sup>50</sup> even though the liquidation process dragged on until 1947. Due to his another timely exit, Praprotnik did not have to answer for his actions in the bankruptcy proceedings, though he was identified by the majority of the Slovenian press as one of the main culprits in the bankruptcy. Newspapers that were not favorable to the Liberals wrote that the influence of Žerjav's group on Praprotnik had merely shifted from Jadranska bank to Slavenska. *Jutro* tried to deny any connection between Žerjav and Slavenska, but this did not help much.<sup>51</sup> Praprotnik was never brought to justice for his role in the affair, but in 1942, he was shot dead on a street in Ljubljana by members of the Partisan Security Service.

### *A Local Crash: The Kajfež Company in Kočevje*

The shadow of the collapse of the liberal economic institutions haunted Žerjav until his death in 1929. The Catholic press always pointed out when a member of the liberal party experienced an economic collapse. The biggest scandal occurred in 1928, when a large timber and catering company owned by Anton Kajfež in Kočevje went bankrupt.<sup>52</sup> Kajfež established himself as the richest and most influential Slovenian entrepreneur in Kočevje, which was predominantly inhabited by Gottscheers of German descent. From the Austro-Hungarian period onwards, Kajfež systematically promoted the economic development of the Slovenes and tried to limit German influence. He invested his money in the establishment of Slovenian economic and cultural institutions in the region, employed Slovenian workers, and tried to overcome the strong German influence in the region. As he personally, together with his family, had great influence on these institutions, he began to exploit this influence and accumulated

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48 Ibid., 369–70.

49 "Stečaj" [Bankruptcy]. *Narodne novine*, May 20, 1927.

50 "100 Din = 22 Din." *Slovenec*, November 29, 1929.

51 "SDS – odločilni faktor v 'Slavenski banki'" [SDS – the decisive factor in 'Slavenska Bank']. *Slovenec*, January 22, 1927.

52 For a more detailed overview of this case see Smiljanić, "Erased from the Face of God?"

considerable debts to the local bank he had helped to found. When the Kajfež company finally went bankrupt in 1928 due to unwise management<sup>53</sup> (although the owner tried to hide the true extent of his debts through false accounting<sup>54</sup>), its considerable influence on the local economy had a noticeably negative impact on the Slovenian economy in the entire region. The Gottscheer community took the initiative again and remained there until the outbreak of World War II.

### *What About the Catholic Camp?*

The focus of this paper has been on the Slovenian liberal camp, and it might seem that their fiercest ideological enemies in the Catholic camp were flawless by comparison. In fact, the Catholic group did not need to try to boost the economy because they already had the advantage when it came to exerting influence in the Slovenian economic sphere, especially in the agricultural sector. The Catholics' pride and joy, the well-developed network of cooperatives, was based on the logic that the members controlled one another and focused on supporting the peasants rather than making profits. As a result, financial misdeeds and scandals or cooperative failures were a rare sight, but that doesn't mean they never happened. When they did occur, the liberal camp, for a change, had a field day in the press.

It is worth considering two such cases from the early twentieth century. In Poljane nad Škofjo Loko, the local Catholic elite founded a cooperative called the Associated Peasants' Society, which at the same time established a local savings bank which gave generous loans. The people who guaranteed the debts of the savings bank were recruited from Poljane and the neighboring valley and mountain villages, and apparently many of them did not know what they were getting into. The unsustainable cooperative model finally collapsed in 1903 and the company went bankrupt, much to the chagrin of the local peasantry.<sup>55</sup> The liberal camp, which had insisted for years that the widespread network of Catholic cooperatives was rotten from within and only served to ensure that the exploitative local clergy received money from the peasants, immediately began to write about the incident:

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53 "Odmevi Kajfeževega konkurza" [Echoes of Kajfež's bankruptcy]. *Slovenec*, October 26, 1929.

54 "Proces o Kajfeževi imovini" [The assets of Kajfež]. *Slovenec*, March 15, 1932.

55 "Sadovi klerikalne gospodarske organizacije" [The fruits of clerical economic organization]. *Slovenski narod*, July 27, 1904.

So another church cooperative has died, while the Catholics of Poljane claimed from the beginning that the association was flourishing and spreading the fame of the parish of Poljane for miles! But now this marvelous growth is showing! In the last nine months, these misguided poor people have lost 4,500 crowns!<sup>56</sup>

*Slovenec* was more reserved than usual this time and vaguely blamed an undefined, unhealthy state of the cooperative for the financial collapse.<sup>57</sup> It seems that despite the liberal press emphasizing the guilt of the Catholic representatives, the official view was similar, because a court case was organized in which seven of the peasants who had (presumably unwittingly) guaranteed the bank's liquidity were charged, but they were sentenced to very light prison terms because the court decided that they had not understood what they had signed or what they had been offering a pledge to guarantee.<sup>58</sup>

The second major Catholic affair took place at a similar time and not far from Poljane. This time it was connected with the peasant society in Dolenja Dobrava, a small village near Gorenja vas. This society was founded in 1899 by local landowners, but mainly by those who had no experience in trade or bookkeeping and many of whom were not entirely literate. They succeeded in recruiting a number of members, but there were disruptions in the society's operations from the outset.<sup>59</sup> The first president therefore resigned, and his successor began to support the liberals. It is hard to say what followed, but apparently his conversion was so unwelcome that he was framed for fraud for allegedly having stolen from the cooperative. He was arrested, but the court proceedings revealed that he was most likely not guilty, and he was released. Due to his tarnished reputation, he left Dolenja Dobrava and went to the United States.<sup>60</sup> Despite his departure, the unrest in the cooperative did not stop, and it seemed to have fewer and fewer resources. The disheartened and disappointed peasant members of the cooperative demanded the closure of the cooperative

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56 "Kmetijsko društvo v Poljanah nad Škofjo Loko" [Agricultural Society in Poljane nad Škofjo Loko]. *Slovenski narod*, September 25, 1902.

57 "Zvezno kmetijsko društvo v Poljanah" [Federal Agricultural Society in Poljane]. *Slovenec*, July 27, 1903.

58 "Sadovi klerikalne gospodarske organizacije" [The fruits of clerical economic organization]. *Slovenski narod*, July 27, 1904.

59 "Kmetijsko društvo na Dolenji Dobravi v Poljanski dolini nad Šk. Loko (1)" [Agricultural Society on Dolenja Dobrava in the Poljanska Valley above Šk. Loka]. *Slovenski narod*, April 22, 1910.

60 "Kmetijsko društvo na Dolenji Dobravi v Poljanski dolini nad Šk. Loko (2)" [Agricultural Society on Dolenja Dobrava in the Poljanska Valley above Šk. Loka]. *Slovenski narod*, April 25, 1910.

and bankruptcy, but the leadership only supported liquidation and was unwilling to recognize the debt. Tensions were high, and although liquidation was initially declared, bankruptcy was finally declared in 1909.<sup>61</sup> *Slovenski narod* printed the following victorious declaration: “So this is the famous clerical economy. One bankruptcy after another!”<sup>62</sup> The bankruptcy proceedings lasted until 1913, and the liberal regional newspaper *Gorenjec* summarized the affair in the following words:

One thing remains clear: the clerics wanted to use the agricultural association in Dolenja Dobrava to build their fortress against the progressives, especially the progressive merchants, but they failed. With their reckless economics, they plunged many people into misfortune.<sup>63</sup>

Some of the high-profile affairs presented above show that the Slovenian liberal camp was prepared to go to great lengths to secure economic influence, which they saw as a means of gaining support for their political activities and strengthening their position vis-à-vis the Slovenian Conservatives. To achieve this, their leading members often acted boldly, unwisely, or even illegally. The Liberals therefore experienced a series of successes and failures, with the latter often becoming notorious public scandals due to their scale and the number of victims. The situation can be summarized as follows: the Catholic camp operated with smaller institutions and more modest sums of money, and it invested cautiously and in fairly safe investments which did not bring it great wealth but contributed to its firm anchoring among the Slovenes. The liberal camp, on the other hand, tried to catch up with the established Catholic influence in the economy with bold economic projects that promised immediate high profits. In this sense, the liberal project was not successful, as the conservative party always remained the most influential Slovenian party in the interwar period. Economic influence, at least in the rural parts of the country, remained firmly in the hands of the Conservatives up until the political changes during the war and postwar times.

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61 “Kmetijsko društvo na Dolenji Dobravi v Poljanski dolini nad Šk. Loko” (3) [Agricultural Society on Dolenja Dobrava in the Poljanska Valley above Šk. Loka]. *Slovenski narod*, April 26, 1910.

62 “Škandalov še ni konec” [The scandals are not over yet]. *Gorenjec*, June 26, 1909.

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# A Unique Path to Monopoly: The Case of the Hungarian Insurance Sector, 1945–1952

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This paper presents the nationalization and monopolization of the private insurance industry in Hungary after World War II. In all the socialist countries save one private insurance was prohibited. In the insurance sector, only one (or technically sometimes two) state-owned insurance companies handled the insurance business with an essentially monopolistic position after the process of nationalization had ended. This uniformity, however, masks the fact that these countries took differing paths towards this end. This was particularly true of the events in Hungary. This article suggests possible explanations for these differences.

Keywords: private insurance industry, nationalization, Central and Eastern Europe, post-World War II, monopoly

One of the greatest turning points in the history of the insurance industry in Hungary and Central and Eastern Europe occurred between 1945 and 1952. The nationalization and monopolization efforts that were characteristic of the region as a whole at the time unsurprisingly also affected this sector of the economy. Although there is a relatively extensive historiography of the period, including the process of nationalization, the insurance industry has been almost totally neglected by historians. The lack of primary sources has also been an encumbrance, since the archives of the relevant companies are incomplete due to damages sustained during the war.

By fortuitous accident, I happened to get access to documents collected by a former insurance executive of the State Insurer company (Állami Biztosító).<sup>1</sup> The man in question, Endre Boross, had served as a lawyer for the insurance industry from the 1930s until 1970s. At the peak of his career, he was Head of Legal Department for the company. These documents helped me better

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1 The State Insurer (Állami Biztosító) was a state-owned insurance company in Hungary between 1949 and 1992. It had a monopolistic position during 1952–1985. I refer to this collection of documents as the “Boross bequest.” Electronic copies of these documents are available from me. I have also done the numbering of the documents. The collection contains different internal and external documents, insurance policies, drafts of articles, etc.

understand the process of nationalization, and I found that it was somewhat different from the process of nationalization in other industries in Hungary and also from the process of nationalization in this branch of industry in the other countries of the region, even if the final result, a monopolistic state insurance system, was the same. Regarding the nationalization of the insurance industry, there were at least four different methods in Central and Eastern Europe:

- The nationalization of the private companies, typically relatively soon after the end of the war, followed by the step-by-step merger of the companies into one (this was the path taken in almost all the countries of the region).
- Not formally nationalizing the private companies but rather “suffocating” them and, after they had been made insolvent, transferring their portfolios to companies that were close to the state and then establishing a state insurer from scratch and transferring the portfolios of the remaining companies to it (this was the path taken in Hungary).
- Banning all private insurance companies and establishing companies owned by local governments, which were later merged into one (this was the path taken in the German Democratic Republic).
- Banning the whole insurance industry (this was the path taken in Albania).

The section below on Central and Eastern Europe presents the processes by which the insurance industry was nationalized in the countries of the region other than Hungary. The Hungarian case is discussed in the section “The Insurance Industry: A New, Short Beginning.” In this discussion, I offer answers to the following question: was the path taken in Hungary with regards to the nationalization of the insurance industry unique in the region compared to other countries and to the path taken to nationalization in other sectors of the Hungarian economy?

### *Nationalization in Hungary after World War II*

Given the deeply politicized nature of the issue, interpretations of postwar nationalization in Hungary differed meaningfully depending on the political climate of the given historical moment. From the perspective of the discussion below, the era can be divided into five periods.

The **first period** covers the years from the end of World War II to the “turnaround year” (1948). From the viewpoint of the history of privatization, it would make sense to put the end of this period at 1949 rather than 1948, but by

1949, there were no longer any opportunities or even possibilities for substantive debate or dissent in Hungary.

Due to the lack of historical perspective, naturally, only the economic press covered the subject in these years. Most of the articles were about what was happening abroad. As Czechoslovakia had already undergone major nationalization in 1945 under the so-called Košice Program (which included the nationalization of heavy industry, banks, insurance companies, and all companies employing more than 300 people), several articles dealt with the processes underway there.<sup>2</sup> Articles in the economic press regularly reported on nationalization campaigns abroad, mostly without giving the names of the authors of the articles and without providing any commentary. In an article published in January 1948, József Büky examined the nationalization of central banks and, in particular, the post-nationalization management systems.<sup>3</sup> According to Büky, the nationalization of the central banks was a necessary consequence and part of the general postwar nationalization process.

The first comprehensive analysis of the postwar situation appeared in the first issue of *Közgazdasági Szemle* (Economic Review) in 1948, in the form of a book review.<sup>4</sup> Vilmos Nemény analyzed the expected transformation of society and the economy from capitalism to socialism on the basis of Joseph Schumpeter's<sup>5</sup> classic 1947 work *Capitalism, Socialism and Democracy*, perhaps the most interesting idea being that socialism would be established by "the state taking over the large corporate units." If this were to happen in a "mature" society, then the leadership of the emerging large bureaucratic machine would be taken over by managers and the transformation could be democratic and democracy could be maintained. Otherwise, Schumpeter claims, socialism will be dominated by struggle and society will not be democratic. Whatever the case, the last two sentences of Nemény's article are not optimistic, or rather, in retrospect, they were realistic: "After reading Schumpeter's book, it seems likely that the world he describes as coming is not the world he himself would like to live in. But sympathies or antipathies cannot change the inexorable logic of social events."<sup>6</sup>

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2 Dobossy, "A csehszlovák tervgazdálkodás eredményei."

3 Büky, "A jegybankok államosítása."

4 Nemény, "Gondolatok."

5 Joseph Alois Schumpeter (1883–1950) was an Austrian-American economist and served as minister of finance in Austria in 1919. In 1932, he became a professor at Harvard University. He emphasized the role of innovation in economics and is associated with the twentieth-century formulation of "creative destruction," partly inspired by Marx and Werner Sombart.

6 Nemény, "Gondolatok," 128.

The **second period** lasted until 1956. This period was characterized by an endorsement of the decisions of the party leadership and a portrayal of the Communist Party as the only positive political actor. The first time nationalization was discussed, albeit briefly, was in 1952. The author was Mátyás Rákosi himself,<sup>7</sup> whose sixtieth birthday was the occasion for the lecture “The road of our people’s democracy,” given at the Party School of the Hungarian Working People’s Party (Magyar Dolgozók Pártja), which was the ruling party in 1949–1956. According to Rákosi, gradual nationalization in four or five stages would be a prudent strategy with which to avoid prompting a concerted counterattack by the enemy.<sup>8</sup> The articles published in the period basically presented two (not contradictory) rationalizations of nationalization, sometimes in the same article. According to the first, nationalization was part of the class struggle, albeit a relatively peaceful way of engaging in this struggle. As such, the steps in the process were linked to political developments.<sup>9</sup> This concept was supported by some articles translated from Russian, which of course quoted extensively from the “brilliant” works by Comrade Stalin, notably *The Economic Problems of Socialism in the Soviet Union*, which was published in 1952. They described the people’s democracies as transitional societies where the remnants of capitalism were still present, but where nationalization had brought the “command posts of the economy” under the control of the proletarian state. The other view is mainly based on economic and planning arguments. According to this view, capitalist enterprises were wasteful and inefficient (there were occasional accusations of sabotage), and without nationalization, it would have been impossible to introduce planned management.

The **third period**, which was something of a prelude to the more dramatic decade of an increasingly intense push for regime change, ended sometime in the late 1970s. Iván T. Berend and György Ránki, the leading authors of these years, emphasized the use of so-called “dry” methods of capital expropriation by the state in the brief period between 1945 and 1947. These “dry” methods were based on the experience of the Soviet NEP (New Economic Policy – Novaya ekonomicheskaya politika). The government exerted strict control over private enterprises, which included for instance the loans that were given, wages, prices,

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7 Mátyás Rákosi (1892–1971) was a prominent Hungarian communist politician in 1945–1948 and served as General Secretary of the Hungarian Communist Party. In 1948–1956, he was general and later first secretary of the Hungarian Working People’s Party.

8 Rákosi, “Népi demokráciánk útja.”

9 Karczag, “Tervgazdaság és ipar.”

and even quantities of raw materials available for use.<sup>10</sup> The government was thus able to “suffocate” the target company and force the owners to offer the ownership to the state without formally nationalizing the company. Politicians and historians referred to this method as “dry” nationalization.<sup>11</sup> In some cases, it was combined with brutal pressure from the police and state security forces.

In articles published in the 1960s in the journals *Századok*<sup>12</sup> and *Acta Historica*,<sup>13</sup> György Ránki argued that state capitalism had existed before nationalization, since the state already determined the control of companies through the credit, pricing, and the tax system, even if capitalist private property formally still existed. The inclusion of companies in the National Bank’s single account system also contributed to state control. The appointment of workers’ directors was no longer seen by Ránki as a clear success, as many of these directors lacked the necessary skills and knowledge. Interestingly, this latter idea appeared only in his article published in English.

In 1962, Iván T. Berend analyzed the aforementioned “dry” state capitalist mode of capital appropriation in his article. According to Berend, stabilization required the strictest measures of a controlled economy, with appropriate credit, monetary, and price policies, but all this in turn gave the opportunity to limit the power of capital through state capitalist means.<sup>14</sup> In 1965, in a speech at the Karl Marx University of Economic Sciences (Budapest) given on the twentieth anniversary of the liberation of the country,<sup>15</sup> and in 1967, in an article on economic policy between 1945 and 1965,<sup>16</sup> he presented the state intervention after 1945 as having had historical antecedents (World War I, the Great Depression, preparations for war, and World War II). On the other hand, he claimed, this policy was a response not simply to economic collapse but also to Soviet and other war reparations claims. According to Berend, it was not only about the introduction and maintenance of a command economy, but also about the question of who benefited from these measures. In his view, they served both the long-term goals of socialism and attempted also to respond to the economic conditions of the time. All this, he wrote, “marks the transition from capitalism to socialism on the broad road of state capitalism.”

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10 For details, see Berend, *Újjáépítés*.

11 Berend, “A stabilizáció megvédése.”

12 Ránki, “Küzdelem a tervezésért.”

13 Ránki, “The Socialist Reorganisation of the National Economy.”

14 Berend, “A stabilizáció megvédése.”

15 Berend, “A gazdaságpolitika két évtizedének történetéhez.”

16 Berend, “Contribution to the History of Hungarian Economic Policy.”

In essence, these interpretative frameworks remained valid in the 1970s. Some more critical approach also appeared. In his 1973 academic inaugural address,<sup>17</sup> Berend himself analyzed the reorganizations that immediately followed the nationalizations, pointing out that the large state enterprises such as the Heavy Industry Centre were almost beyond central control. Even later, large companies and trusts were still created, at least until the introduction of the New Economic Mechanism in 1968.

In the **fourth period**, which began in 1980 and lasted until the fall of the socialist regime, the growing intellectual freedom of historians allowed for the emergence of more critical, sometimes non-Marxist views. Tibor Kovácsy's 1981 article<sup>18</sup> deviated strikingly from the earlier interpretative frameworks. In his view, the changes that took place between 1946 and 1950 were not the results of organic social developments but were rather consequences of an anticipated mode of social functioning. Accordingly, he characterized the nationalizations as “drastic,” and disagreed with the earlier consensus that these nationalizations had led to the emergence of social or public property, since “nationalization places the right of disposal in the hands of a specific organisation, i.e. a closed group of people, whereas the concept of social property excludes such a monopoly on disposal.”<sup>19</sup> Charles Gáti described the discussion between Imre Nagy and others in the Hungarian Communist Party leadership about the acceleration of nationalization following the Cominform's<sup>20</sup> decisions in Szklarska Poreba.<sup>21</sup> In 1985, Sándor Balogh analyzed the events of 1944–1948 and offered an objective description of the process of nationalization.<sup>22</sup> Perhaps his only evaluative remark was that the nationalization of March 25, 1948 had constituted a break with earlier practice, since it had been carried out not by law but by decree, i.e. by taking advantage of the power situation.

The **fifth period** covers the years from the regime change in 1989 to the present. During this period, there was a noticeable decline in interest in the subject, which is partly understandable, as the era was more about privatization than nationalization.

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17 Berend, “Székfoglaló.”

18 Kovácsy, “Az utasításos gazdaságról.”

19 Ibid., 195.

20 Cominform: Information Bureau of the Communist and Workers' Parties, a body of Marxist-Leninist parties (1947–1956). They held their first meeting on September 22–23, 1947 in Poland.

21 Gáti, “Demokratikus átmenet,” 138.

22 Balogh, “Népi demokratikus örökségünk.”

A new approach has also emerged. Historians have begun to analyze the impact of nationalization on Hungarian foreign relations. In several works, including an article written in 1993, László Borhi examined the American response to the post-1945 Soviet takeover of a big part of the Hungarian economy.<sup>23</sup> Borhi described the debates between the American and Hungarian governments about the nationalization of American companies in Hungary. Zoltán Vas<sup>24</sup> had declared in 1948 that American companies would not be nationalized, but this proved not to be true. In 2009, János Honvári analyzed Hungarian-American negotiations on financial and property issues, where one of the most important questions was the compensation to be paid for nationalized US assets.<sup>25</sup> These issues were only settled in 1973 within the framework of a comprehensive agreement. The dispute over the nationalization of the Swedish-owned match monopoly had been settled much earlier, in 1951.<sup>26</sup> In 2017, historian Antal András Kováts studied the seizure of Swiss assets.<sup>27</sup> Éva Voszka's 2018 summary work on the history of nationalization and privatization also analyzed nationalization after 1945, but she focused on Western European and US experiences.<sup>28</sup> Unfortunately, the nationalization and monopolisation of the insurance industry was not even mentioned in these works. In Dezső Csabay's summary of general insurance theory, a single paragraph dealt with the subject without offering any evaluation.<sup>29</sup>

### *The State and the Insurance Industry*

The role of the state in the insurance industry has been a matter of debate for the past two centuries. From time to time, authors, politicians, and professionals have argued that the state should own insurance companies for a number of ethical, political, and practical reasons. Some of them have also suggested that the state insurance companies should have a monopolistic role in different segments of the market.

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23 Borhi, "Az amerikai diplomácia."

24 Zoltán Vas (1903–1983) communist politician, general secretary of the General Council of Economic Affairs (1945–1949)

25 Honvári, "Pénzügyi és vagyoni jogi tárgyalások."

26 Pásztory, "A Krueger birodalom."

27 Kováts, "Svájciak a magyar történelem sodrában."

28 Voszka, *Az állami tulajdon pillanatai*, 75–93.

29 Csabay, *Általános biztosítástan*, 60–61.

We know of some historic examples when these suggestions were adopted (e.g. Brand-Assecuranz and Feuer-Sociätat mutuals in some entities within the Holy Roman Empire).<sup>30</sup> In the Holy Roman Empire, the first ideas arose as early as the beginning of the seventeenth century (Oldenburg, 1609). As the population of the German states considered the introduction of compulsory fire insurance merely another tax, the first attempts failed, including those of Elector Friedrich Wilhelm of Brandenburg (1640–1688). According to many citizens, the insurance even went against God's will, as it sought to offer a safeguard against an act of God.<sup>31</sup> Despite this resistance, state insurance companies were established in Hamburg (1676) and later in other states as well, in some cases with mandatory membership.

In Hungary, local authorities pioneered the establishment of local monopolistic fire insurance companies in the eighteenth and nineteenth centuries.<sup>32</sup>

In 1912, the Italian Government established the so-called Istituto Nazionale delle Assicurazioni, INA. The INA had a monopoly on the acquisition of life insurance policies, while the other companies continued to manage their existing portfolios. This system remained in place until 1923, when the Government abolished the monopoly. An interesting political fact is that the INA was created by the left-liberal Gilotti government and was abolished by the Fascists as an early action of the Mussolini cabinet.<sup>33</sup>

After World War II, nationalization efforts intensified in many European countries. In 1946, 34 insurance companies were nationalized and a state-owned reinsurance company was created in France. However, no attempt was made to establish a state monopoly on (re)insurance.<sup>34</sup> These measures were proposed to the parliament by the three-party Gouin government of Socialists, Communists, and Christian Democrats.

As is perhaps not surprising given the size of the country, the largest nationalization program outside of Europe took place in India. The Life Insurance Corporation Act of 1956 nationalized all life insurance companies operating in the country and established a single monopolistic company.<sup>35</sup> This was in line with the mixed-economy policy of the Nehru cabinet. In 1972, all

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30 Csury and Marosi, "A magyar biztosításügy története," 19.

31 It is interesting that this debate is still going on in some Christian denominations.

32 For the first case, see Weber, *Zipser Geschichts- und Zeitbilde*, 287.

33 Potito, "The Italian State Monopoly in Life Insurance."

34 Loi no 46-835 du 25 avril 1946 relative à la nationalisation de certaines sociétés d'assurances.

35 The Life Insurance Corporation Act, 1956. (India)

non-life companies became state-owned. More than 100 insurers ceased to exist, and the General Insurance Corporation of India was founded.<sup>36</sup>

### *Central and Eastern Europe*

In the Central and Eastern European region, in the so-called people's democracies, Soviet practice set the model for the insurance industry, like in many other sectors of economic and political life.

After the October Revolution, the local Soviets took control of the mutual associations in the *zemstvos*<sup>37</sup> and cities in Soviet Russia.<sup>38</sup> At the time, private insurance companies were still allowed to continue operating. On March 23, 1918, the Council of Insurance Affairs was set up with the task of overseeing “the overall management, coordination, and proper control”<sup>39</sup> of all insurance organizations. The council, which consisted of 40 members, included representatives of the state and trade unions as well as representatives of the joint-stock insurance companies. On September 17, 1918, the Council decided that dividends of joint stock companies were to be paid into the Treasury. On November 28, 1918, the state monopoly on insurance was declared and private insurance companies were liquidated. (Only insurance cooperatives which insured movables and goods on a mutual basis were allowed to survive.) Interestingly, insurance and fire services were placed under joint management, although these activities were separated in 1920. During the civil war and “war communism,” insurance became irrelevant. State-owned companies had to give up insurance, and private capitalist ownership either ceased or became illegal. This left only private individuals as a market, who in turn were hit by inflation and impoverishment. On November 18, 1919, life insurance was abolished, and the reserves were transferred to the State Treasury. In October 1921, the General Directorate of State Insurance was set up under the People's Commissariat of Finance. The 1936 Constitution of the the Union of Soviet Socialist Republics, USSR (the so-called Stalin Constitution) in Article 14 (o) placed insurance under federal jurisdiction. The further history of the Directorate and its successor, the insurance monopoly company *Gosudarstvennoe*

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36 The General Insurance Business (Nationalization) Act, 1972. (India)

37 Local self-governance bodies in the late Czarist period.

38 I describe the development of the Russian monopoly according to Raykher, *Gosudarstvennoe strakhovanie*, 33–36.

39 *Ibid.*, 33.

Strakhovanie (Государственное Страхование, State Insurer), is beyond the scope of this article.

Since the establishment of the Ingosstrakh (Главное управление иностранного страхования СССР, Chief Directorate of International Insurance of the USSR) in 1947 there was a duopoly in the USSR, but each company had a monopoly in its respective market (Gosstrakh in the internal market and Ingosstrakh in the international direct and reinsurance business).

The process of the nationalization of the insurance sector differed in:

- the victorious countries (Czechoslovakia, Poland), which were brought under Soviet influence,
- Yugoslavia and Albania, which were also on the victorious side but which did not have the Soviet army on their territories,
- Hungary, Romania, and Bulgaria, which had lost the war but formally remained independent,
- East Germany, later the GDR, which was under Soviet occupation.

In Czechoslovakia, all private insurers were nationalized by Presidential Decree 103/1945 of October 24, 1945 (one of the so-called Beneš Decrees).<sup>40</sup> Expropriation was in principle carried out by means of compensation, but owners who were German or Hungarian by nationality as well as alleged collaborators and their companies were excluded from compensation (§ 19). The only company not nationalized was the First Czech Reinsurance Bank (První českou zajišťovací banka) (§ 17). In January 1947, the nationalized joint stock companies, mutuals, and branches were merged into five state-owned insurance companies. In 1948, the nationalized companies were merged into the Československa pojišťovna (Czechoslovak Insurer).<sup>41</sup> In 1969, with the transformation of Czechoslovakia into a federal state, two entities were established, the Česká státní pojišťovna (Czech State Insurer) and the Slovenská štátna poisťovňa (Slovak State Insurer), each with a monopoly in its respective market.<sup>42</sup>

Poland also nationalized its insurance industry in 1946. At the beginning of 1947, the government established the General Mutual Insurance Company (Powszechny Zakład Ubezpieczeń Wzajemnych, PZU) by decree.<sup>43</sup> This was a state-owned insurance company, and it became the basis of the monopolization

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40 103. Dekret presidenta republiky ze dne 24. října 1945 o znárodnění soukromých pojišťoven.

41 “25 éve államosították a biztosítót.”

42 Zákon ze dne 19. prosince 1968, kterým se mění zákon č. 82/1966 Sb., o pojišťovnictví.

43 Dekret z dnia 3 stycznia 1947 r. o Powszechnym Zakładzie Ubezpieczeń Wzajemnych.

of the market. The process of monopolization was completed only in 1952, when the PZU became the only insurer in the country.

In Yugoslavia, all insurance companies were nationalized in March 1945, and their portfolios were merged into the National Insurance and Reinsurance Institute. It enjoyed a monopoly until 1961.<sup>44</sup>

During the communist era, there was no insurance company in Albania. The first state-owned one was established in 1991 as a monopoly, and the state opened the market only in 1999.<sup>45</sup>

Romania nationalized its insurers and the banks in June 1948. However, within a year, the portfolios of the insurance companies were transferred to the Sovrom Asigurare (Sovrom Insurer), a Soviet-Romanian joint venture.<sup>46</sup> The company ceased to exist in 1953, when the ADAC, a Romanian state insurer, was established.

In June 1948 all Bulgarian insurance enterprises were nationalized by an Act of the National Assembly.<sup>47</sup> The portfolios of the companies were merged into the National Insurance Institute (DZI), which had a monopoly in the insurance business.

In the GDR, the Soviet Military Authority banned all private insurance companies<sup>48</sup> and the state established separate insurance firms in five different *Ländern* (territorial units) and one for East Berlin. These firms were later merged into a single company in two steps. The process was completed in 1969 with the establishment of the *Staatliche Versicherungen der DDR* (State Insurer of the GDR).<sup>49</sup>

As this brief summary shows, in all the so-called people's democracies except the GDR, the process of the creation of state-owned insurance monopolies was similar: the government nationalized the insurance industry and eventually merged the companies. The Hungarian case was somewhat different and, therefore, merits study.

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44 History of Triglav. Chapter "Central Governance."

45 Bejtja, "Albanian Insurance Market," 161.

46 "Înființ area societ de "Sovromasigurare."

47 Zakon za nacionalizacia na zastrakhovatelnite druzhestva.

48 "25 Jahre Mauerfall."

49 "Staatliche Versicherung der DDR."

### *The Nationalization Process of Other Economic Sectors in Hungary*

Nationalization in Hungary was the result of a relatively long process that lasted from 1946 to 1952. It started with the nationalization of the coal mines and ended with the nationalization of the tenement houses. The Communist Party, in many cases together with the left-wing social-democrats and the National Peasant Party, used a step-by-step process. In the first period, they forced the nationalization of the natural monopolies, such as the coal mines, and they asserted exclusive state control over the biggest heavy-industry companies. Until the end of 1947, they used the aforementioned “dry” methods, based (as explained earlier) on the experience of the Soviet NEP.

At the end of 1947 and the beginning of 1948, the government adopted a new strategy, the direct nationalization of almost all the companies in the banking sector and in the sectors of industry. This more direct process might not have been independent of overall political developments in Central and Eastern Europe. The communist parties started to accelerate the takeover process of power in every Central and Eastern European country. They established the Komintern, a common platform to coordinate their efforts. The Czechoslovak party made a coup-d'état in February 1948. In every country, the communist parties eliminated the social democratic parties in the name of the “unity of the working classes.” This process began in East-Germany in 1946 and continued in every country of the region in 1948.

The long transition period originally envisaged was replaced by almost immediate action, and as I show in the next chapter, this change had an effect on the insurance sector as well, although at a slower pace.

#### *The Insurance Industry:*

##### *A New Beginning for a Short Period after World War II*

In 1938, there were 43 insurance companies and local branches in the Hungarian insurance market. A further company from Sudetenland was established in 1942. During the war, three smaller insurers merged with larger companies so that by the end of the war there were 41 companies.

The war had an enormous impact on the insurance companies. In addition to the loss of employees, many companies had substantial investments in properties in the city of Budapest, which had suffered a 51-day-long siege (much longer than Vienna or Berlin, where the sieges lasted nine and sixteen days

respectively). Because of the intense street fights, 15 percent of the buildings were destroyed and 59 percent were damaged,<sup>50</sup> including the tenement houses of the companies. Some companies lost their archives as well.<sup>51</sup>

After the war, the eight local branches of UK companies (which as enemy properties had had to transfer their portfolios to Hungarian firms during the war) decided to discontinue operations in Hungary.

The remaining 33 insurers tried to restart operation after the war, but hyperinflation made it almost impossible. The real developments started after the introduction of a relatively stable currency, the forint, in the middle of 1946.

Based on the Potsdam declaration and the Hungarian Peace Treaty of Paris, all German assets in Hungary became the property of the Soviet Union as part of the war reparation claims against Germany. As a consequence, the Soviet Union became the owner of two insurance companies and nine branches of German, Austrian, and Sudeten-German origins operating in Hungary. The Soviets merged most of them into one company, the so-called Central-European Insurance Company (KEBIR). One specialized baggage insurer remained independent.

The state had dominant ownership in three groups of companies. In total, nine different legal entities belonged to these conglomerates. One of them was an agriculture-based mutual insurer (*Gazdák Biztosító Egyesülete*, the Farmers Insurance Association). The state owned the majority of its shares even before the war. The two others, including the biggest Hungarian insurer, were partly owned by banks. Due to the nationalization of the banks and the firms belonging to their spheres of interest in 1947, these companies were not nationalized directly, but the state gained a considerable stake in them. These companies were called “state-interested” insurers (*állami érdekeltségű biztosítók*). They started to cooperate vigorously in the market, including product harmonization and the establishment of a common commission system. The Ministry of Finance established the Central Insurance board (CIB), which worked as a common board for these companies. Despite their close ties to the state, they were not nationalized, which is one distinct feature of the Hungarian process of monopolization.

In 1948, the government decided to establish only one (or two, the second for reinsurance purposes) state insurers. It set up a so-called “committee of six members” to organize the process. The committee members represented the

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50 Berend, *A szocialista gazdaság fejlődése*, 13.

51 Tamás, “Az Első Magyar Biztosító Társaság,” 192.

General Council for Economic Affairs (the apex body for economic governance), the Ministry of Finance, and the General Council of the Trade Unions.<sup>52</sup> The committee also dealt with issues of other insurance companies. Based on the notes of the committee meetings (which are part of the document collection I mentioned at the beginning of this article), it is clear that their goal was to force all the companies not related to the state (apart from those owned by the Soviets and Italians) to cease operations and transfer their portfolios to one of the state-interested insurers. In the process, the government used the method of “dry” nationalization effectively.

It is worth presenting some typical cases. The Astra Insurer was Italian owned. Its main shareholder was the INA (Istituto Nazionale delle Assicurazioni), a state-owned insurer. In October 1946, INA sold its shares to the Helvetia Feuerversicherung AG, a Swiss firm.<sup>53</sup> This could be interpreted as the Swiss trusting that private insurance could be a good business in Hungary in the long term. The company had also used this Swiss connection in its marketing. According to an article written by the CEO Lajos Bokor:

The private insurance companies... ask only for ideological, moral, and legislative support from the government, because the private insurance institutions are not expected to play a capital-demanding role in the reconstruction but a capital-producing role, and they intend to play this role to the full.<sup>54</sup>

The demands of Bokor and the private insurers were not heard, so after a year, the owners gave up, and in October 1948, a liquidation proposal was submitted to the General Assembly.<sup>55</sup> The parent company moved Bokor to the Belgian Congo, and the company’s portfolio was transferred to one of the state-interested insurers, the Farmers Insurance Association. The last information I have about Bokor is from an advertisement in the *Dél Keresztje* (The Southern Cross), a Hungarian-language newspaper published in Sydney, Australia in 1952. He offered his brokerage services as “former CEO of Astra.”<sup>56</sup> Another Swiss entity, the branch of the Baseler Versicherung gegen Feuerschaden (Basler), also merits discussion. As was the case with many other insurers, the government

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52 Boross bequest, no. 227, March 12, 1948. Minutes of the inaugural meeting of 6-member committee.

53 “Svájci érdekeltség Magyarországon.”

54 “A magánbiztosítás és a hároméves terv.”

55 “Gazdasági hírek – Astra Biztosító RT.”

56 “Bokor Insurance Boker.”

appointed a caretaker to run the branch in 1945.<sup>57</sup> The caretaker was the previous representative in Hungary, so this was not a hostile move. Rather, it was justified by the communication difficulties at the time.<sup>58</sup> Later, the caretaker became a representative again.<sup>59</sup> The branch restarted operations, and in 1947, it was also authorized to enter the burglary insurance market.<sup>60</sup> While the available sources reveal little about the details, the branch asked for permission to transfer its portfolio to the Farmers Insurance Association two years later.<sup>61</sup>

By 1948–1949, all seven independent companies had ceased to exist and had transferred their portfolios to one of the state-interested companies. Finally, the state established the state-owned company (legally from scratch) called Állami Biztosító (State Insurer) on May 5, 1949 and transferred the portfolios of the state-interested insurers to it. At the time, there were still eight companies in the Hungarian market, five Italian and two Soviet, in addition to the State Insurance Company.

Before the war, an important part of the market had been dominated by Italian companies (Generali, Foncière and Riunione Adriatica). As a possible part of Italian war reparations for the Soviet Union,<sup>62</sup> they came under Soviet supervision and could continue their operations until 1950–1951. The history of their liquidation will be the subject of further research.

The heritage of the Soviet companies, especially the portfolios and agent networks of the Anker Group (Vienna), the Victoria Insurers (Berlin), and the Duna-Concordia, was significant. Out of the two companies, the KEBIR was far more important, so I focus on its history. The company was owned by three Soviet entities: Soviet State Insurer (Gosstrakh), which owned 70 percent, the Foreign Trade Bank of the USSR, which owned 15 percent, and the Institute of Transport of the USSR, which also owned 15 percent. The sources do not explain the rationale for this structure.

The Soviets held the first assembly under their control on November 28, 1946. A new board of directors and a supervisory board were elected. There was only one Hungarian member on the board of directors: Imre Váradi, the CEO, and the supervisory board consisted exclusively of Soviet citizens.

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57 Lajos Fruchter (1882–1953). See Rockenbauer, “Egy gyűjtemény élete.”

58 *Magyar Közlöny*, July 1, 1945. 1.

59 *Magyar Közlöny*, November 4, 1945. 3.

60 *Magyar Közlöny*, June 5, 1947. 1.

61 *Magyar Közlöny*, April 20, 1949. 2.

62 Boross bequest, no. 171, June 23, 1948. Minutes of the meeting of 6-member committee.

It is interesting to note that some vestiges of the rule of law continued to function under Soviet occupation even under increasing communist political influence. The Commercial Court required the election of at least one Hungarian citizen to the board of directors of the KEBIR. The registration of the company's new name did not go smoothly either. The Ministerial Commissioner in charge of the registration of commercial companies objected to the fact that the company was using the name “Keleteurópa” (Eastern Europe), though its activities were limited to Hungary. He made registration conditional on the company proving its commercial links with Eastern Europe. In its reply, the company argued that one of its owners and its sole reinsurer was the “Russian (sic!) State Insurance Institute” and that it planned in cooperation with the parent company to enter the Eastern European markets after the conclusion of the peace treaty. In a later letter, it also referred to the fact that some members of the Soviet Union were themselves considered independent states. To some extent, this argument may have been supported by the fact that not only the Soviet Union but also Belarus and Ukraine became members of the United Nations when it was founded.

The lifecycle of the company can be divided into two phases. Between 1947 and 1950, the company experienced dynamic development, with a compound annual growth rate of 32 percent, and became an important player in the Hungarian market. In 1951, however, there was a significant decline, mainly due to the loss of active reinsurance.

The Soviet authorities used their power to avoid Hungarian regulations. As the company's activities generated solid profits throughout 1947–1949, profit repatriation became an important issue. There was a regulation for the Hungarian companies according to which they were permitted to pay dividends on their profits only up to four percent of the share capital. However, the two Soviet companies were allowed to pay a much higher dividend based on their 1947 results. In the case of KEBIR, this was 1,550,000 forint, or 52 percent of the share capital.

Their presence in the market after 1949 constitutes another distinct feature of the Hungarian situation. They and the Hungarian State Insurer were competitors. The agent networks in particular fought against each other. The six-member committee and later the Ministry of Finance had to discuss the conflicts and the Soviet claims in many cases. This happened in a period of strict central planning. I am not aware of this type of competition taking place in other industries in the same period. This question offers an interesting path for further research.

The Hungarian Government wanted to establish a monopoly, but it was not easy to drive out the Soviet companies, as Soviet influence remained very significant in Hungary even after the Paris Peace Treaty.

The Soviets probably found the Hungarian idea of creating an insurance monopoly promising. They could get rid of a declining business where the Hungarian state stood behind the competitor firm, the Hungarian State Insurer. As the state became the owner of almost all Hungarian industries, it could easily deprive KEBIR of most of its businesses. During the negotiations, the Soviets tried to take advantage of the situation, always using data from an earlier period when estimating the value of portfolio and ignoring the fact that the portfolios were in decline.

Finally, the Hungarian government bought the Soviet-owned insurers at the end of 1952, together with many other Soviet companies. Only then did it manage to establish a monopoly. The agreement was reached after long and sometimes heated discussions. These debates and the activities of Soviet insurers in Hungary in general will be the subject of a separate article.

One main question remains open: why were the processes of nationalization so different in the Hungarian insurance sector compared to the nationalization of this sector in other socialist countries and also to the processes of nationalization in other branches of industry in Hungary? In the current phase of research, there is no clear answer to this question, and there is probably no single answer either. One explanation could be that an important part of the Hungarian insurance industry was owned by foreign investors, which made the government cautious. Second, the strong Soviet presence also complicated the situation. A third factor may simply have been the fact that in Hungary the insurance industry was never as important as the banking sector, and therefore, it was not important for the political leadership to resolve such a relatively complicated issue.

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# From Pioneer to Latecomer: Relations between Austria and the Soviet Union (Russia) in the Oil and Gas Sector

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Cooperation between Austria and the Soviet Union and then Russia in the oil and gas sector has a long history. When Austria fell under Soviet occupation after World War II, the Soviets confiscated the Austrian oil fields and founded the Soviet Mineral Oil Administration (Sowjetische Mineralölverwaltung, SMV). Most of the Austrian oil produced was exported to communist Central and Eastern Europe. Through agreements within the framework of the State Treaty, Austria was able to bring the Soviet mineral oil complex under its administration. Austrian Mineral Oil Administration (Österreichische Mineralölverwaltung AG, ÖMV) was founded in 1956. In 1968, Austria became the first Western European country to import Soviet natural gas from the other side of the Iron Curtain. The steel producer VÖEST supplied pipelines to the Soviet Union for this purpose. The gas contract was extended several times and is now valid until 2040.

Keywords: Austria, Soviet Union, Oil, Gas, OMV, Soyuznefteksport

Today, the Austrian Mineral Oil Administration<sup>1</sup> (Österreichische Mineralölverwaltung AG, OMV<sup>2</sup>) is one of the most important Austrian industrial companies, with a turnover of around 62 billion euros (2022) and a total of 22,300 employees. It is active in the areas of crude oil, natural gas, and petrochemicals, both in production and processing.<sup>3</sup> The “Russian business” of the partly state-owned OMV<sup>4</sup> has repeatedly been the subject of controversial discussions in recent

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1 Preparatory work for this article was conducted at the University of Graz in collaboration with the Ludwig Boltzmann Institute for Research on Consequences of War (BIK), Graz – Vienna – Raabs and the City of Graz. It was supported by the FWF in the context of the project “Soviet-Austrian Trade and Economic Relations, 1955–1964” (10.55776/15306). The authors would like to thank Anna Graf-Steiner and the reviewers of the Hungarian Historical Review for their beneficial comments on the manuscript.

2 From 1956 until 1974, the company traded under the name Österreichische Mineralölverwaltung AG (ÖMV AG). Between 1974 and 1995, its name was “ÖMV Aktiengesellschaft.” In 1995, it was changed to “OMV Aktiengesellschaft.” See: Compass-Verlag, *Der Finanz Compass Österreich*, 1995, 119.

3 OMV, “OMV im Überblick,” 2022.

4 The Austrian state owns a stake of 31.5 percent of OMV.

years. In fact, OMV's cooperation with Gazprom has been very close. OMV has invested heavily in Russia and holds shares in Russian oil fields. In addition, OMV was involved in financing the North Stream 2 pipeline. Moreover, as a contractual partner of Gazprom, OMV has been purchasing Russian gas for decades.<sup>5</sup> The deliveries of Russian gas to OMV were suspended in November 2024.<sup>6</sup>

Due to the full-scale invasion of Ukraine by Russia in February 2022, many European countries have tried to reduce their dependence on Russian oil and gas. Between 2021 and 2023, the share of European Union's total Russian gas imports declined<sup>7</sup> from 45 percent to less than 15 percent.<sup>8</sup> OMV decided in March 2022 that Russia was no longer a core region and that it would no longer invest there.<sup>9</sup> In 2023, however, Austria still purchased an average of 64.7 percent<sup>10</sup> of its gas from Russia.

In 2018, the gas delivery contract between OMV and Gazprom had been prolonged until 2040, in the presence of Austrian Federal Chancellor Sebastian Kurz and Russian President Vladimir Putin. In this year, the fiftieth anniversary of the Austrian-Soviet natural gas contract of 1968 was celebrated.<sup>11</sup> Austrian Energy Minister Eleonore Gewessler called on OMV to withdraw from the current contract with Gazprom. In April 2023, Gewessler's idea was to nationalize OMV's gas division for a limited period of time by transferring it to the state holding company ÖBAG (Österreichische Beteiligungs AG; Austria Holding PLC) in order to decide more directly where gas is purchased. ÖBAG manages the holdings of the federal government and also those of OMV.<sup>12</sup>

In March 2024, Ukrainian Energy Minister Herman Halushchenko declared in an interview that Ukraine will no longer allow Russian gas to pass through its

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5 Strobl, "Wie die OMV von einer Insolvenz der Nord Stream 2 AG betroffen sein könnte"; OMV, "OMV prüft Dekret zur OMV-Beteiligung in Russland."

6 Bayer, "Kein Russengas mehr für Österreich."

7 EU's gas imports (LNG and pipeline gas) from Russia declined from 150 billion cubic meters (bcm) in 2021 to less than 43 bcm in 2023. In the same period, imports from the USA increased from 18,9 bcm to 56,2 bcm. Imports from Norway grew from 79,5 bcm to 87,7 bcm. Imports from other countries went up from 41,6 bcm to 62 bcm.

8 Data for calculation taken from: European Council, "Where does the EU's gas come from?" March 21, 2024.

9 OMV, "OMV prüft Dekret zur OMV-Beteiligung in Russland."

10 Data taken from: Die Presse, "Ukraine liefert ab 2025 kein russisches Gas mehr," 17.

11 ORF, "Erdgasvertrag bei Putin-Besuch verlängert."

12 Auer, "Österreich, Moskaus treuer Kunde," 1; ORF, "Gewessler will OMV-Gassparte verstaatlichen." ORF, April 28, 2023.

territory from the beginning of 2025.<sup>13</sup> So, there was speculation in the Austrian media how OMV can withdraw from the long-term supply contract with Gazprom and whether the Ukrainian transit stop would give OMV the opportunity to withdraw without penalty.<sup>14</sup> The OMV itself, however, intended to continue to adhere to the existing contract with Gazprom. In May 2024, OMV CEO Alfred Stern declared at the Annual General Meeting that the company “complies with applicable law. This includes the legal framework, sanctions, embargoes, but also existing contracts. [...] OMV is obliged to comply with the valid supply contract with Gazprom.”<sup>15</sup> However, this long-standing supply in the natural gas sector was discontinued in November 2024. When Gazprom had to pay OMV 230 million euros following an arbitration ruling due to irregular deliveries, OMV suspended the payments for the imported natural gas. As a result, Gazprom discontinued supplying natural gas to OMV.<sup>16</sup> Russian gas continues to arrive in Austria in November 2024. This gas is “purchased by other market participants on the exchange and delivered to customers in Austria.”<sup>17</sup>

What developments led to this point? Cooperation between Austria and the Soviet Union and then Russia in the oil and gas sector has a long history. Its roots go back to the immediate postwar period and the time between 1945 and 1955, when Eastern Austria<sup>18</sup> formed the Soviet occupation zone.

Three milestones can be identified as the basis for Austrian-Soviet relations in the field of oil and gas:

- During the postwar period, the Soviets confiscated the Austrian oil fields in the Vienna Basin and the refineries as “German property”<sup>19</sup> and founded their own administration for this purpose. The Soviet Mineral Oil Administration (SMV) was the “predecessor” of OMV. The company was founded in 1956, after the withdrawal of the occupying forces, out of the

13 Auer, “Österreich droht neue Gaskrise,” 1.

14 Die Presse, “Ukraine liefert ab 2025 kein russisches Gas mehr,” 17; Pfügl, “Kommt die OMV aus den Verträgen mit Russland wirklich nicht heraus?”

15 Strobl, “OMV denkt nicht an freiwilligen Ausstieg aus russischem Gas.”

16 Bayer, “Kein Russengas mehr für Österreich.”

17 Strobl and Bruckner, “Schwieriger Umstieg: Kommt Österreich weg vom Gastropf?”

18 Burgenland, Lower Austria, Mühlviertel, and parts of Vienna.

19 At the Potsdam Conference in July-August 1945, the Allies decided that Austria, as a “liberated country”, did not have to pay any war reparations. However, they granted each other access to “German property”. In their Austrian occupation zone, the Soviet authorities claimed “all companies that had passed into German hands by the end of the war or had been newly established or expanded with Reich-German capital” as “German property.” See: Brunner, “Das deutsche Eigentum und das Ringen um den österreichischen Staatsvertrag 1945–1955,” 27–75.

former SMV. At that time, the firm was still called ÖMV, and in the 1990s it was renamed OMV due to increasing internationalization.<sup>20</sup>

- To get the Soviet mineral oil complex under Austrian administration, Austria had to deliver ten million tons of crude oil within ten years to four Central and Eastern European states starting in 1955. This deal was part of the Austrian State Treaty (Annex 2)<sup>21</sup> and the agreement on oil supplies.<sup>22</sup> Ultimately, reductions and Soviet counter-deliveries to Austria reduced the oil deliveries from ten million tons to six, which Austria had to deliver by 1963–64.<sup>23</sup>
- In 1968, Austria was the first Western European country to import natural gas from the Soviet Union. In a certain way, the natural gas sector developed into a model for other Western European states. As part of this deal, the Austrian steel producing company VÖEST delivered gas pipes to the Soviet Union. The corresponding contract between OMV and Soyuznefteksport has been extended several times in the meantime and is currently valid until<sup>24</sup> 2040.<sup>25</sup>

### *The Soviet Union and Austrian Petroleum after World War II: The SMV Period*

When the Germans invaded the Soviet Union during World War II, Stalin tried to prevent that the Soviet oil industry would fall into the hands of the Germans. The Soviet leadership therefore had oil plants moved from the Caucasus to the east (Volga-Ural). In the production areas of Grozny and Baku, which were not

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20 Iber, *Die Sowjetische Mineralölverwaltung in Österreich*.

21 State Treaty, Federal Law Gazette for the Republic of Austria No. 152/1955.

22 ÖStA, AdR, GfA (Company for Replacement Deliveries), Abkommen über Erdöllieferungen an die Union der Sozialistischen Sowjetrepubliken als Ablöse der Erdölunternehmungen, die von der Sowjetunion an Österreich übergeben werden, 12 June 1955.

23 Resch, “Der österreichische Osthandel,” 515–20; on the Austrian replacement deliveries, see the chapter “Ablöselieferungen und Restitution“ in Iber, *Die Sowjetische Mineralölverwaltung in Österreich*, 213–24; “Von Kompensation zu Kooperation” in Graf-Steiner, *Brückenbauer im Kalten Krieg*, 45–50; Huber, “Österreichisch-sowjetische Wirtschafts- und Handelsbeziehungen 1955–1963/64.”

24 In November 2024, the fifty-six-year continuous deliveries of natural gas from Gazprom to OMV were suspended. However, Russian gas continues to arrive in Austria in November 2024. See: Bayer, “Kein Russengas mehr für Österreich”; Strobl and Bruckner, “Schwieriger Umstieg: Kommt Österreich weg vom Gastropf?”

25 Högselius, *Red Gas*, 58–65; ORF, “Erdgasvertrag bei Putin-Besuch verlängert.” June 5, 2018.

conquered by the Wehrmacht, boreholes were covered with concrete. Soviet oil production fell by a third between 1940 and 1946.<sup>26</sup>

The oil fields in the Austrian parts of the German Reich (*Ostmark*) played a significant role in the German economy during World War II. Up to two-thirds of the oil production of the Third Reich came from the *Ostmark*. Oil extraction was expanded enormously under Nazi rule.<sup>27</sup> In Austria and in Hungary, considerable German capital was invested in oil production. These investments, which were “driven by Hitler’s desire for autarky,” made the facilities in question more modern than those in the Caucasus and Romania.<sup>28</sup> By the end of the war in 1945, Austria was the third largest oil producer in Europe, after the Soviet Union and Romania.<sup>29</sup>

Through their intelligence services, the Soviets knew about the Austrian oil potential since 1943 at the latest. After eastern Austria was invaded by the Red Army in the spring of 1945, they quickly seized oil fields and refineries. At first, Moscow dismantled plants and transported them to the east, but there were many logistical problems caused by the complications of proper dismantling and transport.<sup>30</sup> According to Soviet figures, 31,200 wagons were needed to dismantle and transport the materials from Austria.<sup>31</sup>

20 percent of all confiscated industrial companies and stocks in Austria in 1945–46 were in the oil industry.<sup>32</sup> The CIA estimated that up to 83 percent of the available materials (mainly drilling equipment) in the Austrian oil fields had been brought to the western parts of the country and only the rest were taken to the Soviet Union. That is why the agency made the incorrect assumption that the Soviet Union was unaware of the “true value of Lower Austria [sic] oil.”<sup>33</sup>

After the Potsdam Agreement of August 1945, the Soviets changed their economic strategy in Austria from that of dismantling and removal into an occupation economy by managing resources on site. For this purpose, the Soviets made general use of the so-called “German property.” The victorious powers had awarded this property to one another in Potsdam in their respective

26 Perović, *Robstoffmacht Russland*, 73–78.

27 Iber, *Die Sowjetische Mineralölverwaltung in Österreich*, 38–47.

28 Rehschuh, *Aufstieg zur Energiemacht*, 174–75.

29 Iber, *Die Sowjetische Mineralölverwaltung in Österreich*, 38–47.

30 *Ibid.*, 47–48.

31 Musial, “Sowjetische Demontagen und Beschlagnahmen,” 59.

32 Iber, *Die Sowjetische Mineralölverwaltung in Österreich*, 50.

33 NARA CIA Records Search Tool, CIA-RDP81-01043R003700130004-9. *Soviet Occupation Economy in Austria. Final Report*, December, 1957, 45–50a.

occupation zones. With regard to Austria, this was an elegant solution for the Soviets, since under international law, no reparations could be demanded in this case because Austria had not been a sovereign state during the war and thus had not formally been a participant in the war. But the agreement reached in Potsdam nonetheless gave Moscow access to the German foreign property in Austria, since officially, these were German<sup>34</sup> reparations.<sup>35</sup>

Discussions were underway to have the Soviet exploitation of its Austrian occupation zone organized in the field of petroleum management with the establishment of a joint venture called Sanafta.<sup>36</sup> This company was envisioned as a cooperative venture between the occupier (the Soviet Union) and the occupied (Austria). The Soviets would have contributed all German petroleum assets to Sanafta, while the Austrians would have been responsible for the necessary capitalization. The project was negotiated in the summer of 1945. It failed because of the veto of the Western powers, which in turn represented the interests of their own oil companies in Austria.<sup>37</sup>

After the Sanafta plans failed, Soviet Union decided to establish its own extraterritorial administrations as a kind of repository for the confiscated German property. Therefore, SMV (Soviet Mineral Oil Administration) was founded in September 1945, a separate administration for the petroleum industry.<sup>38</sup> The company was a “state within the state”<sup>39</sup> because it formed a planned economic enclave that was exempt from the Austrian administration. Within this company people from the Soviet Union held all the top positions.<sup>40</sup> The gas stations of OROP held a monopoly position in the mineral oil distribution sector in the Soviet occupation zone. They were also part of the assets which were confiscated by the USSR.

As the Soviets exported most of the Austrian oil, a CIA-report of 1948 quoted that “only about 40 percent of the minimum monthly requirements of the Austrian economy is furnished to the Austrian Government for distribution.”<sup>41</sup>

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34 This was a problem in itself, because due to the economic penetration of Austria after the “Anschluss” in 1938, it was no longer possible to separate Austrian from German assets.

35 Iber and Ruggenthaler, “Sowjetische Wirtschaftspolitik im besetzten Österreich,” 187–94.

36 Sanafta can in principle be compared with the “Maszolja” joint venture in Hungary and with “Sovrompetrol” in Romania.

37 Iber, *Die Sowjetische Mineralölverwaltung in Österreich*, 55–59.

38 *Ibid.*, 88.

39 Grünwald, “Die Geschichte der Erdölindustrie in Österreich,” 204.

40 *Ibid.*; Iber and Ruggenthaler, “Sowjetische Wirtschaftspolitik im besetzten Österreich,” 195.

41 NARA CIA Records Search Tool, CIA-RDP78-01617A001500080001-6, Austria, May 1948, II-5.

SMV's crude oil was included in Soviet economic planning starting in 1951, due to the sharp increase in production. This enabled a refinery in western Ukraine to be supplied with Austrian crude oil. The Soviet Union increased or decreased its oil imports from Austria, depending on the capacity utilization of the Soviet refineries. Once the Soviet minimum demand was covered, the markets in Eastern Europe were also considered.<sup>42</sup> It was not until 1952 that the Austrian market could be adequately supplied with crude oil, as by then there was sufficient availability.<sup>43</sup> As the Austrian oil was of high quality, there was also a demand in the other communist Central and Eastern European countries, especially in Czechoslovakia, East Germany, and later Poland and Hungary. These countries processed the Austrian oil in their refineries. Crude oil and surplus amounts of refined oil were exported to these states.<sup>44</sup> In the almost ten years of its existence, the Soviet oil complex in Austria produced around 17.8 million tons of crude oil. It had a profit of around 288 million US dollars in 1955 prices.<sup>45</sup>

### *Negotiating with the Soviets: Oil in the Austrian State Treaty*

The negotiations of the Austrian State Treaty<sup>46</sup> should provide the withdraw of the occupying powers in Austria. An important factor in these negotiations was the question of what should happen to the assets of the “German property” after the end of the occupation. In 1949, the proposal was made that the Union of the Soviet Socialist Republics, USSR should get concessions to four oil fields for 30 years for the assets of SMV and OROP. This would have corresponded to an annual production volume of 900,000 tons of oil. However, in 1949, negotiations on the State Treaty came to a halt. Due to the break between Stalin and Tito, the withdrawal of Soviet troops from Austria, which was also the will of the Western powers, would have seemed to Stalin like support for Tito. In September 1949, shortly before the avoidable conclusion of the State Treaty, Stalin was told about the potential of the recently discovered oil field in Matzen-Auersthal. It was the

42 Rehschuh, *Aufstieg zur Energiemacht*, 188–291.

43 Ibid., 291.

44 Iber, *Die Sonjetische Mineralölverwaltung in Österreich*, 130–33; Iber, “Occupation and Exploitation,” 132; NARA CIA Records Search Tool, CIA-RDP81-01043R003700130004-9. *Soviet Occupation Economy in Austria. Final Report*, December, 1957, 91–92.

45 Iber, *Die Sonjetische Mineralölverwaltung in Österreich*, 88–144; Iber, “Occupation and Exploitation,” 132–33; Feichtinger and Spörker, *ÖMV–ÖMV*, 50–64.

46 On the way to the Austrian State Treaty, see: Stourzh and Mueller, *A Cold War over Austria*.

largest known contiguous oil field in Central Europe. Between 1945 and 1949, only three million tons had been produced. After the discovery of the oil field of Matzen-Auersthal, between 1949 and 1955, the Soviets produced 15 million tons of oil in Austria worth around 260 million US dollars. The Soviet leadership jeopardized the conclusion of the Austrian State Treaty and overused the Trieste question<sup>47</sup> as a pretext. In the further negotiations of 1950, the Soviets increased their demands. They demanded concessions on 26 oil exploration areas.<sup>48</sup>

By 1955, the years of the socialist planned economy in Austria had left their mark, and SMV was in poor economic condition.<sup>49</sup> Due to political and economic reasons, the Soviet leadership invited an Austrian delegation to Moscow in April 1955. The basis for the economic negotiations was still the State Treaty draft of 1949. This draft stipulated that Austria would have to hand over 60 percent of the oil fields to the Soviet Union for 30 years. During the negotiations of the Moscow Memorandum, Austrian Chancellor Julius Raab would have been in favor of this solution. He had information according to which these companies were run down.<sup>50</sup> The socialist delegation, with Vice Chancellor Adolf Schärf and Foreign State Secretary Bruno Kreisky, wanted the Soviet companies back completely.<sup>51</sup> If the Soviets had kept the oil concessions in Austria, Kreisky argued, this would have meant a kind of “semi-colonial status” of Austria vis-à-vis the USSR.<sup>52</sup> The fear of their coalition partner Österreichische Volkspartei,

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47 After the end of the Second World War, Yugoslavia and Italy came into conflict over the question of who belonged to Trieste and its hinterland. Since, despite the proclamation of a “Free Territory of Trieste” under a UN protectorate in 1947, there was still a provisional administration by the British and Americans in Zone A. The Soviet leadership argued that the unresolved Trieste issue represented a violation of the Italian peace treaty, and it could therefore not be ruled out that the Western powers would also commit a “breach of treaty” during the Austrian negotiations. “Trieste was now a trump card that could be played [by the Soviet government] at any time.” See: Bischof and Ruggenthaler, *Österreich und der Kalte Krieg*, 80; on Austria and the Trieste question see in detail: Graf, “Austria and Trieste 1945–1955,” 135–56; Mueller, “The Soviet Factor in the Alps-Adriatic Region, 1945–1947.”

48 Pavlenko and Ruggenthaler, “Die Sowjetunion und der Weg zur österreichischen Neutralität 1955,” 207–10; Iber and Ruggenthaler, “Sowjetische Wirtschaftspolitik im besetzten Österreich,” 197–99; Ruggenthaler, “So nah und doch so fern,” 294–95.

49 Iber, *Die Sowjetische Mineralölverwaltung*, 196; Iber and Ruggenthaler, “Sowjetische Wirtschaftspolitik im besetzten Österreich,” 201.

50 Grubmayr, “Julius Raab und Nikita Chrusčev,” 834; Stourzh and Mueller, *A Cold War over Austria*, 350–58.

51 Stourzh and Mueller, *A Cold War over Austria*, 357.

52 During a radio address for the German station Süddeutscher Rundfunk (SDR), State Secretary Bruno Kreisky made this quote in the course of the 1956 election campaign. Transcript of Kreisky’s address: “The provision was included in the draft of the State Treaty that the Soviet Union was to receive concessions on 60% of the oil fields, which corresponded to around 85% of Austria’s oil production, for 30 years after the

ÖVP, on the contrary, was that the return of these companies would have considerably strengthened the socialist power base.<sup>53</sup>

Under the leadership of Deputy Prime Minister Anastas Mikojan, the Austrians offered the Soviet delegation 50 percent of the previous year's production as compensation for the Soviet oil complex in Austria. The Soviet negotiators thus knew that the Austrians were unaware of the true value of the oil industry.<sup>54</sup> Soviet Foreign Trade Minister Ivan Kabanov had made preliminary<sup>55</sup> calculations about the value of the oil complex as a basis for the negotiations. They were significantly lower than the sum of ten million tons of crude oil over ten years that was finally achieved in the Moscow Memorandum.<sup>56</sup> This crude oil was to be delivered “carriage paid to the Austrian border, free of taxes and customs duties.”<sup>57</sup> Within the Austrian State Treaty<sup>58</sup> of May 15, 1955, the agreements of the “Moscow Memorandum” were written down. The main

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conclusion of the State Treaty. But that was not enough. The Soviet Union was also to be reserved 60% of all shearing rights eight years after the state treaty. If oil was found within this period, the Soviet Union would have had the right to exploit these oil wells for 25 years. If these provisions of the State Treaty had come into force, Austria would have been placed in a semi-colonial status for more than three decades.” (Transcribed and translated by the authors.) Österreichische Mediathek, 99-56023, k02, “Radiovortrag von Staatssekretär Bruno Kreisky über Erdöl”, 1956, Accessed April 10, 2024. <https://www.mediathek.at/katalogsuche/suche/detail/?pool=BWEB&uid=01782B37-1A6-00D50-00000BEC-01772EE2&cHash=a8451e45bb00b45168b8a8b805028982>.

53 Zollinger, “Karl Waldbrunner – Schnittstellen eines Lebens zwischen Industrie und Politik,” 106; Fritz and Iber, “Adolf Schärff, Bruno Kreisky und der Staatsvertrag,” 372–73.

54 Iber, *Die Sowjetische Mineralölverwaltung in Österreich*, 199–200.

55 Ivan G. Kabanov calculated 4.1 million tons of oil over six years. See: Iber, *Die Sowjetische Mineralölverwaltung in Österreich*, 197–200; Iber, “Erdöl statt Reparationen,” 602.

56 Ibid.

57 Ministry of Foreign Affairs of the USSR, “Memorandum über die Ergebnisse der Besprechung zwischen der Regierungsdelegation der Sowjetunion und der Regierungsdelegation der Republik Österreich, 15 April 1955,” 84.

58 In Annex 2 of the State Treaty the agreements of the Moscow Memorandum were set down. Article 22 touches on the provisions of the earlier negotiations with the Soviets on “German property,” which had not fully entered into force. Annex 2 of the State Treaty stipulates the following: “1. On the basis of the pertinent economic provisions of the April 15, 1955 arrangements between the Soviet Union and Austria, the Soviet Union will transfer to Austria within two months from the date of entry into force of the present Treaty, all property, rights and interests to be retained or received by it in accordance with Article 22, except the Danube Shipping Company (D.D.S.G.) assets in Hungary, Roumania and Bulgaria. 2. It is agreed that in respect of any property, right or interest transferred to Austria in accordance with this Annex, Austria's rights shall be limited only in the manner set out in paragraph 13 of Article 22.” State Treaty for the re-establishment of an independent and democratic Austria, Treaty Series No. 58 (1957), London.

aim of the Austrian delegation was to end the ten years of occupation by the Allied powers.<sup>59</sup>

In summer of 1955, Austrian-Soviet negotiations were held in Moscow on the delivery conditions. The agreement on oil deliveries was finally concluded on July 12. This agreement gave the Soviet trade representation in Vienna the right to carry out quality tests on the crude oil supplied.<sup>60</sup> Austria committed itself to the supply of ten million tons of crude oil to replace the Soviet oil complex. In addition, oil was also to be supplied as part of the so-called “Commodity Agreement” to replace the Soviet-administered USIA companies. In total Austria should supply around 1.2 million tons of crude oil.<sup>61</sup> Oil deliveries would begin two months after the signing of the State Treaty.<sup>62</sup> However, as the SMV had not yet been handed over to Austria in July 1955, the first deliveries did not begin until August 28, 1955.<sup>63</sup>

During the occupation period, the US administration was interested in knowing about Soviet administrated petroleum in Austria. In January 1955, US Secretary of State John Foster Dulles asked Llewellyn E. Thomson, the US Ambassador in Austria, about the quality<sup>64</sup> of Austrian gasoline. He also asked whether, due to a “shortage [...] in Soviet bloc, [the] embassy [was] satisfied that lead and leaded gasoline [were] likely to remain in Austria.”<sup>65</sup> The US Ambassador, who saw a lack of information, answered that he was “unable [to] give positive assurance since direct control and accurate confirmed information [was] impossible.”<sup>66</sup> The Americans were interested in this kind of information in order to negotiate with the Austrians. Not only did Austria have to compensate the Soviet Union, but it also had to negotiate the mining rights of

59 Iber, “Erdöl statt Reparationen,” 602.

60 ÖStA AdR, GfA (Company for Replacement Deliveries), Abkommen über Erdöllieferungen an die Union der Sozialistischen Sowjetrepubliken als Ablöse der Erdölunternehmen, die von der Sowjetunion an Österreich übergeben werden, July 12, 1955.

61 Iber, *Die Sowjetische Mineralölverwaltung in Österreich*, 213–17.

62 ÖStA AdR, GfA (Company for Replacement Deliveries), Abkommen über Erdöllieferungen an die Union der Sozialistischen Sowjetrepubliken als Ablöse der Erdölunternehmen, die von der Sowjetunion an Österreich übergeben werden, July 12, 1955.

63 Iber, *Die Sowjetische Mineralölverwaltung in Österreich*, 214.

64 John Foster Dulles to US Embassy in Austria: “Is Austrian gasoline in fact not useable without additional tetraethyl lead?” Answer from US Embassy in Vienna (Llewellyn E. Thomson): “Austrian gas rating 62 octan raised to 75 by tetraethyl lead. 70 usable minimum.”

65 NARA RG (Registry Group) 59, EN (Entry Number) A1 205-N, B 2013. John Foster Dulles to Embassy Vienna, January 19, 1955.

66 NARA RG 59, EN A1 205-N, B 2013. Llewellyn E. Thomson to Secretary of State, January 28, 1955.

Anglo-American oil companies.<sup>67</sup> These companies had had these mining rights from the time before World War II. Therefore, five days before the State Treaty, on May 10, 1955, the “Vienna Memorandum”<sup>68</sup> was concluded. However, a final agreement was not reached until 1960. The aim of Socony Mobil, which was one of the companies that negotiated with the Austrians, was restitution of the Lobau refinery, their exploration rights, and other ownership rights.<sup>69</sup> In 1958, the Americans used economic leverage, namely the withholding of ERP loans, and reminded the Austrian federal government of its financial obligations under the Vienna Memorandum. This led to negotiations at government and company levels.<sup>70</sup> In the end, Austria paid compensation of 16 million US dollars for the nationalization of assets, founded a joint<sup>71</sup> crude oil processing company, and privatized some companies.<sup>72</sup> During the negotiations of the final agreement, Austrian Foreign Minister Bruno Kreisky was aware that permanent Austrian cooperation with US and UK oil companies “might cause difficulties with the Soviet Union.”<sup>73</sup> In the bloc mentality of the Cold War, the comment by Radio Moscow was that the USA was expanding its influence on Austria’s oil industry.<sup>74</sup>

Although the SMV years were very hard for Austria, which had no access to its own oil and suffered great economic damage, relations between Austria and the Soviet Union developed. Soviet management and Austrian employees got to know each other and created networks. Thousands of Austrians, including many leading engineers, worked for SMV in the oil fields.<sup>75</sup> In 1954, the company

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67 Shell, Socony Vacuum, Standard Oil, Van Sickle, Steinberg-Naphta, Austrogasco.

68 “Memorandum über die Ergebnisse der Besprechung zwischen Mitgliedern der österreichischen Bundesregierung und den Botschaftern Ihrer Königlichen Britannischen Majestät und der Vereinigten Staaten von Amerika (‘Wiener Memorandum’), May 10, 1955,” In *Der Kampf um den Staatsvertrag 1945 – 1955*, 658–62.

69 NARA RG 59, EN A1 1611, B 2678. H. J. Schmidt to Christian A. Herter, September 9, 1960, 4.

70 Rathkolb, *Washington ruft Wien*, 167–71.

71 ÖMV held a 74% stake in Österreichische Rohöl-Verwertungs-GmbH (ÖRG) of the share capital of one million schillings. Shell Austria AG and Mobil Oil Austria AG held 13%. See: ÖStA, AdR, RH (Court of Auditors), Unternehmungen, GZ AE 3250-15/1969, U 148, Gr.Zl. 1100-15/69, Kt. 847. Österreichische Mineralölverwaltung Aktiengesellschaft, Wien. Prüfungsergebnis, November 4, 1969, 5.

72 Seidel, *Österreichs Wirtschaft und Wirtschaftspolitik nach dem Zweiten Weltkrieg*, 456–57.

73 NARA RG 59, EN A1 205-N, B 2012. Memorandum of Conversation. Subject: Vienna Memorandum, September 23, 1959.

74 NARA RG 59, EN A1 1611, B 2676. Airgram. Radio Moscow Charges “United States Oil Monopoly” Danger, August 8, 1960.

75 See the oral history interviews in: Feichtinger and Spörker, *ÖMV–OMV*, 287–328.

managed by SMV had 9,700 employees.<sup>76</sup> Under Austrian management, this number declined from 9,996 in 1956 to 7,556 ten years later.<sup>77</sup>

One of those who had a particularly tragic connection between the Soviet industrial complex in Austria and the later founded ÖMV was Margarethe Ottillinger. After World War II, she led the Planning section within the Austrian Ministry of Property Security and Economic Planning. In this position she gathered information on the Soviet industrial complex. In 1948, she was arrested and accused of spying for the US. Between 1948 and 1955, she was held in various Soviet prisons, where she learned Russian. In 1956, she was employed as a consultant by the ÖMV, and one year later, she was appointed to the board of the ÖMV as the only woman. She was one of those who negotiated the natural gas contract with the Soviet Union in 1968.<sup>78</sup>

### *The Early Years of ÖMV and the Replacement Deliveries*

At the first meeting of the Austrian Council of Ministers, which was held two days after the conclusion of the State Treaty, the Council received protest resolutions from the SMV against the delay in implementing the State Treaty. These called for early nationalization by the Austrian state.<sup>79</sup> In July 1955, the name “Österreichische Mineralöl Aktiengesellschaft” appeared in a draft law on nationalization from the Ministry of Transport and Nationalized Companies.<sup>80</sup>

On August 13, 1955, SMV and OROP and other Soviet administrated companies were transferred, along with their inventories, from Soviet to Austrian hands. The operations remained in the custody of the Austrian state, which now set about creating an Austrian company out of SMV’s inherited assets. However, it was not until 1956 that “Österreichische Mineralölverwaltung AG (ÖMV AG)” was finally entered in the commercial register.<sup>81</sup>

76 Iber, *Die Sowjetische Mineralölverwaltung in Österreich*, 145.

77 Feichtinger and Spörker, *ÖMV – ÖMV*, 124.

78 Karner, *Im Kalten Krieg der Spionage*; ÖMV, *Bericht über das Geschäftsjahr 1957*, 16.

79 ÖStA AdR BKA MRP (Ministerratsprotokolle), 2. Republik, Raab I, Kt. 135. Beschlußprotokoll Nr. 92 über die Sitzung des Ministerrates am 17. Mai 1955. 1f) 10 Protestresolutionen von Betrieben der SMV gegen die Verzögerung des Staatsvertrages und Verstaatlichung, May 17, 1955.

80 ÖStA AdR BKA MRP (Ministerratsprotokolle), 2. Republik, Raab I, Kt. 138. Verhandlungsschrift Nr. 101 über die Sitzung des Ministerrates am 19. Juli 1955. Bundesministerium für Verkehr und verstaatlichte Betriebe. Vortrag an den Ministerrat über einen Gesetzesentwurf betreffend das in das Eigentum der Republik Österreich übertragene, bisher unter der Bezeichnung “Sowjetische Mineralölverwaltung” betriebene Unternehmen, July 18, 1955.

81 Iber, *Die Sowjetische Mineralölverwaltung*, 201–3.

After it was founded, an internal investigation by ÖMV came to the conclusion that the facilities, which ÖMV had taken over from SMV were “makeshift facilities built with makeshift equipment, the construction of which neither took into account the state of the art nor economic considerations.”<sup>82</sup> The division into five locations<sup>83</sup> “often did not and cannot satisfy the consumers’ corrected quality demands.”<sup>84</sup> Due to Austria’s domestic demand and the replacement deliveries to the Soviet Union, it is not possible to cover demand in the long term. The ÖMV saw three possibilities to meet this demand: by increasing Austrian oil production, by the substitution of the replacement deliveries to the USSR in the form of money or other deliveries, or by importing crude oil from the “Eastern states” or the Middle East. The study was in favor of constructing a new refinery,<sup>85</sup> which was built between 1958 and 1961 in Schwechat, next to the old refinery.<sup>86</sup>

The willingness of the Austrian government to transform the replacement deliveries was reported by the Soviet Embassy in Austria to Moscow in 1956.<sup>87</sup> ÖMV had to pay for the replacement deliveries under the oil agreement itself<sup>88</sup> until 1957, which was the beginning of the third year of delivery. As part of the goods agreement, Austria was originally also supposed to deliver 1.2 million tons of crude oil to the Soviet Union as a replacement for USIA operations. In contrast to the oil agreement, ÖMV was paid 478.5 Austrian schillings per ton for deliveries from the Republic in the goods agreement.<sup>89</sup> As heating oil became scarce during the Suez crisis, Austria was allowed to supply steel plate instead of 100,000 tons of crude oil from January to March 1957. The following delivery year, 200,000 tons of crude oil were replaced by deliveries of goods.<sup>90</sup>

82 ÖStA AdR WA, ÖIAG, Unternehmensdokumente, OMV AG, Kt. 134. Untersuchung über die Errichtung neuer Mineralölverarbeitungsanlagen, 1957, 3–24.

83 Refineries in Schwechat, Moosbierbaum, Lobau, Korneuburg, Vösendorf.

84 Ibid.

85 Ibid.

86 Feichtinger and Spörker, *ÖMV–OMV*, 117–58.

87 AVP RF F. 66, op. 39, p. 216, d. 8. Politicheskie voprosy. Austrian politics one year after the signing of the State Treaty, 3.4-17.12.1956.

88 In September 1955, at the second meeting of the Commission for the Supply of Goods, Josef Stangelberger, Head of Section in the Austrian Finance Ministry, referred to a regulation that ÖMV should pay for its former Soviet assets with oil. See: ÖStA AdR GfA (Company for Replacement Deliveries), Österreichische Kommission für Warenlieferungen zur Ablöse des Vermögens, das an Österreich übergeben wird. Protokoll der 2. Sitzung am 6. September 1955.

89 Iber, *Die Sowjetische Mineralölverwaltung in Österreich*, 215.

90 SBKA VII.2 BKAA, B 13. Mitteilungen des Ministerrates vom 4. Dezember, betreffend die Herabminderung der Öllieferungen an die UdSSR, December 5, 1956; WIFO-Monatsbericht, 35/5 (1962), 216.

The Federation of Austrian Industries had already called for this in May 1955, fearing that Austrian domestic oil supplies were too low.<sup>91</sup>

Molotov's dismissal as Soviet foreign minister in June 1957 gave Austria greater room for negotiation, with regard to a reduction in oil supplies. Two months later, the Soviet leadership indicated that it would be prepared to forego half of the replacement deliveries. Washington assumed, that this should show "Western Europe" that it was possible to negotiate with the Soviet Union on a responsible basis.<sup>92</sup> This Soviet offer again fitted in with Khrushchev's concept, who spoke of "peaceful coexistence" with the capitalist countries at the XX Party Congress of the Communist Party of the Soviet Union, CPSU in 1956. Khrushchev based the doctrine of "peaceful coexistence" on Lenin, whom he interpreted generously. This doctrine included mutual respect and economic cooperation.<sup>93</sup>

Soviet oil policy changed in the era Khrushchev as well. The Soviet Union no longer saw its "cordon sanitaire" in Central and Eastern Europe primarily as a supplier but rather began to supply these countries itself with cheap energy. By the late 1950s, the USSR had begun to reenter the international market as a major oil supplier.<sup>94</sup> The Austrian crude oil from the replacement deliveries went to the German Democratic Republic, Czechoslovakia, Poland, and Hungary, as the Soviet Union had concluded supply contracts with these countries. This oil was easy to process due to its low sulfur content, which spared the refineries in these nations the need for technical innovations.<sup>95</sup>

On July 9, 1958, ÖMV urged Federal Chancellor Raab by letter to convince the Soviets of a reduction of oil supplies within the redemption deliveries. ÖMV was of the opinion that the Austrian oil reserves in 1955, when these supplies were finally negotiated, were overestimated by half.<sup>96</sup> Twelve days later, an Austrian delegation, including Raab, Vice Chancellor Pittermann and State

91 ÖStA AdR BMfHuW, Sek. IV 1955, GZ 218.080-IV/28/55, 409, Gr.Zl. 203.259/55, Kt. 3294. Memorandum betreffend die bei den bevorstehenden Moskauer Verhandlungen über die Lieferungen von Waren im Werte von 150 Mio. \$ sich ergebenden Fragen, May 14, 1955.

92 NARA RG 59, EN A1 205-N, B 2664. Summary of Vienna Telegram 553, August 28 Concerning Possible Visit of Austrian Chancellor Rabb to Moscow to Negotiate Reductions in Austrian Compensation Shipments to the USSR, August 29, 1957.

93 Mueller, "Peaceful Coexistence, Neutrality and Bilateral Relations across the Iron Curtain," 11–12; Subok and Pleschakow, *Der Kreml im Kalten Krieg*, 262–63.

94 Perović, *Robstoffmacht Russland*, 78.

95 Iber, *Die Sowjetische Mineralölverwaltung in Österreich*, 215.

96 KvVI 1209, ÖMV to Julius Raab. Rohölablöselieferungen an die Sowjetunion, July 9, 1958.

Secretary Kreisky, set off on an eight-day state visit to Moscow. The aim of the Soviet leadership was to prevent a pro-American Austrian foreign policy. Instead, they wanted to make concessions to Austria in the economic sphere. During his welcoming speech at the airfield in Moscow, Chancellor Raab protested against the US flights<sup>97</sup> over Austria during the Lebanon crisis. The Austrian leadership thus risked a deterioration in relations with the USA. During this visit, Khrushchev declared his willingness to offer compensation for a share of the crude oil deliveries with Soviet counter-deliveries to Austria.<sup>98</sup> During the ensuing negotiations in August 1958, the Soviet representatives were asked by ÖMV to supply crude oil with a low sulfur content until the new refinery in Schwechat was completed. The construction of a new desulfurization plant would not pay off for the ÖMV.<sup>99</sup> In the end, the Soviet Union supplied half a million tons of crude oil to Austria in 1959–60 and 1960–61 and a quarter of a million tons in 1961–62, and Austria continued to supply its crude oil to the four “people’s democracies” in Central and Eastern Europe.<sup>100</sup>

During his nine-day state visit to Austria in 1960, Khrushchev negotiated with Raab on July 5 from 11 p.m. to 1 a.m. at the Parkhotel in Villach. The result was that Khrushchev canceled the tenth and therefore last delivery year 1964–65. Ultimately, the reductions and counter-deliveries lowered Austrian oil supplies from 10 to 6 million tons.<sup>101</sup> After the replacement deliveries, which ended in 1963, ÖMV could reduce its crude oil production for 1964 by four percent. ÖMV’s annual audit for the 1964 financial year concluded that Austria’s crude oil supply would be secure in the long term.<sup>102</sup>

In 1958 and 1959, under the direction of Enrico Mattei, the Italian energy company ENI (Ente Nazionale Idrocarburi) concluded its first oil import deals

97 See: Blasi, “Die Libanonkrise 1958 und die US-Überflüge.”

98 Bischof and Ruggenthaler, *Österreich und der Kalte Krieg*, 148; Ruggenthaler and Knoll, “Nikita Chruščev und Österreich”; Wessely, “Österreich und die Erdölwirtschaft der Ostblockländer,” 694–96.

99 ÖStA AdR BMfHuW, Sek. V 1958, GZ 216.623-V/31/58, 409, Gr.Zl. 205.025, Kt. 4570. Erdöllieferungen aus der UdSSR. Spezifikation, August 19, 1958.

100 WIFO-Monatsbericht, 35/5 (1962), 214–16.

101 Ibid., 214; Stourzh and Mueller, *A Cold War over Austria*, 362; Iber, *Die Sowjetische Mineralölverwaltung in Österreich*, 197; Stern, “Eine Höflichkeitsvisite mehr protokollarischer Natur,” 746.

102 ÖStA AdR WA, ÖIAG, Unternehmensdokumente, OMV AG, Kt. 158. Beeideter Wirtschaftsprüfer Rudolf Edelberger. Österreichische Mineralölverwaltung Aktiengesellschaft. Bericht Nr. 285/65 über die Prüfung des Jahresabschlusses zum 31. Dezember 1964 (Hauptbericht – Band I), 12–14.

with the Soviet Union.<sup>103</sup> This triggered protests from NATO and the USA.<sup>104</sup> One year later, Mattei had plans to build an oil pipeline across Austria to Trieste. As a connection to the Czechoslovakian pipeline in Bratislava was already under consideration, this meant for Harrison Freeman Matthews, US Ambassador to Austria, quoting an anonymous source, “to bring Russian oil into Western Europe. This plan, if carried out, ‘could destroy Western oil companies in Europe,’ with consequent security implications for Western Europe.”<sup>105</sup> So, the Americans feared that the construction of an oil pipeline across Austria could spread Soviet influence in the energy sector to Western Europe. Furthermore, they feared that this could mean the displacement of Western oil companies from Western markets. However, the world market price for oil was quite low at that time, so it was not possible to speak of a major dependency between the Soviet Union and Western Europe.<sup>106</sup>

In November 1962, as the Cold War had come to a head with the construction of the Berlin Wall (1961) and the Cuban Missile Crisis (October 1962), the NATO Council passed a resolution prohibiting the supply of steel pipes to the Soviet Union. This was intended to undermine the oil (Druzhba) and natural gas pipelines under construction. As a consequence, USSR faced severe problems, because in 1963 it needed up to 700,000 tons of steel pipes, half of which had been ordered from the West, including 230,000 tons from the Federal Republic of Germany and 95,000 tons from Italy, Sweden, and Japan. This embargo was formally lifted in 1966. In 1968, half of the 85.8 million tons of oil exported from the Soviet Union were shipped to Western Europe.<sup>107</sup>

The Adria-Wien-Pipeline GmbH was founded in 1967. ÖMV was able to appoint seven of the 13 members of the supervisory board. ÖMV therefore held a 51 percent stake in the company, while ENI held four percent and other European and US energy companies like Shell and Mobil held the rest. The Adria-Vienna Pipeline (AWP) was finally completed in 1970. It runs from Schwechat to

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103 Bini, “A Challenge to Cold War Energy Politics? The US and Italy’s Relations to the Soviet Union, 1958–1969,” 208.

104 Hayes, *Algerian Gas to Europe*, 8

105 NARA RG 59, EN A1 1611, B 2678. ENI Pipeline and Refinery Project in Austria, October 14, 1960; NARA RG 59, EN A1 1611, B 2678. US Embassy in Vienna to Secretary of State, July 1, 1960.

106 Perović, *Robstoffmacht Russland*, 98–102.

107 Ibid.

Carinthia, where it connects to the Transalpine Oil Pipeline (TAL) in Würmlach and continues on one side to Trieste and on the other to Germany.<sup>108</sup>

### *Pipe-Gas-Contracts of 1968*

After the end of World War II, the Soviet leadership under Stalin focused increasingly on coal mining in the USSR. Natural gas was seen primarily as an opportunity to reduce the consumption of oil and firewood.<sup>109</sup> In 1956, Nikita Khrushchev marked a turning point in the Soviet energy policy when he declared at the XX Party Congress of the CPSU that the production of gas (and oil) was “of great significance for further growth in the output of consumer goods.”<sup>110</sup> It is therefore not surprising that the Soviets did not recognize the economic potential of natural gas in Austria until the second half of the 1950s. SMV supplied the city of Vienna with natural gas.<sup>111</sup> During the occupation, SMV produced an estimated four billion cubic meters of natural gas (around 1.9 billion cubic meters of dry gas and 2.1 billion cubic meters of wet gas),<sup>112</sup> whereby most of the wet gas was flared off or was used as an aid to oil production (gas lift).<sup>113</sup>

Between 1950 and 1959, the share of coal as a source of energy in Austria fell from around 67 to 42 percent and the share of natural gas rose from two to eight percent. In Austria, during the 1950s, coal was increasingly replaced by other energy sources, such as hydropower, oil, and natural gas.<sup>114</sup> In the 1960s, it became clear that Austria’s economy had grown so much and so rapidly that the existing domestic gas supply was no longer sufficient. If no new major discoveries were made, natural gas production was likely to be insufficient due

108 ÖStA AdR WA, ÖIAG, Unternehmensdokumente, OMV AG, Kt. 135. Einladung zu der am 31. Oktober 1967, 16 Uhr, in der Generaldirektion der Österreichischen Mineralölverwaltung A.G., Wien IX., Otto Wagner Platz 5, Souterrain, stattfindenden Sitzung des Aufsichtsrates der ÖMV AG, October 25, 1967, 1; ÖStA AdR WA, ÖIAG, Unternehmensdokumente, OMV AG, Kt. 159. Bericht des Beiedeten Wirtschaftsprüfers und Steuerberaters Dr. iur. Friedrich Grumptmann über die bei der Österreichischen Mineralölverwaltung Aktiengesellschaft, Wien vorgenommene Prüfung des Jahresabschlusses 1967, August 30, 1968, 15; OMV, “Adria Wien Pipeline.” Accessed on May 28, 2024. <https://www.omv.at/de-at/ueberuns/versorgung/adria-wien-pipeline>.

109 Rehschuh, *Aufstieg zur Energiemacht*, 157–58.

110 Nekrasov, “Decision-Making in the Soviet Energy Sector in Post-Stalinist Times,” 168.

111 Feichtinger and Spörker, *ÖMV–OMV*, 75–76; Iber, *Die Sowjetische Mineralölverwaltung in Österreich*, 113–17.

112 NARA CIA Records Search Tool, CIA-RDP81-01043R003700130004-9. *Soviet Occupation Economy in Austria. Final Report*, December, 1957, 84–85.

113 Feichtinger and Spörker, *ÖMV – OMV*, 106; Iber, *Die Sowjetische Mineralölverwaltung in Österreich*, 113.

114 WIFO-Monatsbericht, 33/64 (1960), 4.

to the high demands on gas production at the time, at least according to ÖMV's audit for 1964. Although this audit treated the "possibility of cheap natural gas imports [...] with skepticism for the time being,"<sup>115</sup> industry in particular exerted pressure and insisted on further expansion or on natural gas imports. Imports were finally identified as the solution that would take effect most quickly. There were several options to choose from, ranging from natural gas supplies from Algeria to a Western European pipeline that would secure natural gas supplies from the gas fields in the Netherlands. These plans were made by Austria Ferngas, a joint company of ÖMV's three major customers.<sup>116</sup> ÖMV was thus under considerable pressure. In January 1964, the announcement was made that the "Brotherhood" (Bratstvo) pipeline would be constructed from Ukraine to Bratislava. Natural gas from the Soviet Union would run all the way to Czechoslovakia, right on Austria's doorstep.<sup>117</sup>

Negotiations with the Soviets began in the same year as the announcement as part of Austria's bilateral trade discussions with the USSR.<sup>118</sup> In 1966, a bilateral production agreement was concluded with the Czechoslovakian foreign trade agency Metalimex. Under this agreement, ÖMV would increase its gas production in the Zwerndorf field, and on the far side of the border, the Czechoslovaks would reduce their production. The Austrian side was to pay economic compensation.<sup>119</sup> One year later, a contract was signed with Metalimex for the supply of summer gas volumes. A gas pipeline 6.5 kilometers long was built between Baumgarten in Austria and Vysoká in Czechoslovakia. Vysoká and, thus, Austria was later connected to "Brotherhood."<sup>120</sup>

In the 1960s, the USSR expanded oil and gas production in the north of Western Siberia. Major gas fields such as Urengoy (which was the second biggest worldwide), Yamburg, and Medvezhye were developed there.<sup>121</sup> In 1966, the Soviets decided to enter the Western European gas market. In the same year a delegation from the Italian ENI and an Austrian delegation independently

115 ÖStA AdR WA, ÖIAG, Unternehmensdokumente, OMV AG, Kt. 158. Beeideter Wirtschaftsprüfer Rudolf Edelberger. Österreichische Mineralölverwaltung Aktiengesellschaft. Bericht Nr. 285/65 über die Prüfung des Jahresabschlusses zum 31. Dezember 1964 (Hauptbericht – Band I), 12–14.

116 NIOGAS, Wiener Stadtwerke, Steirische Ferngas.

117 Högselius, *Red Gas*, 48–50.

118 On the Soviet-Austrian gas negotiations, see: Graf-Steiner, "Soviet-Austrian Economic Relations 1955–1975."

119 *Ibid.*, 50.

120 Feichtinger and Spörker, *ÖMV – OMV*, 151.

121 Perović, *Robstoffmacht Russland*, 116.

visited the Soviet Union. The Austrian delegation was led by Vice Chancellor<sup>122</sup> and Minister of Trade Fritz Bock and managers of ÖMV and the nationalized steel producer VÖEST. In March 1967, Federal Chancellor Josef Klaus was invited to Moscow for negotiations. It was agreed that further talks should be held about Soviet gas supplies and a Soviet-Italian pipeline crossing Austria. The Soviet Union wanted to be paid for the gas supplied in convertible currency and, to a not inconsiderable extent, by pipes from the Austrian steel company VÖEST.<sup>123</sup>

In August 1967 and in 1969, ENI signed gas import agreements with the USSR. According to the agreement of 1967 Italy should import 1.2 billion normal cubic meters of Soviet gas starting in 1971. It was settled that the Italians should provide steel pipes, valves and cables to the USSR to build pipelines, and Italian financial institutes should offer credit allowances.<sup>124</sup> For the Italian connection to the “Brotherhood” pipeline a transit through Austria was needed.

On June 1, 1968, a General Agreement was concluded between the Soviet Ministry of Foreign Trade on the one hand and ÖMV and VÖEST on the other. The deal was signed in Vienna. Due to and in addition to this agreement, three contracts were signed. The first contract was concluded between VÖEST and the Soviet foreign trade company Promsyrimport. VÖEST had to deliver 520,000 tons of pipes and equipment worth 100 million US dollars for the installation of gas fields and the construction of a natural gas pipeline in the Soviet Union. As VÖEST did not possess a pipe factory, the German companies Mannesmann and Thyssen delivered 270,000 tons themselves as a subcontractor. For the rest (250,000 tons), VÖEST supplied steel to the two German companies, which used it to produce pipes.<sup>125</sup> These economic ties lasted until the second half of the 1970s, when VÖEST-Alpine delivered 200,000 tons of pipes to the Soviet Union via Promsyrimport.<sup>126</sup> The second agreement between the Foreign Trade Bank of the Soviet Union and the Austrian Kontrollbank granted a loan

122 From 1966 to 1970, there was the first sole government which was not a coalition between the two major parties ÖVP and SPÖ in Austria's Second Republic, led by Josef Klaus (ÖVP).

123 Högselius, *Red Gas*, 50–65.

124 Bini, “A Challenge to Cold War Energy Politics? The US and Italy's Relations to the Soviet Union, 1958–1969,” 220.

125 ÖStA AdR WA, ÖIAG, Unternehmensdokumente, OMV AG, Kt. 160. Bericht des beeedeten Wirtschaftsprüfers und Steuerberater Dr. iur. Friedrich Grumtman über die bei der Österreichischen Mineralölverwaltung Aktiengesellschaft vorgenommene Prüfung des Jahresabschlusses 1968, Band I, September 1, 1969, 16–17; Högselius, *Red Gas*, 63–65.

126 Compass-Verlag, *Finanz-Compass Österreich*, 1976, 753.

of 110 million US dollars with six percent interest and a term of seven years until 1975 to pay for VÖEST's deliveries to Promsyrimport. The third agreement was signed between ÖMV and Soyuznefteksport on the supply<sup>127</sup> of 32 billion normal cubic meters until 1990. The price was fixed at 14.10 US dollars per 1,000 normal cubic meters for the first seven years. On June 14 and July 11, 1968, ÖMV signed a contract with Erdgaswirtschaftsgesellschaft m. b. H and with its domestic costumers (BEGAS, NIOGAS, Steirische Ferngas Gesellschaft, and Wiener Stadtwerke) on the purchase of Soviet natural gas.<sup>128</sup> Article 8 in the Soviet-Austrian General agreement stipulated that the ÖMV should enable gas transit to Italy and France without Soviet involvement.<sup>129</sup>

Until the deliveries began, however, it was unclear whether the Soviets would actually turn on the gas tap. Warsaw Pact troops had invaded Czechoslovakia and put down the "Prague Spring" on the night of August 20–21, 1968. On September 1, 1968, the first Soviet gas crossed the Iron Curtain, nine days earlier than planned. This made Austria the first Western European country to get Soviet natural gas. The Austrian reaction to the Prague Spring was also restrained due to the energy partnership.<sup>130</sup> At the ceremonial festival at Baumgarten celebrating the first Soviet gas in Austria, Aleksei Kortunov, the Soviet Minister for the Gas Industry, was present. During this visit, he expressed the Soviet wish to purchase fittings and other equipment for oil pipelines in Austria. B. F. Podtserob, the Soviet Ambassador to Austria, expressed thanks for the "amicable atmosphere" which Minister Kortunov had been received. Austrian Foreign Minister Waldheim hoped to intensify the economic ties between Austria and the Soviet Union.<sup>131</sup>

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127 From Sept. 10, 1968: 130-200 million Nm<sup>3</sup>, 1969: 800 million Nm<sup>3</sup>, 1970: 1 billion Nm<sup>3</sup>, from 1971 1.5 billion Nm<sup>3</sup> until 1990.

128 ÖStA AdR WA, ÖIAG, Unternehmensdokumente, OMV AG, Kt. 160. Bericht des beeideten Wirtschaftsprüfers und Steuerberater Dr. iur. Friedrich Grumptmann über die bei der Österreichischen Mineralölverwaltung Aktiengesellschaft vorgenommene Prüfung des Jahresabschlusses 1968, Band I, September 1, 1969, 16–20; Högselius, *Red Gas*, 63–66.

129 Högselius, *Red Gas*, 63.

130 *Ibid.*, 91–92.

131 AVP RF F. 66, op. 47, p. 100, d. 6. From the diary of the Soviet Ambassador to Austria, B. F. Podcerob, September 28, 1968, 197; Karner and Ruggenthaler, "Austria and the End of Prague Spring: Neutrality in the Crucible?" 431.

## *Conclusion*

After World War II, due to the need for foreign oil sources, the Soviet Union founded the Soviet Mineral Oil Administration in its Austrian occupation zone as early as September 1945. The company formed an extraterritorial administrative body for confiscated German property. Up to 60 percent of the oil produced during the SMV period was exported to communist Central and Eastern Europe. As part of the framework of the negotiations of the State Treaty of 1955, the Austrian state acquired its own oil industry of the former Soviet mineral oil complex. Before World Word II, big parts of the oil complex had been in the hands of Anglo-American companies. Austria had to deal with both the Soviet and the Anglo-American claims to Austrian oil. An agreement was reached with the USSR according to which Austria had to deliver ten million tons of crude oil within ten years. As part of Khrushchev's "peaceful coexistence," this was eventually reduced to six million tons, which the Soviet Union sold to four of its "brother countries" in Central and Eastern Europe.

As the production of natural gas in Austria in the 1950s and 1960s could no longer keep pace with demand, the search was on for import options. Within the Austrian administrated ÖMV, many of the leading engineers had created networks with Soviets during the SMV period and afterwards maintained. Negotiations with the Soviets began after the announcement in 1964 that a gas pipeline would be built for the delivery of Soviet gas to the Austrian border. These negotiations about a natural gas pipeline across Austria towards Italy and Soviet natural gas supplies dragged on until 1968. Austria was made the first Western European country to get Soviet gas across the Iron Curtain. Already in August 1967 and in December 1969, the Italian ENI, made natural gas supply contracts with the Soviet Union. The Trans-Austria Gas Pipeline (TAG) went into operation in 1974. Soviet gas flowed through Austria via TAG to Italy. In February 1970, the Federal Republic of Germany signed natural gas contracts with the USSR. The Soviet-German contracts were comparable to the Soviet-Austrian and Soviet-Italian contracts (they included gas deliveries, pipe purchases, and bank loans). Soviet gas supplies to the Federal Republic of Germany were also scheduled to continue until 1990, as was the case with Austria. Finland followed with its gas contract with the USSR in December 1971. As these countries needed ten times more natural gas than Austria, a new pipeline system was necessary, which

was completed in 1973–74. The last Western European country to conclude a contract with the Soviet Union was France, which signed its deal in 1976.<sup>132</sup>

In Austria, the agreement was viewed very positively and was considered a “great success” well after 1968 because the Soviet Union and then Russia were seen as a loyal partner which delivered despite every crisis. And after some time, the treaty was probably also seen as a success in many Western European countries (and imitated by more than a few).

Tempura mutantur, as the Latin saying goes. In the meanwhile, Austria has changed from pioneer to latecomer. Today, against the backdrop of Russia’s war of aggression against Ukraine, the perspective on Austria’s dependence on Russian gas has changed completely and is seen as disadvantageous by many sides.

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132 Feichtinger and Spörker, *ÖMV–ÖMV*, 152; Högselius, *Red Gas*, 219; Schattenberg, “Pipeline Construction as ‘Soft Power’ in Foreign Policy,” 571.

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# Fathers of Budapest, Daughters of the Countryside: Recontextualizing Cultural Change in Fin-de-Siècle Hungary

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There is a historiographical consensus that there was a cultural paradigm shift in the first decade of the twentieth century in Hungary, though its exact characteristics have not been clearly defined. This article will demonstrate that there was a unifying theme in the works and philosophy of the generation that came to cultural relevance around 1905 which transcended ideological boundaries. The members of the new generation had a negative image of Budapest and idealized rural areas and rural communities. This essay will examine newspapers of the period, such as the Catholic *Alkotmány* (Constitution), the feminist *A Nő és a Társadalom* (Woman and Society), and the liberal *Nyugat* (The West) and argue that anti-Budapest sentiments and the idealization of the countryside were present in writings published in all of them. It will also show that novels from the period by Margit Kaffka and Terka Lux all revolve around criticism of Budapest and praise of the rural world.<sup>1</sup>

Keywords: fin-de-siècle Hungary, anti-urban sentiments, cultural change, literature, journalism, Budapest

In the second half of the nineteenth century in Hungary, the Liberal Party won eight elections in a row between 1875 and 1905. During this period, after having been officially created in 1873 and thanks in no small part to capitalist enterprise and laissez-faire liberalism, Budapest became a city described by historians such as Péter Hanák, John Lukacs, Mary Gluck, Judit Frigyesi, Gábor Gyáni, and Markian Prokopovych as a thriving metropolis with a booming cultural

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1 This article is a shortened and revised version of an MA Dissertation submitted to Durham University in September 2020. The original text also included discussions of the Nagybánya Artists' Colony (with the help of István Réti's writings and the paintings by members of the group) and the poems and graphic design of Anna Lesznai. To meet the word count requirements of *The Hungarian Historical Review*, these sections were removed, but they too showcased heavy anti-Budapest sentiments and idyllic portrayals of rural Hungary, showing how widespread these attitudes were in the period.

life.<sup>2</sup> Between 1870 and 1910, Budapest's population tripled from 270,685 to 863,735.<sup>3</sup> The number of schools more than doubled between 1875 and 1900, and as a result, by 1910, the city's literacy rate reached 90 percent.<sup>4</sup> Budapest's population was also ethnically (and linguistically) diverse.<sup>5</sup> The city's emerging entrepreneurial spirit also gave rise to numerous cafés all over Budapest, which served as venues where new newspapers, the products of an industry that exploded at the turn of the century, could be read.<sup>6</sup> However, on average, the rural parts of the country provided a sharp contrast to the capital. The economic growth rate of the villages and towns in rural Hungary was below the Eastern European average.<sup>7</sup> Literacy rates outside Budapest were significantly lower, at 50 percent.<sup>8</sup>

As this article will show, as a reaction to these processes, around 1905, a generation came of age that turned away from the metropolis and towards the glorification of the rural world and its perceived attributes. The period was a significant turning point in Hungary. In 1906, The Party of Independence and 48 ended the three-decade-long rule of the Liberal Party. The same year, Endre Ady published his influential collection of poems *Új Versek* (New Poems), and *The Hungarian Fauves* held their first exhibition.<sup>9</sup> 1907 saw the launch of the country's first feminist journal, *A Nő és a Társadalom* (Woman and Society) as well as antisemitic student protests against prominent Jewish lecturers.<sup>10</sup> These years also saw the launch of the influential journal *Nyugat* (The West) in 1908 and the foundation of the avantgarde group of painters *The Eight*. The cultural tide was turning.

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2 See Frigyesi, *Béla Bartók*; Gluck, *Georg Lukács and His Generation*; Gyáni, *Identity and Urban Experience*; Hanák, *The Garden and The Workshop*; Lukacs, *Budapest 1900*; and Prokopovych, *In the Public Eye*.

3 Schwartz, "Budapest and its Heroines," 45.

4 Ibid., 46; Lukacs, *Budapest 1900*, 136.

5 Schwartz, "Budapest and its Heroines," 45.

6 Lukacs, *Budapest 1900*, 146; Szívós, "Fin-de-Siècle Budapest as a Center of Art," 164–68.

7 Schwartz, "Budapest and its Heroines," 46; Nemes, *Another Hungary*, 8.

8 Schwartz, "Budapest and its Heroines," 46; Lukacs, *Budapest 1900*, 146.

9 Stewart, "In the Beginning was the Garden," 34.

10 Gluck, *Georg Lukács and His Generation*, 60–61.

*Anti-Urbanism and Cultural Change*

The idealization of nature and landscape was a key feature of Romanticism, and emphasis on the negative consequences of modernization and urban living, in contrast with an idealized countryside, were prominent features of European culture in the nineteenth century.<sup>11</sup> Historians acknowledged that some form of anti-urbanism was present in European fin-de-siècle politics as part of a counterreaction to modernism and urbanization.<sup>12</sup> Georg Simmel's 1903 essay "The Metropolis and Mental Life" offers an excellent analysis of pro- and anti-metropolitan sentiments. Simmel wrote extensively about the alienating nature of the city.<sup>13</sup> Similarly, in Britain, J. A. Hobson worried about urbanization, suggesting that metropolitan citizens develop a mob mentality and receptiveness to sensationalist messaging.<sup>14</sup>

This article will show that similar anti-urban sentiments were present in Hungary in the same period. But the foundations for these sentiments and the image of Budapest as a "sinful city" were laid in nineteenth-century writings. As early as 1790, József Gvadányi's *Egy falusi nótáriusnak budai utazása* (A village notary's journey to Buda) criticized the inhabitants of Buda and Pest for following fashion trends and not adhering to the culinary and cultural traditions safeguarded by the people who lived in the rural parts of the country.<sup>15</sup> Several historians argued that, in the mid-nineteenth century, a number of Hungarian crime and mystery authors, drawing inspiration from *The Mysteries of Paris* series (1842–1843) by Eugène Sue, depicted Budapest as a sinful city full of crime and prostitution.<sup>16</sup> They mention works such as Ignác Nagy's *Magyar titkok* (Hungarian secrets, 1844–1845), Lajos Kuthy's *Hazai rejtelmek* (Homeland mysteries, 1846–1847), József Kiss' *Budapesti rejtelmek* (Budapest mysteries, 1874), and Soma Gúthi's short stories and novellas (1907–1908). Mónika Mátay

11 See, for example, Blanning, *The Romantic Revolution*, 28–30, 138–57, 177–78; Ulin, *The Making of the English Countryside*.

12 See Kovács, G., "From the Guilty City to the Ideas of Alternative Urbanization," 99; Eszik, "Rural Reactions to Modernization."

13 Simmel, "The Metropolis and Mental Life."

14 Hobson, *The Psychology of Jingoism*, 7–8.

15 Szilágyi and Vaderna "A nemzeti identitás összetettsége."

16 See, for example, Mátay, "Egy prostituált lemészárlása"; Mátay, "Egy reformkori író-celeb"; Márton-Simon, "The Hungarian Market of Nineteenth-Century Urban Nationalism"; Kálai, "Minden rejtély vonz és ingerel"; Kálai, "Médium, műfaj, mediáció"; Kálai, "Az intézményesülő magyar krimi egyik első példája"; Császtvay, "A hét bagoly esete a magyar irodalomban."

and András Horváth J. showed that sensationalized crime reporting in late nineteenth-century newspapers and the city's high suicide rates also contributed to the trope that Budapest was a "sinful city" which was dangerous for young rural women.<sup>17</sup>

Yet the anti-Budapest materials published later, in the first decade of the twentieth century, have special significance. When Nagy or Kuthy or let alone Gvadányi wrote their texts, Budapest had not yet even existed, given that it was only established as a unified city in 1873. As Károly Vörös argued, Budapest's prominent architectural, infrastructural, cultural, and economic features were only in the process of taking shape between 1873 and 1896 and could only be considered "complete" at the start of the millennium exhibition in 1896.<sup>18</sup>

The texts discussing the social and cultural ills of Budapest earlier in the nineteenth century describe those of a city in the process of being born and having the potential to change for the better.<sup>19</sup> As Anna Márton-Simon demonstrated, Nagy's *Magyar titkok*, while portraying Pest-Buda's sinful nature, contrasted the city with Paris and highlighted how it had not yet reached the same level of modernity infrastructurally or socially, and wished for faster urbanization.<sup>20</sup> Márton-Simon has also argued that Kuthy proposed efforts to protect the Hungarian identity of the city by ensuring that its inhabitants spoke Hungarian and had a commitment to Hungarian culture, as he feared the "potential and probable" loss of the nation's capital.<sup>21</sup> Finally, as she also notes, in Kiss's novel, Budapest appears as a construction site. The city's key attribute is constant change, making it capable of overcoming its flaws.<sup>22</sup> As for the 1880s–90s, Mónika Mátay demonstrates that there were two schools of thought in relation to the capital's problems with prostitution, and neither perceived it as an inherent feature of Budapest. One line of argument highlighted that it was due to social problems and poverty. The other blamed the alleged ill morals of the prostitutes themselves.<sup>23</sup>

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17 See Mátay, "Egy prostituált lemeszárítása"; Mátay, "Agycentizők a századfordulón"; Horváth J., "Költői látomás – főkapitányi láttamozás."

18 Vörös, "A világváros útján."

19 Miklós Lackó's study reveals that this was also true in the case of texts that were less critical of Budapest. See Lackó, "The Role of Budapest in Hungarian Literature," 356.

20 Márton-Simon, "The Hungarian Market of Nineteenth-Century Urban Nationalism," 10.

21 *Ibid.*, 12–16.

22 *Ibid.*, 15–16.

23 Mátay, "Egy prostituált lemeszárítása."

As the discussion below shows, a significant difference compared to the nineteenth-century attitudes to Budapest is that while some of the post-1900 discourse around the metropolis still treated Budapest as a new city, unlike their predecessors, this generation was able to speak about a city with a more established identity. They perceived Budapest's "sinful" aspects not as something that could be changed but rather as already solidified, inherent features of the city. Additionally, it is worth noting that the aforementioned nineteenth-century examples of "sinful Budapest" depictions were mystery/crime novels or newspaper crime reports. In contrast, none of the novels that will be discussed in this essay are crime or mystery novels and none of the newspaper articles are crime reports, yet they all depict Budapest negatively. This shows a broad extension of the trope of the sinful city, indicating a wider cultural change in attitudes towards Budapest.

The idea of a cultural change in Hungary in the first decade of the twentieth century has not gone unnoticed by historians. There are plenty of narratives as to what led to the cultural paradigmatic shift of the early 1900s, which is often described as a conflict between two generations. Mary Gluck highlighted increasing disillusionment with capitalism as the chief cause of the conflict between two generations, which she labeled, in the title to the third chapter of her book, "Liberal Fathers and Postliberal Children."<sup>24</sup> Gluck's work served as an inspiration for this article, however her term "postliberal" is too narrow to describe the newly emerging generation, as it does not offer any indication of the values of this generation apart from them having turned their backs on liberalism.

Other historians, such as John Lukacs and Judit Frigyesi, acknowledged that the paradigm shift of early 1900s Hungary had some urban-rural dimensions.<sup>25</sup> However, the latter thought that the new generation lacked a shared ideological vision, and its members were only united by mutual personal connections and their desire for change, while the former stated that the main conflict of the period was between the Jewish and non-Jewish populations of the country. Miklós Lackó also wrote of an "anti-town mood," which he claimed grew stronger in turn-of-century Hungarian literature, though he did not elaborate on the ways in which it found expression.<sup>26</sup> Gábor Kovács acknowledged the presence of what he described as an anti-urban counterculture in fin-de-siècle

24 Gluck, *Georg Lukács and His Generation*, 21.

25 Lukacs, *Budapest 1900*, 186; Frigyesi, *Béla Bartók*, 74.

26 Lackó, "The Role of Budapest in Hungarian Literature," 354.

Hungary, however he perceived it as an exclusively rightwing phenomenon.<sup>27</sup> Finally, Robert Nemes explained the changing cultural landscape by arguing that the formerly influential ethnically Hungarian gentry was losing its influence and wealth and, as a result, turned to Catholic nationalism, which often contained a heavy strain of antisemitism.<sup>28</sup>

The discussion below argues that antisemitic tensions were only part of the main cultural conflict of the period. It demonstrates that there was a unifying theme in the works and philosophy of the generation that came to cultural relevance around 1905. As opposed to their fathers who built the metropolis, the members of the new generation had an overwhelmingly negative view of Budapest and an idyllic one of rural Hungary. These sentiments were present not only in rightwing circles, such as in the newspaper *Alkotmány* (Constitution) but also in liberal and feminist newspapers (such as *Nyugat* and *A Nő és a Társadalom*) and in the novels of the newly emerging female writers of the period, Terka Lux and Margit Kaffka.

If one seeks to understand the political changes in Hungary in the first decade of the twentieth century, then it is crucial to understand the cultural changes that took place around 1905, the only time the Liberal Party lost an election in fin-de-siècle Hungary. A more nuanced grasp of the cultural context of the Independence Party's victory furthers a better understanding of its electoral success. Rising nationalism eventually also played a part in the collapse of the Monarchy. By understanding the urban-rural divide in Hungary in the early 1900s, we might thus arrive at a more complex understanding of why Austria-Hungary collapsed. Finally, anti-Budapest rhetoric that portrayed the capital as a sinful city that lacked Hungarian character was also a feature of the emerging Horthy regime in the 1920s.<sup>29</sup> Understanding the origins of this rhetoric may lead to a better grasp of its later reemergence as an effective political tool.

### *“The Business of Abandoned Villages”: Journalism*

The turn of the century saw the rise of numerous new journals and newspapers in Hungary across the political spectrum. Budapest's liberal cultural elite could read, for example, *A Hét* (The Week), which first went into publication in 1890, and then *Nyugat* from 1908. Feminists could read *A Nő és a Társadalom*, which

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27 Kovács, G., “From the Guilty City to the Ideas of Alternative Urbanization,” 100.

28 Nemes, *Another Hungary*, 174.

29 Kovács, G., “From Guilty City to the Ideas of Alternative Urbanisation,” 99.

was launched in 1907, and, in addition to the existing periodical *Magyar Állam* (The Hungarian State, 1868–1908), Catholic activists could enjoy *Alkotmány* between 1898 and 1919 and *Néppárt* (People’s Party) between 1899 and 1909. The fact that anti-Budapest discourse was present in these ideologically diverse papers shows how prevalent anti-urban sentiments were in the first decade of the twentieth century.

The fact that *Alkotmány*, a periodical backed by Catholic radicals, contained heavily anti-urban and antisemitic passages should not come as a surprise. The role of the Catholic Church in the rise of nineteenth-century European antisemitism has been widely discussed.<sup>30</sup> What this section will focus on is the specific anti-urban nature of the articles in *Alkotmány*. Antisemitism in fin-de-siècle Hungary already has a rich historiography. From the Tiszaeszlár blood libel scandal to the resurgence of antisemitic Catholic radicalism in Austria-Hungary, the topic has been covered from various angles.<sup>31</sup> A substantial share of the secondary literature, however, discusses antisemitism or the rise of the far right in isolation, when in reality, turn-of-century antisemitism can also be understood as a manifestation of a wider metropolitan-rural divide.

It is a widely held view that antisemitism has had an anti-urban component in Europe.<sup>32</sup> By turning to antisemitic tropes, rightwing agrarians could summarize their anti-capitalist, anti-cosmopolitan sentiments.<sup>33</sup> There were three manifestations of anti-urban antisemitism in *Alkotmány*: opposition to capitalism, opposition to liberalism and cosmopolitanism, and opposition to Budapest’s alleged lack of national character. An article from 1901 offers an example of the predominantly anti-capitalist antisemitism in the writings published in *Alkotmány*:

Just look at the hundreds of millionaires in Lipótváros and its surrounding neighborhoods: the foreign breweries, slaughterhouses, and gamblers. They got rich, did not risk anything, and lived happily even before the state discounts because destroying the common man’s small businesses created enough advantages for them already. [...] The moving cosmopolitan capital, which has settled down in the country

30 See López, “Crusade and Mission”; and Krzywiec, “Between Anti- and Another Modernity.”

31 For the rise of the far right, see for example Paksa, *A magyar szélsőjobboldal története*. For the Tiszaeszlár and its aftermath scandal, see Kővér, *A tiszaeszlári dráma*, and for Catholic radicalism, see Schorske, *Fin-de-siècle Vienna*.

32 Michel, “Anti-semitism in Early 20th-Century German Geography,” 1.

33 Mosse, *Toward the Final Solution*, 121.

out of *do ut des* reasons, has always tried to remain in close friendship with the liberal governments.<sup>34</sup>

While at first glance the text is simply anti-capitalist, there are several signs that demonstrate its antisemitism. For instance, the idea of a “cosmopolitan capital” that has good relations with liberal parties was a frequent antisemitic trope.<sup>35</sup> Additionally, the text specifies “*Lipótváros* and its neighborhoods” as the center of capitalist destruction. *Alkotmány* frequently portrayed this part of the city as an area defined by its Jewish population. Thus, the criticisms of the liberal elite, which the paper claims ignored the negative consequences of fin-de-siècle entrepreneurship and industrialization and the effects of large corporations on small businesses, are given an antisemitic coating either because the author genuinely thought this way or simply to appeal to the paper’s readership by finding a scapegoat for complex issues that were the result of urbanization and capitalism.

Another example of anti-urban and anti-capitalist antisemitism is apparent in this article from 1904:

Today, in the golden age of liberalism, the Jews are the lords of Hungary. [...] They have the land, the money, the banks and loans, as well as the companies. [...] The vast majority of the doctors and lawyers are Jewish. They swarmed the theaters, the arts, literature, and the press. They infiltrated the universities and teach at the academies, high schools, and community schools. [...] First, they demand money from the taxpayer, then they want their rabbis and butchers to be above the law so that they can create a state within the state based on the laws of Moses.<sup>36</sup>

The article contains several familiar antisemitic tropes, such as references to banks and loans, opposition to liberalism, and anxiety about the emergence of a thriving Jewish society at the perceived expense of the wider Hungarian population. However, at closer look, the unifying theme among these professions, which are labeled “Jewish” in the article, is their metropolitan attributes. The middle-class professions of doctors and lawyers mostly thrive in cities. The vast majority of Hungary’s papers were printed in Budapest, which was also the center of the country’s art scene and the site of its most prestigious universities. Thus,

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34 “Hegedüs diadala,” 1.

35 Bihari, “Aspects of Anti-Semitism in Hungary 1915–1918,” 68.

36 “A zsidók,” 2.

the unifying theme that the antisemitic *Alkotmány* despised was not inherently aspects of Jewish life but the life and culture of the metropolis.

This life and culture most easily found expression in the newly emerging literary life. Therefore, it should be no surprise that the newly founded Budapest-based papers were a frequent target of *Alkotmány's* journalists. *Alkotmány* even labeled one of the most prominent papers of the period, *A Hét*, a Jewish paper:

We read in the Jewish papers that the weekly Jewish paper *A Hét* is celebrating the tenth anniversary of its first publication. The [...] anniversary-edition, [...] according to *Budapesti Napló* [Budapest Diary], was created by the entirety of the Hungarian literary world. Hold on! We happily concede that the Jewish literary are present in *A Hét*, a paper unfit for the desk of a Hungarian. However, no one dare say that “the entirety of the Hungarian literary world” merely comes from *Lipótváros* and its surrounding neighborhoods. Thank God, there are still plenty of Christian Hungarian writers. Jewish Hungarian writers do not exist. There are Jewish writers who write in Hungarian, that’s it.<sup>37</sup>

As in the case of the earlier passages, it is worth examining the primary target of the attack in this passage. The journalist states that the values represented by *A Hét* are unworthy of being on the desk of a Hungarian person and cannot be considered part of the literary canon. *A Hét* primarily wrote for the middle-class liberals of Budapest, but the author purposefully identifies this societal segment with the Jews exclusively. For example, as was true of the earlier writing, this passage also includes the phrase “*Lipótváros* and its surrounding neighborhoods.”

The fact that the author identifies “*Lipótváros* and its surrounding neighborhoods” as both predominantly Jewish and as the personification of everything the author seems to despise lays bare the core of *Alkotmány's* value system. Contrary to what *Alkotmány* regularly indicates, *Lipótváros* district was not a Jewish-majority neighborhood. In both 1900 and 1906, only 28 percent of the district’s population were Jewish, with the largest religious group being Roman Catholic (56 percent).<sup>38</sup> If *Alkotmány* really sought simply to stir hatred against the Jews as an ethnic group, they could have identified *Terézváros* district as their primary target, given that its Jewish population in its central areas almost matched its Catholic population (42 percent and 45 percent respectively).<sup>39</sup>

37 “Napihírek: (Az egész magyar literatura?),” 9.

38 “Budapest etnikai adatbázisa (1850–1950).”

39 Ibid.

However, the key lies in the class composition of the two districts. While *Lipótváros* was an affluent neighborhood, *Terézváros* was an impoverished district.<sup>40</sup> Thus, *Alkotmány* did not simply attack Jews. Rather, it vilified Jews who allegedly had benefited from urbanization and capitalism, who were perceived by the periodical as more influential. Any admission that the Hungarian elites had also taken part in the creation of an urban, liberal, and capitalist new Hungary would not have fit their narrative. With exaggerations, *Alkotmány* could portray the middle-class Jewish minority of *Lipótváros*, who fit the prevalent antisemitic stereotypes because of their wealth and influence in the city, as powerful foreign figures intent on destroying Hungarian values. Thus, the antisemitism of Catholic radicals in Hungary was heavily influenced by their contempt for a cosmopolitan, liberal Budapest, and not vice-versa.

One finds further support for this conclusion in the numerous articles published in *Alkotmány* in which antisemitism is merely a smaller part of a wider criticism of liberalism and cosmopolitanism. An article printed in *Alkotmány* in late 1900 argues that liberalism had once been a Hungarian national project but now exclusively had come to serve cosmopolitanism:

Liberalism ceased to be Hungarian. It became cosmopolitan. [...] Cosmopolitan liberalism in its Hungarian disguise merely preaches [tolerance] but does not practice it. It preaches patriotism yet excludes all anti-liberal Hungarian Christians. It preaches religious freedom yet does not satisfy the deeply hurt Catholics but retreats from the Jews.<sup>41</sup>

Thus, for the author of this article the primary grievance concerned the cosmopolitan aspects of liberalism. Catholic Hungarians were allegedly excluded from the liberal project. It is beyond the scope of this article to examine the extent to which claims that the Liberal Party was intolerant of Catholics or Hungarian nationalists are legitimate, but it is worth bearing in mind that the liberal Hungarian elite often compromised on the public expression of certain manifestations of Hungarian identity by censoring lyrics if imperial delegations were present at plays or by refusing to attend memorials and funerals of revolutionary heroes in an official capacity.<sup>42</sup>

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40 Gluck, *The Invisible Jewish Budapest*, 22–28.

41 “Tanulságok,” 1.

42 Bede, *Populism without the People*, 10. See also Prokopovych, “Scandal at the Opera”; Koranyi, “The Thirteen Martyrs of Arad,” 6; Vari, “The Nation in the City,” 215; Barends, “Trafficking in Photographs,” 36.

This article is also noteworthy because it recognizes the emerging counter-culture that started to find its foot around the time the article was published: “Cosmopolitan liberalism will not always be present in Hungary. It is already on its way out. [...] Hungarian Christians started to organize politically and economically. They started to organize in literature, in science, and in schools.”<sup>43</sup>

The Catholic radicals recognized the beginnings of certain cultural processes that in five years’ time would contribute to the outcome of the 1905 elections. *Alkotmány* itself had gone into publication in 1898, only two years before the article was printed, and the Catholic People’s Party was founded in 1895.

In an earlier article published in *Alkotmány*, there was an explicit link between the downfall of the gentry articulated by Robert Nemes and the emerging cultural anxiety and anti-metropolitan, anti-urban sentiments:

In one or two years, the unique representatives of the middle classes, the gentry, will be a thing of the past. [...] Because the inhabitants of the patriarchal noble mansions are disappearing from the villages, and their place is being taken over by some cosmopolitan-type landowners. The gentry goes to the city and sets camp in the county or national bureaus just to become [a clerk]. [...] There is no better way for Hungarian society to rid itself of its cosmopolitan character than strengthening the class for whom every inspiration comes from the land: the Hungarian land soaked in the blood of our ancestors.<sup>44</sup>

The article goes on to call the landowners “the cosmopolitan type race, whose land grabs have intensified in the past decades,” clearly claiming that it was Jewish landowners who had acquired the lands of the lower gentry.<sup>45</sup> The entire article is perhaps the clearest example of *Alkotmány*’s many pieces that reflect an important trend in the *Zeitgeist*: opposition to the established city culture, with its liberal politics, disappearing Hungarian gentry, and presence of Jews.

Interestingly, the notion that Budapest was “un-Hungarian” appeared not only in the writings of radical Catholics but also in the liberal press. In the prominent, Western-oriented literary journal *Nyugat*, Aladár Schöpflin, a liberal critic who was the first to spot several later literary giants, discussed the potential reason for the differences between the city and the rest of the country.<sup>46</sup>

43 “Tanulságok,” 1–2.

44 Csernay, “A pusztuló gentry,” 1.

45 Ibid., 1.

46 “Schöpflin Aladár,” in *Magyar Életrajzi Lexikon*.

Hungarians never had a city. The second they started to grow, they were crushed by the horrors of history. [...] The cities that slowly but surely started to develop, Buda, Pest, Arad, Temesvár, and Nagyvárad, were all formed of German elements, and at the beginning of the nineteenth century, they were exclusively German. Ethnic Hungarians lived in villages.<sup>47</sup>

Thus, we see how Schöpflin attributes the metropolitan-urban divide to historical and ethnic origins. The cities were predominantly German, and Hungarians lived in villages and towns. In his interpretation, it is this ethnic conflict that resulted in the generational conflict of his times:

It was the generation of our fathers that made Budapest Hungarian. [...] Very few of the people of Budapest who bear original Hungarian names were actually born in Budapest. The majority of ethnic Hungarians are still alien in the capital. [...] The present ruling generation still hasn't formed Budapest to their own image. Parliament is managing the country's business in a county-like and village-like manner. [...] In Budapest's public life, we rarely see any ethnic Hungarians: they are still more interested in the business of abandoned villages or counties than that of the capital in which they live and in which their sons will live.<sup>48</sup>

It is difficult to confirm Schöpflin's contentions concerning the other cities he mentions (detailed ethnographic data regarding those cities is only available from 1880), but it is true that in Pest-Buda, even in 1850, 49 percent of the population identified as German and only 31 percent as Hungarian, which does partially support his claims.<sup>49</sup> However, given that there was a significant Hungarian population earlier, it is an exaggeration to say that very few Hungarians were born in Budapest.

Schöpflin wrote this article in 1908, two years after the coalition led by the Party of Independence formed its government. Therefore, by the “present ruling generation” Schöpflin means the nationalist intelligentsia of the Party of Independence and its coalition partners, who were hostile to the metropolis. For many of the ethnic Hungarians who came from outside the city's borders, Budapest felt unfamiliar and foreign despite the fact that most of the denizens of the city spoke Hungarian by the early 1900s. However, the greatest difference

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47 Schöpflin, “A város.”

48 Ibid.

49 “Budapest etnikai adatbázisa (1850–1950).”

between them and the liberal, Hungarian-speaking children of the German middle class was that they did not consider Budapest's "un-Hungarian" nature inherently negative. The liberal intelligentsia's problem with the capital, as shown through Margit Kaffka's writings, was something entirely different. It is also evident, on the basis of Schöpflin contentions, that some grievances regarding the liberal negligence of rural Hungary in favor of Budapest were legitimate. Schöpflin dismissed those who tried to improve small town communities by labeling them "abandoned villages and counties."

Dissatisfaction with the capital was also present in periodicals in which one would not necessarily have expected to find it. As elsewhere in Europe, discussions of gender-based inequality were becoming part of the discourses of the political and cultural mainstream. Partially thanks to capitalist economic development, the idea of the "new woman," who could express herself through her profession, became prominent.<sup>50</sup> To help facilitate these discussions, official feminist organizations were formed, which also led to more representation of women in contemporary periodicals. In 1904, Róza Bédy-Schwimmer and Vilma Glücklich founded the Feminist Association, which started publishing its own journal, *A Nő és a Társadalom*, in 1907.<sup>51</sup>

Dóra Czeferner has argued that the Feminist Association's first official journal played an important role in spreading feminist ideas both in Budapest and outside the capital.<sup>52</sup> The journal was distributed freely to members of the association (there were 2,100 members in 1907 and 5,175 in 1914) and also had additional subscribers, plus a readership in cafés, restaurants, and reading groups.<sup>53</sup> While this may not seem a high number, Czeferner notes that this meant a larger readership than that of similar publications had in Austria.<sup>54</sup> Moreover, regardless of the readership, as the official outlet of the Hungarian Feminist Association, *A Nő és a Társadalom* is an invaluable source on mainstream contemporary feminist thinking.

Contrary to what one would expect, feminist journalists considered Budapest the hotbed of patriarchy, not the more traditional rural towns and villages. The first issues of *A Nő és a Társadalom*, for instance, regularly published reports on the operations of feminist organizations outside Budapest as well as calls for

50 Kádár, *Engedelmes lázadók*, 19.

51 Stewart, "In the Beginning was the Garden," 301.

52 Czeferner, "Schwimmer Rózsa lapszerkesztői tevékenysége," 335.

53 Czeferner, *Kultúrmisszió vagy propaganda*, 123–26.

54 *Ibid.*, 123.

women to move to the countryside. A 1908 issue of the journal started with a report on the operation of the local feminist organization of Balmazújváros (a town in the Northern Great Plain). The extensive report, authored by Róza Bédy-Schwimmer (1877–1948), the editor-in-chief of the paper, wrote in admiration of the Balmazújváros group and dismissed those who looked down on feminists outside the capital:

This is not a joke. This is much more than “Mucsa feminism.” This doesn’t mean that the wives and daughters of Balmazújváros’s educated elite have sworn an oath to the flag of feminism. This means much more. [...] In Balmazújváros, the Feminist Organization can be found in the center of the National Peasant Party.<sup>55</sup>

The fact that Bédy-Schwimmer felt it important to defend feminists in rural Hungary from condescending terms such as “Mucsa” (a slur of sorts against the people of rural Hungary which implied backwardness) indicates that many before her must have looked down on them. The text clearly has a class element as well. By drawing comparisons with the National Peasant Party and dismissing the “wives and daughters of the Balmazújváros elite,” the article reinforces the idea that the group is popular among the lower classes of Balmazújváros as well.

*A Nő és a Társadalom* not only praised the feminists of rural Hungary but also actively encouraged its readers to move out of the overcrowded Budapest, as the rural world offered a better life for them. An earlier issue of the paper featured an article by the president of The Feminist Association, Janka Groszmann, which offered the following argument:

Until the evolution and expansion [of cities] were not having a negative effect on the citizens, it bothered no one. However, now the skyscrapers, the overcrowded flats, the noise of the metropolis traffic, the rush, and the nervous pace made it possible to change our approach to how we think about urban development.<sup>56</sup>

Groszmann goes on to describe the city as lacking air and vegetation, and she argues that the idea of building villas with plenty of green spaces will only benefit the well-off.<sup>57</sup> She argues that for women of more modest means, there is only one solution that will also help them break out of the patriarchal system:

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55 Bédy-Schwimmer, “Nőmozgalom Balmazújvárosban,” 143.

56 Groszmann, “Fővárosi nőtisztviselők vidéken,” 42.

57 *Ibid.*, 42.

Those who do not have strong practical or emotional ties to the capital can easily help the situation by moving to rural areas, at least for a few years. [...] Fathers are proud if their sons [...] succeed in a different environment. But they would under no circumstances allow their daughters to explore the world. Unfortunately, the girls don't notice how humiliating these loving fears are either. [...] Just like those who are opposed to feminism, people who oppose opportunities for women to work in different towns [...] keep listing the reasons that haven't proven totally unfounded during the long fight for economic independence for women.<sup>58</sup>

Groszmann then lists other benefits of rural life:

Exercise, walking, and studying are all wonderful ways of spending the evening leisure time, and there is much more time and opportunity for these in rural areas than in the metropolis. [...] For the individual, the easier livelihood and the healthier environment both make living in the rural world an experience much to be recommended, and the feminist movement also demands that its members help women organize throughout the country, not just in the capital.<sup>59</sup>

Groszmann's articles encapsulate contemporary attitudes to Budapest and the rural world. She considered life in overcrowded Budapest undesirable, and she encouraged women to move to the countryside.

Given that regardless of one's political affiliation, journalists blamed the capital for the contemporary social and political developments they opposed, it is worth considering whether it was actually Budapest they had a problem with or just its imagined attributes. After all, the Catholic radicals of *Alkotmány* blamed Budapest for the decline of the patriarchy, while the feminists encouraged women to leave it because they claimed the city upheld its institution. As the excerpts indicate, the capital did genuinely contain some elements these two groups found undesirable. *Alkotmány* and the Catholic radicals disliked cosmopolitanism because it directly contradicted their values. Feminists could rightfully be wary of the increased accumulation of wealth and capital by businessmen, which increased their power and consequently women's reliance on them. However, Catholic radicals and feminists projected other disliked features of their times

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58 Ibid., 43.

59 Ibid., 43.

that were otherwise unrelated to the capital. They thus gave the city of Budapest exclusively negative connotations, effectively demonizing it.

Their ideas about rural Hungary were also often naive or false. *A Nő és a Társadalom* may have celebrated the feminists of Balmazújváros, but in reality, their feminist organization had a much stronger foothold in Budapest than anywhere else.<sup>60</sup> *Alkotmány*'s journalists, who falsely identified Jews as the sole representatives of the complex forces that decreased their cultural influence, naively or purposefully used an imagined topography of Budapest and Hungary. In reality, there was a significant Jewish population in the Hungarian countryside and liberalism and capitalism were present outside the metropolis as well.

### *The Budapest Flâneuse: Women's Literature*

The early years of the twentieth century saw an increased representation of women in literary life. A number of public spaces opened up for women, some of whom even got to contribute to the era's most influential journals.<sup>61</sup> The women in this chapter, Terka Lux and Margit Kaffka, represented different branches and different degrees of commitment to feminism. Yet they both articulated similar ideas about the relationship between Budapest and rural Hungary.

Lux wrote extensively about life in Budapest as experienced by women. These novels contain explicit social criticism regarding life in the metropolis, yet they are often analyzed only in the context of women's literature. By understanding them as part of a wider cultural paradigm shift, one discovers other themes in their pages.

Born in Szilágysomlyó and having grown up in poverty, Terka Lux (1873–1938) was a social democratic feminist, meaning she was in favor of female suffrage but her priorities were to address the social and economic inequalities of women.<sup>62</sup> She wrote a number of novels and short stories, most of which centered around the female experience of the capital's social dynamics.<sup>63</sup> Two of these novels, *Leányok* (Girls) and *Budapest*, articulate her thoughts on life in the capital most clearly. Both of these books star young women from rural Hungary, and follow their coming of age as they explore the metropolis.

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60 Kádár, *Engedelmes lázadók*, 19.

61 Ibid., 20; Borgos and Szilágyi, "Bevezetés," 8.

62 "Lux Terka," in *Magyar Életrajzi Lexikon*; Kádár, *Engedelmes lázadók*, 52; "Lux Terka," in *Író nők a bálón*.

63 Kádár, *Engedelmes lázadók*, 44.

*Leányok*, published in 1906, follows the story of three maids in Budapest, Juli, Janka, and Baba, who, like most maids in the period, come to the capital from rural communities. All three protagonists face challenges and meet characters who exemplify the world of Budapest at the time. There are several ways in which Lux portrays the city as the “villain” of the book. The first is the plot and the overall message of the novel. All three protagonists are seduced by some aspect of city life. Two of them fail to resist. Baba’s arc is the clearest manifestation of the city’s villainy. She tries to pursue an acting career with some degree of success. She ends up falling in love and becomes pregnant. The man disappears from her life, so she tries to abort the child, but complications arise, and she does not survive the procedure.

The city ruins Janka’s life in a different way. Her main problem is that she represents “the traditional woman” who, because of her values, can be more easily exploited in the big city. Janka refuses to study anything apart from music in the expectation that she can meet and marry a rich man. Her wish is fulfilled, but she ends up marrying a man she does not love at all.

The only protagonist who resists the temptations of the city and ends up leading a happy life is Juli. She represents “the New Woman” who, alongside her day job, studies to be a nurse. She encounters similar temptations as Baba and Juli, but resists them. She rejects free love, and when Baba asks for her help with her abortion, she refuses on moral grounds. Her “reward” will be to move back to rural Hungary and marry. But unlike Janka, she *chooses* to marry, and she is not forced into marriage because she has no other option. She is free to choose how she performs her femininity.

This plot clearly reflects Lux’s type of feminism and contemporary fears. She condemned free love, which she thought led to the destruction of family unity (hence Lux’s strong condemnation of abortion in her novel).<sup>64</sup> Budapest is the “villain” of the novel because it poses a threat to young women, who will give up on their familial duties by encouraging them to love freely. Juli “wins the game” because she resists the temptations of the city and moves to Lux’s idea of the more peaceful, morally pure rural world.

Judit Kádár argues that this ending symbolizes the dominance of the rural patriarchy.<sup>65</sup> However, the message of the novel is slightly more complex. As she noted, Lux considered starting a family the ideal way of performing femininity,

64 “Lux Terka,” in *Írónők a bálón*.

65 Kádár, *Engedelmes lázadók*, 46.

but women had to be economically independent and able to *choose* their path and the man whom they would marry.<sup>66</sup> Thus, the rural world is not portrayed as a place full of prejudice. Rather, it is where Juli's femininity can be expressed ideally as a result of her choice. As a qualified nurse, she will be able to provide for her family independently if necessary.

The subjective portrayal of life in Budapest does not end at *Leányok's* plot. Lux uses her literary skills to paint a negative, somber, and sometimes frightening picture of the city. She introduces it from the point of view of young women. Whenever Lux describes the exterior of the city, her words create a negatively charged environment:

It was a dark, dirty, and narrow garden in Király Street, full of boxes and carts. Pale and dirty children were playing amongst the crates. In the sombre, quiet, and lukewarm September rain, the girls could hear the deafening screeches of the streets through the open gate. Baba looked from right to left, glaring at the tall buildings while she listened to the ugly, hellish noise of the city almost lustfully.<sup>67</sup>

Lux also uses Budapest's street aesthetics to convey the degree of the poverty in which her characters live. She even goes so far as to blame the city's atmosphere for the misery of those living in it:

[The walls of the house] were crumbling. [...] The chimneys kept fuming filthy, thick smoke all day. It smelled like soot. The smoke covered everything like a nightmare. It was in the air, in the houses, and even in people's souls. The air is smothering, the houses are filthy from the inside out, and the workers are exhausted and apathetic. Their souls are full of sorrow.<sup>68</sup>

The two excerpts show that, in Lux's version of the capital, there is something inherently bad in the Budapest air that makes the lives of the city's inhabitants terrible.

*Budapest*, Lux's better-known novel, explores similar themes but less skillfully than its predecessor. In the introduction, Lux openly states that the book should be read as a Budapest-guidebook. This guidebook can both be interpreted literally but also as a guidebook to Budapest's society and its character:

The reader should treat my writing like an illustrated guidebook to Budapest. [...] This is our Budapest. [...] The scorned, despised,

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66 Kádár, "Two Austro-Hungarian Women Writers," 31.

67 Lux, *Leányok*, 5.

68 *Ibid.*, 49.

excluded, and profaned stone-lady, who [...] takes away everything; happiness, peace, honor, and life.<sup>69</sup>

Similarly to *Leányok*, *Budapest* is also about a young woman who is tempted by various stereotypical challenges and characters in the city. Fáni Schneider, however, unlike Juli in *Leányok*, learns to fight back and becomes as immoral as the city itself. At one point, she even says, “[t]his was the city that stole everything from me! Now it’s my turn to take everything from it.”<sup>70</sup> Fáni becomes disillusioned and arrogant by the end of the novel, suggesting the corrupting nature of the capital.

Like in her previous book, Lux makes the city the main villain of the story. Crucially, Fáni encounters the first “immoral” temptation on its streets in the form of a sculptor who becomes her lover.<sup>71</sup> Elsewhere, the book’s characters openly articulate Lux’s opinions of the city to an almost comically blatant extent:

“They all said the street taught them! The street seduced them. [...] You filthy capital! You!” And she spat on the street. “Everything belongs to you: honor, money, land, life! Everything belongs to the [financial] capital. To the palaces! To this!”<sup>72</sup>

Thus, in *Budapest*, Lux names the main reason why the city is so sinful and corrupt. She aims to show throughout the novel that it is the rule of capital that makes Budapest a terrible place for young women to live in.<sup>73</sup>

Thus, similarly to some of the nationalists, Lux’s main problem with Budapest was the capitalist world that flourished there. Lux portrayed the capital in a heavily distorted way by completely ignoring the fact that, though undoubtedly stronger in the metropolis, capitalism was also present in rural Hungary. However, contrary to the Catholic radicals, she does not equate capitalism with the Jews or cosmopolitanism. The accumulation of capital appears as the main problem rather than as a symptom of something else.

It would be impossible to discuss fin-de-siècle women’s literature in Hungary without examining the works of its most famous representative, Margit Kaffka (1880–1918). Kaffka is an ideal choice to explore the social dynamics of

69 Lux, *Budapest*, 4.

70 Ibid., 19.

71 Ibid., 8.

72 Ibid., 11–12.

73 Also see, *ibid.*, 15 and 42.

Budapest and rural Hungary from a female point of view, as she experienced life in both places in the same era. She was born in Carei, or Nagykároly by its Hungarian name, a small town in Transylvania.<sup>74</sup> After spending time as a teacher in Miskolc, Kaffka rose to prominence in Budapest as the leading woman writer of the period.<sup>75</sup> In his analysis of her novel *Színek és évek* (Colours and years), Robert Nemes examines the ways in which Kaffka was able to write social commentary concerning the crisis of the gentry as well as the hierarchy of Budapest and rural towns.<sup>76</sup>

*Állomások* (Stations), one of Kaffka's other novels, also offers criticism of Budapest's liberal elite, a longing for the countryside, and most crucially, an example of how Kaffka also portrayed Budapest as the city of sin. While the first edition of the novel was published in 1914, which is slightly later than the period discussed in this article, due to its autobiographical nature and the story building on the author's past experiences, it deals with the relevant period and thus can be considered a valuable source on perceptions of the culture of Budapest around 1905.

Györgyi Horváth aptly referred to Kaffka as a flâneuse, i.e. a female wanderer who observes the city.<sup>77</sup> *Állomások* provides an excellent portrayal of contemporary Budapest and its society. The semi-autobiographical novel follows the life of Éva Rosztoky, a painter from rural Hungary who joins Budapest's elite circles. Kaffka was rather critical of this elite, as she felt that they tried to fulfil the social expectations of the city instead of expressing their individuality. She thought this was no different from the prejudices for which many criticized the world of rural Hungary. She communicates this criticism through her main character in *Állomások*:

There were others in this “city-center” group who she looked down on. She knew well that all their laws are external. They all had their prejudices, which were only distinguished from the prejudices of the stricter country people by their false and easily trickable nature.<sup>78</sup>

Kaffka's Budapest was not only judgmental but, similarly to Terka Lux's interpretation of the capital, it was also the very embodiment of sinfulness.

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74 Kádár, *Engedelmes lázadók*, 101.

75 Borgos, “Mit csinálhatok én az embervoltommal,” 35–37.

76 Nemes, *Another Hungary*, 216–17.

77 Horváth, Gy., “Kószálónők a régi Budapesten,” 164.

78 Kaffka, “Állomások,” 115.

Towards the end of the novel, Éva and her bohemian friends retire to the hills behind Buda and look at the city from the distance with disgust. This provides a literary perspective from which Kaffka can observe and describe the entire metropolis and label it a “rioting, bloody, hungry, and poisoned city.”<sup>79</sup> Similarly, in the final pages of the book, Éva is sitting on a tram and reflecting on the city while observing her surroundings:

Oh this city! This hungry city, this poisoned city! [...] Where is that contagious substance, that rotting mushroom that makes everything good, beautiful, and promising start corrode, collapse, or disintegrate? Is it in the air or is it under the cobblestones?<sup>80</sup>

As these excerpts make clear, like Lux, Kaffka thought that there was something inherently bad and corrupting in the city.

Given Budapest’s allegedly sinful nature, Kaffka’s Éva Rosztoky needed a more peaceful place to which she could escape, and this was her childhood home, Aranyoskút. In *Allomások*, Kaffka, despite her criticism of its dullness, portrays Aranyoskút and the surrounding countryside in an idyllic, peaceful, and sometimes even sensual way, in contrast to the busy, “poisonous” Budapest. For example:

They were unreserved, free, and happy there. They loved each other “en plein air” under the sunshine, in the luscious, evergreen valley. Here, in the beginning, their nice, naive, and easy joy for life was sincere.<sup>81</sup>

Kaffka also suggests in her novel that, in contrast to the world of rural Hungary, Budapest did not have its own culture. The culture of the city was, in her depiction, merely an adaptation of that of its rural immigrants. In the early stages of the story, Éva has a conversation with Róbert Vajda, her first love interest in the novel. Vajda delivers the following lines, with which Éva agrees:

Hungary, its entire culture [...] is so rural, so village-like [*falusi*], it tastes of peasants; just like us. That’s not surprising, given that the entire population of Greater Budapest, this whole generation, emigrated from the rural areas. That’s where they bring their attitudes, traditions, accents, everything from. [...] Budapest is a new city. It hasn’t created its own culture yet.<sup>82</sup>

79 Ibid., 257–58.

80 Ibid., 282.

81 Ibid., 92.

82 Ibid., 109.

Thus, according to Kaffka, Budapest does not yet have a unique culture, and the only way its artistic elite can become accomplished is by evoking the cultural imagery of the rural world from which they came.

Terka Lux and Margit Kaffka shared several grievances concerning the metropolis with the nationalist, feminist, and liberal journalists, be it Lux's critique of Budapest's alleged immorality and rampant capitalism or Kaffka's idea of a city without a unique culture. Lux and Kaffka, however, nonetheless insist that they love the city despite their harsh criticism of it. In her introduction to *Budapest*, Lux makes it clear that she loves the city.<sup>83</sup> Similarly, during the concluding thoughts of *Állomások*, Éva remarks that alongside its inherent "poison," Budapest also contains plenty of good that "forces its inhabitants to love it anyway."<sup>84</sup>

What was it in the capital that attracted them to it, despite its alleged sinfulness? Lux answers this question:

I love [Budapest] because [...] Fáni Schneider, despite its genial rottenness, retained a lot of her nice, childish traits. [...] I love Budapest, this poor Fáni Schneider with a bad reputation. No one concluded how she acquired this rottenness. Was it genetics or trauma? [...] The world does not ask how you gained your sin, only how you lost your morals. I don't think I'll succeed, but I'll try to find the answer to this.<sup>85</sup>

With this introduction, Lux makes it clear that Fáni's fate can be interpreted as an allegory for Budapest.<sup>86</sup> With this in mind, the line "This was the city that stole everything from me! Now it's my turn to take everything from it." becomes the key to our understanding of the author's image of Budapest. The secondary literature suggests that Lux did not blame the city for its character.<sup>87</sup>

The aforementioned line also answers a key question with which Lux grappled for years: Why was Budapest ruining the lives of its inhabitants? Lux suggests that modern Budapest and its culture had emerged out of capitalism, and that capitalism inherently meant the immoral exploitation of its citizens, and the only way to uphold living standards and booming culture in the city was to continue this process of exploitation, especially of newcomers.

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83 Lux, *Budapest*, 5.

84 Kaffka, "Állomások," 282.

85 Lux, *Budapest*, 5.

86 Kovács, B., "A nő, ha ír – A nő, ha fejlődik"; "Lux Terka," in *Írónők a bálón*.

87 "Lux Terka," in *Írónők a bálón*.

Margit Kaffka did not leave such clear statements behind. Her correspondence with her friends and some parts of *Állomások*, however, nonetheless offer clues to her views. Between 1902 and 1905, Kaffka was teaching in Miskolc, a city in northeastern Hungary.<sup>88</sup> During her stay, she wrote the following in a letter to fellow poet Oszkár Gellért:

This is a boring, dusty farmer's town [*csizmadiaváros*]. [...] The school is full of ink marks, my students are all hopeless idiots, and my grandmother insists that I marry. [...] There are no emotions, and I couldn't even find any in this environment. Every matter of the "heart" here is blindly tied to practical success in life. [...] Don't laugh, but I need a superior, more sophisticated life, which I had for three years in the capital. You love to chide the capital, but I know that you actually love it.<sup>89</sup>

It is evident from this letter that Kaffka had a problem with rural Hungary. She found it uninspiring and was also bothered by its oppressive social conservatism. She revealed this sentiment in *Állomások* when her main character, Éva Rosztoky expresses her relief that her children will grow up in Budapest, because there they "at least have purpose" and "there is someone to educate them," unlike in Aranyoskút.<sup>90</sup>

Thus, for Kaffka, the main argument in support of living in Budapest is that there were more opportunities for a good life and individual self-expression than elsewhere. As Róbert Vajda says in *Állomások*, Budapest may not be the birthplace of unique style and culture, but for Kaffka, it was certainly the only place where culture could blossom. She might have joked about Oszkár Gellért and the metropolitan artists "chiding" Budapest while simultaneously loving it, but by the time she wrote *Állomások*, she was doing the same.

### Conclusion

This article offered a new way to contextualize a major cultural shift in fin-de-siècle Hungary. It argued that there was a common theme in the writings of members of the generation that reached professional maturity shortly after the turn of the century. This generation turned towards the countryside, and in doing so, they broke with their parents, who were members of the cosmopolitan

88 Nemes, *Another Hungary*, 212.

89 Kaffka, "Gellért Oszkárnak," 103.

90 Kaffka, "Állomások," 116.

generation that had built the capital city. It demonstrated how, in their frequent attacks on the Jewish population of the country, the antisemitic Catholic radicals writing for *Alkotmány* mostly targeted aspects of metropolitan life, such as cosmopolitanism, liberalism, and emerging multiculturalism. This paper does not question the scale or significance of antisemitism on the Hungarian right at the turn of the century, but it does argue that this form of Catholic antisemitism was part of a wider pattern of dissatisfaction with the Budapest-centric status quo of the previous 30 years rather than an entirely independent phenomenon. It also demonstrated how feminist journalists and female authors depicted Budapest as a seductive city of sin and rural Hungary as a safe and calm place that was ideal for women. As the article demonstrated, even the figures who, by their own admission, loved the capital portrayed it overwhelmingly negatively. As the paper showed, the portrayal of the metropolis as sinful appeared to be universally relatable, vastly expanding its reach from its nineteenth-century confines of urban crime writing. Unlike most of the writings about Pest-Buda and, after 1873, Budapest in the nineteenth century, post-1900 discourses about the city concerned a metropolis with an already established identity, not one that was being formed.

This article has not discussed another important group that was formed in the first decade of the twentieth century. The Galilei Circle, a group of atheist freethinkers, was also founded in 1908. Their philosophy, however, differed from those discussed in this chapter, as they by no means idealized the rural world. As Péter Csunderlik has demonstrated, members of the circle regularly referred to rural Hungary as “black country,” implying the disproportional and in their view negative and backwards influence of the clergy on villages, where the “life of the peasantry was dire.”<sup>91</sup>

However, Csunderlik’s monograph also revealed that the Galilei Circle did try to reach out to rural communities. They actively discussed and called for the redistribution of church land in the provinces and, in the 1910s, prepared to popularize their goals in villages.<sup>92</sup> They even explicitly stated that such propaganda activities should be undertaken by members who are from the provinces and can “speak the language of the peasantry.”<sup>93</sup> Given that the Galilei Circle’s framing of these rural societal issues was to help the peasantry, it could

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91 Csunderlik, *A Galilei Kör története*, 313–14.

92 *Ibid.*, 354–69.

93 *Ibid.*, 357.

be argued that they were not that dissimilar to other members of their generation discussed in this article.

On the other hand, the extended version of Csunderlik's study demonstrates that while the Galilei Circle supported feminist demands, it was rather critical of the Feminist Association for accepting a limited extension of female suffrage instead of a full, universal one.<sup>94</sup> Additionally, the first publication of their flagship journal *Szabadgondolat* (Free Thought) in 1911 falls just outside the first decade of the twentieth century (the focus of this article), and their anti-clerical ideology was a reaction to the strengthening of "clerical forces."<sup>95</sup> Therefore, in a way, the Galilei Circle and its ideology, while it accepted some of the basic tenets of cultural change, is an early reaction to the cultural processes (such as the rise of Catholic radicalism) discussed in this article. Further research could reveal the nuances of this complex relationship.

This article showed that despite their expression of grievances regarding Budapest's elitism, unregulated capitalism, and neglect of its lower classes, both the negative portrayals they offered of Budapest and the idealized visions they crafted of rural Hungary were exactly that: a dream world or a constructed nightmare of the given writer's hopes and fears. The Catholic radicals might have perceived Budapest to be an entirely Jewish city and *Lipótváros* an entirely Jewish district, but both in fact were multiethnic. Ethnic Hungarians were just as present as Jews or Germans, and they also helped shape and build Budapest and its culture. Feminists such as Terka Lux or Róza Bédy-Schwimmer might have considered the capital dangerous for women, but the reality was that women outside Budapest were more likely to be exposed to the workings of the patriarchy.

One could rightfully ask why, if frustration with Budapest was so widespread, was there no movement that could unify these voices? One could argue in response, however, that there was indeed a political movement that managed to do so. In 1905, the Party of Independence and its coalition partners did incorporate some anti-Budapest elements into their campaign, and they were more electorally successful in rural Hungary than in the capital.<sup>96</sup> Their success was tied to the cultural processes described in the paper. Still, the 1905 coalition cannot exclusively be labeled a coherent anti-Budapest movement. After all, apart

94 Csunderlik, *Radikálisok, szabadgondolkodók, ateisták*, 194–95.

95 Csunderlik, *A Galilei Kör története*, 297–98.

96 Bede, *Populism without the People*, 44–45.

from *Alkotmány*, no protagonists of this paper participated in the popularisation of the 48ers or their coalition partners.

The answer to the question could be that the grievances of all these various groups concerning the capital were mere projections that often contradicted each other. The Catholic radicals dreaded the influence of Budapest because it undermined the patriarchy, while feminists encouraged women to leave the city for rural Hungary so that they could escape their controlling fathers. Due to these contradictions, it is difficult to say whether there was one common element that could explain why so many different figures disliked the capital. There certainly are recurring themes, such as anti-capitalism. But upon closer examination, we may conclude that it was the highly individualistic culture of Budapest that many across the political spectrum despised. After all, both feminism and Catholic radicalism had a preference for the community over the individual.

The real significance of this fin-de-siècle cultural shift only became truly apparent in the Horthy era. One of the basic pillars of the regime was its anti-Budapest sentiments. The regime's propaganda machine spread the narrative of the capital as a "sinful city" that was supposedly incompatible with national values.<sup>97</sup> This article aimed to contribute to our understanding of the origins of these sentiments. The generation of Hungarians discussed above was not only connected by personal relations, nor were they merely critics of the liberals. They also were not defined exclusively by antisemitism.

Crucially, this cultural shift took place at a time when women writers who had arrived from rural Hungary began to be influential. Margit Kaffka, Terka Lux, and the journalists of *A Nő és a Társadalom* were all able to tell stories that acknowledged the struggles of metropolitan life, aspects of which were particularly harmful for women. Without them, many legitimate concerns regarding metropolitan life would have remained unheard. In the first decade of the twentieth century, as the businessmen who had built Budapest reached old age, a new generation came to artistic maturity, this time with a number of prominent female figures in their ranks. At the turn of the century, shortly after the sun set for the fathers of Budapest, it rose again for the daughters of the countryside.

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<sup>97</sup> Kovács, G., "From Guilty City to the Ideas of Alternative Urbanisation," 99.

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Közép-Európa a hosszú 13. században: Magyarország, Csehország és Ausztria hatalmi és dinasztikus kapcsolatai 1196 és 1310 között [Central Europe in the long thirteenth century: Power and dynastic relations among Hungary, Bohemia, and Austria between 1196 and 1310]. By Veronika Rudolf. Budapest: HUN-REN Bölcsészettudományi Kutatóközpont, 2023. 904 pp.

The book under review is a revised version of Veronika Rudolf's doctoral dissertation "A Magyar Királyság cseh és osztrák kapcsolatai 1196 és 1310 között" [The Bohemian and Austrian relations of the Kingdom of Hungary between 1196 and 1310], which she submitted to Eötvös Loránd University in 2023 and successfully defended. Rudolf enjoyed the support of several grants while pursuing her research on this topic, but she had already been working on various narrower subjects related to the topic when she began her doctoral studies. The change of title seems fortuitous, since the new subtitle (*Power and Dynastic Relations among Hungary, Bohemia, and Austria between 1196 and 1310*) covers the subject of her book much more accurately than the previous title of her dissertation.

As the book is more than 900 pages, including the appendices, I refrain here from offering a detailed presentation of each chapter (Rudolf's own summary is 31 pages long) and focus instead on the primary merits of the monograph. The central power in the Holy Roman Empire weakened at the turn of the twelfth and thirteenth centuries, and thus almost all the princes of the empire were able to pursue independent foreign policies, including King Ottokar I of Bohemia and Duke of Austria Leo VI. Given the concentration of territorial power in the region, this formed the seed of a number of relationships and conflicts that might not have been possible before, and the history of these processes can be traced leading up to the dynastic changes of 1310. Rudolf is hardly the first in the Hungarian and international secondary literature to study this subject. Gyula Pauler and Jenő Szűcs examined the thirteenth-century history of the Árpád era, and Enikő Csukovits has researched the reign of Charles I and the Árpád-era antecedents to the dynasty. There has been no single thorough work, however, dealing with the foreign policy of the Kingdom of Hungary as a whole. Somewhat surprisingly, even in the international secondary literature one does not find a monograph on Austrian-Bohemian relations as a whole.

Rudolf made a boldly ambitious decision in her choice of subject matter, given the monumental scale of the topic, and she has also offered a systematic

treatment of the related secondary literature. She made a similarly bold decision in the selection of the source base. In addition to narrative sources, she has drawn on charters and correspondence books that are relevant from the perspective of political history and also on the surviving formulary books from the period. Furthermore, she has not limited her sources to a single country or even to the three countries under study. Rather, in addition to the Hungarian, Bohemian, and Austrian sources, she has also examined narrative sources from the Polish duchies, Halych, the Bavarian Duchy (or Duchies), Thuringia, and Carinthia, as well as imperial and papal documents and sources from Bavaria, Passau, Saxon, Brandenburg, and Meissen. These sources add a great deal of important contributions to our knowledge of the period. From a methodological point of view, it is also worth noting that Rudolf not only juxtaposes the narrative sources with one another, but also, where possible, checks the claims found in these sources against documentary data. Furthermore, she always works with texts as a whole, thus going beyond the catalogue offered by Ferenc Albin Gombos, and she has done this in relation to the three countries of the region.

In the main text (pp.20–603), which does not contain any summary or recapitulation, each chapter is structured around a central issue which is then explained in full. The events are put in a wider context, which often extends to the European, imperial, or even papal political arena. This is perhaps most fully illustrated in the chapter on the fall of Ottokar II (pp.285–374). The three previous chapters, titled “A Babenberg örökség [1246–1261]” (The Babenberg succession, 1246–1261), “Cseh–magyar szövetség [1261–1270]” (The Bohemian-Hungarian alliance, 1261–1270), and “V. István és II. Ottokár [1270–1272]” (Stephen V and Ottokar II, 1270–1272), trace the “rise” of Ottokar. This chapter begins with insights into the sudden change in the relationship between Ottokar and the Kingdom of Hungary following the accession of the child king László IV to the throne, while the second subchapter deals with imperial affairs. Rudolf offers a detailed explanation of how the imperial princes were burdened by the situation without an emperor, how diplomatic games led to Rudolf Habsburg’s accession to the imperial throne, and how Ottokar II gradually came into conflict with the Austrian and Styrian nobility, a conflict which Rudolf Habsburg used to confiscate Ottokar’s earlier holdings and acquire a share of them. With her nuanced presentation of the campaigns against Ottokar II and their background, she demonstrates that in warfare, good diplomacy and situational awareness are as dangerous, as weapons, as talent. These processes, furthermore, culminated in the Battle on the Marchfeld in 1278, which is hardly insignificant

from the point of view of Hungarian history. Rudolf's ability to reconstruct the events in greater detail than ever before offers eloquent testimony to her extensive study of the sources. Her thorough method thus not only provides a new picture of the situation in the region in the thirteenth-century from the perspectives of politics, diplomacy, and dynastic relations but also offers a detailed mapping of the European networks of relations of the period which includes not only the rulers but also the nobility and the ministerial bodies of the countries under study. One finds clear examples of this, for instance, in the lengthy sections devoted to the Austrian and Styrian ministerial bodies, the Vítkovcis of Bohemia, and the Kőszegi family (which is given a whole chapter). By choosing to cover a long period (1196–1310), Rudolf also shows how the death of a single person can cause a series of dynastic relationships to fall like a house of cards. Another advantage of her discussion of a wide web of relationships is that, in the context of the events of the period, even a marriage previously considered meaningless or misinterpreted can take on a new meaning that fits better into the whole, as Rudolf clearly shows, for instance, in the case of the marriage of Charles I. In addition to her presentation of the networks of relationships from a broad perspective, Rudolf has made many other significant achievements. She has offered, for instance, the most detailed description to date of Hungarian rule in Styria and the role played by the relationship between Béla IV and Ottokár II in the fact that, after the Mongol invasion, the results of Béla's fortress-building policy were seen not on the eastern but on the western border of the country, and how the 1271 peace treaty between István V and Ottokar II, along with the establishment of committees to address border disputes, continued to have an impact during the Angevin era.

With regards to the appendices (pp.635–903), in addition to a thorough treatment of a monumental subject, the reader is provided with databases containing as much information as one might expect to find in several handbooks. The first appendix offers lists of those involved in the main military events, with the Hungarian, Czech, and Austrian participants listed in separate tables, thus making this resource particularly user-friendly. In each case, the sources or literature attesting to the presence of the person in question are indicated, and in the commentary, the given person's achievements and losses are also given, as well as information concerning his ties to his closest confidantes. Thus, readers with an interest in military history will undoubtedly be avid users of Rudolf's lists, as will those studying the society of the time. The next appendix is a list of the main narrative sources, which essentially amounts to a catalogue of relevant

sources for the period under discussion, which, in addition to brief descriptions of the sources, lists the most important pieces of philological literature that provide critical editions and further information. Given the length of the main text and the inevitable jumps in time and place, the chronology that Rudolf provides is also useful and interesting, and it often makes her overviews of her findings easier to follow and retrace in order to date certain events. The genealogical tables present the order of descent and the kinship ties of the ruling families of the period, again going beyond the dynasties of the three countries presented. The tables are made comparatively transparent and approachable by the fact, while the tables of the Árpád, Přemyslid, and Babenberg dynasties are exhaustive, the other ruling families are essentially limited to those individuals who are mentioned in the main text. As for the maps at the end of the volume, they provide immensely useful illustrations of the routes of the campaigns discussed in the main text. With regard to the usefulness of the appendices, it worth noting Rudolf's thoroughness in indicating throughout the main text which charts, tables, or maps are helpful in tracing a particular event, campaign, or dynastic relationship.

Given the importance of this book, it should definitely be published in good translation, and I would also add two subjective critical remarks. First, from time to time, I felt that some discussion of Hungarian internal political processes before the Tatar invasion might have been useful. The absence of any such discussion from the book is not a dire problem, given the rich footnotes and the general knowledge of the Hungarian readership, but in a foreign language edition, it might be important to offer a more detailed description of the processes in Hungary. My other critical remark is simply that, in order to make it easier for an international readership to identify the individuals in question, it would be worthwhile to standardize their names. Rudolf is inconsistent from time to time. For example, in the case of Gergely, the elected Archbishop of Esztergom (1298–1303), we find “Botond fia Gergely” (or Gergely, son of Botond) and also “Bicskei Gergely” (or Gergely of Bicske).

These few critical remarks notwithstanding, Veronika Rudolf's book is a significant contribution to the secondary literature which will prove indispensable to historians of the period. It offers a thorough presentation the historical processes of the region in a well-chosen European context.

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Die Karriere des deutschen Renegaten Hans Caspar in Ofen (1627–1660) im politischen und kulturellen Kontext. By János Szabados. Vienna: Publishing House of the Austrian Academy of Sciences, 2023. 408 pp.

The monograph under review is a revised German edition of the doctoral dissertation by János Szabados, defended at the University of Szeged in 2019. The volume offers a discussion of the career of Hans Caspar, a renegade who lived and worked in Buda in the first half of the seventeenth century. Szabados examines Caspar's career within the framework of new diplomatic history, an approach which has been gaining ground in recent years. In contrast to "classical" diplomatic history, research shaped by this approach is not limited to the individuals who determined policy (rulers and leading diplomats) but rather opens up to other potential lines of inquiry, such as social, cultural, and linguistic history, but also the history of communication and espionage. There is also some focus on the study of lower-ranking individuals or figures who were outside the official diplomatic sphere but still played significant roles in it, particularly those active in Eastern diplomacy.

In the early modern era, converts from Christianity to Islam were referred to as renegades. These individuals had different motivations for leaving the fold. Most of them, however, were able to move more easily in the intercultural space once they had settled into their new environment specifically because of their Christian background, which made them suitable as translators, interpreters, and, in some cases, people involved in intelligence work. Several such figures are known from the sixteenth and seventeenth centuries, but Hans Caspar, who is the protagonist of this volume, stands out among them. Through Caspar's life and career, who was known in the contemporary sources by several names (such as Alexander Fischer and Hüseyin çavuş), Szabados introduces his reader to the activities of the so-called "secret correspondents" who were active in the far reaches of the Ottoman Empire during this period. This is important in part because it is difficult to define the members of this group precisely. Some of them merely passed on the messages that had been entrusted to them, while others were themselves intelligence gatherers or, in some cases, engaged solely in the latter practice. They received regular payments from Vienna in return for their work.

The introduction offers a clear overview of the book (including a discussion of the sources, themes, structure, and methodologies) and a summary of the history of the scholarship on the subject in and outside of Hungary, as well as a review of the most important recent secondary literature on the topic with

particular focus on diplomatic relations between the Habsburg Monarchy and the Ottoman Empire. The half century between 1606 and 1663 was a more peaceful period in the border region between the two empires compared to earlier centuries, a period of relative tranquility guaranteed, among other things, by the Treaty of Zsitvatorok, which brought the Long Turkish War (1591/93–1606) to an end, and by the repeated renewals of the treaty. In addition, the Habsburg embassy in Constantinople, which had been closed because of the war, was reopened after 1606, and a channel of communication between the capitals of the two empires was needed to ensure the transmission of messages.

The second part of the monograph presents the activities of the “secret correspondents” of the first half of the seventeenth century and then specifically the career of Hans Caspar between 1627 and 1660. After initial attempts, the system of “secret correspondents” was effectively established in the latter half of the 1620s. The idea was to have reliable people who had been recruited for service in the larger settlements along the route between Vienna and Constantinople to help forward letters.

Hans Caspar was born Alexander Fischer in Vienna, but there are no reliable records concerning his early life, so we do not know exactly when or how he converted to Islam. He is first mentioned in the sources in connection with the Treaty of Szőny (1627), when he was already being referred to as Hüseyin çavuş. In 1629, he accompanied the diplomat Johann Rudolf Schmid to his new post in Constantinople, and in the following years he made several journeys between Buda and Constantinople. In addition, he was in contact with certain imperial commanders on the border during this period and also with some members of the Hungarian nobility, such as Palatine Miklós Esterházy, to whom he regularly sent reports.

Caspar rose to prominence in the mid-1640s. In the first half of the decade, which was dominated by war, the system of “secret correspondents” broke down and needed to be reorganized. This task was entrusted to Johann Rudolf Schmid, who was thoroughly versed in Eastern diplomacy and who recruited Caspar, among others. In 1646, Caspar served as a “secret correspondent,” and he was paid for this work. It is thus hardly surprising that most of the surviving reports that he issued are from the period after 1647, since these reports were not only sent to the border commanders and some members of the Hungarian nobility but were also sent onward by them to Vienna.

The heyday of Caspar’s activities can clearly be dated to the early 1650s, when Kara Murad served as pasha of Buda. The pasha often turned a blind eye

to Caspar's activities, so again it is not surprising that about half the surviving reports he wrote were from this period. His other duties included forwarding reports from the permanent resident in Constantinople (Simon Reniger) to Vienna and letters from Vienna to Constantinople. He was also appointed interpreter in Buda at this time, which can clearly be seen as the apex of his career. Vienna, however, could hardly afford to overlook Caspar's close relationship with the pasha of Buda, or the security risks this relationship involved. The transfer of Murad pasha from Buda in 1654, however, put an end to this "golden age," as the new pasha, Sari Kenan, unlike his predecessor, was less tolerant of Caspar's activities. Furthermore, the increasingly frequent incursions along the frontier caused disruptions in communication between Vienna and Constantinople and in the activities of the "secret correspondents." This period (1654–55) was clearly the low point of Caspar's career, when he wrote and was able to send comparatively few reports to Vienna. It is worth noting, furthermore, that in the late 1640s and the first half of the 1650s, in addition to writing reports for the Habsburgs, Caspar was also passing on information to the Principality of Transylvania.

Hans Caspar continued to work as a spy for the Habsburgs and Transylvania in the second half of the 1650s, but with less intensity than in the first half of the decade. Given the wartime circumstances, however, which particularly affected Transylvania, his potential as a renegade spy became increasingly important to Vienna. In 1658, however, he was transferred to Temesvár (Timișoara, today in Romania), and there are fewer records of him in the following years, but he presumably remained there. After 1660, he disappeared from the sources altogether, and Szabados suggests that this was probably when Caspar, who by then was no longer a young man, passed away.

The third part of the monograph offers a close look at the details of the world in which Caspar worked. It describes the important role Buda played in the seventeenth-century in the maintenance of the relationship between the two empires and also looks at the careers of other renegades who worked alongside Caspar (such as Habib ağa, and Ali çavuş). We also learn, with regards to Hans Caspar's private life, that he had a wife and children, as well as his own house. The sources reveal that he spoke three languages (German, Hungarian, and Turkish), but no Latin, which can probably be explained by his lower level of education. This may well suggest something about his background as a member of the Christian fold, or more precisely, it would indicate that he probably came under Ottoman rule at an early age. Nevertheless, in his reports to Vienna, Hans Caspar repeatedly noted his German-speaking and Christian roots, which he probably found easier

to maintain because of the proximity of the imperial capital. In general, however, the Viennese leadership had constant doubts about the reliability of the renegades, including Hans Caspar.

In the fourth part of the volume, Szabados points out that the “secret correspondents” were one of the cornerstones of Habsburg-Ottoman diplomacy. One of the tasks of the network was to facilitate communications between Vienna and Constantinople, while the other was to gather information and spy. Caspar proved well suited to these tasks, as he was in regular contact with the Viennese leadership and had substantial information about the Ottoman elite in Buda. Although he was in continuous contact with both sides, Szabados does not consider him a “transimperial subject,” since in Vienna he was no longer considered a Christian but simply a Turk or a renegade. Caspar’s work can be regarded as outstanding in the period, as he had a successful career in intelligence spanning several decades on the border between the Habsburg Monarchy and the Ottoman Empire.

Finally, it is worth saying a few words about the collection of sources at the end of the volume, which contains a critical edition of 79 reports written by Caspar between 1647 and 1659. With a few exceptions, almost all the sources are in German, and most of them are dated from Buda. The transcriptions of the sources are accompanied by short German-language summaries and detailed annotations. The recipients of the reports included leaders of eastern diplomacy in Vienna, the commanders of border posts, and some members of the Hungarian nobility.

This monograph, which is based on diligent research, close study of archival sources, and a thorough survey of the secondary literature, clearly fills a lacuna in the scholarship. It offers a detailed examination of the career of Hans Caspar, who worked between the courts of the two great empires of Central Europe in the first half of the seventeenth century, placing it against the backdrop of the roles of the “secret correspondents” of the period. Of particular importance is the fact that Szabados has rather generously provided not just a thorough discussion of his subject but also the written sources on which his research is based. The volume constitutes a significant contribution to the scholarship on the period.

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Nations, privilèges et ethnicité: Le Banat habsbourgeois; Un laboratoire politique aux confins de l'Europe éclairée. By Benjamin Landais. Strasbourg: Association Presses Universitaires de Strasbourg, 2023. 577 pp.<sup>1</sup>

Benjamin Landais's book is a brilliant, panoramic tour de force on ethnic relations in the eighteenth-century Banat, grounded in extensive research in the Österreichisches Staatsarchiv, the Central Archives of the Hungarian National Archives, and archives in Timișoara and Novi Sad, along with a good knowledge of the secondary literature in all the relevant languages. What gives particular interest to the subject is that the Banat was under direct civil, military, and economic governance by the Habsburg administration for most of the century, without feudal landlords or an estate-based political system; hence the laboratory metaphor in the title.

At the time of the Reconquista, the province's sparse population of cattle herders, collectively called the *Nationalisten*, consisted largely of Orthodox "Wallachen" and "Raitzen," with a much smaller segment of (similarly South Slavic and Romanian-speaking) Catholics. As new settlers repopulated the land, a famously variegated ethnic landscape began to take shape. Landais explores the nuanced interplay of legal, linguistic, and confessional distinctions, which in some reckonings also resulted in intermediary population categories, from the Romanian-speaking Roman Catholics in Slatina-Timiș to the solitary Greek Catholic community of Zăbrani. He tries to quantify the often-overlooked immigration of Orthodox settlers from the Ottoman provinces, Transylvania, and Hungary, which nevertheless seem to have surpassed Catholic settlement from West. Separate chapters examine the "Greek" petty traders, the urban Orthodox and Jewish diaspora, and the Catholic Bulgarian and Paulician refugees, who still appeared as two distinct groups.

Readers will welcome the commitment of French (and German) academic publishers to keep up the noble tradition of such comprehensive and expansive studies that branch out in many directions within a well-defined region and time period. While centered around collective identifications and governance, the book also addresses a wide array of topics, from brigandage to translation,

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changing land use patterns, and state-sponsored schooling for the *Nationalisten* to Joseph II's travels and acceptance of grievance petitions. In place of a single, streamlined argument, as is more typical in Anglo-Saxon historical writing, the stated aim here is to document a previous "regime of ethnicity," with emphasis on what has faded away or been forgotten. To underscore the distance of contemporary ethnonyms from present-day ones, Landais places them in quotation marks, though inconsistently, as the terms "Jews," "Šokci," and "Armenians" appear without them.

One should not expect either much coherence from this old "regime of ethnicity" or such a sharp contrast with the later period as Landais seems to announce in the introduction. Ethnic designations were perhaps more abundant, as some of them linked to collective privileges later petered out and others were subsumed under broader, national categories. A couple of them look quite idiosyncratic. The term "Illyrian," for example, denoted a political reality even though commentators agreed that it stood for several peoples rather than one. One could also mention the distinction between urban "Greeks" and "Arnauts," which seems to have been based on different geographical origins, with the latter group having family ties to Moscopole and Macedonia.

However, even the non-specialist reader will often find the criteria for classification very familiar. For instance, the regional chronicler Johan Jakob Ehrler (1774) understood "national" affiliation as based on an overlap of language, material culture, domestic economy, and customs. Similarly, the Orthodox synod of Sremski Karlovci argued that no distinction should be made between the South-Slavic refugees of 1691 and the later arrivals, due to their shared language, religion, and manners. Such reasoning was commonplace among administrators. Indeed, the home languages of the population were surveyed three times between 1743 and 1780. While these surveys served practical purposes, they also fixed ascribed identities in governmental reports, chorographies, and statistical tables.

The Habsburg government territorialized ethno-confessional differences by enforcing segregation, giving rise to settlements split into two or even three neighborhoods, with some form of ethnic power sharing between them or each with its own communal structures. This policy partly addressed conflicts between new colonists and long-established residents, although the most violent conflicts typically arose within the same groups. It typically reinforced confessional divides, yet it could also cut across confessional lines; between Orthodox "Wallachen" and "Raitzen" in Ciacova, for instance, or Roman Catholic Šokci and Germans

in Rekasch. In one documented case (in the “German” part of Caransebeș), a failed attempt at spatial and administrative segregation unintentionally drew a boundary where none had existed before. Local “Wallachen” resisted their “German” neighbors’ land grab and dismantled their freshly piled up boundary cairns. Landais then reveals that the peasants labeled “Germans” were actually Romanian-speaking Orthodox under “German” jurisdiction, who far outnumbered the 20 or so “real German” families, mostly artisans, in the neighborhood.

Governmental taxonomies and administrative preconceptions inevitably fed back into social realities. The influx of Ottoman immigrants seldom created new ethnic divisions because Habsburg border officials considered these newcomers to be of the same stock as the native “Wallachen” or “Raitzen” and usually scattered them among the existing Orthodox communities or resettled them in deserted flatland villages earmarked for Orthodox settlers. Conversely, the new milieu and the fact that families from various German lands were usually intermingled must have reshaped “German” settlers’ collective self-perception and solidarities. The extent to which ethnic segmentation as seen by the foreign-born Catholic administrators also reflected popular views remains difficult to determine given the scarcity of sources. Orthodox ecclesiastical records did differentiate between Serbs and Romanians (although rarely with political overtones), but Landais acknowledges the limits posed by pervasive illiteracy. Admittedly, *Wallach* and *Raitz* were exonyms, which may partly explain why “German” appears more often in Landais’s corpus of petitions written on behalf of village communities. Their mediation by literate scribes diminishes the evidentiary value of such sources, but it also cannot justify Landais’s aprioristic dismissal of ethnic terminology in them as mere appropriation of an elite discourse. In the context of the book, this and a few other weakly substantiated assertions sprinkled in the closing sections can be read as a conciliatory apology in the face of the narrowly conceived modernist perspective on ethnicity popular in Habsburg Studies.

Despite some reservations about certain conclusions, I highly recommend this richly layered history of governance and local politics in a multiethnic Habsburg province, and not only for historians of the era. Viewed from the perspective of the historiography on nineteenth-century and twentieth-century ethno-national loyalties, books like this could offer a way out of the bind between a self-centered, narrow modernism, which blinds itself intentionally to their complex antecedents, and an ethno-symbolism that seeks to link modern

loyalties to early modern patriotic discourses even where such connections are tenuous. Neither of these two schools has spoiled us with archival-based works of this scope. The volume is beautifully illustrated, featuring original color maps and diagrams.

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Anti-Axis Resistance in Southeastern Europe, 1940–1944: Forms and Varieties. Edited by John Paul Newman, Ljubinka Škodrić, and Rade Ristanović. Leiden: Brill–Schöningh, 2023. 377 pp.

After World War II, anti-fascism became a widely accepted core concept in the political arena and was used by scholars as an interpretative framework for any kind of resistance that had taken place during the war. In Western Europe, instances of resistance were magnified and instances of collaboration were veiled, while on the eastern side of the Iron Curtain a narrative of communist or Soviet salvation dominated for decades. This latter master narrative was about the anti-fascist struggle allegedly led by the communist party. After 1989, this ideological interpretation was sidelined. Since then, scholars have tended to use the terms “anti-Nazi” or “anti-German.”

The editors of *Anti-Axis Resistance in Southeastern Europe, 1940–1944. Forms and Varieties*, published by Brill in 2023, have introduced an even more sophisticated concept to which they refer as “anti-Axis.” Unfortunately, they have not offered an explanation of this conceptual novelty. Therefore, the reader is compelled to assume that “anti-Axis,” a term which may come from military history and the history of international relations, refers to all instances of resistance against the Axis powers.

Editors John Paul Newman, Ljubinka Škodrić, and Rade Ristanović organized the book into three sections and eighteen chapters. In line with current trends, they claim to provide the missing “comparative and transnational reflection” (p.3) on resistance in Southeastern Europe during World War II. Most of the chapters of the volume, however, focus on one country or territory in particular and for the most part analyze the events in a national framework rather than from a genuinely comparative perspective, which would have focused, for instance, on issues such as partisan war, political protests, life savings, etc. and thus would have made it possible and necessary to cover and compare the whole region. With one exception, the chapters also do not focus on the transnational character of their subject. They would have done better, perhaps, to have considered the model offered by the 2020 volume *Fighters across frontiers. Transnational resistance in Europe, 1936–48*, edited by Robert Gildea and Ismee Tames and published by Manchester University Press. Admittedly, considering the power of nationalism in the multiethnic region of Southeastern Europe, the authors cannot be blamed for having chosen a traditional method of analysis.

According to Olivier Wieviorka, a prominent scholar in the field and the author of the first part of the introduction, resistance is a conscious, risky, and altruistic act which involves transgressions of the law, and it does “not belong to the register of opinion” (p.9). Unfortunately, it is not clear that writing (or publishing), for example, could be considered part of this definition of resistance, and thus it remains unclear how the contributors to this volume would approach the wide field of intellectual resistance.

Wieviorka lists a few factors that played an important role in resistance, both in Western Europe and Eastern Europe. These factors included the individual dimension (which puts the concept of historical agency on the stage), historical experiences with invaders and the culture of protest, international connections of internal resistance forces, and the moral dilemmas concerning reprisals. With regard to the Balkans, Wieviorka emphasizes that this region was never important enough for the Allies to intervene. Thus, “the Anglo-Americans hoped above all that their resistance would pin the Axis forces—no more” (p.17).

In the second part of the introduction the editors draw the reader’s attention to Southeastern Europe. They mark the place of the often mythologized, centuries-long local anti-imperial, revolutionary struggles and emphasize the heritage of the “anti-occupational resistance of the First World War” (p.22). Newman, Škodrić, and Ristanović also underline that the process of decolonization in the Balkans was not fully complete in 1918. Thus, independent struggles and the violent traditions of guerilla combat were successfully intertwined with modern political ideologies, such as fascism and communism in the interwar period. This was partly why, in July 1941, only three months after the occupation of Yugoslavia by the German army, there was a wide-ranging armed uprising against the invaders. The authors give a brief overview of the main resistance forces in the region between 1941 and 1945, noting that while the Yugoslav Partisan Army was one of the strongest resistance organizations in occupied Europe, none of the “resistance movements had the strength to overcome the occupier and liberate their country independently” (p.31) had it not been for the military assistance of the Allies.

The first section of the book bears the title “Conditions and circumstances of the armed resistance.” This chapter deals exclusively with Yugoslavia. First, contributor Aleksandar Životić examines relations between the USSR and the Yugoslav resistance movements in 1941–1942. He points out the confusion that the German invasion caused in Moscow. Životić underlines that, “despite repeated requests until the end of 1943, there was no direct Soviet military support for

the partisan movements” (p.62). In the next chapter, Blaž Torkar summarizes US policy toward the Yugoslav resistance in 1941–1945. Torkar explains how and why the Allies reevaluated the royalist movement in 1942–1943 and started to support Tito’s partisans instead of the chetniks. An important consideration in making this decision was that Mihailović occasionally collaborated with the Germans and the Nedić administration. Nevertheless, the next chapter illustrates brilliantly that collaboration, cooperation, and resistance cannot always be sharply differentiated. While the Serbian State Guard was rightly considered a committed collaborator auxiliary force of the Nedić regime, Nebojša Stambolija, another contributor to the volume, demonstrates the manners of cooperation between the Guard and the chetniks. The latter legalized themselves by joining the detachments of Nedić, “but they were still secretly under Mihailović’s command” (p.92). However, after the Allies turned away from Mihailović, the Guard and the chetniks formed a common “anti-communist front” (p.97) against “the only true enemy” (p.99), the partisans. The next chapter deals with the national components of the losses suffered by Yugoslav partisans at the hands of the Ustaša state, followed by a study examining relations between Russian émigrés and the resistance in Yugoslavia. According to the author, Milana Živanović, some émigrés considered Hitler’s military successes an opportunity to destroy communism, which was an argument for them to collaborate after 1941, while others thought that the Third Reich posed a threat for their homeland, thus they decided to resist. Overall, “a few hundred Russian emigrants fought in the People’s Liberation Army of Yugoslavia from 1941 until 1945” (p.138).

The second section provides a detailed picture of the Yugoslav, Greek, Albanian, Macedonian, Bulgarian, and Slovenian resistance movements. Contributor Gaj Trifković begins this section by offering a clear overview of the strategies used by the partisans and the German strategies in Yugoslavia. The German forces reacted to the partisan revolt with harsh reprisals. After they were unable to annihilate partisan corps in a crucial battle, they started to adopt key elements of partisan warfare and cooperated with the chetniks against the communists. As was the case in Yugoslavia, the Greek resistance had a nationalist and a (more powerful) communist organization, and both organizations were aided by the British. Contributor Stratos N. Dordanas explains the issue from the perspective of the ways in which the invaders collected information from the locals. Here too, the Germans turned to the ancient policy of divide and conquer, and they fanned “the conflict between the rival Greek resistance forces” (p.176), causing regional chaos and planting the seeds of civil war.

As a special case, Albania was occupied (first) not by the Third Reich but by fascist Italy almost half a year before the outbreak of World War II. Contributor Marenglen Kasmi therefore applies the old concept of “anti-Fascism” (p.188). Albania was another example of the rivalry between the communist and nationalist resistance forces. The non-communist Albanian Balli Kombëtar organization (the National Front), which was set up by the children of wealthy bey families, sought to restore “free and ethnic Albania” (p.194), mostly without fighting for freedom but rather simply waiting for the defeat of the Axis powers. After the German occupation of Albania in 1943, rather than taking part in the liberation of the country, Balli Kombëtar chose to collaborate. Credit went to the communists, as Albania was one of the few countries that “were liberated by its own forces” (p.208), Kasmi notes, thus contradicting the editors, at least on this point.

Unlike Albania, Macedonia (which was part of Yugoslavia) suffered a double invasion at the same time and was partitioned between Bulgaria and Italy in April 1941. The Macedonian and Slovenian case studies illustrate how resistance could be intertwined with nation building. Moreover, the latter (Slovenian) chapter focuses on the representation of violence by exploring the propaganda used by the resisters and the invaders in the doubly-occupied Slovenian territory, thus offering a contribution which is relevant to the history of violence and media studies. The Bulgarian resistance is explained in the book from the perspective of power using the contemporary sources made by the pro-Axis Bulgarian Army. It is worth mentioning here that the Bulgarian case was unique in the sense that locals fought each other, without foreign forces actually having invaded the country.

The third section of the book, which is on unarmed resistance, is the shortest. Barnabas Balint begins the discussion with an excellent study on “Tiyul,” which was a method of rescuing Jews across the Hungarian-Romanian border in 1944. Balint convincingly argues that this illegal network, ran by Zionists, organized in nationalist countries, and supported by paid local smugglers, was “simultaneously local, national, and transnational” (p.281). Nonviolent resistance was present among the Serbian middle class as well, although in contrast with the heroic partisan struggles, it “remained unnoticed and forgotten” (p.305), as Nataša Milićević writes in her chapter. Unarmed resistance here could take the form of evading mandatory labor services, protecting persecuted individuals, listening to banned radio stations, refusing to speak German, or forms of “escapism” (p.302). In the Independent State of Croatia, the forms of everyday resistance

were found in urban centers. Nevertheless, some of the examples listed by contributor Rory Yeomans are problematic and do not meet Olivier Wiewiorka's aforementioned definition. For instance, it is not entirely clear how complaints written to the city authorities or an "unsigned letter from a group of housewives to the editorial board of *Hrvatski list*" (p.319) could be interpreted as acts of resistance. The examples set by the rule breakers, the "nightwalkers" (p.320), which seem reminiscent of the counterculture of Swingjugend in Nazi Germany, are more convincing. "Young, sexually independent women, prostitutes, the inebriated, and vagrants" (p.322) did not want to change their lifestyles in the Ustaša state either.

The last chapter of the volume discusses the illegal (Baptist, Adventist, Nazarenes, etc.) religious activity in the Nazi-allied state of Romania, where the Orthodox Church held sway. The alleged "sectarians" held clandestine meetings, distributed secret literature, and tried to gain legal status. Here, the argument that "petitions" (p.342) constituted a form of resistance also does not seem convincing. As potential communists, the members of these small religious communities were persecuted by the state, but this kind of persecution was not "unique" (p.347) from an international perspective.

The volume ends with a short postface which draws attention to the complexity of the subject. The editors' task certainly was not easy. They worked together with seventeen authors and several institutes from different countries on a topic which plays a role in memory politics in Southeastern Europe. It is therefore understandable that some inconsistencies and minor errors can be found in the text. One regrettable example of this is the misspelling of Olivier Wiewiorka's last name, which is given as "Wiewiorka" (p.V; p.7). The chapter by Stratos N. Dordanas begins a long citation but without giving the source (p.164). Similarly problematic is the case of Endre Ságvári, who is identified as a "leader of the youth section of the anti-Fascist People's Front" (p.269), though there was no such organization in Hungary. In some cases, obvious biases and mistakes have not been weeded out of the texts. For example, the contention that Macedonia "from the beginning until the end of the war, was at the center of attention on both warring sides" (p.209) is hardly convincing, much as one would hardly find persuasive the assertion that "the second phase of [sic] Second World War on the European battlefield began in the second half of 1944" (p.221).

However, in sum, despite the problems and mistakes noted above, the volume is a significant contribution to the history of resistance in World War II.

The chapters are based on the relevant national and international secondary literature and also on a vast array of primary sources. It contains a useful index, and a list of abbreviations helps the reader navigate between the organizations and names, which is essential for such a data-rich book. The authors and editors guide the reader through a particularly complex milieu, showing the many faces of resistance in Southeastern Europe.

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Queer Encounters with Communist Power: Non-Heterosexual Lives and the State in Czechoslovakia, 1948–1989. By Věra Sokolová. Prague: Karolinum Press, 2021. 242 pp.

Queer history, whether in a regional, national, or transnational context, has often focused more on the experiences of cisgender men. When discussing the communist era in Europe, queer history has typically either concentrated on the repressive mechanisms of the Eastern Bloc regimes or been analyzed through a lens that either demonizes or romanticizes the experiences of queer individuals living beyond the Iron Curtain in comparison to the Western Bloc. Sokolová's latest book diverges from this historiography by offering a narrative that recenters the experiences of cisgender lesbians and trans\* individuals living in Czechoslovakia between 1948 and 1989, while also highlighting the ambiguous nature of queer experiences of state socialism, marked by both isolation and agency. As Sokolová demonstrates, this dual focus is deeply intertwined. Adopting the by now well-established use of gender as a useful category of analysis, Sokolová challenges and complements Czech queer scholarship, which has often glossed over the communist era, either due to the challenges with regards to access to sources or a lack of interest in women's experiences.

By focusing on trans\* and lesbian narratives, Sokolová successfully uncovers untold stories of agency during the period, while also emphasizing the population's active participation in day-to-day state socialism. She begins by revisiting institutional and scientific approaches to what she terms “non-heterosexuality” throughout the book. This section extensively discusses the work and conversations at the Sexological Institute in Prague, highlighting what Sokolová presents as “not a simple one-way street between the power of the medical experts and their helpless, passive patients but rather quite a complex and mutually beneficial relationship” (p.106). While she does not shy away from addressing the gender stereotypes ingrained in the sexological treatises of the time or the horrors of aversion therapies, she also emphasizes the voices of the patients, which can be discerned between the lines of the reports.

In the second part of the book, Sokolová goes beyond a reinterpretation of institutional and scientific records. As she convincingly argues, even a reading against the grain of the archive cannot fully capture the extent of queer experiences beyond the usual cisgender male narratives. For example, in her discussion of experiments in Prague, she notes that most patients subjected to aversion therapy in the 1950s were chosen based on their belief in their

own deviance. Since queer women appeared more likely to accept their sexual preferences than men, they were largely absent from this part of the archive (p.73). To recover their experiences, Sokolová had to seek out alternative sources.

Building on the oral history compiled and archived by the Society for Queer Memory (StQM) in Prague, “which focuses on conducting and collecting biographical interviews with queer people who spent most of their lives in Socialist Czechoslovakia before 1989” (p.42), Sokolová conducted her own oral history interviews, primarily and voluntarily focusing on queer cisgender female and trans\* narrators. Her analysis of these interviews forms the core of the second part of the book and represents its most significant contribution. Through her examination of these narrators’ subjectivities, strategies, and experiences during state socialism, Sokolová effectively highlights the diversity of voices and experiences from this period. She persuasively demonstrates how exploring sexualities provides a new perspective on the history of authoritarian regimes, an approach that emphasizes agency without overestimating the possibilities available. The narrators’ captivating stories not only enrich her study of the ambiguities of state socialism but also support her argument that a focus on gender can reshape historiography. For example, her discussion of lesbian personal ads (p.154) corrects earlier claims in the literature which, by focusing primarily on queer cisgender male voices, had suggested that much of this content had fallen prey to censorship. Sokolová concludes that oral history allows scholars to reveal “how complex the social context of the ‘Communist era’ was. They [queer narratives] show that within mainstream heterosexual society it was possible to live diverse sexual lives” (p.220). This conclusion echoes the first part of the book, where she underscores the diversity of opinion among sexologists in the twentieth century, showing how the medical gaze, despite being normative and regressive, also paved the way for decriminalization and resistance.

Sokolová’s multifaceted interpretation of her source material makes the book an engaging read, though not without flaws, particularly in the first two chapters. While her discussion of queer scholarship in the Czech context is compelling and thorough, her references to queer history from other contexts can sometimes appear oversimplified or outdated. For instance, recent studies on the GDR would likely complicate some of her statements about German state socialism, highlighting the same ambiguity in what is often perceived as a success story of institutional and judicial interests. Her treatment of the international literature on gender and queer studies also sometimes feels outdated or incomplete, focusing on work from a decade ago and inadvertently perpetuating

the misconception that recent scholarship has not contributed anything new. This issue is exacerbated by minor irritations, such as her repeated use of J. Halberstam's published name when discussing his 2012 work. While Halberstam plays with gender identity ambiguity in his work, which could eventually justify Sokolová's choice, a clearer mention would have been expected in a monograph on queer history that addresses trans\* voices.

This brings us to the book's most significant flaw: the terminology used to refer to both the narrators and archival voices. Without falling into the trap of requiring queer history scholars to justify their terms, Sokolová's conceptual use of queerness and the term "transsexual," as well as her reference to "non-heterosexuality," is unconvincing (pp.19–24). She notes that the idea of "non-heterosexuality" is intended not to emphasize the normative claim of heterosexuality but to reflect empathetic engagement with her narrators. As her narrators reject labels and resist the historical gaze that assigns identities to them, Sokolová refrains from assigning them a queer identity. The result is a somewhat confusing balancing act between a desire to employ actor-based concepts and the historiographical necessity of using analytical concepts such as queerness. Consequently, queer encounters are reinterpreted throughout the book through the lens of identity, paradoxically reinforcing siloed identities and categories while perpetuating asymmetrical historical concepts such as heterosexuality and homosexuality. As a result, the book ultimately reflects methodologies from gay and lesbian history rather than truly presenting a queer Czech history. This is unfortunate, as Sokolová excels at discussing ambiguity in other aspects of her work. A more thorough engagement with recent queer theory and queer history might have enhanced the book's overall conceptualization.

Nonetheless, as an immense contribution to queer Czech history, this book is a must-read for scholars interested in queer history. Beyond some scarce mentions of other socialist states in the first parts of the book, Sokolová did not aim to write a queer history of the 'Eastern Block.' However, by demonstrating how a history of sexualities can help scholars reevaluate lives under state socialism, this book could still inspire many and should be essential reading for any historian interested in the history of the 'Eastern Bloc' and the communist era.

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# Hungarian Historical Review

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The Hungarian Historical Review is a peer-reviewed international journal of the social sciences and humanities with a focus on Hungarian history. The journal's geographical scope—Hungary and East-Central Europe—makes it unique: the Hungarian Historical Review explores historical events in Hungary, but also raises broader questions in a transnational context. The articles and book reviews cover topics regarding Hungarian and East-Central European History. The journal aims to stimulate dialogue on Hungarian and East-Central European History in a transnational context. The journal fills lacuna, as it provides a forum for articles and reviews in English on Hungarian and East-Central European history, making Hungarian historiography accessible to the international reading public and part of the larger international scholarly discourse.

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## *Business Cooperations and Economic Connections*

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