

The Role of Export in the Economy of the Habsburg Monarchy before the First World War¹

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Before the First World War the Bohemian lands did not represent an independent entity in economic terms, but were an inseparable part of a larger unit, i.e. Cisleithania. Single aspects of the economic development of the Bohemian lands should therefore be analysed within the wider context of Cisleithanian economy. In similar terms, the economic analysis of the position of Slovakia, must be understood principally as within one of the regions of Transleithania.² It is natural that these fundamental facts also influence the analysis of export from the Bohemian lands (and/or Slovakia) to outside the border of the Monarchy; its character and significance rather differed from the role of export in the new Czechoslovak state.

According to the data provided by the primary statistics the Habsburg Monarchy was a European country of average growth in 1910, and the GNP per capita of Austria-Hungary differed only slightly from the average of whole Europe.³ In 1910 Austria-Hungary constituted roughly 12 % of Europe's population, about 10 % of the gross national product of whole Europe, but obviously had a lower proportion of the all-European export (about 6 %). The share of Austria-Hungary of the export of all Europe had not changed in the long-term perspective and ranged between 6 and 7 %. In 1910 the Austro-Hungarian export was about half of that of France, about five times smaller than that of Britain and reached only about three quarters

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² On the economic position of Slovakia within Austria-Hungary, see more details in, e.g. Vlastislav LACINA, *Formování československé ekonomiky 1918–1923*, Praha 1990, pp. 42–50.

³ For more details on the economy of Austria-Hungary, see e.g. *Die Habsburgermonarchie 1848–1918*, Bd. I., *Die wirtschaftliche Entwicklung*, hg. von Alois BRUSATTI, Wien 1973 and David F. GOOD, *The Economic Rise of the Habsburg Empire, 1750–1914*. Berkeley 1984.

of the export of Belgium.⁴ In Austria-Hungary export took only a low share in the GNP (it is estimated that it was only about 7 % while the all-European average was about 12 %, with Germany even exceeding 14 %).⁵ When assessing the above numbers, we should take into consideration some specific circumstances, which, to some extent, change the informative values of these data. In economic terms, Austria-Hungary was a highly heterogeneous formation with considerable regional differences. First of all, there was the obvious difference in economic development of the western and the eastern parts of the Monarchy. In the final years before the First World War, 56 % of inhabitants of the Monarchy lived in Cisleithania that created over 80 % of the export of the Monarchy. The export capacity of Cisleithania per capita was noticeably higher than within the whole of Austria-Hungary. On the other hand, however, it should be admitted that the export per capita in Cisleithania obviously lagged behind the most advanced west European countries (e.g. Great Britain, France, Netherlands, and Belgium).⁶

It was a complex of several factors, which apparently contributed to the low proportion of Austria-Hungary in the all-European export and the low share of Austro-Hungarian export in the Austro-Hungarian GNP. Although the impact of individual factors on Austro-Hungarian export can hardly be defined with any precision, growing competition on foreign markets (especially that of Germany) and a relatively inconvenient location of Austria-Hungary (e.g. with regard to greater participation in the overseas trade) were probably among the more important ones. A large domestic market, which did not push the Austro-Hungarian producers to export played an indispensable role. Generally weaker direct ties between Austro-Hungarian factories and the target markets (especially the more remote ones), or rather common employment of the broker services of Vienna firms

⁴ Paul BAIROCH, *European trade policy 1815–1914*, In: The Cambridge Economic History of Europe, Volume VIII (The Industrial Economies: The Development of Economic and Social Policies). Cambridge 1989, pp. 3 and 37; Scott M. EDDIE, *Economic policy and economic development in Austria-Hungary 1867–1913*, In: The Cambridge Economic History of Europe, Volume VIII (The Industrial Economies: The Development of Economic and Social Policies), Cambridge 1989, pp. 828–829.

⁵ EDDIE, Scott M., *Economic policy*, pp. 828–829. For the comparison of the economic position of Austria-Hungary with other European countries, see Petr PROKŠ, *Pozice českého kapitálu v Rakousko-Uhersku v letech 1890–1914*, In: Studie k moderním dějinám, Sborník prací k 70. narozeninám Vlastislava Laciny, edited by Josef HARNA a Petr PROKŠ, Praha 2001, pp. 53–56.

⁶ B. R. MITCHELL, *European Historical Statistics 1750–1975*, London 1981, pp. 29 and 31; Ivan JAKUBEC, *K problematice zahraničního obchodu rakousko-uherské monarchie v letech 1850–1914*, In: Studie k moderním dějinám, Sborník prací k 70. narozeninám Vlastislava Laciny, edited by Josef HARNA and Petr PROKŠ, Praha 2001, pp. 38–39.

or firms from abroad proved a disadvantage. In Austro-Hungarian export there were practically no commodities which would be highly attractive for customers from abroad, and which, at the same time, could fundamentally change the overall picture of the Austro-Hungarian export.⁷ Moreover, the Austro-Hungarian customs policy was quite a controversial phenomenon, which in its ultimate implications yielded negative impact in the poor performance of the export. In about the mid 1870s Austria-Hungary reverted to the protectionist policy whose logical goal was, primarily, the reduction of imports and the protection of domestic producers connected with this. This strategy, together with other, for example, political reasons, led, necessarily, to retaliatory measures on foreign markets, and had, therefore, a negative impact on the Austro-Hungarian export. In some cases trade conflicts spilled over into customs wars (e.g. with Rumania and Serbia). Protectionist policy increased the isolation of the Austro-Hungarian market and enhanced the concentration of domestic producers on the domestic market. It is also worth mentioning that after the intensifications of the protectionist policy of Austria-Hungary in years 1903 and 1906, the results of the balance of trade visibly worsened.⁸ Since 1907 the balance of trade had regularly ended unfavourably.⁹

The above factors as well as some other circumstances considerably influenced the business strategy of most Austro-Hungarian companies, for which the domestic market was of much greater importance than were the foreign markets. Protectionist policy and an ensuing economic isolation of Austria-Hungary also de facto contributed to strengthening the economic ties between Cisleithania and Transleithania. In the long-term perspective a large part of the export of Cisleithania headed to Transleithania and vice versa. Both units were much dependent on this business cooperation.¹⁰

Other controversial aspects of the Austro-Hungarian export come to light when we examine its territorial orientation. For a long time the Austro-Hungarian export had shown a narrow territorial diversification. Germany had clearly the largest share in the Austro-Hungarian export (and import).

⁷ Further see Ivan JAKUBEC, *K problematice zahraničního obchodu*, pp. 33–50.

⁸ For more detail on Austria-Hungary customs policy, see Ivan JAKUBEC, Zdeněk JINDRA, *Dějiny hospodářství českých zemí, od počátku industrializace do konce habsburské monarchie*. Praha 2006, pp. 295–307.

⁹ MITCHELL, p. 513.

¹⁰ From Cisleithania especially textile, machines, machinery and iron were imported to Transleithania. In reverse direction it was mainly agrarian production. More on mutual Austro-Hungarian trade, see JAKUBEC, JINDRA, *Dějiny hospodářství českých zemí*, pp. 290–294 and John KOMLOS, *The Habsburg Monarchy as a Customs Union*, Princeton 1983.

In 1913 Germany participated in the Austro-Hungarian export with about 40 %, followed by Great Britain (less than 10 %) and Italy (less than 8 %).¹¹ High proportion of Germany in the Austro-Hungarian export pointed, among other things, to a high interconnection of the economies of both countries and to the dependence of Austro-Hungarian export on the German market, which, logically, bore certain risks. The fact that Germany was the most important customer of Austro-Hungarian goods and, at the same time one of the most dangerous competitors of Austro-Hungarian exporters on European markets was quite contradictory as well. The development of trade between the two countries was also influenced, to a considerable extent, by mutual political ties. Although Austria-Hungary had made some steps towards enlarging the territorial diversification of export and in fact the whole of the foreign trade (e.g. towards a greater expansion of trade with the Balkans) before the beginning of the 20th century, these efforts led only to limited and short-term changes.¹²

The commodity structure of the Austro-Hungarian export was not clearly favourable either, and was not evidence of Austria-Hungary being a country with highly developed industry the vital part of whose export was formed by the sale of sophisticated products, e.g. machines or means of transport to other countries. In the last years before the outbreak of the First World War, wood, sugar, coal, textile products, iron and iron products, glass and glass products, machinery and devices were among the main items of the Austro-Hungarian export.¹³ On the other hand, some changes in the commodity structure yielded rather a positive impression and pointed to the advancing industrialization of the Monarchy – for example the increasing proportion of machines and devices in both export and import.¹⁴

In economic terms, the Bohemian lands in the Habsburg Monarchy had a very specific and *sui generis* exclusive position. They claimed about one third of the inhabitants of Cisleithania but produced almost one half of the gross national income. The comparison of the individual regions of Cisleithania shows that the Bohemian lands had the greatest share in the

¹¹ On export to individual countries, see more details in MITCHELL, p. 523.

¹² Vlastislav LACINA, Jan HÁJEK, *Kdy nám bylo nejlépe? Od hospodářské dezintegrace k integraci střední Evropy*, Praha 2002, pp. 16 a 17.

¹³ It must be admitted that the high proportion of the production of the primary sector of the total export was not a clear evidence of the underdevelopment of the given country. As an example the United States of the same period (i.e. at the turn of the 20 century) can be quoted.

¹⁴ For more details on the commodity structure, see Richard L. RUDOLPH, *Quantitative Aspekte der Industrialisierung in Cisleithanien*, In: *Die Habsburgermonarchie 1848–1918*, Bd. I. Die wirtschaftliche Entwicklung, Wien 1973, p. 246.

national income of Cisleithania. In the national income per capita Bohemia came second after Lower Austria.¹⁵ Although the Bohemian lands were among the industrially most developed regions of the Monarchy, there were still obvious differences between the industrial production in the Bohemian lands and the advanced west European countries. In comparison with the greater opportunities to invest, an obvious technological head start, and the costs connected with expansion to foreign markets were a smaller burden for them.

The exact definition of the participation of the Bohemian lands in the export of Austria-Hungary is a very difficult task unlikely to fulfil because there are several factors which complicate the matter: among other things, missing statistical data or frequent employment of the broker services when, in some cases, it was not quite clear whether the goods ended on the Austro-Hungarian market or on the foreign market. Most historians agree that the Bohemian lands had a great share in the export of Cisleithania (and hence of the whole monarchy) and supplies from the Bohemian lands to foreign markets were of the higher order than export from Slovakia.¹⁶ Among the main export items from the Bohemian lands sugar, malt, beer, textile and Jablonec goods (artificial jewellery) are ranked. Simultaneously, however, the majority of producers in the Bohemian lands oriented themselves on the domestic Austro-Hungarian market in particular, and the export outside the Habsburg Monarchy was of limited importance to them. Most of the goods leaving the Bohemian lands ended at a customer in the Habsburg Monarchy. There were several reasons for the relatively small supplies to the foreign markets. The factors mentioned earlier inevitably influenced also the export from the Bohemian lands: somewhat unfavourable inland location making more considerable participation in overseas trade difficult, quite a large domestic market of the Monarchy, weaker direct business ties with target markets and the ensuing employment of the broker services especially of Vienna and Hamburg firms, and others. Sometimes little initiative of individual producers and willingness to handle difficulties connected with

¹⁵ For more information on the position of Bohemian lands within the economy of Austria-Hungary, see Zdeněk JINDRA, *Výchozí ekonomické pozice Československa. Odhady národního jmění, důchodu a hrubého národního produktu Rakousko-Uherska a českých zemí před 1. světovou válkou*, In: *Střední a východní Evropa v krizi XX. století*, K 70. narozeninám Zdeňka Sládka, pp. 183–202. Cf. Vlastislav LACINA, *Hospodářství českých zemí 1880–1914*, Praha 1990.

¹⁶ Jindřich CHYLÍK, *Přehled vývoje světového obchodu*, Praha 1948, p. 69. On the proportion of the Bohemian lands in the total export of Austria (Austria-Hungary) see Jindřich CHYLÍK, *Vývoj zahraničního obchodu v našich zemích*, Praha 1947, pp. 36–38 and JAKUBEC, *K problematice zahraničního obchodu*, p. 34.

export are given. With some exaggeration we may undoubtedly claim that for the firms from the Bohemian lands it was usually easier to place their goods on the domestic Austro-Hungarian market than to try and win recognition on foreign markets.¹⁷

¹⁷ On export from the Bohemian lands, see JAKUBEC, JINDRA, *Dějiny hospodářství*, pp. 311–315.