

**PART III**  
**THE CENTRIPETAL FORCES: THE EIGHT PILLARS**  
**OF INTERNATIONALISM**

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## CHAPTER I

### THE CENTRIPETAL FORCES AND THEIR GENERAL DYNAMICS

After the summary reconstruction of the historical and moral atmosphere of the former monarchy the reader will be enabled, as I hope (however incomplete and rudimentary the picture of the mass-psychology currents may have been), to follow with attention and comprehension the work and development of those forces which determined in the ultimate analysis the fate of the monarchy. These forces may be roughly divided into two big groups. The one is composed of those, which in consequence of their historic structure or social position or their transitory purposes, worked consciously, semi-consciously, or unconsciously for the continuing and the maintaining of the monarchy. These we shall call *centripetal forces*. Into the second group belong those forces which endeavored with greater or less consciousness to relax or to dissolve the imperial tie. These will be called the *centrifugal forces* of the monarchy.

It is manifest that this division, like all scientific classification, is to some extent an artificial and arbitrary one as it severs processes which in reality are closely connected. This inherent artificiality of our division is further corroborated by the fact that each social force in history has a certain particular dialectic movement, by which itself and the institutions created by it receive, in the course of its historical development, such new tendencies as at the beginning were alien to it. For instance, we witness very often that the forces of social conservation exercise revolutionary effects in their later developments or—on the other hand—that the forces, revolutionary at the beginning, later become factors of maintenance and conservation. The somewhat vague and mystical Hegelian dialectics of the thesis, antithesis, and synthesis point toward a connection of social forces which has some analogy to the phenomenon just emphasized. I have here no space to enter into the discussion of this interesting transformation. The only thing which I would like to accentuate at this juncture is that almost all the centripetal forces with which we shall become acquainted in the following analysis, developed in their later course centrifugal tendencies in one direction or another.

The same is true regarding things from the other point of view concerning the centrifugal forces. We shall soon see that the most conspicuous centrifugal forces, the forces of national awakening and integration, were at their first appearance not at all forces of dissolution or segregation but they became such only because, instead of

being prudently canalized and utilized in the interest of the state, they were pushed back by violence or fraud and were forced into a direction which was irreconcilable with the unity and development of the old state.

If we now turn to the analysis of the centripetal forces, we shall soon see that they all represented a certain *supra-national* tendency in the old monarchy, that they emphasized the unity and the common aims of the empire in face of the separatist and particularist attitude of the various nations and nationalities. They represented, therefore, common ideals and a solidarity above the nations in that league of nations against its own will, in that race struggle which was called the Habsburg monarchy. They were really international forces amid the national overclaims and individualisms. The dynasty, the army, the aristocracy, the Roman Catholic church, the bureaucracy, capitalism (represented in its majority by Jews), the free-trade unity, and (however strange it may appear) socialism were the real pillars of Austrian internationalism. These pillars incorporated very powerful organizations and vital tendencies. That they proved in spite of their strength to be too weak for the maintenance of the Habsburg structure is due partly to that dialectical movement of which we already spoke, partly to the fact that all these forces did not constitute a united front but stood very often in a desperate struggle with each other. Among the eight pillars of internationalism only the first four (and even these incompletely) were united in a real political architectural scheme. The other four were conflicting with the first four and even with each other on very important points. In this manner the eight internationalisms were rather isolated bulwarks of the Habsburg fortification than a construction directed by the same strategic plan.

We must now consider these pillars in their psychological and sociological structure.

## CHAPTER II

### THE DYNASTY

What was said in the historical part has already put into sufficient light the fundamental rôle (both from the point of view of initiative and of conservation) of the Habsburg dynasty in the whole drama. In the given historical constellation the political aspiration of the Habsburgs was strictly determined and this ideal remained almost unchanged for four centuries. However different individualities, in value and in capacity, may have been the possessors of the Habsburg throne and however different their method was in the realization of their aims, their purpose in its fundamental character remained the same from Maximilian I until the passing of the last Habsburg. Every keen observer who was occupied with the problem of the monarchy has felt that there was something rigidly constant in the intellectual and moral structure of the Habsburg dynasty. Under the sway of this predominant impression it became a habit to speak of the monarchy simply as of Habsburg: Habsburg did this or that; that was the will of Habsburg; that was the fate of Habsburg; so was the decision of Vienna, etc. Above the single individual, however tyrannical a despot he may have been, there hovered always the spirit not only of the biological but of the social inheritance: the *Habsburg structure* as a quintessence of all those traditional values which led and directed the dynasty and the supreme military, diplomatic, and bureaucratic organizations combined with it (the Austrian *camarilla*, as it was called by its exacerbated enemies, the Hungarian leaders for independence). These almost constant elements of the Habsburg structure from which all the others can be easily deduced are religious mysticism, Catholicism, militarism, and the universalism of the Habsburg dynasty.

In his religious *mysticism* each Habsburg felt himself connected by a special tie with divinity, as an executor of the divine will. This explains their almost unscrupulous attitude in the midst of historical catastrophes and their proverbial ungratefulness. *Der Dank vom Hause Habsburg* ("the gratitude of the Habsburg family") became a widely spread slogan. They broke their most solemn promises very often and cast away their most loyal and self-sacrificing men as squeezed lemons, if, in so doing, they could somewhat alleviate a transitorily difficult situation. When, for instance under the pressure of revolutionary Vienna, Metternich was dismissed and was compelled to flee, nobody in the whole court asked him where he would go and how he could live. Naturally, in the robust naïveté of their dynastic mys-

ticism, they could not even face the problem of whether the interest of their peoples and countries would coincide with the interest of their patrimonial possessions. It was well said by a Slav statesman of the monarchy that the key and the deepest spring of the Habsburg policy was at all times and under all circumstances the eager instinctive desire for *plus de terres*. Beginning with the immense land hunger of Rudolph until the occupation and annexation of Bosnia-Herzegovina, that was always their leading motive, disregarding not only the national interests of the peoples but even the problem of the unity and cohesion of the state. The principle of the *l'état c'est moi* remained until the end the exclusive maxim of the monarchy unmitigated by any other consideration.

This mystical imperialism was completely welded with the ideology and aspiration of Roman Catholicism. After a brief hesitation, Habsburg adhered with his entire force to the cause of the counter-reformation and became its leading power. The spirit of Protestantism emanating from a popular soil, making concession to critical reason, emphasizing at least *pro foro interno* the rights of the individual, hurt instinctively the Habsburg soul in its absolutist and transcendentalist impatience. This attitude was strengthened and matured by the political constellation. In Germany the reformation became the ideological support of the estates and other particularist interests fighting the imperial power, whereas Habsburg in this vehement controversy could not miss that big religious and historical force which his connection with the papacy bestowed upon him. Besides, the Protestant movements (as in Hussitism) often became a religious background for the nationalistic tendencies, giving for the first time to the great masses of the population the Bible in their mother-tongue. And such a conscious national spirit would have endangered the work of political unification which was the chief endeavor of the Habsburgs.

This endeavor had the character of a political universalism. Among their immense conglomeration of peoples and countries the Habsburgs would not suffer political or religious divisions. All which was local, autonomous, or determined by a particular popular entity appeared suspicious and antipathetic to them as a sign or danger of feudal rebellions. As a matter of fact the Habsburgs felt and thought in a supra-national manner as a consequence of their extremely complicated blood-mixture,<sup>1</sup> of their Catholicism, and of the exceedingly variegated ethnic composition of the monarchy. It is not true as we have already demonstrated that the Habsburg dynasty appeared as

<sup>1</sup>In a curious document concerning the pedigree of Francis Ferdinand his 2,047 ancestors are carefully enumerated. Among them are German 1,486, French 124, Italian 196, Spanish 89, Pole 52, Danish 47, English 20, and four other nationalities. *Ahmentafel Seiner Kaiserlichen und Königlichen Hoheit des durchlauchtigsten Herrn Erzherzogs Franz Ferdinand*. Bearbeitet von Otto Forst (Wien u. Leipzig, 1910).

a consciously and consequentially Germanizing power. They were really remote from such a tendency. There were Habsburgs who did not even speak German. Even those Habsburg emperors who sometimes fostered a policy of Germanization were not led in their efforts by any nationalistic point of view, but their measures were dictated by the interest of unification and universalism of their empire.

The spirit of militarism in the Habsburg empire was far more than in the western states an instrument for the maintaining of inner cohesion than of a defense against foreign aggressors. Indeed, from its beginning until its last hour, the solidarity of the monarchy was based on the imperial army and in the case of any serious crisis the Emperor acted with the consciousness that he would always be capable of cutting the Gordian knot of political troubles by the sword of his military power. In two things the Habsburgs never understood a joke, for which they always cast away the mask of the pseudo-constitutionalism of the later epochs, whenever popular will became opposed to them; the one was their autocratic disposition with the army, with *meine Armee*; the other was the direction of the foreign policy which put *faits accomplis* before the so-called "Delegations" of the two parliaments, devoid of any serious sanction. The Habsburg monarchy remained until the end the model state of military absolutism, beside Russia and Prussia, even its power being perhaps more conspicuous here because the feeble force of public opinion, divided in continuous national struggles into eight or ten parts, could not counteract in any serious manner the exclusiveness of the imperial will.

This unchecked force of the dynastic idea found its final and solemn formulation when Emperor Francis sensing the growing fragility of his German-Roman empire took up the title of an Austrian emperor. This state act and two years later in 1806 his final abdication from the German imperial dignity were emphatic formulations of the patrimonial state and of the fatal conception that the idea of the state is identical with the person of the monarch. The whole empire was simply regarded as the extension of the former *Hausmacht*, the patrimonial possessions of the dynasty.

This purely dynastic conception of state found its psychic expression and political incorporation in the Viennese imperial city, the unique splendor of which was more than the center of a sumptuous court life. It was, in a certain sense, the moral synthesis of the whole empire. The most various ethnic and cultural elements met here in the furnace of the imperial life and the old German culture obtained under very strong Slav, Italian, and Magyar influences, a special Austrian color. This cultural synthesis called *Alt-Wien* carried out its effects on the whole monarchy; it became the basis of a general bourgeois culture which attracted into the sphere of its influence the higher nobility and the richer middle classes of all the countries and provinces. Vi-

enna became everywhere the chief leader of fashion and elegant social forms and its unrivaled sway found expression in both the architecture of the churches and public buildings and the castles of the Hungarian, Czech, and Polish nobility. The two most characteristic aesthetic manifestations of this typical Austrian culture, the *Baroque* and the *Biedermeier*, were vivid expressions of the artistic sensibility of two distinct social types: the heroic and the police absolutism. The brilliancy and the grace of the court remained the chief conductor of every talent and ambition for generations. The distribution of nobilities, dignities, orders, this application of the *divide et impera* principle in the social and family field was quite an important support of the Habsburg rule. In addition, it became a custom to establish in the more conspicuous countries and provinces *branches of the imperial court* by the location there of some archdukes who assumed a certain local and national hue, used the language of the country, and became moderated protectors of the local patriotisms. These local Habsburg exponents exercised a smoothing and reconciliatory influence on the recalcitrant national nobility and administered, one might say, *per procura*, the imperial grace.

Beside the homogeneous culture of the higher classes, there emanated from Vienna another powerful factor of spiritual cohesion, the literary German language which had the function of a *lingua franca* among the different nations of the monarchy. From the Czech mountains to the Adria, from Innsbruck to Czernowitz, anyone could travel unhindered with the help of the German language. There were everywhere some officers, officials, merchants, or intellectuals who spoke this language fluently and there was not a single hotel or inn where the traveler would not have been understood in this language. This effect of the German language and culture radiated far into the Balkans and that gave the impression to some superficial observers of a conscious Germanization. But what made the process so general and more and more extended was not a constrained or artificial propaganda but a deep economic and cultural necessity which could only be satisfied by the intermediary of the German language, as a consequence of its historical contacts. As a matter of fact German became the language both of science and of capitalism. The connecting force of the Viennese university which, during generations, had educated the best lawyers and physicians for the monarchy, was very marked until the end as a species of spiritual solidarity. The German language was a veritable bridge which connected Slavs, Magyars, and Rumanians with the Western culture. This unifying force of the German language would have become without doubt even more general and intensive if it had not had attached to it the conception of the Habsburg state coercion, and the struggles of the awakening peoples against German centralization. The truth of this assertion is demon-



strated by the fact that many of the leaders of the national *risorgimento* in the various countries of the monarchy began their literary career in the German language. Also the example of Bukovina strengthens this argument, where the Rumanian and Ruthenian masses were not confronted by larger German settlements and by an artificial German hegemony. Under such circumstances the world-language nature of German could gain prevalence without hindrance and one could witness the interesting situation of the two rival nations adopting spontaneously German as the language of internal administration.<sup>2</sup>

Especially for the more backward peoples of the monarchy who lived under Turkish rule, the Austrian imperial connection was, through long periods, almost the only source of a cultural initiative and social organization. It was the imperial center which introduced the first elements of European agriculture, school, and administration into the barter economy of feudalism, and which erected the first ramparts against the merciless exploitation of the peasant masses. The struggles among the various nations of the monarchy even strengthened the force of the absolutist monarchy. The national idea pushed back in the Austrian half of the monarchy the idea of constitutionalism.

This situation created the atmosphere of a hypocritical loyalty in the whole monarchy. Each nation, even the most rebellious, tried to emphasize continuously not only its legal fidelity to the dynasty, but even its enthusiastic devotion to it. We witnessed very often real outbursts of loyalty paroxysms and loyalty competitions which undermined both civic consciousness and individual honesty. A characteristic little episode will illustrate the situation. In 1909 the official Hungarian paper wrote the following in connection with the seventy-ninth birthday of the Emperor:

The often severely tried Hungarian nation stands in its fidelity to its crowned Master without example and above all comparisons. No other nation of the universe can surpass the sons of the Hungarian people in their loyalty coupled with self-sacrifice.

This Byzantinism was the more nauseating for all sincere men because a few years previously, if not the Hungarian people, at least the feudal parliament continued the most exacerbated struggles against the king in the so-called military questions, and this beloved king did not hesitate to drive asunder this hyper-loyal representation by armed force. Not only the Magyars but also the Czechs and Italians uttered very often expressions of an exaggerated loyalty after vehement and exasperated criticisms when they saw a chance for imperial power to

<sup>2</sup> For details see the highly interesting book of F. Kleinwaechter, *Der Untergang der österreichisch-ungarischen Monarchie* (Leipzig, 1920), pp. 171-73.

help or promote their national aspirations. No one had better characterized this basely servile atmosphere than Louis Mocsáry, a close adherent of Kossuth and a brilliant leader of Hungarian independence saying: "In this vast conglomerate called the Austro-Hungarian Monarchy on both sides of the Leitha, countries, provinces, nations, denominations, social classes, groups of interests, all being factors in political and social life, put up to auction their loyalty for the grace of the court."

This tendency, demoralizing public opinion at large, was strengthened by another which was the system of protection and distribution of posts and dignities which the members of the imperial family often exercised for the compensation of their own gang. The recommendation of the smallest archduke had a greater influence in awarding public services than the work and result of a whole life. The luck of the archducal instructors and godchildren became proverbial. This archducal influence was not seldom a derivatory one exercised by certain officials, even lackeys, of the archdukes. There circulated many anecdotes in this connection emphasizing the fact that sometimes the word of an old lackey was more influential than the determination of a state minister.

In spite of all these tendencies, slackening the force of cohesion of the monarchy, one cannot deny that the prestige of the imperial family was until the end more than a purely military or power position but it was based on very widely spread mass feelings in many more traditional parts of the monarchy under the influence of the school and the church.

## CHAPTER III

### THE ARMY

The most powerful pillar of the Habsburg fortification which from its beginning until its breakdown represented the chief supporter and maintainer of the monarchy was the imperial army. This army from the beginning until the end—however masked it may have been by constitutional veils—was and remained under the autocratic disposition of the monarch uninfluenced in the really important issues by the parliamentary system. This army was the most individual creation of the dynasty, and it was further strengthened and developed from generation to generation. Especially the genius of Eugene of Savoy was a powerful influence in replacing the old feudal and mercenary spirit of the army by a more modern one. However, the patrimonial character of the army continued even in more recent times when the system of general conscription was introduced, carried on by feudal administration. Almost until the constitutional era the procedure of levying remained untouched, especially in Hungary where the conscription could not have been effectuated without the concurrence of the country administration very often in a fight against Vienna. This levying was not at all apt to promote any kind of civic consciousness. So writes the historian of the Austrian state administration:

In the levying places the levyers chose as their headquarters an often frequented inn or an isolated tavern. When a man came in who seemed suitable for military service, he was invited to drink and they tried to make him intoxicated. If he could be seduced to put on a soldier's uniform for the sake of experiment or to wear a military helmet or to pronounce a *vivat* to the emperor he was immediately considered to be enrolled.<sup>1</sup>

It is manifest that such and similar procedures could not augment in the people its love toward the Habsburg army. Especially in the soul of the Hungarian people this practice appeared both as foreign domination and social oppression which popular songs carried further from village to village. One of these plaintive rhymes I heard personally in my childhood from the lips of the peasantry: "Now among us they enlist with a rope. . . . The poor fellow is carried away by force. . . . Five or six sons of the rich are undisturbed. . . . An only son of the poor is captured. . . ."

But even when the army was put under the semblance of a parliamentary control by the introduction of universal military obligation,

<sup>1</sup> Ignaz Beidtel, *Geschichte der Österreichischen Staatsverwaltung: 1740–1848* (Innsbruck, 1896), I, 64–65.

the army remained in its bulk, in the formations of the so-called *gemeinsame Armee*, "joint army" (in opposition to the local territorial formations, the so-called Austrian, Hungarian and Croatian *Landwehr* which remained in closer contact with the parental soil), the exclusive army of the Emperor and the dynasty, and reflecting their own spirit. Indeed the joint army remained until its end a "dynastic body guard," "a school of loyalty." And whatever our feelings may be concerning this institution we cannot deny that it attained its purpose during a long period. Unfortunately this state solidarity promoted by the mightily consolidated ideology of the army was an exclusively dynastic one, which became more and more confronted by the democratic and national consciousness of the various peoples. The overwhelming majority of the officers remained until the end German, a Germandom, however, which signified no national tendency but similarly, as in the bureaucratic and diplomatic organization, it represented only, so to say, the diplomatic language of the whole Habsburg joint monarchy. This spirit, the spirit of the Habsburg patrimonial state, was not only preponderant among the German element but also among the officers belonging to other nations who followed in a rather unconscious way the principle of Emperor Francis, being the patriots not of their nations but of the Habsburg dynasty. The following anecdote narrated to me by the editor of a great Hungarian daily characterizes very well this curious atmosphere. A correspondent of this paper interviewed Admiral Horthy, the present governor, in the military headquarters during the war, on the occasion of his being wounded. The glorifying report ended with the delicate allusion of the correspondent that manifestly the thoughts of the wounded hero abandoned often the imperial headquarters and returned to the Hungarian fatherland, the old home of his ancestors. When the next day the Admiral read the article, he was very much disappointed by its conclusion and repudiated energetically the imputation of the correspondent, saying to him ". . . Remember that, if my chief war lord is in Baden, then my fatherland is also there! . . ."

This spirit was nourished with a suspicious care by the leading elements of the army, especially by the Emperor himself. They visualized perfectly clearly that, while the national struggles of the monarchy were becoming more and more acute, their state could be maintained only on condition that they would be successful in keeping their army immune from the spirit of national quarrels. However dynastically and rigidly separated from the constitution the Austrian army may have been, two of its traits were in advantageous contrast with the general Austrian and Hungarian life. One is that there was less caste and class spirit than in the so-called fashionable offices of the monarchy which were a hotbed of the aristocracy and plutocracy. Especially, after the fatal catastrophe of 1866, the leading circles of

the army became aware of the fact that the aristocratic cult of the former army led to a hegemony of incapacities, and the work of purification was carried on with great energy which signified the democratization of the army. In the highest military ranks, with very few exceptions, there were for many years no longer aristocrats. Among the great war lords of the last war their names are absent. "The army was too important for the monarchs to build it up—after the experiences they had—on the connections of aristocratic families. . . ."<sup>2</sup> (On the other hand these same devastating influences continued in a more indirect but no less pernicious way, as we shall soon see.)

Another trait of the army which might have been a model for the public spirit of the monarchy was the delicate and tactful handling of the national antagonisms. The joint army stood both in principle and in practice on the basis of national equality. As I previously mentioned the German language of command to which the leading circles so tightly clung as the chief dogma of army leadership, was not—at least in the more recent times—a Germanizing measure but the expression of the conviction that the introduction of various languages of command would make an effective war-activity impossible. However erroneous this measure may have been, it was dictated by a national consideration only in one respect: the leading military circles were aware of the fact that the claim for a Magyar language of command and for the Magyar regiment language (which led in the last two decades of the monarchy to a very serious constitutional crisis) became the war cry for a total Hungarian independence inclined only to recognize the joint person of the monarch and serving at the same time the purpose of employing the army as a means of Magyarization. And though, since the compromise of 1867, the Emperor cared practically nothing for his former allies, the nationalities of Hungary, in spite of this, and amid the growing difficulties and dangers of the Austrian nationality struggles, the more far-sighted Viennese circles shrank from the thought that the army should be employed as a means of artificial assimilation in the Hungarian half of the monarchy. As the different national consciousnesses could be tamed more and more by compromises only and not seldom by military force (for the using of the army for the maintenance of civic order belonged to the ordinary methods of the government in Bohemia, in Bosnia-Herzegovina, in Galicia, in the Bocche, and at the electoral campaign in Hungary), it became manifest that in the very moment in which the army would be imbued by the same nationalism as the nations from which it was recruited, the monarchy would break to pieces under sanguinary civil wars. The supreme purpose remained the same, there-

<sup>2</sup> Acute remarks concerning this situation will be found in the excellent book already quoted of F. G. Kleinwaechter.

fore, until the last, and that was to fill the army with an exclusively Habsburg patriotism and to maintain the nationalism of the members of the army in a state of an *apolitical nationalism*, in the state of a linguistic, family, or, at most, of a racial nationalism which would have nothing to do with the political and state struggles of the single nations.

This endeavor was really successful for a long period. The joint army formed a real state within the state, the members of which—especially its officers and under-officers—breathed first of all throughout their whole life the spirit of their military colleges or their regiments and not that of their mother-nations. Indeed the fatherland of the officers' staff was the whole monarchy and not the territory of a particular nation. It was a real educational principle in the army to move the officers around from one country to another. These men who lived now in Vienna, now in Budapest, now in Prague and then in Zagreb, in Galicia, in Transylvania, in Bosnia, or in the Bocche represented a certain spirit of internationalism confronted with the impatient and hateful nationalism of their surroundings. They constituted something like an *anational caste* the members of which lived even in their private lives ordinarily distinct from their national environments and spoke very often a special language, the so-called *ärarisch deutsch* ("fiscal German") as it was ironically named by the representatives of the literary German, meaning by it a strange linguistic mixture which does not take the rules of grammar very seriously. During a long period it seemed that this Habsburg solidarity would remain stronger than the developing ideology of the national solidarities. It was an interesting symptom of this supra-national solidarity that when in 1903 the Hungarian government, under the pressure of the nationalist opposition, was successful in gaining from the Emperor the privilege for officers of Hungarian citizenship to be transferred into Hungarian regiments, more than a thousand officers of this category (belonging to the various nationalities) tried to gain Austrian citizenship in order to avoid the change, because they feared that growing Hungarian nationalism would put them in an awkward situation from the point of view of their own nations.<sup>3</sup> For a better understanding of this situation we must note that among the forty-seven infantry regiments located in Hungary, only five were purely Magyar whereas thirty-seven were nationally mixed. Among these latter, in sixteen the Magyars constituted the majority, in two they were even, but in nineteen they were in a minority. Besides, there were five regiments in which the Magyars were scarcely represented.<sup>4</sup>

<sup>3</sup> Interesting details concerning the struggle for the army may be found in Paul Samassa's *Der Völkerstreit im Habsburgerstaat* (Leipzig, 1910), pp. 84–104.

<sup>4</sup> Theodor von Sosnosky, *Die Politik im Habsburgerreiche* (2d ed., Berlin, 1913), II, 204.

Therefore, the more vehemently Magyar nationalism came upon the stage and the more it endeavored to establish a distinct Hungarian army, or at least an exclusively Hungarian part inside of the joint army which could Magyarize the soldiers of the non-Magyar nationalities by the help of the single Hungarian regiment-language (the tongue employed in the joint army out of service was called regiment-language, playing the rôle of a colloquial, educational, and instructional idiom) and the more the ire of the Magyar opposition became exasperated with the imperial colors and emblems of the joint army the more grew the fear and apprehension of the court and the leading circles over this vehement and reckless movement.

In 1903 the situation became so acute that it assumed the character of an open conflict between the Emperor—that is to say the Hungarian king and the Hungarian parliament. At this juncture the Emperor issued his famous General Order of Chlopy (that is the name of the small Galician village where the headquarters of the maneuvers were) which in its rigid and severe formulation was almost a symbolical expression of the military policy of the imperial absolutism. The chief thesis of this manifesto read as follows:

I shall never waive those rights and privileges which are warranted to the chief war lord. . . . My army should remain as it is now, joint and united, the strong power for the defense of the Austro-Hungarian monarchy against all enemies. . . .”

But this rigidity augmented all the more the centrifugal forces of nationalism, for the old imperial army with its Habsburg consciousness came in an increasing antagonism not only with the Hungarian effort for independence but also with the consciousness of the other nations which felt with greater force their national purposes in all the activities of states life. The unsolved constitutional and national problems of the monarchy pressed increasingly upon the conscience of the younger officers and soldiers. The sons of those nations which continued an exacerbated struggle against each other in parliament, diets, and local administration could not co-operate in the anational atmosphere of the Habsburg army which was enveloped with the suffocating atmosphere of an artificial dynastic hothouse.

The dangers of the situation were deeply felt by the more valuable elements of the army. Especially by the head of the staff, Conrad von Hötzendorf, who, as the real conscience of the army followed with a fearful attention the manifestations of this state of mind, chiefly because he understood very well the fatal connection of the Jugo-Slav and Italian irredenta with the inner decomposition of the monarchy. In his memoir, addressed to the Emperor in 1907, he says, among other things, the following:

Relating to the spirit of the army the national problem is the most important. Only in an army in which each of the various nationalities can

have the conviction of being regarded as equal in right and value can there be a common spirit and a united attachment to the great Common Cause. . . . This equality finds its expression above all in the equal right of each nationality to use its peculiar language, in so far as it is not restricted by the necessary establishment of a common language of communication inside of the army. . . .

But beside this connecting language everywhere the language of the soldiers must be decisive and every officer must know perfectly the mother tongue of his soldiers. And he continues:

The forceful introduction of the Magyar language in the joint army would, therefore, alienate from it all the other non-Magyar nationalities, nay, it would induce them to opposition against the army and undermine its spirit in a grievous way. . . .

The chief end should be, therefore, according to Conrad, that "the officer, irrespective of where he originates, should feel himself at home in any place in the monarchy. . . ."<sup>5</sup>

But Conrad saw more than this. He clearly visualized that this spirit could not be established inside the army as long as they did not succeed in remolding the position of the nations outside of the army. Therefore, he advised that the dualist constitution should be changed and the relation between Hungary and Croatia be put on a new basis. For this purpose universal suffrage must be introduced by compulsory means if necessary. Conrad admonished the Emperor not to permit the utilization of the army during the electoral campaign for the terrorization of the national minorities. (A procedure which led sometimes to real massacres, as it happened for instance in Galicia in the village of Drohobycz, where, at the elections of 1911, a volley was loosed upon the electorate which resulted in twenty-seven deaths and eighty-four serious injuries in order that the reign of the Polish Szlachta should be maintained over the Ruthenian peasants.) Conrad was rightly convinced that without the complete equality of the various nations the unity and combative effectiveness of the army could not be safeguarded.

Furthermore, the army not only languished through the growing national antagonisms which vehemently opposed the increase of the military budget (the leading circles spoke always more anxiously of the *Verdorren der Armee*, "the withering of the army"), but the influence of the archdukes, the atmosphere of what was called the Court-Camarilla impaired its situation for very often talentless place-hunters were put above the really worthy elements. This spirit manifested itself in its complete baseness just at the time of the catastrophe of Königgrätz and produced an episode which with the force of a *fait saillant* (as Taine called the really characteristic facts of an epoch) throws light upon the secrets of the Habsburg dissolution process.

<sup>5</sup> *Aus meiner Dienstzeit 1906-18* (Wien, 1921), I, 503-4.



The tragedy of General Benedek, defeated by the Prussians at Sadowa, demonstrated how the private interests of the archdukes were triumphant over the most conspicuous necessities of the state and of the army itself. Benedek was one of the most popular generals after the death of Radetzky, who enjoyed great prestige in the army. The year 1866, when the empire was harassed both by the Prussians and the Italians, found the general in Italy where he had been for several years the chief commander of the Austrian forces. He was really the best leader imaginable for the southern field of operation, who according to his own words "knew each stone and tree in Lombardy," but at the last moment the order came to surrender his post to the uncle of the Emperor, to Archduke Albrecht, and to take over the northern battlefield in Bohemia against the Prussians. Benedek protested desperately against this order, explaining that he "would be an ass in Bohemia" where he did not even know the course of the river Elbe. He was determined to return to Italy but at the last moment such pressure was exercised upon him in the name of the Emperor that he was forced to comply. The background of this absurd order was the presumption that victory over the Italians was certain whereas the fight with the Prussians was very dubious, and under these circumstances they tried to secure the glory of the former to the extremely ambitious Archduke, and the possible defeat to the general. And that is what really happened. The Archduke returned as a hero, and Benedek as the scapegoat of the catastrophe of Sadowa. Against this calumnious campaign Benedek tried to justify himself, but he was not received by the Emperor. Later Archduke Albrecht requested and received from the general the promise that on his word of honor he would suffer all attacks without a reply in the interest of the monarchy. But scarcely had the general given his vow when an article appeared in the official journal, the *Wiener Zeitung*, which in a perfidious way put the honor of Benedek into the pillory, blackened his whole career as a war lord, and emphasized the humiliation of the monarchy as only a result of the omissions and crimes of the general. The proofs of these defamatory articles were revised personally by the Archduke and by the minister of war. In spite of this Benedek kept his given word and maintained silence. Only in his testament he characterized this procedure as "surpassing his ideas concerning law, justice, and honesty. . . ." And in order to demonstrate the tragedy of his life, he forbade that his corpse be buried with military honors.

In a country where such dark things could have happened, the corruptive influence of the archdukes did not have a serious obstacle in the army. And though in the last decades of the monarchy, as it was previously mentioned, serious endeavors were undertaken for the

purification of the army and for the checking of illegal influences (especially Archduke Francis Ferdinand and his intimate circle were very active in this direction when Conrad von Hötzendorf was chief of the staff), it still remained under the suffocating atmosphere of the autocratic surroundings. The gravity of the crisis became manifest only in the period of the World War when the great majority of the leading generals failed completely. Not without reason did the old Emperor so strongly distrust his generals. The reports of Conrad and of the other more talented generals abound in eruptions against the unfitness of the leading military circles: "All the gravity of our defeat," said General Krausz, "falls exclusively to the share of the highest leadership. . . . Never was an army, worthy of a better fate, pushed into disaster with such light-mindedness."<sup>6</sup>

Not only the corruptive influences of the court weakened the army, but the spirit of class domination, too, undermined its inner structure. This influence became particularly damaging during the war when all the privileged classes of the monarchy succeeded (naturally with many honorable individual exceptions) in avoiding the dangers of the fronts in a measure which is unparalleled, as far as I know, in the history of any other country. A new kind of class struggle pressed heavily upon the whole public life of the monarchy, a silent but awfully exasperated class struggle: a conflict between those who were driven into the trenches, abused, and their last energies spent, who were frequently wounded and not sufficiently restored; and on the other hand those who, as the result of their social standing, aristocratic, plutocratic, or influential journalistic connections, were successful in dodging the real dangers of the war. They did this chiefly by two methods. The one was the institution of the so-called "indispensability" by which many thousands were without cause retained from the fronts under the pretext that their services were absolutely necessary to the country in economic life or in higher offices or in the influential press. The other was that the youth belonging to the wealthy or aristocratic classes found employment far away from the trenches within the organization of the higher commanders which were relatively seldom exposed to direct war-activity. Everybody who had occasion to come into contact with these higher headquarters during the war had the unanimous experience that many thousands of elegant and perfectly healthy young men found bodily protection in these aristocratic detachments in or near the hinterland. This crude antagonism between the ragged and untrimmed soldiers of the trenches and the well-dressed and polished orderly officers of the higher quarters (the people of the trenches called them with disgust *Etapenschweine* or "swines of the hinterland") was indeed one of those mass-psychological forces which weakened in a great measure the solidarity of the fronts.

<sup>6</sup> Geza Supka, *The Great Drama* (Miskolcz, 1924), p. 359. In Hungarian.

## CHAPTER IV

### THE ARISTOCRACY

A liberal deputy once said in the Austrian parliament the following words, which became household words of political life:

The thought was often expressed that there were in Austria some sixty aristocratic families who conducted the state as their private enterprise and attempts were made in an ingenious way to deduce the story of Austria from this proposition. This thought has some truth in it but it is incomplete. Add to these sixty aristocratic families thirty or forty bishops and you will have the whole truth.

The foreign reader might believe that these words belonged to those plastic exaggerations which political enemies so often employ against each other, but they signified in the monarchy the complete reality proved by any careful sociological or historical survey. This aristocracy was the most decisive factor in the monarchy even in times when it lost the majority of its legal privileges. Practically, its power rivalled that of the monarch until the very end of the empire.

As the historical roots of feudalism penetrated the entire soil of the monarchy, and as its effects until the end were more elementary than in any other state of Europe, with the possible exception of Russia, it will be wise to reconstruct with a few traits the genesis of this situation. Ignaz Beidtel, the able historian of the Austrian state administration, says:

The relations of nobility and feudalism brought about this result that the monarch could regard only a relatively small part of the population as his direct subjects; the other, the far greater part, was only indirectly under his reign but directly under the rule of the feudal estates. With this situation the possessor of several estates was a great lord. Every year he had some hundreds of free peasant lots which he could grant as he liked, and in the eyes of his feudal subjects, he was a more important person than the monarch. Under these great lords or as the people called them between 1720 and 1830, the "Greats," very often stood poorer noblemen as officials or higher servants. . . .

The possession of fifteen or twenty villages was quite common but it was not a rarity that some mighty lord was the owner of seventy-five to one hundred and twenty villages. These "Greats" had an unlimited administrative and judiciary power over their subjects. Some of them enjoyed an almost semi-sovereign situation. For instance, the Silesian princes had the right to establish a kind of "government." They had a "court" and a regular court session. The prince of Liechtenstein

possessed in addition to his Silesian duchies in Troppau and Jägersdorf, extended estates in lower Austria, in Bohemia, and Moravia.<sup>1</sup>

The noble estates in Hungary played the same preponderant rôle and their social and economic influence was perhaps still greater. According to a calculation, from the end of the eighteenth century the civilian and ecclesiastical lords owned from 31 to 58 per cent of the whole arable land in various parts of the country. Hungarian history is full of reminiscences that one or another feudal lord or bishop acquired immense properties in the country by sheer violence or fraud. Stephen Verböczy for instance, the famous codifier of the feudal law of the country in the first half of the sixteenth century, was capable of gaining possession of more than two hundred villages in almost every part of the country. The kingly riches of Prince Rákoczi, the anti-Habsburg leader, has previously been reported.

After the reconstruction of the whole feudal nobility on a strict Habsburg basis in the entire territory of the monarchy, the power of the aristocracy became even more preponderant because the most outstanding families were bound together by frequent marriage ties and formed, so to say, a single family of small kings. Knowing this we understand the complaints of Prince Rákoczi in his memoirs when he explains the failure of his enterprise by emphasizing the fact that the Hungarian aristocrats had married wives from Austria and Styria and some others educated at Vienna possessed hereditary estates on the borders of Austria, Styria, or Moravia and "therefore they favored with their heart the Austrians and did not wish to expose to hazard their wealth and fortunes." About half of the most splendid families lived always at Vienna and were in a continuous contact with the intentions and order of the Emperor.

It is only natural that this almost semi-sovereign power of the leading families did not cease even in the times when their old feudal privileges were expropriated and the Habsburgs succeeded in building up their own military and administrative organization all over the country. Their social and political predominance remained a fact until the end of the monarchy, based on their colossal landed properties and political privileges in the election of the diets and parliaments.

We shall analyze the economic, social, and political consequences of this colossal power in the modern monarchy in another connection, because directly or indirectly, there emanated from it some of the most fatal centrifugal tendencies which pushed the empire into disaster. At this point we must consider aristocracy from another angle, namely, as the chief representative of the Habsburg state ideal, that most conspicuous social force by which the dynasty tried to carry on its work for centralization and Germanization. The reader will remember those memorable events by which the Habsburgs partly tamed, partly ex-

<sup>1</sup> *Op. cit.*, I, 6-9.

tirpated the native nobility and replaced it with a loyal aristocracy. Such an aristocracy was a vital necessity for the dynasty, because, among pre-modern conditions in the times of a predominant barter-economy and a very primitive means of communication, the system of feudal patrimonial estates was, from the point of view of the Habsburgs, something like an unavoidable evil which could not be replaced by any other institution. Besides, in the reckless anarchical feudal world, Habsburg needed such a preponderant social and political power by which he could easily influence the masses of the smaller nobility and counterbalance the constant danger of feudal intrigues or peasant revolts. The political unity established by the dynasty would have been unimaginable without their help and concurrence, for instance the *Pragmatica Sanctio* in Hungary and in Croatia was chiefly their work.

But the more the structure of the monarchy changed with the evolution of economic and intellectual life and the more Austria became democratized by the more conscious rôle of the bourgeois and peasant masses (this process was in Hungary far more slow and therefore the latifundistic hegemony remained almost unshaken), the more feudal aristocracy lost its roots and became an isolated body in national public opinion. The overwhelming majority of the Austrian aristocracy remained a stranger in the soil where it was planted by the donations of the Habsburgs. Kleinwächter, the acute analyzer of the old Austria already quoted, says:

It lost the ground, its roots did not draw their energy from the native soil, but they climbed around the trunk of the ruling house, getting nurture from its juice. And doing this the Austrian nobility surrendered itself to a singular delusion. The creeping plant which clutched tightly around the tree without which it could not live, regarded itself as the supporter of the tree. And what was a still more singular delusion: the tree itself considered the creeping plant as its powerful supporter.

But with one exception. Crown Prince Rudolph felt very distinctly that the aristocracy had outlived itself and that his empire could not be maintained on such a basis. In 1878 a book was published in Munich under the title *Der österreichische Adel und sein constitutioneller Beruf, Mahnruf an die aristokratische Jugend, Von einem Österreicher* ("The Austrian Nobility and Its Constitutional Mission: An Admonitory Appeal to the Aristocratic Youth. By an Austrian"). The author of this sensational pamphlet was the Crown Prince himself who wrote this document in collaboration with his professor and friend, the brilliant Austrian scholar, the founder of the so-called Austrian school of economy, Charles Menger. One can say without exaggeration that the reigning Austrian caste has never been analyzed in a deeper and more just way either before or after this publication. The author emphasizes the fact that nobility neglects

both the administrative and the military service of the state. It proved to be unfit for military service because the military catastrophe of the monarchy (allusion to Königgrätz) was caused by the very fact that it occupied in that period all the leading positions. This nobility was courageous but entirely incapable of keeping pace with the military sciences.

The only speculation and aspiration of the aristocratic commanders was directed towards an easy, chivalrous tone in the officers corps and to educate excellent horsemen. But all organic reforms were carefully avoided. . . . The bravest sons of Austria bled on the Bohemian battlefield as victims of this delusion. . . .

And when a severe order of study and examination was introduced in the army, the noble youths lost all interest in the cause of national defense. These noble youths endeavored not to be accepted for military service by the recruiting officers. These youths avoided the army not only because "where the law puts the nobility on a completely equal footing with the other classes, this latter cannot serve joyfully" but also because of its "unlimited laziness" which makes them incapable of any more serious effort or examination. In the same manner nobility proved to be unfit for all such administrative functions the performance of which needs a special expertness. The same is the situation in the constitutional life, in spite of the fact that the nobility dominated the house of the magnates in consequence of their feudal privileges. Partly, because it has an antipathy for constitutional institutions, and partly, because it has inadequate faculties for it. The Crown Prince drew the conclusion that the fate of conservative thought is not in the right hands.<sup>2</sup>

What is the reason for this apathy and for this lack of talent? In order to discover the answer, Rudolph gives a careful analysis of the standard of life and the social customs of the nobility. He describes their life spent in revelry, concentrated around hunting and dancing parties. A life having nothing in common with the more serious problems, into which there does not penetrate either science or a more noble art. They have not even the slightest idea of the earnest struggles and aspirations of the other professions.

Another cause of the bankruptcy of the aristocracy consists, according to Rudolph, of the Jesuit education which fills the youth with the ideology of past times. From this school the young men came as strangers into life permeated not even by conservative ideas or by the love of the historical but developed abhorrence against existing legal institutions and against all cultural progress.

The conclusions of the Crown Prince and his professor were veri-

<sup>2</sup> The same thought was asserted already a generation earlier by Prince Felix Schwarzenberg, the Austrian premier, restorer of absolutism, who used to say that "there were not four men of the high nobility who would have the quality to justify the establishment of a House of Lords in Austria."

fied by the consequences almost to the last word. In the later decades the old aristocracy was eliminated more and more from all those positions for which real work and qualification were required. After the introduction of universal suffrage in Austria (in Hungary the old corrupt electoral system continued), the Austrian nobility was almost entirely turned out from parliament, in which in former times it played a considerable rôle. Among the five hundred and twelve deputies there were only one duke, one prince, and four counts. Also in the state departments they became rare. Only in the foreign ministry and in diplomatic service (for which, though a very high qualification was required, this examination served only as a bulwark against undesirable bourgeois elements) remained the old hegemonic rôle of the aristocratic element. The almanac of the foreign service from 1914 on gives the impression of the almanac of Gotha (the annual list of aristocratic families): in the higher ranks one will not find a single member of the middle classes.

As time passed the aristocracy became more and more dangerously the supporter of the Habsburg state idea. Its overwhelming majority developed into a leisure class, purely decorative, intriguing, and pleasure-seeking, hermetically closed from the real interests of the country. Whereas a smaller part of it became so fond of the constitutional order of the various countries and crownlands in which feudal nobility had such outstanding privileges that it was the most obstinate defender of local patriotisms. Though the ancestors of many of them were strangers in the country, obedient creatures of the Habsburgs, in a few generations some of these families embraced so completely the atmosphere and ideology of the respective countries that they often fought bitterly the central power in order to defend the old local constitutions. For instance the ideology of the Czech crown which was a mainspring of the troubles of the monarchy was the very creation of the feudal aristocracy of that country.

A further pathological consequence of this undue preponderance of the nobility was the fact that they infected with their archaic ideology the other classes too. The spirit of snobbishness and social climbing emanated from them throughout the whole monarchy. "Man begins with the baron." These winged Austrian words rightly characterized a society where a middle-class consciousness was entirely lacking. The higher officials after the lapse of a number of years of service were raised to the nobility; the most important of them even acquired the baronate, and though this new nobility not backed by landed property never had a real social prestige, it was still instrumental in bringing the more ambitious elements of society into a species of moral vassalage to the feudal classes.<sup>3</sup>

<sup>3</sup> That is the reason why in the new Austria there is no liberal party and no single representative of a self-conscious bourgeois class can be found in the Austrian parliament. The situation is almost the same in the new Hungary if one knows the real ideology of the parties under the political show-windows.

But the most dangerous consequence of this exuberance of the nobility was that it kept the sovereign rigidly isolated, especially Francis Joseph, by the system of the stiff court ceremonials, from popular public opinion. The Emperor practically never had the opportunity to come in touch with the middle classes or the people who were never accepted by the court as equals in rights and distinctions. And on the few occasions, when, after an official dinner or reception, the Emperor was compelled to exchange some words with the representatives of the higher bourgeoisie, his so-called *cercles* (the ceremonious interrogations) moved always on the verge of the comic in their ceremonial rigidity. It never occurred that, outside of his magnates and generals, the monarch had a serious conversation with members of the other classes. I do not know of a single case where he was anxious to know the opinion of a scholar, an artist, or a leading man of industry. The very idea of the people was for him like a metaphysical conception devoid of life and blood. The awfully intricate mechanism of the court ceremonial, the sphere of influence of the orders and dignities calculated with an almost microscopic care signified in the hand of feudal aristocracy a tendency to keep back the monarch from all modern currents of ideas, from all really popular wishes. In this hot-house atmosphere, aristocracy became a really artificial creature in the state which became quite manifest in the days of the catastrophe of the monarchy. This almighty, overwealthy, and haughty class did not make even the slightest effort to maintain the sovereign, the unique source of its privileges, when popular public opinion after the collapse embraced the idea of the republic. On the other hand from day to day it was itself eliminated from the blood circulation of the new democracies, even in Austria where their feudal estates were not expropriated. Only the Hungarian, and to a certain extent the Polish feudal nobility, were capable of retaining their former leadership. The cause of their different fates was partly the fact that they were more connected with the national struggles of their countries, partly because the difference in social and cultural power among them and their backward peasantry was far greater than in the other succession states, and partly because a conscious middle class was entirely lacking in their countries. Besides, both in Hungarian and Polish society, there was also a very extended middle noble class which in face of the Habsburg aristocracy represented the ideas of national independence. This Hungarian noble middle class (the so-called *gentry*) had a preponderant rôle in the creation of the anti-Austrian separatistic movement. Therefore, it is better that its rôle be considered when we shall analyze in detail the dynamics of centrifugal forces.



## CHAPTER V

### THE ROMAN CATHOLIC CHURCH

Aside from its army the Roman Catholic church was the most solid pillar of the Habsburg dynasty. The Habsburg dynasty, as we saw in our historical survey, helped the church with its entire political and military force and by the most brutal instruments in the execution of the counter-reformation and in reconquering the countries which had become to a large extent Protestant. On the other hand, Rome becoming again victorious, put at the disposition of the Emperor without reserve its own spiritual, moral, and political forces in making the empire united, centralized, and loyal. In periods when the church represented almost exclusively the higher spiritual culture, its assistance had a paramount importance for it held in its hands the whole spiritual and educational organization. But even later when general lay-culture became preponderant or even when the state tried to push back the power of the church in legal and educational matters (for instance, under Joseph II or in the sixties of the last century when the Concordat was abolished in Austria and a long series of liberal reforms introduced; or in Hungary in the nineties of the last century when important laws such as civil marriage and marriage between Jews and Christians were passed in the field of church policy), the political and moral power of the Roman church did not suffer any real damage. Nay, those attacks of militant liberalism led rather to a more conscious and efficacious organization of the clerical forces.

This immense power of the church was based on several factors. The backward cultural condition of the rural masses; the colossal donations given by the dynasty which made the Roman Catholic church of the monarchy the most opulent in Europe; the imposing splendor of the Church which developed a great religious art, the brilliancy of which constitutes even now the greatest heritage of the artistic past of the empire; the establishment of humanitarian and educational institutions in times when state activity did not embrace those fields; its constitutional privileges by which it influenced, to a large extent, the legislature; the broader and more international perspective of its leading elements which far surpassed the mentality of the representatives of the Protestant churches were factors which with others, contributed to the exceptional power and authority of the Roman Catholic church.

Generally speaking one might say that ecclesiastical feudalism combined all the material powers of lay feudalism with the force of spiritual culture and with the spell of a transcendental authority.

But the bulk of its powers was still based on its immense landed estates which held the widest strata of peasant populations in its material and moral dependency. It is therefore quite natural that such an enormous historical and economic power had a paramount leading rôle above the masses. This power continued almost unaltered even in modern times; but feeling its unrivaled forces and privileges, it became more and more mechanical and ceremonial. It increasingly developed into a political and powerful organization, into a *political antidote* of the Habsburgs, against the rising classes of society, an organization which drew its energies less and less from the popular soil but almost exclusively from the riches and jural privileges imparted to it by the Emperor. That the majority of the social democratic working-people of the monarchy grew not only anti-clerical but outspokenly atheistic was manifestly connected with this attitude of the church. At the same time its moral influence, taken in a subtler sense, was negligible even on the masses which stood under its exclusive sway. Negligible even in fields the significance of which was overemphasized by the church. Though it carried on a constant fight against illegal sexual relations and for the indissolubility of marriage and though it was supported in its endeavor by the ideology of the court nobody could assert that the church was really successful in the raising of the moral atmosphere. At the same time when, in the first decade of the present century, it was capable of subscribing 4,500,000 names against a petition which favored dissolving marriages under certain conditions, the proportion of illegitimate births in Austria was the worst in all Europe and record figures were reached in those regions of the monarchy where the moral authority of the church was the most uncontested. Similarly the dogma of celibacy was very incompletely fulfilled by the church itself and the illegitimate family life of the country clergy was proverbial and the rôle of the clergyman's cook was a standing cheap joke in all the humorous papers.

Also in the higher spheres of education the function of the church was not favorable to the building up of a modern type of civic education. The famous Jesuit colleges in Kalksburg and Feldkirch, where the offspring of the aristocratic and wealthy classes were educated, produced a type of man characterized by a certain feudal rigidity with not much sympathy toward the modern democratic and social problems. Those older and richly endowed orders, which as the Benedictines, the Cistercians, and the Augustines represented a freer and more worldly spirit, came into a growing conflict with a very influential current of the church, led by the Jesuits who fought both the looser discipline and the outspoken German spirit and culture of these orders.

For, if we disregard certain individual exceptions which can be motivated by individual interests or predilections, we witness that the

Roman Catholic church as a whole was remote from any German nationalist tendencies and was rather inclined toward a Slavophile policy. This attitude of great consequence had several causes. Before all, the universalist spirit of Catholicism was not in favor of accentuating the differences between national particularisms. A further cause was the clear intellectual vision of the fact that to Austria, having a Slav majority, the idea of a Habsburg united monarchy of which the church was its main moral exponent was irreconcilable with the neglect or repudiation of Slav intellectual and cultural endeavors. Another factor which worked in the same direction was that the Germans, as the most cultured element of the empire, did not remain so much in the tow of the church as the Slav, Polish, Slovak, Croat, and Slovenian masses who were on a lower cultural standing and who continued to be unchanged vassals of the church power.<sup>1</sup> But there was another cause, perhaps even more important, which explains this pro-Slav attitude: the national liberalism of the church was only an expression of that traditional antagonism and antipathy which divided Catholic Austria from its rival, Protestant Prussia. We witness indeed that the church tried to smooth the national divergencies in the monarchy in a Slavophile direction, the more so because, until the eighties of the last century, the German hegemony was not seriously endangered in Austria. But even at the times when the struggle between the Germans and the Slavs became very acute and, when under the régime of Count Taaffe, the so-called process of Slavization began, the German clericals were the most outstanding supporters of that *Eiserner Ring* (iron circle) which made this policy workable, a coalition between all the clerical and feudal elements of Austria. Even the author of that ill-famed *Lex Falkenhayn* which in 1897 (when the linguistic decrees of Count Badeni aroused the vehement opposition of the Germans) tried to break down the obstruction of the Germans by force, was the German clerical deputy, Count Falkenhayn.

We must not forget in this connection that the German elements were always the *beati possidentes* of power and it is a well-known psychological fact that the defenders of antiquated privileges never reach the moral enthusiasm of those who fight for a newer and juster compromise. Therefore, the German elements of the clergy were of a cooler and more sober mind, whereas some Slav members of the Roman Catholic church became really the most outstanding leaders of their people in the fight for national emancipation. Briefly stated, the German Catholic clergy was solidly but not aggressively conservative, the Slav impatiently nationalistic. Without the imposing personality of

<sup>1</sup> The unique exception from this vassalage were the Czechs who, under their Hussite traditions and fighting their Catholic aristocracy of a German origin allied with Vienna had a very cool attitude toward Rome which was returned with suspicion and distrust.

the Croatian bishop Strossmayer, without his continuous and strenuous effort for the cultural elevation and national enlightenment of his people, Jugo-Slav unity is almost unimaginable. Similarly the Slovenian Roman Catholic priest, Janez Krek, played an almost apostle-like rôle not only in the national field but also in the economic and social walks of his nation. Even in Hungary where the strongly nationalistic Magyar spirit checked to a large extent the international tendencies of the church, we find a series of Roman Catholic or Greek United priests who became the chief fighters for the claims of their national minorities and some of them even dared prison for their convictions (the Slovak priests Hlinka and Juriga).

The Slavophile tendency of the Roman church was so manifest that, in 1898, Prince Lichnowsky, when he replaced the German ambassador in Vienna, in one of his reports, drew the following characteristic picture of the national and moral situation of the dual monarchy before the German chancellor.

Outside of the clerical and feudal camp there are now few Germans in the Ostmark [How significant, that in the eyes of the Prussian diplomat Austria remained still the Ostmark, the eastern bulwark of the German empire!]. Without the companionship in arms of Mr. Wolf and his comrades [this group was in those times the most vehement exponent of the Austrian German nationalism, operating with an extreme nationalistic and anti-Semetic demagogy] Germandom would be hopelessly lost in face of the Slavs and their lay and clerical protectors.

Lichnowsky emphasized the fact that this conviction has an ascendancy also in the more moderate German circles and therefore the idea of an Austro-German unification would become inevitable to which only the court and the ecclesiastical circles are opposed. Then he continues in the following way:

By what could the national state idea of the Czechs, so full of strength, be counteracted if not by another national ideal? The entirely bloodless Austrian state-idea represented only by a pitiful old man and his unruly nephew and by a Roman Slav clergy does not suffice in any case. . . .<sup>2</sup>

The picture, however, drawn here by the German diplomat, was at that time too exaggerated and biased by a Pan-German point of view. The truth is that the militant Pan-German nationalism under the leadership of the talented Georg von Schönerer, was never capable of obtaining more serious results. At the end of the last century, terrified by the growing influence of the Czechs and, as a reaction against the Slavophile policy of Badeni, the German nationalists initiated the so-called *Los von Rom* ("away from Rome") movement by which Austrian Germans were invited to abandon Catholicism and to adhere to

<sup>2</sup> *Die grosse Politik der Europäischen Kabinette 1871-1914*. Sammlung der diplomatischen Akten des Auswärtigen Amtes (Berlin, 1924), XIII, 118-19.

Protestantism. That was intended as a demonstration against the Slavophile tendencies of the Catholic church and at the same time some manifestation of sympathy toward the Protestants of the German empire. But it was an open secret that the movement had in its ultimate resort an anti-Habsburg character. If the nine million Austrian-German Catholics should become Protestants, then Germany would have no further apprehension against the admission of Austria to Germany. In this manner the propaganda for *Los von Rom* assumed more and more the character of a *Los von Habsburg* but, in spite of the extreme demagoguery with which it was carried on, it was incapable of capturing the greater masses of population. During a whole decade only 60,000 to 70,000 men abandoned Catholicism and became Protestant or partly so-called Old Catholics (a sect which severed its connection with Rome).

Of a far greater importance was another mass movement of a religious character which utilized the social discontent of the German small bourgeoisie and which, by means of strongly dynastical and Greater Austrian slogans, was really successful in pushing back German separatism and in fructifying its anti-Semitic tendency in quite another direction. The real soul of this movement in the eighties of the last century was Karl Lueger, the later Viennese Mayor, who combined skilfully his enthusiastic Catholicism with the interests of the dynasty and of a so-called Christian Socialism, the edge of which was mainly directed against the Jewish better middle classes the financial and political preponderance of which pressed heavily on the working-people and small bourgeoisie of the bigger cities, especially of Vienna. Lueger and his comrades succeeded, to a large extent, by maneuvering cleverly with the anti-capitalism and anti-Semitism of the masses, in creating a loyal German dynastical movement on a Catholic basis, which became the most solid bulwark of all the efforts for a united monarchy and from which was recruited the most reliable and capable staff of Archduke Francis Ferdinand when he endeavored to rebuild the monarchy on the basis of the *Gesamtmonarchie* ("United monarchy"). The movement of Lueger encountered at the beginning the vehement attacks both of the so-called liberals and of the official clericals. The former hated the anti-Semitism of the Christian Socialists and their endeavors to replace private capitalism in the field of public utilities by municipal ownership. The latter, in its feudal and courtly atmosphere, was terrified by the effort of Lueger to make the social discontent of the masses conscious and to organize it. The fear and hatred against the new Catholicism of Lueger was so great that though the people of Vienna elected him four times as mayor, the Emperor refused to give his sanction to the election. But Lueger succeeded in destroying both fronts fighting against him: Austrian liberalism and orthodox Catholicism. Christian Socialism became, both in

parliament and in municipal life, a leading factor which always forcefully emphasized the unity of the state and of the army. And though the party in consequence of its closer co-operation with the popular masses was forced occasionally to play more nationalistic tunes, nevertheless, it was characterized by a certain supra-national attitude and Lueger tried to avoid national controversies in his camp. The words which he uttered on one occasion: "*Lasst's mir meine Böhm' in Ruh*" ("Leave me my Czechs in peace"), expressed with the force of a slogan his attitude toward the problem of nationality.

In spite of this with the growing national differentiation among the peoples of the monarchy, the unity of clericalism also became imperiled. It became more and more impossible that German clericalism should play the rôle of an appendix of the feudal and Slav coalition. It is characteristic that in 1909 the great Austrian-Catholic convention could not take place because the leaders of the clerical parties in the various countries felt themselves not sufficiently sure of keeping national controversies out of their discussions. But in 1912 the Viennese Eucharistic Congress became a real apotheosis of the Emperor and of the dynasty.

On the other hand the imperial house, too, remained loyal to its reliable spiritual bodyguard until the end. Everyone could assert that the more the national decomposition of the monarchy progressed, the more the sentiments of the dynasty became intense toward its Church. After the short-lived anti-clerical episode in both states of the monarchy, we witnessed a revival of clericalism, its more efficacious organization, and a systematic checking of all freer manifestations in public education and in social life. If Francis Ferdinand had reached the throne, this tendency would surely have culminated in the atmosphere of his highly bigoted wife.

The picture which I drew on previous pages of the force and tactical position of Catholicism applies chiefly to Austria. The religious situation in Hungary was somewhat diverse. That was the consequence in the first place of the difference in the numerical forces of Catholicism in the two countries. In Austria there was an overwhelming Catholic majority of 78.8 per cent which reached the total of 90.8 per cent by including the Greek Catholics. The Greek Oriental church constituted only 2.3 per cent of the population, whereas the Protestants did not reach even this figure (2.1 per cent). The Jews, with a total of 1,300,000 (4.6 per cent), lived far too remote from Christian society to influence its general religious texture. In Hungary proper, on the other hand, the Roman Catholic church constituted only a minority of 49.3 per cent which became only a majority of 60.3 per cent by including the Greek Catholics. This Greek Catholic element, however (mostly Rumanians and Ruthenians), at least in its bulk, constituted a distinct national entity which could not be

regarded as a firm pillar of the Roman church. The monopolistic position of the Roman Catholic church was further counterbalanced by the fact that the Counter-Reformation was not as entirely successful in Hungary as in Austria and a Protestant minority of 21.4 per cent (14.3 per cent of them Calvinists of a purely Magyar stock) had a great influence both in political and social life and represented a freer and more liberal current of opinion. At the same time a considerable minority of Greek Orthodox, 12.8 per cent, mostly Rumanians, formed a world the ideology and aspiration of which were neither in contact nor harmony with the ruling Catholicism. Finally a Jewish minority of 5 per cent was a very active element in all the intellectual spheres of Hungarian society.

In spite of these differences in the religious surroundings the Hungarian upper clergy of the Roman church was in its great majority a no less obedient instrument of the dynasty than in Austria. Every attack of the Viennese central authority and absolutism against Hungarian independence, and every plan for the creation of a joint state was always supported by the majority of the higher clergy and the loyalty of the church toward the throne remained always exceedingly emphasized and declamatory. The maxim: "God, King, and Fatherland" continued to be a symbolical expression of its attitude in this characteristic sequence. It must, however, be emphasized that after the compromise of 1867 when a distinct Hungarian state was acknowledged by the Emperor and when the government of the Hungarian state came under the exclusive control of the Magyar upper classes, the Catholic church also assumed more and more the Magyar colors. Some of the prelates were animated by true patriotic sentiments, others were making necessary concessions to the growing tide of Hungarian nationalism and chauvinism. Taking it as a whole, the Hungarian Catholic church remained far more feudal and imbued with class spirit than the Austrian. The cause of this phenomenon lay in the fact that the greatest masses of the Hungarian population had no political rights at all and, therefore, the Catholic church had the same aristocratic and anti-democratic spirit as the Austrian church had before the constitution of a modern Christian Socialist party. The Hungarian church was not only the chief pillar of the dynasty but of Magyar feudalism too. The Catholic church did not feel the necessity, as it did in Austria, of becoming a protector of the oppressed national minorities though we here witnessed also isolated efforts in this direction. So for instance Count Ferdinand Zichy, a very influential Catholic magnate, and his group, under the sway of Christian Socialist principles, energetically defended the elementary rights of the Slovak people and some of the bishops in the Slovak territory (especially the very gifted Fischer-Colbrie) saw clearly that the policy of Magyarization would cause serious difficulties from the

point of view of the church. But these currents remained almost without influence, partly because of the feudal spirit of the church.

The factor, however, which made the religious atmosphere of Hungary so distinct from that of Austria was the existence of the powerful Protestant minority to which I just alluded. This minority, especially its Calvinistic branch, was so intimately interwoven with the most energetic part of the Magyar small and middle nobility and peasantry that it was regarded by public opinion as a specific "Magyar religion" and as such it was one of the most fruitful sources of the Hungarian efforts for independence. This Calvinistic spirit counteracted very efficaciously Habsburg clericalism because the Catholic church did not dare to oppose seriously the nationalistic and chauvinistic tendencies lest it should lose the sympathy of patriotic public opinion to the advantage of the Protestant religion.



## CHAPTER VI

### BUREAUCRACY

In its work for centralization and unification, there was a secular effort of the Habsburg dynasty to create everywhere in its empire an absolutely reliable and loyal bureaucracy entirely under the control of its will. This effort was totally successful in the Austrian half of the monarchy, nay even in Hungary under the Germanizing centralization of the Bach system, absolutism was already very near to accomplishing the task of uniting the whole empire under the sway of a German administrative staff.

This administration, I repeat, was the most personal work of the Habsburg dynasty and aimed to eliminate all national particularism and all serious local autonomy. If the army could be called the military bodyguard of the Habsburgs and the Catholic church its spiritual bodyguard, then, the bureaucracy played the rôle of an official and police bodyguard. In the atmosphere of the *ancien régime* so full of feudal intrigues, treasons, and local interests, it was not an easy task to establish such a reliable bureaucracy and, therefore, the dynasty as a matter of fact employed by preference foreigners, very often adventurers, who sought for bread and glory in the imperial service. This historical structure of the older Austrian bureaucracy was pictured in a vivid manner by Hermann Bahr the able critic whose little book *Wien*, published in 1907, already mentioned, was immediately confiscated by the Viennese police. His most characteristic description is the following:

It became urgent to discover creatures into whom the semblance of a living force could only be blown by the breath of the imperial grace and which could be extinguished whenever wished. People nowhere at home, without fatherland, rooted nowhere, yesterday nobody but suddenly lifted up by an unseen hand, suspended in the air, as it were, in constant fear, almost on the gallows of the imperial grace. Runaways, vagrants, outcasts, forlorns, stablemen, adventurers, alchemists, astrologists, bastards, fortune-hunters, lackeys, penmen, and outlawed fugitive folks of the streets, unbound, nowhere adjusted to a social structure, everywhere at home where they had a chance to be fed. . . . And they know always that they may be hanged tomorrow. . . . Out of such people emanate the new races. And here was also a new colony, the colony of the imperial house. Here originated, too, a new race, the "patriots for me" of Emperor Francis. . . . They were artificial in their thoughts and sentiments, nay even in their language. A special Austrian-German was invented, an idiom still used in our administration and by Jews who do not wish to be Jews. They

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were, one might say, imaginary men created from above. This people have maintained state and society through two hundred years. . . . The nation of the Holfräte [court councillors]. . . .

But even in modern times when bureaucracy was no longer a foreign body in the state but the accustomed career of the sons of Austrian nobility and high bourgeoisie, this caste character of the organization continued. The acute analyst of the pre-war Austrian society, Kleinwaechter, who passed his life in the Austrian bureaucracy, describes in the following manner the type of an official whom the Habsburg spirit tried to develop:

The ideal of an Austrian official was a man who had a perfect command of the German language but having no kind of national consciousness, not even a German if he happened to be a German; a man who was devoted to the dynasty as a blind instrument without a semblance of criticism. . . . Naturally this ideal was not reached to a large extent. It flourished most outstandingly in the old official and noble families in which the national feeling was stunted by transferring them from one country to another and so eradicating their own soil from them. These men sought to find a poor substitute for the missing idea of a nation and of a state in the ideal of the so-called Austriandom. . . . Just the best among them came through it into the heaviest inner conflicts. They detected very soon that what they called Austriandom was not at all a state consciousness which offered a place for patriotism but in its essence only a mechanical fashion, signifying a loyalty to the dynasty untouched by any state or national sentiment. . . .<sup>1</sup>

This imperial bureaucracy pressed heavily on the various peoples of the monarchy. Always renewed complaints were made because of its pedantry, of its servile and thoughtless routine, of its haughty incompetence, from Joseph II through Baron Andrian to Joseph Redlich. The great Emperor in 1765 wrote:

It occurs that nobody does work and that among the hundred reams of paper which are consumed in eight days in the offices of Vienna, you would not find four pages of spirit or a new or an original idea. . . . Two generations later Sealsfield made a vehement attack against the ridiculous laziness, dilatoriness, and orthodoxy of the imperial bureaucracy. "Eight hundred miles from the capital an old school bench cannot be mended without the authorization of the prefect of the district." And Andrian writes ironically: "If our ideas concerning China are correct then Austria is in Europe the same as China is in Asia. . . ." Redlich wrote a monograph and delivered a powerful speech against the anachronistic spirit and practice of the Austrian bureaucracy and the pathological exuberance of this organization.<sup>2</sup>

<sup>1</sup> *Op. cit.*, pp. 107-8.

<sup>2</sup> *Verfassung und Verwaltungsorganisation der Städte*. Band 6: *Österreich* (Leipzig, 1907). *Zustand und Reform der österreichischen Verwaltung* (Wien, 1911).

The situation was made worse by the fact that not a bit of public control reached the imperial offices, the rigidity and secrecy of which was so great that cases were narrated when even the will of the Emperor was frustrated by the administration. And though this system was somewhat mitigated by the traditional Austrian *Gemütlichkeit* ("joviality"), the spirit of patriarchalism enforced on the people checked the best energies of public life and it is no wonder that at the time of the popular reawakening of 1848 many complaints of the most vehement nature were made against this rigid centralizing absolutism. But this hurtful spirit survived victoriously the revolutionary period and remained almost unaltered until the collapse of the empire. It was characterized by Victor Adler, the great Socialist leader: *Ein Absolutismus gemildert durch Schlamperei* ("an absolutism tempered by slovenliness").

This rule of bureaucracy was made more oppressive by other factors. The favoritism exercised by the court and the higher nobility put many unfit men into public service. The whole organization was connected by a hundred ties with the so-called good society and one could often hear when a more influential man had some difficult affair with the authorities the hopeful remark, *Ich werd's mir schon richten!* ("I'll fix it up!"). In a later period the bureaucracy came into a certain dependence upon the great industrial and financial enterprises. By this statement I do not allude to any corruptive influences but to a connection of quite another nature. When the big capitalistic concerns began to dominate the industrial life, their leading offices meant a far more splendid financial position than the badly paid state offices. Under such circumstances the more capable and energetic public servants preferred to go over into capitalistic employment. It was quite natural and human that these gentlemen utilized their former connections with their colleagues in the higher state bureaus in the interest of their new connections and were often capable of securing such advantages as ordinary business people could not attain.

Another factor which poisoned the atmosphere of bureaucracy was an entire lack of clear political aims and the absence of any true ethical motives. The officials who were sent to the various parts of the country were not prompted by any real national or social solidarity toward the population to which they administered. Gustav Strakosch-Grassmann, to whom we are indebted for an excellent history of Austrian public instruction, emphasizes this trait of the Austrian bureaucracy as one of the chief obstacles in the building up of an efficient school administration. He writes:

The lack of acquaintance with country and people of those officials who are sent into the provinces to administer them is an item of great consequence. Without any or with only the scantiest knowledge of country and people, without a knowledge of the language, but with much self-as-

sersion (one must make the acquaintance of these elegant gentlemen in the political administration who with so much poise always play the fine cavalier and emphasize their superiority) came the young and older representatives of the political authorities into the province. Behind their glittering and supple appearance there was nothing in their kernel but bottomless ignorance. Whereas in Switzerland the men of the civic administration fulfilled their duties with a relentless energy and with a calm modesty, in the higher bureaucracy of Austria there rules the spirit of aristocracy and the officials of a bourgeois descent try to copy in their exterior forms, in their demeanor, and in their social life the manners of the aristocracy. . . .<sup>3</sup>

Another detrimental factor in the work of Austrian bureaucracy was the continuance of the old police spirit and one can say without exaggeration that Austria always remained in its essence the same old *Polizeistaat* that it used to be in the times of Metternich or Bach. In this respect H. W. Steed proved again to be an acute observer when he said:

At moments of crisis the colors revive automatically and render the resemblance or rather the identity more apparent. In normal circumstances, however, the action of the police is not obtrusive. The stranger is unaware that the porter in his house is a *confidant* of the police, and that his goings and comings, his manner of life, the number and names of his friends, and all personal details are carefully communicated by the porter to the police who preserve them in a *dossier* ready for communication to the political or fiscal authorities as occasion may require.

The picture which I drew above of the Austrian bureaucracy would be, however, very one-sided, if I did not emphasize strongly that in spite of its shady sides mentioned above this bureaucracy and the administration accomplished by it was not only far superior to the former feudal administration to which it succeeded, but, compared with Eastern and Southeastern Europe, it represented a very honorable degree of order, accuracy, honesty, and humanitarianism. Especially in the last decades of the monarchy, under the influence of Socialism and Christian Socialism, a great deal of social spirit penetrated into this administration. And what is still more important, this administration in its bulk remained intact from all corruption, and it could seldom be accused of brutality toward the poor and the oppressed. Besides, some representatives of this bureaucracy were really gifted men, often with great erudition. Especially in all state departments we meet the well-known type of the *Sektionschef* ("head of the chief division") who, in spite of the state ministers, harassed in general by party and national struggles, represented very often the constancy, the objectivity, and the higher points of view of justice, not seldom with great energy and success. Perhaps such an evaluation of Aus-

<sup>3</sup> *Geschichte des österreichischen Unterrichtswesens* (Wien, 1905), III Buch, IV Abschnitt.

trian bureaucracy would have seemed, fifteen years ago, to many people as an exaggeratedly optimistic and indulgent judgment. But anybody who experienced that new administration and police which supplanted the old in the succession states could not fairly deny the advantages of the imperial bureaucracy which I have described.

The deterioration of the spirit of the administration of the monarchy began, however, not with the World War, but the signs of dissolution as in the other fields of state activity became manifest much earlier. This process may be recapitulated in a few words by saying that the lack of a state principle and the confronting growth of the particularistic national ideas corrupted this administration both from the intellectual and from the moral point of view. The national consciousness of the peoples of Austria came gradually more and more decidedly and hostilely into collision with the old Habsburg state idea. In connection with this struggle, there went on that ill-famed *politischer Kuhhandel* ("political cow-bargaining") by which state ministers or governors opened the doors of administrative positions to the sons of those nations which gave them the greatest difficulties in their political fights. Under the premiership of the very gifted Ernest von Körber (1900–1904) this tendency became almost a system as specific as the Metternich or Bach systems were. Under the cover of an elastic "liberalism," even of a flirting with socialism, a bureaucratic absolutism was built up which corrupted the press and the political leaders and made continuous secret "national" compromises with those thundering political orators who openly paralyzed parliament by their continuous obstructionism. But even disregarding this political corruption, the very process of the growing national consciousness had the result of making the old German imperial bureaucracy more and more impotent and unable to deal with the administrative problems of the whole monarchy; and there was an increasing need for more bureaucrats, employing the Czech mother-tongue, in Bohemia, the Polish and Ruthenian tongue in Galicia, the Rumanian and Ruthenian in Bukovina, and the Croat and Slovenian in the Jugo-Slav territories. This process would have been in itself completely normal, nay, wholesome, if this natural, national differentiation of the monarchy had been followed by a corresponding federalization of its constitution. But by maintaining the system of a rigid centralization, the newly formed intelligentsia of the various nations got into the imperial offices, one might say, by the back door, often through the conspiring means of the Trojan wooden horse. This new officialdom on a national basis had nothing to do with the old Habsburg state ideal. At the beginning it treated it, with masked and hypocritical sentiments, but later with the growing national tendencies, it left its bureaucratic reserve and went openly into the camp of national struggles. On the other hand, the spirit of the older German

bureaucracy still remained the Austrian patriotism without any national color, which began to lose all its reality and which survived only in the minds of the court and the old-fashioned *Hofrat* type. But this Habsburg patriotism became something imaginary, "a pure relation of loyalty, like that of the mercenary to his war lord, which could flourish independently of space and nowhere" (Kleinwaechter). It is only natural that this bureaucratic bodyguard of the Habsburg state idea could not long withstand the attack of the officials belonging to the rising nations whose intolerant vehement nationalism thought more and more of the hour of final liquidation when their own nations would build up their own independent states and national bureaucracy.

This situation led more and more to a complete administrative deadlock. The single nations were already so filled with their national aspirations, all purely administrative problems became so much infiltrated with politics, the various national parties fought each other so bitterly in the provincial diets and in the parliament, that the leading statesmen adopted the principle of *quieta non movere*. Naturally the best elements of the bureaucracy were constantly harassed by this condition, for they saw that no earnest work of reform was possible. On the other hand this situation encouraged all climbers who in a pretended strenuousness possessed merely sufficient ability to do administrative routine work. The consequence was that centralism not only destroyed the efficiency of administration but corrupted also its public morality.

As already mentioned, the description given above, pertained exclusively to the Austrian half of the monarchy. In Hungary the situation was entirely different. Since the compromise of 1867, there had been no Habsburg administration in Hungary. The whole bureaucracy, both that of the state and of the local administration, stood exclusively in the service of the so-called Hungarian state idea, as this idea was interpreted by the leading class in the state, by the great landed interest and the financial powers attached to it. This state idea had, as we shall later see in detail, two fundamental dogmas. The one was that it did not recognize a connection with the Austrian half of the monarchy other than that based on *ad hoc* contracts, and it denounced as treason to the country any effort which tried to build up a common state organization above the two halves of the monarchy. The other was a rigid clinging to the Magyar national character of the state, repudiating as high treason all endeavors which aimed at the bringing into a confederal relation the non-Magyar nations of Hungary with the Magyar nation and the nations of Austria. Instead of such a policy, the Magyarization and assimilation of the non-Magyar nations of Hungary remained the fundamental effort of the Magyar policy of an almost sacramental character which

was hidden from foreign public opinion but which was followed constantly with the most passionate perseverance. The Hungarian bureaucracy, all the leading positions of which were occupied by Magyar higher and middle nobility, the so-called *gentry*, and by some entirely assimilated elements of the other nationalities, became the chief supporter of this state idea. This bureaucracy developed into one of the chief centrifugal and separatist forces of the monarchy, and, therefore, I shall analyze its effects in the next part of the book.

## CHAPTER VII

### CAPITALISM AND THE JEWRY

One of the most powerful forces which upheld the Habsburg monarchy was, without any doubt, the growing capitalistic penetration of its economic organization.<sup>1</sup> This process began with full force as early as the sixties of the last century in the Austrian part of the monarchy. The bearer and leader of this capitalistic evolution was, as a matter of fact, the German bourgeois class. Its power emanated from Vienna and the Bohemian industrial regions throughout the entire monarchy, and had many representatives, branch members, and affiliated enterprises in all countries and capitals of the empire. To this vast German industrial and financial capitalism, the backward, agrarian countries of the empire played for a long time the same rôle as the colonies beyond the seas did for the western states; and indeed Austrian capitalism employed very often in its own countries the unscrupulous methods of colonial capitalism.

This capitalism, proceeding with growing energy and assuming more and more an outstanding Jewish color, became a very efficacious force in the unification and cohesion of the monarchy. The empire gained through it a unity of economic life, a more complete division of labor, and a more efficient credit system. It is one of the most interesting problems by which foreign observers are often startled, as to

<sup>1</sup> In order to visualize this process of growing industrialization some few figures will not be out of place. The value of the general trade of the Austro-Hungarian Custom Union rose between 1876-1913 from 1,660 million crowns to 6,400 millions. The value of the whole Austrian foreign trade (1900-1913) from 5,044 million crowns to 8,539 millions. The output of the coal production between 1876-1913 rose from 118 million quintals to 437 millions. The length of the railway tracks was in 1865, 3,698 kilometers, in 1913, 22,981 kilometers. The mass of the transported goods rose between 1877-1913 from 46 million tons to 159 million tons, the number of passengers from 32 millions to 301 millions, the number of pieces of mail (1865-1913) from 81 millions to 2,049 millions. The percentage of the people occupied in agriculture dropped between 1890-1910 from 55.8 per cent to 48.4 per cent.

Also in Hungary the process of capitalization was a rapid one. The length of the railways which was in 1846 only 35 kilometers, grew between 1867-1913 from 2,285 kilometers to 22,084 kilometers. In the years between 1867-1913 the number of passengers rose from 9 millions to 166 millions, the number of pieces of mail from 38 millions to 828 millions, the merchandise tonnage from 9 millions to 87 millions, the output of coal production from 7 million quintals to 91 millions, the value of foreign trade (1882-1912) from 1,763 millions of crowns to 4,174 millions. The percentage of people engaged in commerce and industry rose between 1869-1910 from 4.9 per cent to 25.1 per cent, whereas the percentage of the agrarian population dropped to 62.4 per cent.

For more details, see the highly interesting study of Paul Szende: "Der Staatshaushalt und das Finanzsystem Oesterreichs und Ungarns" in *Handbuch der Finanzwissenschaft*, Tübingen, 1928.



why these powerful economic advantages were not able to maintain the unity of the monarchy, and why the capitalistic forces of integration did not become victorious over the forces of national particularisms. These connections are so important that I shall consider them in a separate chapter, for it seems to me unquestionable that among all the centripetal forces of the monarchy the policy of free trade was the most decisive and efficient, or one might better say, *it could have become so* if other causes, both economic and political, had not counteracted its work and intensity.

In the present chapter I would like to treat another aspect of the problem: the leaders of capitalistic forces and their influence on the social and national problems of the monarchy. In this respect the most outstanding fact which we must emphasize is this: that in no one of the states of the monarchy arose a truly self-conscious bourgeois class creating its own political and social style, capable as in the great Western states of directing the evolution of the state. The sharp eyes of Sealsfield had already detected this fundamental difference which became one of the chief causes of dissolution when he characterized the economic life of Austria in his own period as follows: "Austria knows only the colossal feudal estates and the petty peasants. Between the two extremes of wealth and culture, poverty and illiteracy, there is no middle class as a connecting link." Austria remained in its structure a hidden feudal state, the tradition and ideology of which pressed heavily on the middle classes, and so they did not become the leading element of political emancipation as in the western states. Not only in the backward agrarian provinces of Austria and in Hungary did the new bourgeois class remain a class without prestige and distinction, but even in upper and lower Austria and in Bohemia where a strong manufacturing and financial organization was established, the bourgeois class always stood under the sway of the feudal and court atmosphere. What was called liberalism in the monarchy was only an artificial plant, introduced by the revolutionary nobility and intellectuals of 1848 and gradually faded away in the hands of the later bourgeoisie. One who studies the history of this liberalism will see that it adopted rather the exterior decorations and rhetorical formulas of the great Western models but it never was in real contact with the popular forces of society. Austrian, and, even more, Hungarian liberalism exhausted itself in the formal guaranty of the constitution and in the struggles against ecclesiastical preponderance for which many elegant and scholarly discourses were pronounced, but it had no real sense for the interest of the great masses of population. Neither the agrarian problems of the landless peasantry nor those of the industrial proletariat and of the decaying small artisans existed for it. On the contrary the rule of the large financial interests controlled the state without any scruple in the so-called lib-

eral periods. In the seventies of the last century, a real era of *enrichissez vous* could be observed, the leading men of which belonged to the so-called liberal circles, the greedy and unscrupulous business activity of which led to a financial bankruptcy, the ill-famed *Wiener Krach* in 1873.<sup>2</sup>

Austrian capitalism, the leading elements of which were intimately connected with the liberal movement, gained a special color by the fact (and in Hungary this feature was even more outstanding) that among its members and especially the ruling financial powers, the Jewish element was predominant. This phenomenon had two historical causes: the one was that, until the modern constitutional era, the Jews were excluded from all other than financial activities. The other shows us a continuous migration of Jewish capitalists from west to east, due to the fact that a national capitalism was developed in the Western countries which tried to oust their Jewish rivals. As William Roscher, the great German economist, characterized this process, "For many centuries the Jews were commercial trustees of the newer nations, also to the advantage of these latter. But every tutelage becomes burdensome when it lasts longer than the immaturity of the pupil." That is the reason why a considerable part of Jewish capitalism moved toward the east where it found an unrivaled opportunity in exploiting the almost virgin resources of the younger states. Under these circumstances all the abuses of capitalism and its political representatives appeared before the uncritical mass-mind as the abuses of "Jewish" capital, the more as the leading daily press stood largely under the control of the financial powers. In Austria this situation led to an acute anti-Semitic movement under German nationalist and Christian Socialist flags. All the shortcomings and abuses of the capitalistic system were demagogically denounced as crimes of "Jewish liberalism." Especially since the great crisis of the stock exchange of 1873 which followed the bogus activity, this tendency assumed dangerous proportions and finally swept away the liberal party from Austrian public life. In vain the widely spread co-operation of the feudal classes in the financial scandals was demonstrated. In vain it was pointed out that in the most outstanding "Jewish" enterprises 13 princes, 64 counts, 29 barons, and 21 nobles were participating, who lent their aristocratic names for opulent profits to the hazardous business men: public opinion saw only the Jewish capitalists and their press as the real responsible parties. But even later when the political predominance of the German-Jewish upper bourgeois class was eliminated, and a feudal clerical coalition got into power, the abuses of certain capitalistic monopolies often alarmed public opinion. For instance the extension of the privileges of the Nordbahn Company

<sup>2</sup> Interesting details concerning this big bogus company swindle are given by R. Charmatz, *op. cit.*, II, 11-13.

aroused a real storm of public indignation, a scandal in which even the authority of the Crown was involved. In this manner Austrian capitalism developed serious centrifugal tendencies by fomenting racial and national struggles.

The situation was quite similar in Hungary where capitalism, owing to the feudal tradition of the country which despised industry and commerce, was almost exclusively in Jewish hands with the friendly participation of the aristocracy and the gentry which received splendid salaries for the fructification of their titles. In spite of this fact, anti-Semitism played a far smaller rôle in Hungary than among the Austrian population until the World War. This interesting antagonism had several reasons. One was surely the sober and benevolent character of the Hungarian peasants, devoid of any religious or race fanaticism, somewhat analogous to the Confucian type of philosophy, which was based on agriculture, order, and tradition. Another reason was the backward political and social differentiation of the country. The large popular masses were almost entirely unorganized, whereas the beginning social democratic movement tried to keep aloof all anti-Semitic tendencies from the party in which the entirely poor Jewish element had a considerable influence. Finally, the power of the government, in consequence of the restricted franchise and the overcentralized bureaucracy, was so absolute that it could suppress any movement which was disagreeable to it. And as long as the liberal traditions of such statesmen as Deák and Eötvös continued, the Magyar ruling class accepted very gladly the co-operation of the Jews not only for financial reasons but also as an instrument of assimilation against the non-Magyar nationalities of the country.

This identification of Jewry and capitalism evened not only the social struggles with a demagogic color, which in the economic life of the Western countries never became so accentuated, but augmented the acuteness of the national struggles too. The Jew was not only the chief representative of the capitalistic system but also that of the Austrian state idea, because, wherever he settled, he took with him the German language and culture if only in the form of the German-Jewish jargon. This exclusive German character of the Jews, however, ceased in the later periods, though the German language remained in the majority of cases their family language. With the growing national consciousness of the various nations of the monarchy, the Jewry became more and more assimilated with the language and customs of those nations among which it lived as *diaspora*. And when these nations became the leading powers in the state (as in the case of the Magyars and the Poles) the Jews served the new idea of the state with the same ardor as the former Austrian state. This attitude was to some extent determined by material considerations and by the traditional fear complex of the Ghetto. But to a larger extent

a natural process of assimilation was taking place in all the countries in which the Jews acquired an appropriate opportunity for material and cultural development. This process of assimilation was enforced by their inherited faculty for adaptation and by the lack of a national tradition in a proper sense. Besides, in the national struggles between the ruling nation and the subjected nationalities—as in all struggles—the average Jews had a tendency toward the extreme points of view and they were always inclined, in their intellectual rationalism unchecked by national traditions and the instinctive attachment to the soil, to exaggerate and to put in the most glaring colors their newly accepted standpoint. There is another point which explains the extreme ardor of the Jewry in serving their new state idea. It is the greater mobility and elasticity with which they adopted more quickly and completely certain superficial elements of the new culture than the clumsy peasant and artisan elements of the native race. This interesting aspect, however, was not restricted to the Jews, but it is only a part of a more general psychology of the renegades. I observed many times, for example, that not only assimilated Jews but also Magyarized Germans and Slavs very often became the loudest and the most intolerant representatives of Magyar nationalism.

Be that as it may, it is certain that the reigning German and Hungarian states possessed an extremely passionate, loud, and bigoted Jewish bodyguard which extended far beyond the circles of capitalism. This attitude of the Jews augmented the exasperation of the oppressed nationalities against the state and sanctioned at the same time the anti-Semitic currents increasing, in a pathological manner, the centrifugal forces of the monarchy. So, for instance both in Austria and in Hungary, the Jewish capitalistic press took the crudest jingoist attitude in the national struggles and was a chief obstacle to a reasonable compromise among the rival nations. This press denounced all serious efforts toward compromise and was the loudest in Hungary in the unveiling of the so-called “treasons of the nationalities” and in fomenting the trend of national chauvinism against Austria and the joint institutions of the monarchy. This attitude, especially in Hungary, was so manifest that Lueger and his anti-Semitic friends liked to declaim on the terrorism of “the Judæo-Magyars.” Speaking generally, the large majority of the daily press both in Vienna and Budapest and especially the so-called liberal press, became an unscrupulous instrument of feudal and financial class-domination under the slogan of a German and Magyar hegemony. None felt the immense moral danger of this situation more vividly than Karl Kraus, the able critic and poet, who for decades fought a solitary and desperate fight in his *Fackel* against the ruling press-oligarchy of Vienna.

This intolerant nationalism and chauvinism of the Jews which ac-

cepted blindly and without criticism the most extreme ideology of the foreign nation by which they were assimilated (a specific Jewish nationalism or Zionism was in those times only in its earliest formation) aroused an acute and envenomed moral situation between the Jews and the intelligentsia of the nationalities.

The same fatal antagonism was reported by an eminent Slovak leader, Dr. Anton Štefánek, now minister for public instruction in Czechoslovakia, in the third year of the World War in answering a questionnaire which I addressed to many eminent leaders of Hungarian public opinion (to representatives both of Magyars, and the nationalities, and of the Jews), observing the more and more envenomed state of the Jewish problem. Dr. Štefánek wrote:

As the Slovak question is eminently a village question, the Slovak-Jewish antagonism is the most manifest there. How does the village Jew live and what is his social situation? He is the merchant and the innkeeper of the village. He constitutes a distinct community with his co-religionists, a community tied up by religion and even more by common economic interest. The Jew lives quite apart from the people. He has only on the economic terrain an intercourse with them and has not the slightest sympathy with their religious and social endeavors. . . . The more the schools progressed in the field of Magyarization, the more aggressive and active the Jew became in party politics, and the deeper the antagonism grew between him and his surrounding people. Today they are considered as the exponents of the Magyars, as an auxiliary troop of the sheriffs, of the village officials, and the gendarmerie and they are feared everywhere. . . .

The Slovak leader emphasized the fact that the relation became worse during the war when the Jew was victim of the war paroxysm and a blind instrument of struggle against "Pan-Slavism," even in a greater degree than the Magyar intelligentsia.<sup>3</sup>

The cause of these phenomena, as I observed them, should be sought not so much in the economic interests and the desire for power of the Jews as in the uncertain equilibrium of the Jewish soul in consequence of its half-assimilation. This uncertain equilibrium made them extremely labile in things political and inclined toward exaggerations and intolerance. Besides, the accusers of the Jews forgot very often the fact that there was an important Jewish minority which took the liberal ideas seriously and was sympathetic with the national struggles of the minorities. At the same time the social democratic parties of the monarchy which counterbalanced efficaciously the chauvinistic currents had a Jewish majority in their leadership.

In this manner capitalism and the Jewish problem intimately connected with it contributed very much to the growing acuteness of na-

<sup>3</sup> In the monthly magazine, *Huszadik Század*, July-August, 1917. In Hungarian.

tional struggles. This increasing anti-Semitism impaired in the first place the tactical position of the Germans as the Jewish citizens were excluded later from the German national parties. This fact is the more striking because, as we saw, the Jews in Austria were largely German and represented German interests; many of their middle-class families were permeated with the most refined German culture; they produced many excellent German writers and scientists who, as for instance Dr. Friedjung, the known historian, played a leading part in the foundation of a greater German ideology. This attitude was the consequence partly of the extension of the new racial ideologies among the German middle classes, partly of the fact that in the consciousness of the small bourgeoisie, as has already been emphasized, even the economic struggles got a false theoretical explanation. Not only the abuses of the big financial capitalists were qualified as Jewish abuses but also that whole painful process which small artisanship and small commerce suffered by the preponderance of the great industrial enterprises and which led to the catastrophe of many thousands of independent economic existences.

But all these centrifugal tendencies of the capitalistic evolution were surpassed in significance and consequences by a tendency which emanated from the very nature of capitalism. I mean the tendency that capitalism led inevitably toward the strengthening of the national feeling and consciousness of the masses and by it made national struggles more acute. It was emphasized by some of the leading socialist thinkers that the national movement is only the other side of the capitalistic evolution and that national hatred is in its essence a transformed class struggle. However exaggerated and simplified this theory may be, we shall see that capitalism was a really dominant factor in arousing national consciousness and particularism.

## CHAPTER VIII

### SOCIALISM

“Nothing can show more clearly the abnormal state condition of the Danube monarchy than the fact that the strong parliamentary progress of Socialism could be regarded as a gain for the state.”<sup>1</sup> This remark of Rudolph Kjellén points rightly to one of the most efficient centripetal forces of the monarchy but his surprise shows that he did not completely understand the relation between the national and the Socialist thought. Socialism as the solidarity of working-people and an effort for their economic and cultural elevation must naturally strengthen the basis of the state though it tries to check the militaristic and imperialistic elements of government. The ideological internationalism of Socialism does not signify, because it cannot, the repudiation of national solidarities, but their spontaneous and harmonious adjustment into a superior unity.<sup>2</sup> It cannot be denied, indeed, that not a single class of the former Austria realized so clearly the fateful problem of the monarchy as the Austrian Social Democracy.

But Austrian Socialism was not always that unifying force which it became later. In the frames of the old absolutist, militaristic, and police state, the labor movement could not have its legal place. Nay, even later when a so-called liberal bourgeois government ruled in the country, in the sixties of the last century, the state power was brutally opposed to the working-class. When a labor delegation asked for the introduction of general suffrage, one member of the government said to the workers: “You should not believe that we would be inclined to introduce mob rule into Austria for a proletariat, with the cap on its head and the pike in its hands to run into the council hall.” By this governmental spirit the labor movement was constrained to adopt underground methods and used more and more revolutionary and anarchistic means. The situation became very acute in the eighties of the last century and some political murders greatly corrupted the atmosphere of the proletarian movement. In 1886 the Emperor sanctified the ill-famed *Law Against the Anarchists* which eliminated the jury in case of political offenses. The labor movement now enlisted the extremist elements and lost touch with the real problems of the state and society.

<sup>1</sup> *Die Grossmächte und die Weltkrise* (Leipzig u. Berlin, 1921), p. 16.

<sup>2</sup> The relation between Nationalism and Socialism was analyzed more clearly perhaps than by any other author, by Henry de Man in *The Psychology of Socialism* (New York, 1928).

In this critical situation Austrian socialism found its savior in a man of remarkable insight and of a pure unselfish attitude, Dr. Victor Adler, who through long and laborious propaganda united the various labor factions into a common organization on the basis of a reasonable and workable program. From this time the Social Democratic party made rapid progress and in 1897 an electoral reform was carried on which added a fifth Curia to the four already existing in order to open the doors of parliament to the Proletarian elements. The representatives of the working-class appeared for the first time in the Austrian parliament. The national problems of the monarchy greatly aroused the interest of the party because its leaders realized perfectly the danger which menaced the unity and efficiency of the labor movement in consequence of the national differentiation of the proletarian masses. The leaders of socialism regarded as the essential element of this antagonism the scuffling of the bourgeoisie for economic and political jobs, and tried to elaborate a national program fit for the particular interests of the working-classes. In their theory the interests of the proletariat were in harmony with the well-understood interests of the state, because the socialist considered the elimination or at least the mitigation of national struggles as a paramount condition for social and cultural progress. The socialist movement of Austria produced indeed some remarkably gifted and scientific thinkers in the field of the theory and practice of national movements, who introduced new and original points of view in the old vexed problems. These points of view united in a solid system, especially by Dr. Karl Renner and Dr. Otto Bauer, gained a European reputation and may be summarized as follows.

1. The national struggles of the bourgeoisie have a tendency to become submerged into a sheer demagogy and form the chief obstacle to serious parliamentary work for economic and social reconstruction.

2. These national struggles cover bourgeois class interests against which the solidarity of the proletariat belonging to the various nations must be emphasized.

3. First of all, the economic and political unity of the state must be safeguarded in order to secure a wholesome capitalistic evolution as the precondition of Marxist socialism.

4. Therefore, the chief endeavor of Austria, composed of so many nations and nationalities, should be to establish an appropriate scheme of local governments by which the reasonable content of national aspirations (educational system, cultural associations, administration, and judiciary in the mother-tongue) could be achieved without the dismemberment of the unity of the state.

In order to attain these aims Dr. Renner elaborated a new and ingenious system of national autonomy on the basis of what he called



the *principle of personality*, in conscious antagonism with those efforts which tried to solve the problem on the basis of the *territorial principle*. This latter endeavored to divide the monarchy into various political territories based either on the historical rights of the various countries or on the natural settlements of the various nations. All these distinct territorial governments should be combined into a kind of confederative state. The principle of personality advocated by the socialists rejected this conception of distinct national states. They were not willing to establish a distinct Czech, Polish, Jugo-Slav, or Rumanian state inside the monarchy, but tried to give to the old state an international or, better say, *supra-national organization*. As two generations previously, Louis Kossuth among the plans of his exiled life cherished the idea of solving the national problem on the model of religious autonomy, so now Dr. Renner (without knowing the political speculations of the Hungarian statesman) adduced an analogous scheme. He based it on the conception that just as the religious controversies could not be solved on a territorial basis because the principle of *cujus regio, ejus religio* led to incessant warfare, so the national problem could not be answered by a territorial dismemberment of the old state but the same principle of personality should be introduced here too. Following this principle, all the members of each nation should be entitled to form local, intermediate, and central national associations, so-called "National Universities," endowed with a state-like jurisdiction in all matters pertaining to cultural life and educational system, disregarding the territorial divisions of the whole empire. In this manner all the Germans, Czechs, Poles, and the other nations of the monarchy could have been united from a national point of view without establishing national state divisions inside the empire. According to this program the joint state should be doubly organized: first, from a national standpoint; and second, from an administrative standpoint. The national organizations would not coincide with the administrative divisions which would be determined not by national but by economic, financial, and trade considerations. National considerations would be acknowledged only so far as the local administrative unities should form, when possible, homogeneous national settlements. By the establishment of such administrative districts on a local national basis, public government could be carried on in the maternal tongue of the various nations.

This plan of Dr. Renner which may be regarded as an enlargement of the principles of the Kremsier constitution (with the difference, however, that he would abolish the antiquated crownlands and substitute for them a fourfold division: Inner Austria, the country of the Sudets, the Littoral, and the Carpathian provinces) had a great influence on the Austrian proletariat which accepted these principles as the solution of the national problem, in the so-called "program of

Brünn" (1899).<sup>3</sup> This program asserts that the national problem can be solved only "in a strictly democratic community, based on universal, equal, and direct suffrage in which all the feudal privileges in the state and in the provinces are eliminated. . . ." It attacks equally the bureaucratic centralized state and the feudal autonomy of the crownlands and designates the democratic "Confederation of Nationalities" as the state ideal of the Austrian working-classes. Instead of the old nation of a territorial basis, a new nation should be constituted as a purely cultural association. It acknowledges emphatically the right of all the nationalities for cultural self-expression and admonishes the workers of Austria that "the peoples can only achieve progress in their culture through a firm solidarity with each other and not in petty strife against each other."

It is manifest that this program and especially its driving ideology<sup>4</sup> was the most complete affirmation of the idea of a greater Austria and indirectly (though not outspokenly) of the German hegemony inside of Austria. The plan of Dr. Renner would have strengthened the leading economic and political rôle of Vienna. Even his last book published immediately before the collapse of the monarchy and in which he restates his plans of reform (*Das Selbstbestimmungsrecht der Nationen in besonderer Anwendung auf Österreich*) is the description and recommendation not of a real confederative state but of something which he called *Staatenstaat*, a supra-national synthesis which tried to satisfy the nations with a cultural autonomy.

In a period which heated the German, the Magyar, the Czech, the Polish, and the other national consciousnesses almost to the boiling-point and when the idea of a nation was no longer a simple cultural and ethnographical connection but an effort to unite the traditional national settlements into an independent state, the imagination of Renner was manifestly too schematic and too bloodless in the eyes of the fighting nations. These nations would have perhaps been inclined to combine their independent states with the others in a confederation but they refused to accept the competency of a super-state even in matters which they felt not strictly national.

In spite of its Utopian elements, the socialist ideology of state unity—*free nations in a free state*—became a very important connec-

<sup>3</sup> It is worth while to notice that the brilliant solution of the nationality problem in Esthonia and Latvia is due to an arrangement which is animated by the very principles of Austrian Socialism.

<sup>4</sup> The main ideas of the Austrian Socialists concerning the problem of nationality are contained in the following books: Karl Renner (Synoptikus), *Staat und Nation* (Wien, 1899). Karl Renner, *Der Kampf der österreichischen Nationen um den Staat* (Wien, 1902). Karl Renner, *Grundlagen und Entwicklungsziele der österreichisch-ungarischen Monarchie* (Wien, 1906). The last two named, under the pseudonym of Rudolph Springer. Otto Bauer, *Die Nationalitätenfrage und die Sozialdemokratie*, Zweite Auflage (Wien, 1924). Otto Bauer, *Die österreichische Revolution* (Wien, 1913).

tive link in the last decades of the monarchy and at the same time a strong admonition that without the democratization of the empire and especially without the establishment of a system of local autonomy, the monarchy was sentenced to death. At the same time the socialist conception emphasized most vividly the basic significance of the economic unity of the monarchy. It is very interesting to note that the chief defenders of this unity were not the real beneficiaries of this connection, the German high bourgeoisie and the Magyar landed interests, but the leading theoreticians of socialism who denounced the Magyar movement for independence (which aimed at the economic and military severance of the monarchy) as damaging important interests of the working-classes. And when the crisis of the constitution became the most acute between the Crown and the Hungarian opposition in 1905, it was the Austrian-German socialists who led the most vehement fight against Hungarian separatism. So, for instance, Dr. Renner chastised the cowardice of the Austrian bourgeoisie who began to acquiesce in the separatistic plans of the Magyars, though "the Hungarian market is incomparably more significant for Austrian capital than Moroccan is for the German," which German foreign policy defends so energetically. In the claim for an independent Hungarian customs territory, he saw nothing else than the clamoring of city sharks, swindlers, and political demagogues, against the very interests of Austrian industry, of the Austrian working-classes, and of the Hungarian agricultural population. And even Dr. Otto Bauer, though he realized that there were more serious interests behind the claim for a Hungarian economic independence, refuted these separatistic efforts emphatically; nay, he did not hesitate to advise military intervention against them in a memorable passage of a popular book:

To curb the country, split by class and national antagonisms [he refers to Hungary], by sheer military force, in the period of the Russian revolution, nobody will dare. But the inner conflicts of the country will give to the Crown other opportunities which it will be constrained to utilize if it cannot endure the fate of the Bernadotte dynasty: it cannot remain the organ of two distinct wills and still rule both Austria and Hungary. Therefore, it must take care that Hungary and Austria should have one will, and should constitute one empire. The tattered conditions of Hungary give a possibility to this unity. The Crown will not hesitate to send its army to Hungary in order to reconquer it for the empire, but it will write on its flags: Unadulterated, universal suffrage and secret ballot! Right of coalition for the agricultural proletariat! National autonomy! It will oppose to the idea of the independent Hungarian national state the idea of the United States of Greater Austria, the idea of a confederative state in which each nation will administer independently its national affairs and all the nations will unite in one state for the protection of their common interests. Neces-

sarily and inevitably the idea of a confederation of nationalities will become the instrument of the Crown because the dissolution of dualism menaces it with the destruction of its empire. . . .<sup>5</sup>

I scarcely know a document more significant for the elucidation of the inner crisis of the monarchy than this declaration of the socialist leader in 1907. Behold, this cool man, of uncommon intellectual penetration, an international socialist, and an anti-militarist, here gives counsel to the Habsburgs, to make a new effort for the armed coercion of Hungary and for its assimilation into the empire. What could demonstrate more clearly than this the bankruptcy of the centripetal forces and the menacing dissolution? For Bauer understood perfectly well that without the solution of the national problems the monarchy could not be maintained, and that its dissolution would signify an enormous crisis for its working-classes. For this reason, he advised this desperate method, showing that he regarded the problem very likely as Francis Ferdinand did: only by an operative interference did he think it possible to give a federative constitution to the monarchy against the will of Magyar feudalism. This federative state appeared also to him more as a superstate than a federation of national states: "If Austria should continue to remain, a national autonomy will be established."

This ideology of Austrian socialism represented with great brilliancy and dialectical force was felt beyond the ranks of the proletariat, and made a profound impression on many high officials and officers even in the entourage of the Emperor, who accepted more and more completely the doctrine that the envenomed national struggles of Austria could be checked only with the help of social, even socialist, forces. A kind of a neo-Josephinist policy began and the old Emperor himself became the chief protector of universal secret suffrage. It was the fashion in the camp of the enemies of democracy to speak ironically of *Burg socialism* ("socialism of the Court") and the gifted leaders of socialism adroitly utilized this disposition of the leading circles.

This social turn of the dynasty started in Hungary when the Crown was confronted with a nationalistic majority in parliament. Then it happened in 1905 that the minister of interior of the Fejérváry cabinet, Joseph Kristóffy, attacked vehemently by the whole chauvinistic public opinion, promised to a socialist deputation the introduction of universal suffrage. This promise, later indorsed by the Crown, had the effect of a bomb on the Magyar feudal classes who were perfectly aware of the fact that a popular parliament would put an end to the latifundist system and to the so-called Magyar national supremacy. Therefore, they provisionally abdicated from their claims

<sup>5</sup> *Die Nationalitätenfrage und die Sozialdemokratie* (Wien, 1908), p. 373.

concerning the army, whereas the Emperor under the pressure of the annexation crisis (when Bosnia and Herzegovina were definitely incorporated into the monarchy) in order to gain the assistance of the Magyar upper classes, abandoned universal suffrage. The stone, however, thrown by Habsburg caused a tremendous political avalanche which descended upon the public life of Austria. Austrian Social Democracy utilized, in a skilful way, the Hungarian situation and demanded for Austria the universal suffrage promised to the Hungarian people. And indeed the action here led to success. In January, 1907, the electoral reform received the sanction of the Emperor, and in June of the same year the first parliament was convened on the basis of a universal, an equal suffrage, and a secret ballot.<sup>6</sup>

It has often been asserted that this experiment with the democratic forces refuted the hopes of their advocates because the parliament of the people continued the national struggles in the same manner as the parliament of the antiquated Curias, and that even the spirit of obstruction reappeared. These were really the facts, but the conclusion drawn from them seems to me still erroneous. On the contrary, one who had a clear vision concerning the fundamental forces of national movements could foresee that the masses are not less nationally motivated (though in another way) than the privileged classes, and that the problem of nationality could not be quieted until institutions are established satisfying all the reasonable national claims of the large masses of population. For this work, the forces of democracy were absolutely necessary. To believe—as many reactionaries did—that this work could have been carried on by the sheer force of military absolutism, over the heads of some twenty countries and ten nations, is a militaristic Utopia in which I cannot believe. On the other hand, however, to believe that democracy in the very moment of its birth would be successful in repressing the national fanaticism of the past is not less utopian. Besides, the new democratic constitution became only the basis for the election into the central parliament whereas the diets and the local administrative assemblies remained unaltered in their feudal atmosphere. And as the power of Magyar

<sup>6</sup> By this coincidence of events Joseph Kristóffy, a former sheriff and later member of parliament, closely attached to the Tisza administration, became the man who gave the first impetus for the realization of universal suffrage in Austria. By this he acquired an almost mythical prestige in Austria, as a man of exceptionally bright ideas. (Even Joseph Redlich accepts this legend.) The truth, however, was that his intellectual and moral horizon did not surpass that of the average Magyar *szolgabíró* ("county sheriff"). He utilized the weapon of universal suffrage not as a real reform idea for his people, but as an instrument against feudalism for the benefit of the Emperor. The real author of the far-reaching plan was Mr. Charles Méray-Horváth, the distinguished sociologist who, twenty years before Oswald Spengler in a remarkable book which Spengler possibly did not read, diagnosed in the sharpest way the decline of the Western civilization (*Die Genesis des Kommenden Tages*, Budapest, 1901). Mr. Méray elaborated the whole plan for Kristóffy and made it acceptable to him. I was informed of their discussions, so to say, from hour to hour.

feudalism was not checked by the crisis of the constitution, and the Dualistic System was not even discussed, only political dreamers could hope that this half-measure tardily introduced could really solve the national problem.

The national aspirations, indeed, manifested themselves more and more vehemently not only in the bourgeois society but also in the masses of the proletariat. From the beginning the Austrian Social Democratic party was organized in various groups according to the mother-tongues of the population and combined into a unified system. But from 1907 the party was transformed into an association of national parties. In 1909, however, not even this loose unity could be maintained; and there arose an embittered fight between the German and Czech socialist parties, which latter would no longer accept the Viennese administrative and financial centralization. This struggle led to a disruption of the unified trade-union movement. The Czechs, disregarding the protests of their German comrades, began to build up their own trade unions. The international congress of Stockholm (1910) was unable to restore the unity of Austrian socialism. At the election of 1911 for the Reichsrat the autonomist and separatist wing of the Czech Social Democracy gained a large majority over the united party. The socialist movement, which always asserted very proudly that it possessed the panacea of national struggles, was incapable of uniting the various nations in a single party, even in its class-conscious camp. *The truth is that national solidarity vanquished class solidarity.* The centrifugal forces were victorious even in the labor movement. The crimes of the past had a greater effect than the tardy half-reforms of the present.

## CHAPTER IX

### THE TRAGEDY OF FREE TRADE

It has already been emphasized that one of the most outstanding centripetal forces of the monarchy consisted in its free-trade policy which made so many peoples and territories a complete economic unity. There can be no doubt that, if all the possibilities of the free-trade policy had been utilized in the right way, the centrifugal and particularistic tendencies could have been checked by the growing economic solidarity of the various nations and countries. Even under the shortcomings of the actual policy, which we shall consider in detail, its advantages were always emphasized by the supporters of the customs union. They employed the classical arguments of Cobden and Bright, saying: "Behold the Habsburg monarchy gives the privilege and opportunity to many peoples and countries different from each other in natural conditions, in language, in culture, in economic development to trade with each other without the obstacle of custom barriers and, therefore, to complete each other in the most harmonious way. Bohemia, for instance, can freely communicate with Transylvania, Styria with Galicia, Silesia with Dalmatia. How advantageous and progressive this free trade is!"

Recent political developments seem to corroborate this argument. In 1919 the Austro-Hungarian customs union was broken into seven parts and each of these seven parts is today much poorer economically, and much less efficient than in the flourishing period of the old connection. Besides, there can be no doubt that the present economic distresses of Czecho-Slovakia, Jugo-Slavia, Poland, and Rumania were caused to a large extent by those economic changes which were a consequence of the new custom barriers, not to mention the Austrian Republic and Hungary mutilated almost into a torso. It is now the general opinion both in Europe and America, expressed by the International Manifesto of the leading bankers, that the dismemberment of the Austro-Hungarian customs union was a great disadvantage to all the peoples concerned. That is also the chief argument for all those efforts which endeavor to use propaganda for the re-establishment of the Habsburg empire under an economic disguise.

Under such circumstances it is worth while to study whether the advantages of the customs union were really so overwhelming for the interests of the peoples who constituted it, and whether its dismemberment is really so detrimental to the future development of the various national economies. It is a firmly established fact that, since 1919, the succession states of the monarchy suffer more under the

general economic depression which followed the World War throughout Europe, than the Western countries of Europe. But this fact alone does not decide the problem. The peoples who lived in the Austro-Hungarian monarchy were economically less developed and more feeble than the Western nations, and a weaker economic organism has more difficulty in restoring itself than a stronger one. If we speak with the bankers of the newly established states, we find that they are not pessimistic at all: "Should we once pass the evils caused by the *Umstellung* ["transposition"] then we shall reach greater results than possible in the territory of the old customs union. . . ." This argument sounds somewhat strange because we are accustomed to accept the truth of free trade and its beneficial results without any qualification.

The careful investigation of this process is the more important because the free-trade argument regains vigor in Europe, and also the Pan-European movement emphasizes the importance of economic unity. All these movements try to reconstitute something which was already a living reality in the old Dual monarchy. Therefore, the discussion cannot be carried on as in the times of Cobden and List, some eighty or ninety years ago, exclusively on the basis of the general arguments for free trade or protection, but we must put our questions in a more concrete way: What are the real conditions of free trade? What are the conditions under which free trade can be really operative and advantageous for all the peoples and territories concerned?

#### A. THE NATURAL AND OTHER CONDITIONS OF ECONOMIC CO-OPERATION IN THE HABSBURG MONARCHY

The Austro-Hungarian customs union was established in 1850 by an imperial decree of victorious absolutism. In the previous period there were customs barriers between Hungary and the Austrian provinces. These customs barriers were an instrument in the hand of the imperial policy for the colonial exploitation of Hungary in the interest of the imperial treasury and of the more industrialized regions of Austria. (As was previously mentioned, the chief cause of this measure was the fact that the nobility of Hungary, the only prosperous class of the country on the basis of its feudal privileges, was unwilling to pay taxes and, therefore, the indirect way of customs duties was the only expedient to break their resistance.) In those times it was the constant claim of the feudal estates that trade should become free and that exports and imports should be regulated on a basis of strict parity. Later in the two decades before 1848, a customs union was the chief demand of the Liberal Hungarian opposition. "This idea had also its supporters at Vienna," says the noted Hungarian historian, Acsády, already quoted, "but only for the reason that they realized that the economic separation was the chief obstacle for the assimilation of Hungary." But immediately before 1848 the most advanced



group of Hungarian opposition—under the leadership of Louis Kossuth—had already abandoned the claim for the customs union (especially under the sway of the doctrine of Frederick List, the great German economist), and on the eve of the revolution the demand for a complete economic independence of Hungary became loud. This growing tendency for the economic and national independence of Hungary was the chief cause which induced the Habsburgs, after the defeat of the Hungarian revolution, to establish in 1850 the customs union as the most efficacious means to oust all particularistic tendencies. The compromise of 1867 only confirmed and sanctioned the previous situation.

It is evident from these historical antecedents that the Austro-Hungarian customs union was already in its origin a great historical experiment, the experiment of a conquering army and of a victorious emperor to unite economically by force the various national territories of the whole realm. Against this experiment more and more vehement reaction became manifest. The most important group of those reactions was, as we have already emphasized, of a sentimental nature. The nations fought bitterly against all endeavors in which they supposed there was a purpose in the unifying absolutism.

In order to see the situation more clearly we must, therefore, investigate all those conditions which determined the success or the failure of the free-trade policy in the frames of the Habsburg monarchy. Let us begin with the natural conditions.

The more two or several economic territories can offer to each other, the more they complete each other, the more advantages free trade promises to them, the more disadvantage if tariff walls separate them. For instance, a mountainous country, rich in forest and pastures and producing wood and cattle, is the natural complement to a plain region abundant in grains. A region of moderate climate and of cold winters, exporting milk, beet sugar, and potatoes, is a complement to a southern district abounding in southern fruits, cotton, and oils.

Regarding the separated parts of the monarchy from this point of view, we come to the conclusion that the natural completion of the various regions was not so conspicuous as to render their economic union particularly advantageous or their severance particularly detrimental.

In mineral resources the Habsburg monarchy was not rich. The raw materials produced by the mining industries in the year 1907 amounted in value to 1,845 million marks in the German empire, 274 million marks in Austria, and 85 million marks in Hungary.<sup>1</sup> These

<sup>1</sup> For this and other points of the argument the reader will find reliable information and a wholesome criticism in the book of Friedrich Otto Hertz, *Die Schwierigkeiten der industriellen Produktion in Österreich* (Wien u. Leipzig, 1910).

figures make it manifest that the Austro-Hungarian monarchy, compared with the German Empire, was poor in minerals. And what made the situation even more difficult was the fact that the places where these relatively small mineral resources were found, as well as the other natural treasures and motive powers important for the industry, were not concentrated in certain regions of the monarchy but were divided, so to speak, among all the countries and provinces.

One of the chief conditions of modern industry consists in the motive powers: coal, crude oil, natural gas, water-power, and wood (partly as sources of energy, partly as raw materials). Among its modest mineral resources the monarchy was relatively rich in coal and petroleum, in water-power and in wood. But from the point of view of a natural division of labor, it must be noted that in water-power the Alpine provinces are most abundant, but there is water-power also in the Carpathians, in the Bohemian mountains, and in the Jugo-Slav territories. Similarly, the forests were distributed over many parts of the monarchy. The chief deposits of petroleum are in Galicia, of coal in Bohemia and Moravia, but coal could be found also in many regions of the monarchy, and in Transylvania are important resources in natural gas. That is partly the reason why the succession states of the dismembered monarchy are not lacking in those energy powers which are essential for industrial exploitation.

But still more important from the point of view of division of labor between the various territories of the former monarchy is the situation of agriculture. A region of warm climate where the olive and southern fruits were growing was only a very restricted territory, the littoral of the Adriatic, Istria, the Croatian littoral, and Dalmatia. The preponderant part of the monarchy furnished the articles generally produced in the temperate zone, and in this respect the differences in the monarchy were not great or decisive.

From the point of view of the foodstuffs, the interdependence of the cattle-breeding mountainous districts and of the grain-producing plains and hills had the greatest significance, but mountains, plains, and hills were so distributed throughout the monarchy that two or three of these terrains could generally be found within the limits of any one country. When the Habsburg monarchy was dismembered Czecho-Slovakia, Poland, Jugo-Slavia, and Rumania got both mountainous and plain regions from its ancient territory.

But let us now return to the mineral resources. How far they can serve as the basis for industrial development depends not only on their quantity but also on the cost of mining coal and ore per cubic yard, and further on the cost of transportation from the mining-place to the place of manufacture. For instance in England, where coal and iron-ore are mined often in close neighborhood or in the vicinity of waterways, an iron industry could easily establish itself. Just the op-

posite was the situation in this respect in the territory of the former Austro-Hungarian monarchy where the deposits of minerals were generally far removed from each other and from the waterways. For instance, the smelting furnaces of the *Alpine-Montangesellschaft*, which stand in the neighborhood of the Styrian iron-ore mines, were obliged to transport coal from the region of Mährisch-Ostrau at enormous expense.

The consequences of this geographical situation were that only a comparatively small industrial development took place and even this was concentrated in various parts of the monarchy, namely in north Bohemia, in the neighborhood of Vienna and in Styria, around Graz-Leoben. This comparatively weak and dispersed industrial development could not create such an interdependence between the manufacturing and the agricultural regions as would have been sufficiently strong to counterbalance the centrifugal tendencies that had arisen within the territory of the customs union.

The industrial development was further weakened by the difficulties of transportation. It was comparatively costly to ship commodities from certain parts of the monarchy into other parts. This situation was intimately connected with the very origin of the Habsburg empire. We must remember that the monarchy was not the outcome of a natural economic evolution which united territories on the basis of economic advantage, but the artificial creation of the Habsburg dynasty. The frontiers of the monarchy cut here and there the ties of natural interdependence. For instance, Bohemia was connected with Vienna by political boundaries whereas its natural outlet would have been the valley of the Elbe, leading toward the northwest, toward Germany and the North Sea. Or, to take another example, Galicia sloped toward the Baltic, partly toward Poland, and was separated from the bulk of the monarchy by the mountainous chains of the Carpathians. These natural obstacles made the building of railways and their operation very costly. At the same time the various regions were not sufficiently connected by navigable waterways. Generally speaking, there were few navigable waterways in the monarchy.

Not only from the point of view of internal waterways but also from the point of view of connection with the sea, the former monarchy was in a disadvantageous position. The basin of the Danube is separated from the Adriatic by the arid mountainous chain of the Karst, whereas the Danube empties itself into an isolated and economically abandoned bay of the Black Sea. It was characteristic of transportation conditions of the monarchy that a Viennese plant was occasionally able to ship its products from Vienna to Argentina by way of the Elbe and through Hamburg cheaper than from Vienna to Bukovina.

These disadvantageous conditions of transportation were further

aggravated by the lack of unity in the economic administration. The Austrian, the Hungarian, and the Bosnian railways stood under separate, independent control, and each government could establish a railway tariff system according to its own taste. For instance, in 1880, it was stated in the Hungarian Parliament that the comparatively expensive railway rates of the Austrian administration impeded more the export of Hungarian grain into Germany than the German agrarian custom duties then in operation. This possibility of influencing in a certain sense the traffic between the various regions of the monarchy by an artificial system of railway rates, was largely utilized equally by the Austrian, the Hungarian, and the Bosnian governments. The transportation policy of the Austrian government tried to exploit the Hungarian producer in the interest of Austrian industry. For instance, there were higher railway rates on Hungarian grain than on Rumanian or that originating from other Balkan countries.

This policy of influencing Hungarian economic life by the way of transportation rates was easier for the Austrian government because its control also extended over Hungarian internal navigation. Namely, the Austrian government had the complete direction of the Austrian societies of Danube navigation, and the Austrian concerns compelled the only greater Hungarian navigation company to ally itself with them. On the other hand the Hungarian government which controlled directly almost the whole railway system of Hungary, was capable of securing very important rate privileges for the Hungarian industry. Similarly the Bosnian government employed the same measure on its own territory.

National and state jealousies heightened even more the difficulties of transportation. A startling example of this was the case of the Dalmatian railways. Dalmatia was an Austrian province, but Hungary made a legal claim upon it based on the historical right of the Crown of St. Stephen. Dalmatia was separated from the other Austrian provinces by the wedge of Croatian territory belonging to the Hungarian kingdom. Therefore, a railway which would have connected Dalmatia with the other Austrian provinces could only be effectuated through Hungarian territory, but the building of such a railway was always opposed by the Hungarian parliament lest it should make the possession of Dalmatia easier for Austria. In consequence of this conflict the goods from Austria to Dalmatia were transported by railway to Trieste and from there they were transferred to ships and perhaps again loaded on a train from a Dalmatian seaport.

As revenge for this policy the Austrian government refused the claim of Hungary for a direct transportation of its goods toward Prussian Silesia and Berlin. The Austrian government could molest the business traffic between Hungary and Germany on many pre-

texts. This quite artificial obstacle of transportation, for which bitter diplomatic struggles were fought for years between the two countries under the name "the Junction of Annaberg," was sometimes detrimental to the economic interests of Hungary.<sup>2</sup>

The traffic in goods had other obstacles also in the territory of the customs union. On the basis of old historical rights Tyrol collected customs duties and Dalmatia the so-called *Dazio consumo* on their borders upon grain or flour imported from the other parts of the monarchy. At the same time economic boycott movements were arranged by the rival nations of the monarchy against each other. Already Louis Kossuth initiated such a movement, the so-called "Protective Association" which had interesting analogies with the recent movement of Gandhi against the English manufactured products. In the nineties of the last century a similar movement was inaugurated in Bohemia in nationalistic circles against the consumption of Hungarian flour. Similar to this was a Magyar nationalistic movement, the so-called "Tulip Movement"<sup>3</sup> in 1906 which made it a duty for the consumers to buy exclusively Hungarian manufactured products.

From all that has been said it is manifest that the principle of free trade was considerably hampered on the territory of the custom union. At the same time we realized that the natural conditions of the monarchy were not very favorable for the mutual interdependence of the various territories. In spite of these facts a sufficiently considerable traffic in goods was established between 1850 and 1914 on the territory of the Austro-Hungarian custom union. The reason was that the process of industrialization went on in various times and in various measures in the different parts of the monarchy.

Speaking generally, Galicia-Bukowina, Hungary-Transylvania, and the Jugo-Slav parts of the monarchy were no less fit for the development of big industry than Bohemia-Moravia or the Alpine provinces. Nevertheless in 1850 when the custom union was decreed, the latter regions were already manufacturing to some extent whereas the former were exclusively agrarian. Approximately until 1890 the industrial development did not even start in the eastern and southern parts of the monarchy, whereas until the same time Bohemia-Moravia, Silesia, Lower and Upper Austria, and Styria made a great advance in industrialization. About 1890, therefore, the difference between the industrial and the non-industrial regions became even more conspicuous. The causes, however, which created this interdependence were of a transitory nature. As a matter of fact the difference and interdependence between the industrial and the agrarian regions lessens in

<sup>2</sup> This and other grievances of the Hungarian economic life were enumerated in detail by Joseph Vágó in his *Memorandum concerning the Renewal of the Austrian-Hungarian Customs and Commercial Treaty* (Budapest, 1916). In Hungarian.

<sup>3</sup> The promoters of this movement wore tulips in their buttonholes.

the long run in the same measure in which the latter advances in industrialization. Therefore, the dependence of the eastern and southern agrarian parts of the monarchy on the industrialized west must have lessened, in a certain measure, when the agrarian territories began to establish their own industries. That was really the case: there was a tendency toward a diminished interdependency in the last twenty-five years of the existence of the Austro-Hungarian customs union.

For instance, if space would permit me, I could demonstrate by statistical figures that coincidentally with the strong absolute growth of foreign trade—both in the foreign trade of Hungary and of Austria—their trade with each other had a comparatively smaller significance and their trade with foreign countries, a comparatively greater, in 1910 than in 1890. That is to say, the tendency of economic evolution was toward the emancipation of the two countries. A similar tendency was also operative among various territories of Austria, the Alpine, the Sudet, and the Karst provinces.

But there is also another factor which we must take into consideration. It is evident that the more primitive means of production the population of a given territory employs, the less productive its work is and the poorer the standard of living of their working-masses, the more insignificant is the rôle which the exchange of their products plays in their economic life. The primitive peasant communities of the Middle Ages produced the largest part of the commodities which they needed; whereas the part which they were compelled to exchange on the market was reduced to a minimum. In those times, Europe was divided into an immense number of petty sovereignties, under greater or smaller feudal lords who were at constant war with each other. In spite of this situation, economic life went on in these small, isolated territories because life was very crude, mostly independent of any economic exchange. In the course of the European historical evolution, roughly speaking from 1000 to 1871, the small feudal territories of the Middle Ages were integrated into principalities, and later into vast patrimonial, then into national states. The driving force of this integration was the growing productivity of labor which lessened the poverty of the broad masses of population. This comparatively growing welfare of population augmented economic needs and made them more varied: it heightened the division of labor and the necessity of co-operation.

Now regarding the Austro-Hungarian customs union, we are impressed by the fact that it was constituted of human masses employing very primitive instruments of production and the great majority were living in very great poverty. Therefore they needed comparatively little exchange of their products. The barter economy (the *Naturalwirtschaft* in the German terminology), which accompanies the primitive methods of production, plays even now a far more pre-

ponderant rôle in the villages of the former Austro-Hungarian monarchy than those who regard and judge the degree of the culture of the former empire by the façades of the palaces of Vienna, Budapest, and Prague would imagine. According to the report of the inspectors of industry, in 1901, in Styria, Salzburg, Tyrol, and the northern parts of Lower and Upper Austria, the flax, hemp, and wool produced in the villages were spun into yarn and woven into cloth by each family or by the help of traveling weavers.<sup>4</sup> Now, if in the villages of the most advanced western parts of the monarchy the old family economy still existed in such a measure, we can imagine how conditions were in the backward eastern and southern parts—in the Ruthenian, Rumanian, Serbo-Croat, and eastern Slovak regions or even in the intermediary Polish, western Slovak, Hungarian, or Slovenian territories, which are less advanced in economics and culture than the Austrian-German and Czech parts of the west and north. Generally speaking, in the eastern and southern parts of the monarchy, the rôle of the traffic of goods was relatively so small that we met there certain survivals of the age-old tribal communism. For instance, the pastoral communities of the Rumanian mountains and the so-called Zadruga settlements of the Jugo-Slavs, uniting some dozens, not seldom sixty to eighty people in a semi-communistic life, restricted modern trade to an insignificant place.

This situation had also another important aspect. A higher productivity of labor means an extension in the traffic of goods not only because it creates well-being and in connection with it many new needs, but also because a higher productivity is dependent on a growing differentiation of the whole process of production. There is a demand for an immense variety in raw materials and technical implements in order to maintain a higher productivity and a more developed type of production. A high productivity of labor, therefore, can only be the result of co-operation between numerous millions of men and many different geographical areas.

But the greater the rôle of the exchange of products in the life of a people, the more important for it is the system of free trade. That is the reason why peoples on a higher cultural and economic level aspire, if not for free trade, at least for the creation of big customs unions. That is the reason why countries with a small population, if their economic life is developed, cannot suffer at their frontiers high custom tariffs, but are under the necessity of accepting, if not the policy of free trade, at least low protective duties. The truth of this proposition is demonstrated by the examples of Switzerland, Belgium, the Netherlands, and Denmark. On the contrary, the succession states of the former Habsburg monarchy—Czecho-Slovakia, Hungary, Ruma-

<sup>4</sup> Friedrich Otto Hertz, *Die Schwierigkeiten der industriellen Produktion in Österreich*, pp. 33-36.

nia, and Jugo-Slavia—though they are small states, can endure the system of high protective tariffs because their economic life is comparatively undeveloped.

Briefly speaking *the Austro-Hungarian customs union satisfied an economic need which was not yet sufficiently developed in the peoples living in its territory.* Therefore when in 1850 the imperial power, anxious for the unification of its empire, dictated to the peoples of the monarchy the system of free trade, they did not yet have a serious economic motive for it. They could have existed in nearly as good a condition with customs barriers between their national territories. For instance, in Hungary, before 1850, many people got their livelihood from small artisanship which satisfied tolerably the primitive needs of the country in that period. This small industry was destroyed after 1850 by the competition of the big Austrian-German and Czech industrial plants, so that the introduction of the customs union led to the bankruptcy of a not unimportant strata of the small bourgeoisie. That is the reason why the propaganda of Louis Kosuth and his followers for political and economic independence found its most ardent supporters among the smaller bourgeoisie of the Hungarian towns, large and small. Only a constant economic growth of all the peoples of the monarchy could have been the real unifying force of the customs union and which could have filled, with a real content, the economic framework created by the despotic will of the Emperor.

But at the same time there was the danger already alluded to that the economic development through the work of industrialization would have lessened the economic interdependence among the various parts of the empire not held together by the ties of a natural international division of labor. That is to say that economic progress has produced simultaneously two antagonistic tendencies on the Austro-Hungarian customs union: one connecting, the other dissolving. We shall see their work now in detail.

#### B. THE DISSOLVING FORCES

##### a) THE AGRICULTURAL POLICY OF THE FEUDAL CLASSES

We saw that the most important condition for making the customs union indispensable for all the peoples of the dual monarchy would have been to raise them to a high level of development. It is therefore manifest that the chief effort of all those who aspired for the consolidation and maintenance of the empire should have been the propagation of culture, productivity, and economic welfare among all the people in the shortest possible time. This idea was not entirely absent in the historical evolution of the monarchy. Few of the more clear-sighted emperors, as was emphasized in our historical part,



clearly understood that only a general economic and cultural progress could have been a real tie among such various territories and variegated populations. This policy was energetically advocated by the socialist adherents of "Greater Austria" in emphasizing the necessity for economic and cultural progress on the basis of national emancipation in order to maintain the monarchy. But this very conception of an economic progress and thoroughgoing democratization was, since the times of Maria Theresa and Joseph II, always opposed by the big feudal aristocracy of the monarchy which knew very well that such a policy would ultimately undermine its social and political privileges. Against this overwhelming force the imperial power could not adequately represent the interests of the great masses of the population. It is the very essence of autocratic power that it cannot adopt seriously and consequentially a policy of alliance with the lower

TABLE I

	Total Population in Thousands	Total Engaged in Agriculture in Thousands	Agricultural Percentage
Austrian provinces . . . . .	28,572	13,842	48.5
Countries of Hungarian crown	20,886	13,470	64.5
Bosnia and Herzegovina . . . . .	1,932	1,674	86.6
Total . . . . .	51,390	28,986	56.4

classes of the population. There is a limit where it must check inevitably the growing trend of democratic and constitutional progress.

This truth is distinctly shown by the very history of the Austro-Hungarian monarchy. Disregarding short episodes, the harmony was complete between the dynasty and the feudal aristocracy of its empire. The government appointed by the emperors represented in all serious issues the aspirations and interests of the leading feudal classes. Therefore, the government served the cause of economic progress only so far as it was not opposed by the interests of the great landed proprietors.

Now under the given conditions, economic progress could only start from the progress of agriculture. The reason is (besides the causes which we shall discuss later) that the greater half of the population was occupied in agricultural work. Table I indicates the numbers engaged in agriculture in 1910.

On an average, therefore, the agricultural population constituted the majority of the monarchy, but naturally the agricultural or industrial character varied largely in the different parts.

Generally speaking the western and northwestern industrialized parts were confronted by the other territories consisting chiefly of a

small, backward peasantry and by a wretched agrarian proletariat. The industrialized and more progressive areas did not amount to a three-tenths part of the whole territory of the monarchy, whereas the other seven-tenths were populated by poor peasant masses, almost on the level of slow starvation, as we shall see in the chapter devoted to the *morbis latifundii*. In consequence of these circumstances, on the large territories mentioned above, no other real economic progress was imaginable than the heightening of the standard of life of the agricultural population.

The next method for this purpose would have been the raising of the productivity of agricultural labor and the growth of the crops. It would be unfair to say that nothing happened in this direction. On the contrary, between 1850 and 1895, the agricultural production of the monarchy made very considerable progress. Especially in Hungary, the agriculture of which was very primitive before 1848 and where the pastoral system was predominant, great improvements were made in the technique of agriculture and consequently in the productivity of labor. The rudimentary wooden plow was supplanted by the iron plow, and the pastures shrank to a small amount of the agricultural territory.<sup>5</sup>

An agricultural advance in the same direction—though in a far smaller degree—went on between 1850 and 1890 in Croatia and in the Austrian provinces. Generally speaking, the Austro-Hungarian monarchy as a whole made a considerable advance in economic wealth until the end of the nineteenth century. The chief driving force of this economic progress, starting in 1850, was the great landed property. In all the improvements of agricultural technique the great landowners took the lead whereas the smaller and bigger peasantry only imitated the new methods introduced by them.

An eminent agrarian expert, Arnold Dániel, was able to demonstrate that the landlords of Hungary, in the period from 1850 to 1890, were deeply interested in the increase of their agricultural production,<sup>6</sup> partly because in 1850 the customs barriers which formerly impeded the exports to Austria ceased to exist, partly and chiefly because the world-prices of wheat stood at that time on a very high level. In this progress the customs union was manifestly a factor, but the chief cause was the price situation of the world-market. Austria and Hungary together produced more grain than they consumed, they sold part of their crops to foreign countries, and the price situation of these countries (for instance, in southern Germany or in the states

<sup>5</sup> A careful discussion of the agrarian situation was given by Arnold Dániel in his important essay, "Towards the Economic Revolution of Hungary," *Huszadik Század* (1909), Vol. I. In Hungarian.

<sup>6</sup> For this and other connected data see his remarkable book, *Soil and Society* (Budapest, 1911). In Hungarian.

around the Channel) determined the price of the grains inside of the customs union as well. Therefore, as before 1885 the high prices of the world-market were an incentive for the Austrian and Hungarian big and middle landed interests to increase their production: the falling of prices in the later period was answered by them by ceasing to increase their outputs. Instead of trying to intensify their agricultural production by the introduction of the new methods of agrarian technique, and especially by the adoption of processes of irrigation, the big landowner class of the monarchy did not choose the road of progress but took quite the opposite course.

I must emphasize at this juncture that the Hungarian feudal aristocracy had a prominent, almost decisive rôle in the direction of the agrarian policy of the whole monarchy. The only solidly organized part of the population was the big landed interest, that is to say, that part of the agriculturists that lived on their rents and the leading element of which was constituted by the old feudal aristocracy. Among this aristocracy there were several groups: an Austro-German, a Czech, a Polish, a Hungarian, and a Croat. These last two had a more intimate cohesion and formed almost a unitary group, exercising a kind of hegemony over the other groups. Though the various groups of the feudal aristocracy were rivals of each other for the most outstanding offices of the state (in which competition generally the German and the Czech aristocracy were victorious, being the most intimately connected with the Court), they formed a united front in all cases when the economic interests of the big estates were questioned. Therefore, if the leading Hungarian aristocracy tried to carry on some measures in the agrarian policy, it could be perfectly sure of the solidarity of the other national groups.

This was the situation in the nineties of the last century when there occurred a considerable change in the agrarian policy of the big landed interest in Hungary. This agrarian policy was previously in favor of protective tariffs, but at the same time it tried to develop agricultural production. But around the year 1895 the chief effort in the agrarian policy of the Hungarian landlords became the tendency to increase as much as possible the agrarian customs duties on the frontiers of the monarchy, and at the same time to check agricultural production within the boundaries of the customs union. The cause of this change was a simple result of the factors already mentioned. It became manifest that, if the population of the Habsburg empire should continue to increase and therefore the internal need for food-stuffs of the customs union should constantly grow, a day would inevitably come when the monarchy would no longer export grains but, rather, would be compelled to import them.

Now if in a customs union there is grown substantially more grain than the population consumes, it is useless for the state to limit im-

portation through high customs duties. These duties will not raise the price of the grain a single cent. On the contrary if there is, within a customs union, a substantial lack of grain, the customs duties will raise the price of grain to the full extent of the duties above the world-market level.

This situation was perfectly well understood by the large landed interests of the monarchy. Count Stephen Tisza, the most class-conscious representative of the feudal aristocracy, wrote a book in 1897 under the title of *Hungarian Agrarian Policy* in which he anticipated with great vigor this effect of the customs duties. "The greater the export of the crop is," so wrote the agrarian leader, "the less we can hope from the protective tariff; the smaller this export is, the more we shall enjoy the full realization of the custom duties." On the basis of statistics, Count Tisza demonstrated that "unfortunately it is not true that the customs union needs imports in grain but it is quite true that our exports in the last four years have, on the average, fallen to quite an insignificant amount." Considering this fact and, the one that the population of the monarchy was growing year by year approximately by 400,000 souls, "which increases the internal consumption exactly in the same ratio," he gave the following cheerful message to his class: "Therefore we can reasonably hope that the customs union will, in a few years, enter into the class of those countries which have a deficit in wheat and that tariff protection will be realized completely by our farmers."<sup>7</sup>

This meant that, at the end of the nineties of the last century, a new chance appeared for the agrarian aristocracy to raise their rents by increasing the price of the grains through the help of tariff protection. This policy was highly desirable for all the national groups of the big landed interests as it offered an opportunity to sell their grains for sixty or eighty crowns higher per ton than the world-market price. It is natural, however, that in the customs union which in 1897 still exported grains in a small measure, a lack of grains could occur only, if, on the one side, the internal need should increase and on the other, the development of production would cease or at least lag behind the inner demand. Therefore, all those who in consequence of the new situation, arisen since 1895, were desirous of seeing the prices of the grains raised by the customs duties, were impelled by the very logic of their efforts to take measures which would impede any considerable augmentation of agricultural production within the boundaries of the customs union.

This consequence was really drawn by the leading landlords of the monarchy. Since 1890, an agrarian policy was followed, which was unsympathetic toward the progress of agricultural production.

<sup>7</sup> The book was written in Hungarian, and later a German translation was published.

And it was in the power of the leading elements of the big landed interests to check, if not entirely at least to a large extent, the development of production. They dominated the agricultural societies and dictated to the ministers of agriculture the kind of agrarian policy that should be adopted. It was highly characteristic of the agricultural administration of both states of the monarchy that agricultural instruction of the many millions of peasant population was entirely neglected, with the exception of some sham measures intended only to placate democratic public opinion. In former times the new improvements of the agricultural technique were formally initiated by the big landed interests, and the masses of peasantry followed their example slowly. Now as the leading landlords abandoned the course of agricultural progress, the small peasantry remained without any guidance and incentive toward useful and necessary reforms. This tendency was further strengthened by the fact that a rather conspicuous part of the monarchy was occupied, as we shall see later in detail, by *fidei commissa* and by ecclesiastical and state properties excluded from free circulation.<sup>8</sup>

Generally speaking, that was also the tendency of the agrarian policy in Austria. Here, too, the conservative forces—though perhaps less intentionally—did not favor any serious progress in the agricultural system. However, not only the selfish interests of protection, but also the whole feudal and backward atmosphere of the country and the anachronistic distribution of landed property was highly detrimental to economic progress. Under the pressure of all these circumstances the agriculture of the monarchy had a definitely stagnant tendency since 1895.

What Count Stephen Tisza, and with him the whole big landed interest, was anxious to obtain, even before 1897, was the transformation of the monarchy into a territory needing the import of grains, in which custom duties have a price-raising tendency. This situation arrived step by step. In 1907 the point was reached from the beginning of which protective tariffs had a constant effect. It is, therefore, quite natural that the big landed property owners were extremely anxious not to increase their production. Especially in Hungary where the power of the big landlords was uncontested, their leaders dared to express publicly their antipathy against the increase of the agricultural output. When in 1911 a new minister of agriculture, Count Béla Serényi, emphasized the necessity of augmenting agricultural production on the basis of the financial interest of the state, the agricultural societies openly fought his point of view and compelled the government to

<sup>8</sup> This conspiracy against the raising of the agricultural output of the country was unveiled in all its details by Arnold Dániel in his essay: "Custom-union, Agriculture and Industry," in the review *Huszadik Század* (1915), Vol. II. In Hungarian.

adopt their conception, sabotaging agricultural progress. Even more significant is another episode: In 1910 Gideon Rohonczy, a great land-owning nobleman, playing a prominent rôle in parliament, fostered publicly the plan that the Hungarian state should lessen by coercive measures the production of grains, and so make the import of grains necessary, lest the grain duties should lose their price-raising effect. His plan was manifestly too shameless to be accepted openly by the government, but it illuminated with the light of a caricature the agrarian conception of the big landed interests of the monarchy.<sup>9</sup>

*Never was the system of protective tariffs reduced so much ad absurdum as in the former Dual Monarchy.* Frederick List, the father of the protective tariff, said that protection is necessary in order to develop and raise the inner production. In this conception protective tariffs were only a means, the aim was the augmentation of production. This principle was applied in a diametrically reverse direction in the agrarian policy of the former monarchy. Here protection, that is to say, its effect in raising the price, that is the rents, was the aim, and to this aim they sacrificed the increase of the production.

This policy was not only clearly emphasized by the leading landed interests, but the more the date approached when the monarchy was changed from an agrarian export territory into an import territory, the more aggressive became the land barony, and the more ruthlessly it abused its influence on the customs policy of the country. Already in 1901 it forced a very narrow-minded measure, the suppression of the so-called "milling regulations." Previously the mills were authorized to import grains without duty if they exported a quantity of flour equivalent to the imported grains. As the mills exported the finer and more expensive types of flour, while the cruder varieties remained in the country, the milling regulations had a tendency to increase the price of the finer varieties but to lower that of the coarser types consumed by the poor population. Therefore, the elimination of the milling regulations made the bread of the poor man more expensive without being seriously useful to the big landed proprietors.

Far more disastrous in its consequences was the policy of the landed oligarchy directed against the import of animals from the

<sup>9</sup> How exclusively considerations regarding their agricultural profits determined the general policy of the Magyar feudal aristocracy (even in its so-called "patriotic field") recently found an almost comical a posteriori verification in a speech of Count Joseph Károlyi, the leader of the Magyar legitimists. The Count attacked the propaganda of Lord Rothermere for the revision of the Trianon Treaty on the ground that a correction of the frontiers suggested by the English lord and his Hungarian adherents "would add only 2,000,000 consumers but so much agricultural terrain that to maintain the price of grain Hungary would be driven to enter the customs union with Austria and Czechoslovakia." This exposed him to the retort from the Hungarian Socialists that the slogan of the Legitimist aristocrats is "Long live dear grain and King Otto!" (See for details *The New York Times*, March 17, 1929.) But that is not a joke, it is simply the continuation of the traditional agrarian policy of the big landowners initiated by Count Stephen Tisza.

Balkan states which, beginning with 1906, made the customs quarrel permanent between the monarchy and Rumania and even to a greater extent Serbia. The customs war following this policy was highly detrimental to Serbia for which the market of the monarchy was almost a condition of existence and became a chief cause of the Jugo-Slav upheaval as we shall see in detail in a following chapter. At the same time this usurious policy made the alimentation of the monarchy more expensive and therefore checked further economic progress.

The chief result of our inquiries concerning the agrarian policy of the monarchy is this: progress in agricultural production would have been the chief condition for raising the economic and cultural interdependence of its various nations and territories. By checking agricultural progress, the landed oligarchy weakened the centripetal forces of the monarchy and at the same time increased the dissolving tendencies.

b) THE DEVELOPMENT OF INDUSTRY AND USURIOUS CAPITALISM

When the feudal aristocracy of the monarchy, by its agrarian policy above described, limited the growth of agricultural production in the Austro-Hungarian customs union, it restricted by this measure not only the social progress of the working agrarian masses but at the same time it damaged to a large extent the development of industry. A significant industrialization on a Western pattern could not arise in the Austro-Hungarian customs union and generally speaking had a rather east-European than west-European character. This comparatively small productivity of the agricultural system was a serious check to the development of industry. As the agrarian population had a small production, on the one hand, it furnished few raw materials to industry; on the other, it consumed restricted quantities of industrial goods.

It was only a corollary of the relative poverty of the agricultural population that there was a lack in the accumulation of capital which could have served as a basis for the development of big industrial plants. This connection is demonstrated by the fact that, in many parts of the monarchy, great natural resources remained unexploited partly because there was not a sufficient amount of working capital. Frederick Hertz complains concerning the wood industry:

The industrial utilization of wood is absolutely disproportionate to our riches in forests. Colossal forest territories cannot be utilized at all because of the absence of the most necessary means of communication, so that valuable supplies of wood are entirely rotting.<sup>10</sup>

Generally speaking, in consequence of the existing relations between powers, an inconsistent and irregular economic policy has been

<sup>10</sup> *Op. cit.*, p. 18.

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followed: On the one hand, the governments pursued a conservative agrarian policy and refused to broaden the agricultural basis of industry; on the other hand they tried to develop an industry by customs tariffs, subventions, railway, and other privileges on the existing narrow agricultural basis. Even this half-hearted policy had certain results because in the Alpine and the Sudet provinces a comparatively more developed agriculture and other natural conditions gave a broader basis for the development of industry. Not only here, but in the other parts of the monarchy, especially in Hungary, in Croatia, in Galicia, and in the Austrian Karst provinces, certain beginnings of industry were established.

Though the chief places of industry remained in the Alpine and Sudet countries, there arose also in the eastern and southern agrarian regions of the monarchy an industry and commerce sufficiently developed to give existence to millions and millions of peoples. On these agrarian territories—in Galicia, in Bukovina, in the Austrian Karst regions, and in the countries of the Hungarian crown—in 1910 there lived 7,161,000 peoples on industry, commerce, and transportation. At the same time in the Sudet and Alpine provinces the same occupations were represented by a population of 8,869,000. That means that in 1910 these two latter regions contained only 55 per cent of the whole industrial and commercial population, whereas 45 per cent were already located on the agrarian territories just mentioned.

At the beginning of the twentieth century there was already in each national territory of the monarchy a population engaged in industry and commerce which, concentrated in smaller and larger cities, was inclined and able to defend their particular interest. And now all these industrial workers and merchants living in the Hungarian, the Polish, the Czech, and the Jugo-Slav territories had their own interests which brought them into antagonism with the chief economic powers of the monarchy.

Of what nature were these particularist interests? In order to clearly understand the situation, we must see the main traits of the industrial organization of the Habsburg empire. The most developed economic territory of the Austro-Hungarian monarchy was the settlement of the ten millions of Austrian Germans, that is to say, the Alpine provinces and the Czecho-Moravian-Silesian German regions. Now it belongs to the natural economic order that the region more developed utilizes the less developed with which it constitutes a customs union as a colony. And so it was from the beginning in the Austro-Hungarian monarchy. Hungary, Galicia, the southern Slav territories—and at the beginning the Czecho-Moravian Slav territories too—were nothing else than colonies of an agrarian character which bought industrial products of the Austro-German regions. Later, when in the Hungarian, Slav, and Rumanian territories condi-



tions arose which permitted the establishment of a manufacturing industry to a greater or smaller extent, the Austro-German banks furnished in a large measure the capital necessary for those industrial plants. The Austro-German capitalists founded these factories in the non-German territories, partly because their investments there were more lucrative, finding cheaper raw materials or labor, partly because when in the Slav-Hungarian-Rumanian regions the development of industry became more advanced, Austro-German capital participated in these enterprises in order to secure for itself a considerable part of the profits.

Almost every plant, factory, or mine in Galicia, Bukovina, or in the Austrian southern Slav territories was the property of the Austro-German capitalists or at least controlled by them. The situation, though not the same, was nearly akin in Hungary, in Transylvania, and in Croatia, though the political government of these territories utilized the Hungarian state power as far as possible to make industry independent of Austria. In spite of this, the Hungarian, the Transylvanian, and the Croatian industry were to a large degree dependent on the Austrian capital as a result of the "bank rule" which characterized the whole industrial and commercial life of the Habsburg empire.

In general the Austrian industrial enterprises were poor in capital and to a large degree subservient to credit. Therefore the industrial plants were compelled to depend upon the credit of the banks. If the plant had the form of a joint stock company, the majority of its shares was owned—directly or indirectly—by a bank.<sup>11</sup> And as the smaller banks were dependent on the large ones, in the Austrian provinces the few great banks controlled the whole industry. The situation was even more acute in the Hungarian countries. In many cases big Austrian and, in still more, big Hungarian banks were the masters of the Hungarian industrial plants. For instance, a single big Hungarian bank, the Hungarian Commercial Bank of Pest, had in 1910 the major part of the shares of seventy-five important mines and smelting-furnaces, textile and machine plants, mills, transportation companies, and similar undertakings. The invested capital of all these enterprises amounted to 500 million crowns and their reserve funds to 109 million crowns, a sum relatively colossal under Hungarian conditions, though in this sum there are not included other smaller plants or those directly controlled by this bank.<sup>12</sup>

It was said above that the Hungarian industrial and mining enterprises were mostly under the control of the large Hungarian banks.

<sup>11</sup> The financial situation of the industry was keenly analyzed by F. Hertz in his book already quoted.

<sup>12</sup> For this and other reliable information on this subject see the book of Eugene Varga, *The Hungarian Cartels* (Budapest, 1913). In Hungarian.

But this does not signify that they were independent of Austrian capital. On the contrary, the leading Hungarian banks (popularly called "big banks") utilized chiefly Austrian capital; in most cases they were nothing else than the Budapest exponents of leading Austrian banks. For instance the Viennese Rothschild group or the *Wiener Bankverein* controlled several of the most influential Budapest banks.

Wilhelm Offergeld who wrote an excellent study in 1914<sup>13</sup> of the development of Hungarian industry, made manifest that this industry, though not a sheer puppet of foreign countries, was largely dependent on foreign capital, that is, on Austrian capital. I remember in 1909 that a friend of mine, a high official in a Hungarian state department, stopping on the middle of the suspension bridge at Budapest and pointing out the many factory chimneys to the north and south, told me: "All the factories you see from here are the property of foreign and chiefly of Austrian capital. If, in Hungary, the state would socialize the factories, this would mean a national policy conducting Austrian property into Hungarian hands." Similar words in the same sense could have been uttered in Zagreb, in Laibach, in Lemberg, in Cracow, and even with a certain right in Prague too, though the Czecho-Moravian Slav region succeeded since the end of the nineteenth century in emancipating itself to a considerable extent from the domination of Viennese capital.

Broadly speaking, the industrial organization of the former Habsburg monarchy was the following: the industrial enterprises were ruled to a far larger extent than anywhere else by this type of capital which R. Hilferding, the able Socialist economist, called "finance capital," which lends the money but does not participate actively in the production. And the Viennese financial capital was the center to which ran all the ties of the industrial organization of the monarchy. Beside, there were two smaller foci, the finance capital of Budapest and Prague. But these smaller centers were not independent being, one might say, vassals of the Viennese. This predominant position of Viennese capital was due not only to economic causes and to the circumstance that Vienna was the oldest and richest center of the accumulation of capital, but also to its many intimate connections with the government, the armed force, and the whole administrative machinery of the monarchy. The long hand of Viennese capital reached all points of the empire: through Budapest and Prague, even the Hungarian and Czech territories. It could foster or impede the building of railways according to its own interest. It could influence the officials of the empire from the ministers to the last local authority. Let this be illustrated by a very characteristic and not at all exceptional case: in the southeastern Carpathians, in the county of Krassó-Szörény (belong-

<sup>13</sup> *Grundlagen und Ursachen der industriellen Entwicklung in Ungarn* (Jena, 1914).

ing now to Rumania), the Austro-Hungarian State Railway Company with headquarters at Vienna had important coal mines at Anina and Resica, and large surrounding territories under "closure," which made further exploitation of coal impossible. But later, not far away from it, another important coal basin was discovered. Here a smaller Hungarian group of capitalists tried to buy the right of exploitation from peasant owners. This action, however, was unsuccessful because the sheriff of the district intervened by simply arresting the attorney of the Hungarian capitalists and expelling him from the district. The victorious railway company then bought the right of exploitation for a ridiculous price.<sup>14</sup>

It was quite easy to monopolize the industrial and mining production by means of trust-like organizations called "cartels." It was characteristic of these conditions that no less than fifty-six special Austro-Hungarian cartels were functioning in the customs union, not taking into account the international cartels and many local similar concerns of Austrians or Hungarians alone. The cause of this phenomenon was that on the one hand, the finance capital enforced high protective duties, and on the other, it formed cartels in order to monopolize the advantages of protection.

This monopolistic system of industry concentrated around the Viennese finance capital had two great detrimental effects—two results which contributed to the undermining of a veritable free-trade policy. The one damaging result was the checking influence of the cartel system upon industrial development. In the evolution of capitalism we can well discriminate between a lower and a higher stage. The lower, the primitive type of capitalism, is characterized by the effort of the capitalists to get high profits without productive investments by usurious loans. Or, if they are compelled to make productive investments, they try to gain big returns not so much by increasing production as by raising the prices and lowering wages. The other, the more evolved type of capitalism obtained its highest expression in the American Fordism, the basic principle of which is high wages, expansion of production through the cheapness of the products, and a very high efficiency of labor. The capitalism of the former Austro-Hungarian monarchy belonged to the lower primitive type of capitalism. This usurious tendency of Austro-Hungarian capitalism was partly a result of the shortage of capital and of the high rate of interest. But it was still more accentuated by the system of protection, and the cartel monopolies.

At the same time the cartel system impeded the development of industry in another direction. When the ruling "big banks" estab-

<sup>14</sup> This and many similar cases were narrated by V. Aradi, "Notes on the Pathology of the Hungarian Industry," *Huszarodik Század*, July-August, 1912. In Hungarian.

lished their cartels, they took care that inside of the customs union no new enterprise should be created which could rival their plants. And as their more important industries were originally located in the Alpine and Sudet territories, their cartel policy damaged in the first place the eastern, middle, and southern parts of the monarchy, the agrarian population of which was yet unable to develop a national industry. In this manner many natural resources of these territories remained undeveloped.

This narrow-minded monopolistic cartel policy of the Austro-German finance capital and of certain Hungarian groups connected with it controlled almost all branches of industry. It was an economic tyranny which hindered progress in the Hungarian, Slav, and Rumanian territories of the monarchy and which thereby obstructed the well-being of the population. It is, therefore, quite natural that the working-people and certain parts of the intelligentsia who suffered most under the economic depression, should regard with growing dissatisfaction, even with hatred, the leading Austrian financial powers. These financial powers were even capable of oppressing the political manifestation of this dissatisfaction. The corrupt electoral system and especially the open ballot in the Hungarian countries permitted them to exercise an economic pressure, through the smaller banks dependent on them, on the great masses of the indebted peasantry and small bourgeoisie. This pressure was so keenly felt that the intelligentsia of the various nationalities regarded as their chief aim the obtainment of financial independence by the creation of national banks under their own control. The Czechs were entirely successful in this endeavor, and the greatest Czech national bank, the *Živnostenská Banka* became, even before 1914, the leading financial institution in the Czech territories. The Hungarian efforts for financial independence were less successful because the more backward state of Hungarian agriculture made Hungarian economic life far more dependent on Austria. The Hungarian party of independence put in its program the establishment of a distinct Hungarian bank of issue, though the Austro-Hungarian bank of issue was a model institution. The national claim, however, was not a purely sentimental one, because the Austro-Hungarian bank was largely controlled by Austro-German capital and served the monopolistic interests of the big cartels. A Hungarian enterprise troubling the interests of the Rothschild group could scarcely obtain a loan.

Now this whole monopolistic industrial, and financial system injured the Hungarian, the Slav, and the Rumanian territories not only by hindering their economic progress but also in another direction. Austrian capital with the help of its cartel policy extracted enormous sums from the Hungarian, Slav, and Rumanian regions of the monarchy, and surrendered these sums mostly to the Austro-German regions and later to a smaller extent to the Bohemian-Slav territory.

As a result of the comparatively high cartel prices and comparatively low wages, the majority of industrial enterprises gained big returns and the lion's share of these returns went into the treasuries of the Austro-German capitalists. This situation damaged with a kind of absenteeism the bourgeoisie and the working-classes of those territories.

In the eighteenth century when there was scarcely any capitalism in the Habsburg empire and when the landed aristocracy was the only ruling class, the proprietors of the big latifundia in the Hungarian, Slav, and Rumanian regions did not generally live on their estates but in Vienna. They spent the revenue from their estates in the splendor of the Viennese court. The consequence of this situation was that the regions named, covered with large estates, became even poorer and had no chance for industrial progress, whereas in Vienna and in its surroundings, there arose a comparatively significant fancy industry which gave a livelihood to several hundred thousands of working-men. That is to say the absenteeism of the great landlords tending toward better living conditions for the Austro-German population in Vienna diminished at the same time the sphere of existence of the population living on the regions of the feudal estates. This effect was almost symbolized by the grain ships and the cattle herds which were furnished from the regions of the latifundia to Vienna. This feudal absenteeism was analogous in its consequences with the new one which carried the profit of the manufacturing plants in the Hungarian, Slav, and Rumanian territories into the safes of the Austro-German "big banks." The share-holders of these leading financial institutions (not to mention their officials and directors) lived for the most part in the Austro-German regions where they spent their incomes, the source of which lay in the Hungarian, Slav, and Rumanian territories, and their expenditures created a market in the German territories for many greater and smaller entrepreneurs and for the work of a considerable number of working-people.

These advantages give us the reason why the Austro-German labor movement favored, as a whole, the maintenance of the Habsburg monarchy, and why the ideology of a Greater Austria expounded by Karl Renner has emanated from these circles. But on the other hand that new urban population, which has evolved in the last decades of the nineteenth century and at the beginning of the twentieth in the Hungarian, Slav, and Rumanian regions of the monarchy, observed with growing dissatisfaction that the Austro-German urban population was progressing far better than itself. And though it did not know the real economic connection delineated above, or knew only a small and rather superficial part of it, the smaller bourgeoisie and the working-classes of those regions became ardent supporters of the nationalistic movements and of the separatistic tendencies from Vienna.

It is quite sure, as we shall see in detail, that purely idealistic mo-

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tives had a preponderant rôle in the national movements. But it is equally sure that very real economic interests were unconsciously fostering them: the aspiration to liberate the industrial development from the pressure of the cartel policy and to put an end to the absenteeism of the capital.

### C. THE ENTRANCE OF THE AUSTRO-HUNGARIAN CUSTOMS UNION INTO THE DANGER ZONE

We saw in the foregoing considerations that the economic development strengthened, in some respects, the forces of separatism and secession in the Austro-Hungarian customs union. But at the same time this same economic evolution produced forces tending toward cohesion and integration. Under propitious circumstances these unifying forces could have become sufficiently strong to counterbalance and paralyze the dissolving tendencies. Among these integrating forces was the very important fact that a market counting fifty million peoples gives a far greater possibility for the specialization of production than a market of only ten millions. This advantage, however, under the given conditions, was not so conspicuous as it might have been.

The Austro-Hungarian monarchy consisted of some ten or eleven distinct ethnographical territories. The populations of all these territories stood on different cultural levels and produced and consumed according to different habits and traditions. As a result the market was very much disintegrated. For instance, in the field of the cloth industry the Austrian manufacturer was compelled to produce a great variety of hats, bonnets, cloths, aprons, and handkerchiefs, because, in every national region, the people dressed according to a different style. Not only the objects of consumption, but also the instruments of production were different to a large extent in the various regions: the tools, the plows, the carriages, etc. Besides, the manufacturers were obliged to advertise and carry on business propaganda in ten different languages. These and other difficulties compelled many firms, especially those engaged in mass production, to decentralize their establishments among the various territories. Frederick Hertz has shown how this procedure made production more expensive and specialization more difficult.

This splitting-up of the market could have only one remedy: growing well-being and culture. Between the standards of life, clothes, tools, and consumption of an average Englishman, an average Frenchman, or an average north German, there is an incomparably smaller difference than between the standards of life and consumption of an average Pole, an average Serb, or Rumanian. Therefore, only a higher popular culture and welfare could have made uniform the consumption of the various nationalities of the monarchy. In this case

the geographical and national differentiation of the various regions of the monarchy would not have been a disadvantage but a real advantage from the point of view of industrial specialization.

But such a propitious development had no place in the monarchy under the injuries and hindrances of its agricultural policy, its customs policy, and monopolistic cartel policy. In consequence of the low standard of life of the masses, the division of labor, and the interdependence of markets, local specialization remained very incomplete in most parts of the customs union. The result was that the forces of dissolution were more powerful than the forces of unification.

This dissolving tendency became particularly evident after 1907, when the feudal aristocracy attained the aim of its policy by checking agricultural production and the raising of prices of foodstuffs. The growing importation of grains and other foodstuffs and raw materials, under the heavy protective tariffs, made the life of the working-classes more expensive and had another dangerous consequence. For the imported grains and other raw materials the monarchy was obliged to pay with something. Being not a creditor but a debtor country, the monarchy as a whole could not pay for the raw materials otherwise than by the export of industrial commodities. The agrarian policy of the feudal aristocracy, therefore, compelled the peoples of the monarchy to enhance the export of industrial commodities after 1907.

The time when this happened was very unfortunate. For, just at the end of the first decade of the new century, as a result of the growth of population in Europe and in the northern parts of America, the food supply of these continents became less abundant than they had been between 1885 and 1905. This resulted in rising prices in foodstuffs and in a diminishing demand for industrial commodities. Since 1907 industrial competition had become very keen in the world-market.<sup>15</sup> England and the small free-trade countries (Belgium, Holland, Switzerland, and Denmark) had an advantage in this competition due to the free import of grains; their industrial system was aided by comparatively lower costs of production. The German Empire had protective tariffs for its foodstuffs but in spite of this competed successfully because, with its very efficient agricultural system, it was able to create a powerful and from the standpoint of technique extraordinarily developed industrial system. Austria-Hungary, however, in the customs union of which the price of the foodstuffs, and, therefore, the costs of industrial production, became very high and which in consequence of its backward state of agriculture could not develop a sufficiently efficient industry, became unsuccessful in the keen industrial competition. Its industry lost a comparatively large number of markets, not only

<sup>15</sup> An interesting analysis of this situation will be found in the book of Arthur Feiler, editor of the *Frankfurter Zeitung*, *Die Konjunkturperiode 1907-1913* (Frankfurt am Main, 1914).

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outside the customs union but also inside. The German, the Belgian, and the English plants, in some of their branches, were able, in spite of protective tariffs, to offer their products on the Viennese market cheaper than the Austrian plants. Therefore, the increase in the imports of foodstuffs and the imports in industrial commodities rose simultaneously, and these imports could not be counterbalanced by an increase in exports. As a result of this situation, the commercial balance became very unfavorable. Table II clearly shows that this unfavorable balance coincided with the rising prices in foodstuffs.

In this situation the Austro-Hungarian monarchy, as a debtor country, could only pay for the excess of imports by contracting new

TABLE II

Years	Price of Wheat per Ton in Budapest in Crowns	Positive (+), Negative (-) Trade Balance in Million Crowns
1886-90*	161	+319
1891-95*	163	+209
1896-1900*	184	+127
1901-5*	170	+164
1906	157	+ 39
1907	201	- 45
1908	240	-143
1909	289	-427
1910	234	-434
1911	238	-787
1912	232	-823
1913	222	-627

\* Average.

debts or loans in foreign countries. Such an economic system, however, must sooner or later encounter serious difficulties, if not economic catastrophes. A debtor country incapable of producing an active balance cannot maintain its position. Therefore, in 1913, the Austro-Hungarian monarchy was already a defeated empire from the economic point of view, and as such it went into the World War in 1914.<sup>16</sup>

<sup>16</sup> In his remarkable essay, already quoted, on the financial system of the former Austro-Hungarian monarchy, Paul Szende has drawn the following important conclusions which supplement the picture given here: "The financial story of Austria is the true reflection of the fatal development of the Habsburg Monarchy, a function of the dynastical imperialism. . . . The Habsburg Monarchy differed from the great national states in this: that with every grave conflict in the international policy she stood before the question of be, or not to be. Her wars served dynastic interests exclusively. . . . In no other state did the army so decidedly influence the evolution of finances as in Austria. One who writes the history of her army-organization gives at the same time the outlines of her financial history. . . . Nothing demonstrates more conclusively that the Monarchy was doomed to collapse than the military budget between 1902-1914. One really has a ghostly feeling when one sees how the monarchy was approaching her end, and how she executed her own death sentence. From the overstraining of her military expenses, from this vicious circle there were only two ways out: *Bankruptcy or War*" (*op. cit.*, pp. 191-92, 200).



Of this growing indebtedness there were many symptoms within the frontiers of the empire. Among others were many new loans on the lands and buildings the bonds of which were sold in foreign countries. After 1907, the annual amount in loans contracted on immovable properties rose conspicuously. This indebtedness is shown in Table III, which covers the whole monarchy. (The sums paid on the earlier loans are subtracted.)<sup>17</sup>

Taking the situation as a whole, and excepting brief periods of improvement, the economic life of the monarchy was characterized after 1907, by the symptoms of decay: high cost of living, bad market conditions, and growing indebtedness. That this situation was chiefly caused by the agrarian protective duties was clearly understood by a large strata of the people who had become enlightened through propaganda of the industrial associations, chambers of commerce, and other organizations. But whether or not they recognized

TABLE III

Years	Million Crowns
1891-1900 . . . . .	435
1901-5 . . . . .	602
1906 . . . . .	752
1907 . . . . .	945
1908 . . . . .	1,013
1909 . . . . .	1,244
1910 . . . . .	1,721
1911 . . . . .	1,684

all the factors in their true relation to cause and effect, the pressure of circumstances was deeply felt by everyone, not only by the industrial population but also by the small peasantry and the landless proletariat. Therefore, the intense dissatisfaction of the great masses was constantly growing. Under these circumstances it was quite natural, in consequence of the national structure of the monarchy, that this dissatisfaction under the sway of the particularist propaganda was directed not against the economic and tariff policy, carried on in the customs union, but against the customs union itself. Joseph Grunzel, in an important book on the commercial policy of the monarchy,<sup>18</sup> published in 1912, characterized the dissatisfaction with the customs union as general in all parts of the monarchy. The consumers fought the customs union from economic motives, and the particularists, especially the independent party of Hungary, from political motives. The hatred of the masses against their oppressors was directed simultaneously against the customs union. For they saw that the big

<sup>17</sup> Calculation based on the official data of the *Österreichisches Statistisches Handbuch* and the *Hungarian Statistical Yearbook*. The Austrian figures for the years 1912 and 1913 were not published.

<sup>18</sup> *Handelspolitik und Ausgleich in Österreich-Ungarn* (Wien, 1912).

landed aristocrats, who raised the prices of their bread and other foodstuffs, and the usurious "big banks," which by their cartels artificially raised the prices of their fuel, petroleum, dwelling-places, and necessities, were the chief defenders and pillars of the Austro-Hungarian customs union.

And, if we think over the situation, we must acknowledge that the customs union against which these general dissatisfactions were directed could scarcely be regarded any longer as a free-trade organization. For we should not forget that, on the basis of the free-trade ideal, there was the fundamental postulate of cheap bread. This postulate is organically connected with the essence of free trade. The ultimate aim of the free-trade policy is the increase in the productivity of labor. But to make bread artificially more expensive is an attempt against the very principle of a higher productivity. From 1850 until 1900, the Austro-Hungarian customs union was a free-trade organization, at least in the sense that it did not make the bread of the masses more expensive. After 1900 and especially after 1907 this feature of free trade ceased to exist. *The Austro-Hungarian customs union became more and more a pseudo free-trade organization, an instrument for economic exploitation, for checking economic progress, and was injurious from the point of view of the laboring classes.* The economic dissatisfaction of the masses became one of the chief driving-forces of national separatism and of the growing trend of irredentism.

#### D. WHY FREE TRADE FAILED

If we review again this negative experiment in free trade we come to the conclusion that such a policy could only be durable on the basis of a spontaneous co-operation among peoples; and then only when the allied peoples are of equal strength or when there is at least sufficient guaranty that the stronger nation will not exploit, by a system of monopolies and political supremacy, the weaker nations. Besides, only nations economically highly developed which have a strong need for the mutual exchange of their products, that is to say, nations with strongly differentiated production and consumption, will have a durable interest in the maintaining of a free-trade policy.

This strong differentiation in production and consumption can be only the result of a great productivity of labor and of an abundant supply in food materials. If a free-trade community does not promote these basic conditions, free trade must inevitably collapse. That was exactly the case in the Austro-Hungarian Monarchy. In this way the most powerful of the centripetal forces which could have built up a real cohesion of the Empire developed more and more distinctly centrifugal tendencies.

**PART IV**  
**THE CENTRIFUGAL FORCES: THE DRAMA OF  
THE GROWING NATIONAL DISINTEGRATION**