

The Economy of East Central Europe, 1815–1989

Stages of transformation in a peripheral region

David Turnock

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THE ECONOMY OF EAST CENTRAL EUROPE, 1815–1989

This comprehensive survey examines the dramatic changes in the economies of Eastern Europe, set in the political context of the region.

The Economy of East Central Europe, 1815–1989 reviews two centuries of modernisation in the countries on the western border of the former Soviet Union. Wide in scope and including detailed and informative chronologies, David Turnock traces the economic history of the region within the wider political and ideological context. This exhaustive and thorough review brings together the entire scope of the modernisation process, from the first phase of modern national development in the Balkans and the impact of imperial systems on the area as a whole, to the feeling of ‘unfinished business’ at the end of the Second World War, and continuing up to the end of communism, evaluating the contrasts in the region between the northern and southern states, domestic division between dynamic and backward areas, and the increasing emphasis on the opening up of frontier regions.

Balanced and informative, *The Economy of East Central Europe, 1815–1989* is essential reading for all those with an interest in Eastern Europe or economic history.

David Turnock is Emeritus Professor at the University of Leicester. His main research interest is in post-socialist countries, especially those in Eastern Europe. He is the author of *The Making of Eastern Europe: From the Earliest Times to 1815* (1988) and *Privatization in Rural Eastern Europe: The Process of Restitution and Restructuring* (1998).

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For Nicolae Muică with thanks for his companionship over some three decades of field study in rural areas across Romania

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LIST OF ABBREVIATIONS

| | |
|---------|---|
| Comecon | Council for Mutual Economic Assistance (CMEA) |
| CSCE | Conference on Security and Cooperation in Europe |
| ECE | East Central Europe |
| ECECs | East Central European countries |
| FDI | foreign direct investment |
| FSU | Former Soviet Union |
| FYP | Five Year Plan |
| GATT | General Agreement on Tariffs and Trade |
| GDR | German Democratic Republic (East Germany) |
| GNP | gross national product |
| GOP | Gornośląskie Okręg Przemysłowy (Poland) |
| MFN | most favoured nation |
| NATO | North Atlantic Treaty Organisation |
| NEM | New Economic Mechanism |
| OSCE | Organisation for Security and Cooperation in Europe |
| ptp | per thousand of the population |
| SEE | Southeastern Europe |
| SEECs | Southeast European countries |
| SOE | state-owned enterprise |
| TEM/TER | Trans-European Motorway/Railway |
| UNRRA | United Nations Relief and Rehabilitation Agency |
| VVB | Association of Publicly Owned Enterprises (GDR) |
| WOG | Large Economic Association (Poland) |

PREFACE

This book is a development of previous work which aimed at tracing the historical geography of the communist states bordering on the then Soviet Union and comprising a territory known at the time as 'Eastern Europe'. The situation has now moved on and we now refer to the region as 'East Central Europe' thereby reserving the 'east' for the former Soviet states themselves. However, the historical geography of this area remains an absorbing topic, albeit with a shift in the focus from the background to communism to the reorganisation of a major component of Europe's periphery. Since the previous book was published in 1989 scholarship has also moved on and the present work aims at an updated and in-depth study of one component: the economic geography of the modern period starting in 1815 but now extending through the communist period since this has now passed into history and can be reviewed in its entirety. For this reason the boundary of the study area remains unchanged even though it is anomalous to include the core of the German Empire in the European periphery and not the Habsburg counterpart: Vienna. The book includes a 'stock-take' of the situation in 1815 since the protoindustrialisation that took place in the eighteenth century in a number of German and Habsburg territories is an important part of the story even if the southeast remained relatively backward. What the book tries to demonstrate is the complexity of the struggle by a peripheral region to develop its political power from a position of economic inferiority. The state became proactive in economic development although the political geographies and the economic programmes were highly contested. Imperial and national approaches underpin the nineteenth century and early twentieth centuries respectively, followed by the communist era which involved extreme state intervention while the dominance of Moscow compromised—without entirely suppressing—national integrity. The sad conclusion is that despite Herculean efforts the exercise of independent political power has incurred heavy economic costs since G.Berend's paper of 2002 sees the region as being further behind the West now than it was in 1815. And the question for the future is whether a more integrated Europe will be more successful in achieving convergence, at least as far as East Central Europe is concerned. However, for most of today's English readers there is the challenge of an unfamiliar historical context which is addressed not only through the contextual material in each chapter but the chronologies which offer some detail on political, economic and social events. The alternative placename spellings, replete with diacriticals, are a minefield in themselves, and—except for some ethnically stable villages—the approach here has been to use the names that were official at the time and

to quote the present one in brackets on the first occasion each name comes up in a particular chapter. Fairly complete listings appear in books by authors such as N.J.G.Pounds (1969 pp. 877–9), while R.H.Osborne (1967 pp. 325–44) helps with pronunciation.

This modest work of synthesis would not have been possible without the researches carried out in historical geography and in economic and social history over recent decades and listed in the bibliography, which is however restricted to English language works apart from key statistical and cartographic sources. In addition I am grateful to countless individuals and institutions across the region for helping me in my travels around the region over the past four decades. In particular, the study of urban population trends—albeit compromised by inconsistencies over dates and boundaries—would not have been possible without help from Karl Martin Born (Berlin) who kindly supplied data for German towns from *Neumann's Orts- und Verkehrs-Lexikon* (1900) and *Amtliches Gemeindeverzeichnis* (1939); also Branislav Domański and Włodzimierz Kurek (Kraków) recommended Polish sources and gave me general information, particularly for Upper Silesia; while Branislav Djurdjev (Novi Sad), Dražen Njegac (Zagreb) and Caedmon Staddon (Bristol) provided some census data for the southern republics of Yugoslavia, Croatia and Bulgaria, respectively. Martin Hampl (Prague) helped me with the location of rural industrial centres on the Křivoklát estate while several colleagues—Krystyna Carter (London) for Polish; Vladimír Drgona (Nitra) for Czech and Slovak; and Erika Nagy (Békéscsaba) for Hungarian—have assisted over linguistic details. Peter Jordan (Vienna) discussed the history of Pula while Dražen Njegac (Zagreb) clarified matters relating to the city's industry. Petr Pavlínek (Omaha) commented on the history of coalmining in the Most area and Claudia Popescu (Bucharest) gave me information on the organisation of agriculture and the planning of new towns in Romania's Vâlcea county. Field study in Romania has been important for several studies included in the book, especially those concerned with heavy industry in Reșița, the timber industry in the Carpathians and rural settlement projects in Poiana Mărului and Rogoz. This work has been done over a number of years and would not have been possible but for Nicolae Muică (Bucharest), to whom this book is dedicated, as well as my wife Marion and a number of local contacts. Some of the maps from the earlier work have been recycled but many are entirely new drawings expertly drafted by Ruth Pollington in the Leicester University Geography Department. Finally, Routledge have been very supportive of my efforts over the years and for this present volume I am particularly grateful to Jane Blackwell, Philippa Grand and Vicky Peters.

David Turnock
Leicester, August 2005

INTRODUCTION

Modernisation in East Central Europe

As defined for the purposes of this book, East Central Europe (ECE) has an area of 1.27 million sq.km and a population of 137.8 million (1985) with an overall density of 102 persons/sq.km (Figure 0.1). The maximum longitudinal spread is some 26 degrees (about 1,300km) between the Italian-Slovenian frontier and the Danube Delta but is reduced to only 400km between Hungary's Austrian and Ukrainian frontiers before widening again to some 1,200km at 51 degrees north in the territory of East Germany and Poland. North-south distance reaches its maximum between 40 degrees north in southern Albania to 55 degrees north in northern Poland, a distance of some 1,650km. The region's coherence arises from the adoption, by monopoly communist parties, of elements of the former Soviet system of government, including socio-economic development through a command economy guided by central planning. There was some relaxation after Stalin's death in 1953 underpinned by Red Army withdrawals from the Balkans—though not from East Germany and other countries of particular importance for transit—but maintenance of communist power was guaranteed by the Brezhnev Doctrine which legitimised Warsaw Pact intervention in Czechoslovakia in 1968 on the grounds that a threat to the system in one country was a challenge to the alliance as a whole. Now there is unity through transition policies; these are also characteristic of the former Soviet republics, although the latter no longer comprise a superpower centre. However, it is usual to divide the region into two halves: a northern tier comprising the relatively well-developed states of Czechoslovakia, East Germany (GDR), Hungary and Poland; and a southern, Southeastern European (SEE) group taking in Albania, Bulgaria, Romania and Yugoslavia. The latter area found the Soviet system particularly relevant to economic development in the second half of the twentieth century, along with Soviet technology and raw materials, while the more sophisticated northern economies with considerable democratic experience were arguably constrained by the Soviets' extensive approach.

There are significant constraints in the mountains, however. Just over a fifth of the land is higher than 500m. To an extent the mountains help to block maritime climatic influence and accentuate drought risk. Despite high sunshine levels in the south, the geopolitical base for the development of nation states is often problematic, e.g. for Albanians and Macedonians, encouraging autonomy within

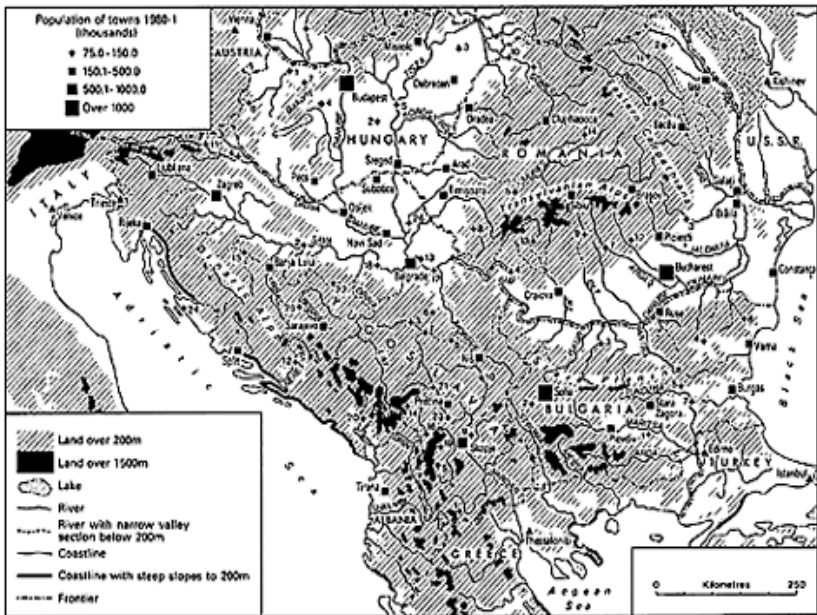
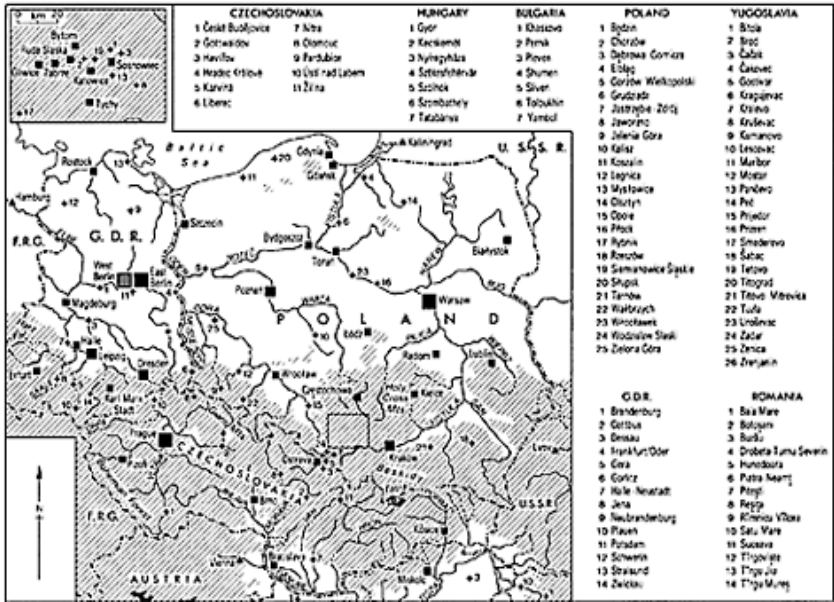


Figure 0.1 Physical geography, including major towns and state boundaries for 1945-89

imperial structures rather than outright independence. Remarkably large agricultural communities were supported in the past, although remoteness from marauding armies and feudalising landowners were also significant factors, as was the high incidence of disease in the lowlands in early modern times. However, the mountains are not a continuous barrier except in the case of the Dinaric ‘wall’ complicating inland penetration from the Adriatic. Instead there is often easy access through ‘corridor valleys’; making the Balkan lands a ‘commercial and cultural crossroads’ (Lampe and Jackson 1982 p. 3). There are niche situations in the intramontane depressions ‘formidable enough to preserve native particularism and to prevent widespread diffusion of the competing foreign influences’ (ibid.). Yet subsistence farmers must concentrate on the hardiest cereals, such as rye in the Carpathians. Minerals are scattered and do not offer scope for major metallurgical complexes comparable with the Ruhr. Industrial growth has been limited, though significant in contact cities drawing on complementary resources and in the depressions which are also useful for ‘hiding’ strategic industries. On the other hand, the mountains are still heavily forested and the woodlands are very important commercially, with exports of raw timber now diversified by manufactured products such as board, plywood and furniture requiring a greater degree of processing. Meanwhile, the scenic attractions of the mountains with cultural landscapes indicative of settlement continuity and pluriactivity have become important resources for tourism.

Complementary lowland areas, particularly the North European Plain and the plains associated with the Danube (the Pannonian Plain—known to Hungarians as Nagyalföld—and the Lower Danube or Wallachian Plain) comprise fertile land interspersed with less tractable sands. The latter have often supported only poor grazing (like the Hungarian ‘puszta’) or woodland, although more recently the supply of irrigation water has opened the way to more intensive uses. However, conditions are very dry in the southeasternmost parts of the region: Dobrogea, Moldavia and eastern Wallachia (Bărăgan steppe) have an annual rainfall below 50cm and irrigation is therefore critical. In the past much of the land was used to rear livestock and grow cereals for export. But the growth of population and industry means that more land is needed to feed the population and generate agricultural raw materials. The trade surplus has been turned into a deficit and by the 1980s there was a considerable net import of cereals. On the farms cereal crops are complemented by sugar beet and fodder, while additional areas are devoted to textile crops, oil plants such as sunflowers, tobacco and a range of medicinal and aromatic plants. There are also vegetable gardens, orchards and vineyards with considerable export potential. Livestock rearing has become more intensive (contributing to the cereal deficit) since meat production is an important indicator of rising living standards. Fish are also more important: caught by trawlers in distant waters to supplement the traditional fisheries along the Adriatic, Baltic and Black Sea coasts, the inland rivers (the Danube Delta and floodplain lakes) and fish ponds which are particularly numerous in southern Bohemia. The whole region is within 500 kms of the sea except for the eastern parts of Hungary and Slovakia and adjacent areas of Poland and Romania.

This book follows earlier work in historical geography (Turnock 1988, 1989) which provided a context for the communist revolution and the transformation of the region through central planning under which national interests were often constrained by the hegemony of the Soviet Union. Now that fifteen years of transition have occurred it is appropriate to examine the traumatic communist interlude and to ask whether it was a

perverse interruption of a 'natural' progression towards greater integration among the nations of Europe as a whole or a constructive stage of development which may in some way have been 'inevitable' in the sense that, even if Soviet influence had been eminently benign, there would have been an extension of state intervention in the economy and curbs on the deployment of private capital. For the time was ripe for industry based on old technology—limiting capital while maximising employment—since the 1930s brought home the weakness of overconcentration on agriculture. The comprehensive rejection of communism by the neoliberal ethos of transition states in the early 1990s should not totally obscure the rationale of the former system as an escape from the frustrations of backwardness on Europe's periphery, even though the excessive overriding of the real costs of production—in the strategic interests of the Soviet Union—was on balance a burden to the region. But the post-communist phase is promoting a surge in scholarship that is assessing the pre-socialist era without the in-built ideological hostility of the recent past. The immediate pre-communist period may seem inevitably 'bad' for somehow failing to deliver faster growth and so 'justifying' the communist phase, yet it may also be seen as an alternative constructive phase confronting the same basic challenges as the communists in the transformed context of post-1918 nation states and the drive for industrialisation given the deteriorating terms of trade for farmers and the strategic imperatives arising from a vulnerable position sandwiched between Germany and the USSR. Western writers no longer plough a 'lonely furrow' in enquiring into the debates of the inter-war years that went way beyond class conflicts and workers' demonstrations. It also seems appropriate to extend the discourse back into the nineteenth century to deal with the first phase of national development in SEE in the modern period and also to consider the impact of imperial systems on the area as a whole. In this way the book provides a review of two centuries of modernisation under rapidly changing political and technological conditions, with the latter underpinned by a shift from a rural to an urban emphasis.

HISTORICAL EXPERIENCE: CONTESTED STATE FRAMEWORKS THROUGH THE AGES

A key element in the historical context is the changing position of the region from one centrally placed astride the migration routes and (in the case of the SEECs) integrated into the Roman Empire to one occupying the margins of the oceanic trading system with a major role as exporter of primary commodities. The region was certainly congenial for settlement and agriculture in prehistory, playing a part in the diffusion of crops from the Middle East to Western Europe. Prehistoric settlers found the relatively warm and dry lands of the Danube and Morava-Vardar corridors gave easy access to new farming lands as forest was cleared, especially on the light loess soils. The amber routes exemplify the region's transit role, transmitting cultural influences from the Balkans to the coniferous and deciduous woodlands of the North European Plain, where German and Slav colonists initiated economic developments which eclipsed the Balkans in medieval and modern times. With access provided by such rivers as the Elbe, Oder and Vistula, surpluses could be marketed through the Hanseatic trading system. Yet ECE lost out when the historic trading axis from the Mediterranean to the East was eclipsed by the great discoveries

which stimulated economic advance and technological innovation in Western Europe. During the Industrial Revolution, with its coal-based technology, it was impossible to escape from a largely colonial relationship with the West because few large industrial regions developed. 'Peripherally' provides an essential context through the perpetual economic challenge of 'catching up' with the advanced countries and competing for the attentions of their capitalists. It also directs interest to the trickle of ideas about development options that were not strictly in keeping with Western models which may not be entirely redundant despite the present momentum for EU enlargement, involving Western engagement with the Balkans on a scale that could not have been imagined until recently.

Industrialisation lies at the root of the economic advance, although the medieval period laid some of the foundations. For example, in the Saxon Erzgebirge there was woodland clearance for agriculture in eleventh and twelfth centuries, followed by widespread clearance for mining in the fifteenth and sixteenth centuries after rich finds of silver and tin were made in many places: wood was needed for smelting and was also used in mining, and wider supply areas were necessary. But progress was not sustained through time or space, although when long-distance trade was disrupted by conflagrations like the Thirty Years War, towns were needed for local marketing on landed estates, e.g. Głogów; also for defence (the Brody fortress), administration, religion and learning, not to mention the residences of magnates (e.g. Zamość) and the meetings of the gentry (indeed it was common for towns to be private, i.e. subordinate, to their owners). However, the early modern period brought a major setback through war and an accompanying agrarianisation (Bogucka 1996). While Warsaw grew tenfold from the late sixteenth to the late eighteenth century (10,000–100,000) and Gdańsk showed roughly 50% growth (40,000–58,000), other leading towns in Poland either stagnated or declined. In the context of somewhat reduced boundaries towns of 2,000 or more declined from 155 to 51, while those smaller than 2,000 fell from 1,132 to 523.

A peripheral position in Europe does not explain all the complex changes in the region's political make-up which are crucial to an understanding of the constraints imposed on the development of nations, which have been continually reconstituted. It has been the region's fate that after Roman intervention in a complex tribal structure evolving through prehistory (incidentally providing a cultural foundation for the countries of Albania and Romania), small dynastic states have been subjected to further waves of imperialism. It is important to recognise the economic, social and political consequences of the Ottoman advance and the absorption of Balkan territory; for the problems of economic backwardness and virulent nationalism which have dominated the region's politics in modern times can be traced back to the constraints on reform in the Ottoman Empire which first entered Balkan territory in the fourteenth century. And although the north was more closely integrated economically with Western Europe, the Polish state was undermined by a series of partitions orchestrated by the Habsburg, Prussian and Russian empires. Thus the modern era was grounded in the economic requirements of major powers whose political and industrial heartlands were to varying degrees external to the region. The book takes off at this point with a summary of modernising trends during the eighteenth century and highlights a degree of polarisation as the empires encouraged development in specific areas through new laws and the economic stimulus of wider markets through improvements in transport and the removal of internal trade

barriers. Large areas were to become marginalised as rural peripheries where the privileged elites were bolstered by neo-feudalism, and migration was virtually the only solution to the crisis of underemployment.

The nineteenth century

This is the starting point for the detailed narrative. The political map for the middle decades would highlight the Habsburg, Ottoman and Russian empires, along with the German states, among which Prussia was gaining ascendancy. The dynamism of the north can be seen in the relatively early demise of the feudal system, for change began in the Habsburg Empire with the ‘Serfdom Patent’ of 1781—and reform occurred in Prussia in 1807—although the formal completion came only in 1848, with Russia following in 1861 and Romania in 1864. But long before the mid-nineteenth century customary obligations were being converted to cash payments in order to increase economic efficiency, whereas in the backward areas formal abolition changed little: it gave the lords freedom to exploit what were now their personal possessions, while peasants stranded on their smallholdings were obliged to enter into labour contracts to undertake estate work for low pay (or for no wages at all if the deal was tied to sharecropping) with traditional social relations perpetuated. Understanding society in much of the region has to be grounded in the logic of peasant farming and the struggle to secure basic needs from small plots of land using simple technology. The other side of the coin comprised a small urban-based middle class constrained by limited demand for local industry and delayed reform of guild systems, while the contributions of the aristocracy to modernisation were seen more through military service and administration (even the Prussian elite became a class of hereditary state servants) than through enterprise. There was hardly a yawning divide between north and south, although the latter was relatively slow to develop significant growth areas. The Habsburg-Ottoman ‘tug-of-war’ was resolved by the southward expansion of Vienna’s imperial borderlands. The Habsburg borderlands were not substantially richer than territories immediately to the south—which in some respects industrialised earlier—but they did enjoy relatively enlightened and principled government conducive to the development of civil society while the remaining Ottoman lands were being contested by the emerging nations of the Balkans and wider imperial designs. A novel situation arose whereby the Danubian principalities were subject to Ottoman suzerainty, yet remained vulnerable to Habsburg occupation before being placed under Russian protection until 1856 and subsequently the now independent state of Romania fell into the German economic orbit by the end of the century.

However, the political configuration was not dictated solely by the balance of power between the major actors on the world stage, for the ethnicity of the region was such that nationalism ensured a measure of ‘locally dictated developments’ whereby the nations of ECE were able to make a difference. But the ‘state-led nationalism’ of Western Europe contrasted with ‘state-seeking nationalism’ as ‘Balkanisation’ spawned a tier of new nation states when it became evident that the Ottomans had little to offer their Christian population at a time of increasing national awareness. Meanwhile, the Habsburgs agreed on a share of power between Budapest and Vienna, and the political transformation was completed by US-sponsored self-determination at the end of the First World War which left many Germans and Hungarians stranded by the collapse of the imperial structures.

Huge infrastructural overhauls were therefore needed during the decades on either side of the First World War, highlighting the very close link between economics and politics. But the economic challenge was all the greater because a ‘natural’ division into agricultural and industrial regions—based on physical and demographic resources, entrepreneurial skills and social organisation—was no longer feasible. Agricultural regions were by definition poor and overpopulated while industrial regions were strong (notwithstanding the demographic basis of much of the protoindustrialisation in the eighteenth century).

How was industrial growth to be accelerated? While the UK industrial revolution was largely due to spontaneous private forces able to stimulate continuing demand (though not without some preconditions satisfied by the state), Germany and the Habsburg Empire relied on investment banks which emerged from urban banks providing credit for the nobility and large merchants—as well as governments—although there were rural banks to tide peasants over after a bad harvest (a function which otherwise fell to itinerant pedlars). Following the Austrian National Bank of 1816, commercial banks followed in the second half of the century, like the *Creditanstalt* which specialised in agricultural credit. Banks could stimulate pride among ethnic groups, like the Czechs, Slovenians and Ukrainians in the Habsburg Empire, and they could also fuel anti-Semitism. The SEECs started setting up their national banks—as well as commercial and agricultural banks—during the second half of the century. But the more backward European economies also needed direct government investment and initiative, as Gerschenkron (1962) and Spulber (1966) have pointed out. For national security demanded that industry should expand and if entrepreneurs were not available the state would have to do the job. Indeed this book is very much concerned with the role of the state to the point where ‘too strict a dichotomy between Balkan capitalism and socialism obscures the continuity across the last century of powerful government institutions and nationalistic ideologies’ (Lampe and Jackson 1982 p. 13).

The new nation states now had to temper comparative advantage and free trade (and the reality of underemployment and overpopulation) with protection through strategically significant, employment-maximising ideas of self-sufficiency to relieve rural poverty combined with strict regulation of foreign capital. Yet the resource base for self-sufficiency was by no means compelling in the south where the new nations struggled to modernise through agricultural surpluses that could be overtaken by harvest failure or tariff war (which suddenly forced the Serbs to switch from livestock exports to meat packing). Romania became one of the world’s leading cereal exporters with rail as well as sea transport available, yet all this was but a means to an end: industrialisation with a politically motivated land reform programme to give peasants greater security and independence, which unfortunately came too late to prevent the peasant revolt of 1907. Agrarian parties arose to advocate this complementary strategy although some idealists saw land reform, with village cooperatives and credit organisations, as an almost complete alternative to urban-industrial expansion, attracting the support of some socialists—though not communists, given the dichotomy of individual versus collective—and even nationalists when there were ethnic distinctions between peasants and landlords. They emerged in the half century before 1914 when world market forces upset traditional rural society and when extended suffrage boosted the potential for parliamentary success.

The twentieth century

The twentieth century greatly extended the modernisation project through further Kondratieff cycles linked with an ongoing and increasing radical political transformation. Despite the overwhelming moral argument for self-determination, the Versailles system was unstable enough for the British geographer H.J. Mackinder to appreciate the strategic importance of ECE to both Germany (seeking eastward expansion into the Eurasian heartland) and Russia (looking for security on her western frontier). He advocated a security system for the new democracies, but this was only achieved to the limited extent of the Little Entente in view of major foreign policy differences between the states of the region themselves. By the late 1930s Germany was casting a shadow and substantial territorial changes were made to create a Greater Germany ('Grossdeutschland') and allow a larger stake in the region for Bulgaria, Hungary and Italy. Measures were taken to simplify the ethnic structure through resettlement (including population exchanges). And the need for an alliance with the Soviet Union to challenge Germany involved a near-hopeless quest for compromise between the interests of nation states like Poland and the aspirations of the Soviets to regain lost territory. Meanwhile, national industrialisation was gaining momentum with greater desperation as the setbacks in agriculture that followed the fall in world agricultural prices after 1929 ushered in a trend towards increasing state intervention going way beyond the first steps in grain marketing. Given acute capital shortage it was impossible to safeguard the traditional sectors and adopt new technology at the same time. Thus Berend (1996 p. 360) takes lessons from history to argue that in both the 1870s and 1930s the region could not accommodate changes 'and responded by attempting to save and protect the obsolete sectors in its economy'. However, Germany took advantage of the opportunity to carve out an economic empire in 'Fortress Europe' and from the later 1930s until 1945 the region struggled to reconcile national industrialisation with the demands of the German war economy.

The degeneration into communism in the late 1940s meant an extension of the war economy in the Soviet interest, with some additional momentum through perceived benefits in national reconstruction and cohesion. It was maintained—indeed entrenched—against a background of threatening hostilities: the Korean War, the NATO embargo on deliveries of strategic goods and counter-measures by Comecon members' (Kaser and Zielinski 1970 p. 31). While the eastern territories of Poland, Czechoslovakia and Romania were lost to the Soviet Union in 1945, the region as a whole became a tier of satellite states subject to communist party monopoly power and an economic blueprint based on the Soviet FYPs of the 1930s. Yet, while there was certainly a revolution in the region during the late 1940s, it was the 1920s which required a new start in building states within revised boundaries, while the 1930s made it clear that the state would inevitably play a leading role. Subsequent decades merely perverted this trend in the Soviet interest with consensus gained through sacrificing much of the region's social capital to Stalin's paranoia. The latter's death in 1953 came too late to halt a process which had already comprehensively devoured the non-communist leadership and even made inroads into the new elites through charges of nationalist deviations. Yet it was also too soon for the image of the party to be unduly tarnished and nearly four decades of unprecedentedly rapid growth—in pursuit of a perverse 'war economy'—had to be sustained on the basis of distorted external relations and a cynical disregard for majority public opinion. Whatever benefits accrued from the strategies adopted they were

fundamentally flawed because each nation's aspirations were deliberately manipulated. Elites felt they had a vested interest in unbalanced development as they had a century earlier; what was different was the removal of an ethnic distinction between the elite and the mass of the population. The book therefore ends on a distinctly ambivalent note for the progress of the region for the last half century has been based on a false premise and the current reconstruction has not only to restore balance through recovery in the primary and tertiary sectors but comprehensively rebuild the flagship.

Part I
THE NINETEENTH
CENTURY

THE REGION AT THE START OF THE NINETEENTH CENTURY

In political terms the nineteenth century was based on firm reaction to a Napoleonic revolution that arose out of the Enlightenment and its increasingly liberal interpretations. Napoleon's arrangements in Europe involved a French Empire extending way beyond 'natural frontiers' to include an Elbe-Baltic corridor (separating Denmark-Norway from the German 'Rhine Confederation'), Tuscany, Illyria and northeastern Spain; with dependencies in western Germany (where the Rhine Confederation brought the Holy Roman Empire to an end), Italy, Naples, Poland (or the Grand Duchy of Warsaw) and Spain; rounded off by more or less unwilling allies in the Habsburg Empire and Prussia. The impact in ECE was most apparent in Illyria and Poland and it is fascinating to speculate on the consequences for the region had Napoleon's intervention been durable enough to establish a Yugoslav piedmont at the head of the Adriatic and safeguard Poland's integrity so as to establish an impetus for nation state development far ahead of the Balkan countries that emerged in the second half of the century. Following the disaster of the First Partition in 1773, Poland's attempted recovery through a constitution grounded in Enlightenment merely provoked a Russian invasion of 1792 and a Second Partition in 1793, whereupon T.Kościuszko's rebellion in 1794 against foreign overlords ended with the capitulation of Warsaw and the Third Partition in 1795. Under Adam Czartoryski the Poles then took advantage of Napoleonic pressure against Prussia to forge a pact with St Petersburg under the 'Puławy Plan' to restore Poland in union in Russia. But this 'Slavic' initiative was overtaken by Napoleon's progress to the extent that the Grand Duchy of 1807 also recovered the territory taken by the Habsburg Empire and Prussia in the last two partitions (less Białystok). Following Tilsit, the arrangement was a 'gift' to the Poles for supporting Napoleon and there was always the hope that full independence might be restored in the future. The Poles persevered although the continental system meant they could not export for economic growth (while Britain's embargo on the emigration of artisans slowed down attempts at adaptation). Instead they sent troops to assist Napoleon in Italy and Spain and shouldered the obligation of paying off a mortgage owed to Russia as the former partitioning power.

Napoleon's intervention was probably seen as being as radical at one pole of the political spectrum as did Stalin's at the opposite extreme a century and a half later.

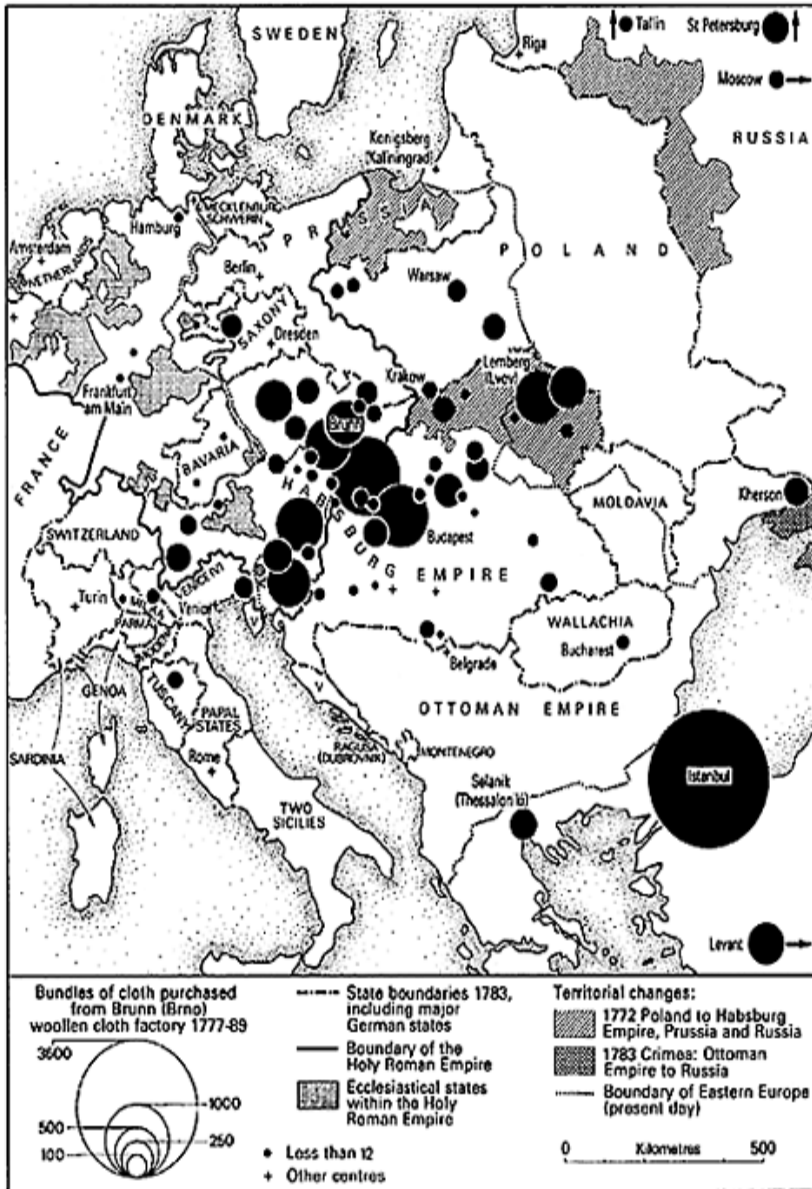


Figure 1.1 Political geography of the eighteenth century. Note the self-containment of the region highlighted by the marketing of cloth from Brunn.

There was reaction everywhere—even in France—but within the region the liberal turn would certainly have evoked a more positive response in some areas than in others according to the north-south divide (Figure 1.1). Progressive trends were already evident in the Habsburg Empire through the enlightened absolute rule of Maria Theresa (1740–80) followed by the Josefinian era which started with the emancipation of serfs on the royal estates. Overpopulation in the north created a force for protoindustrialisation which in turn brought increased agricultural production and gave natural resources greater value, as changing attitudes towards woodland demonstrate. After centuries of destruction, which left the forests intact only in inaccessible areas, it was time for a more sustainable approach. Protection gave a basis for reconstruction after extensive erosion through the needs of agriculture as well as mining and smelting, demonstrated graphically for the Erzgebirge by Thomasius (1994) who refers to widening supply areas for industry as well as clearance through colonisation by Bohemian exiles, especially in the west. Under the Teresian forest regulations in Carniola 1771 customary rights were retained in state forests only and there was a further shift towards personal ownership under Josefinian legislation (not to mention some temporary innovations under the French). Yet while mobilisation of human resources based on individual rights might strike a chord in the ‘European’ north where modernisation was already under way, it was unclear if similar processes could operate in the backward ‘alien’ southeast preoccupied by the challenge of repopulation in devastated areas vacated by the Ottoman withdrawal of 1699. In spite of the shortage of people in this part of the region, few would concede that feudalism and guild systems should be ended to overcome constraints on mobility for rural labour. An enlightened thinker B.Skerletz (d. 1797) sought fiscal incentives for foreign manufacturers in Hungary and proposed resettling Jews in industrial areas and Roma in rural areas (Horvath 1991 p. 184). The rationale was all to do with boosting enterprise and creating demand, from which the state would gain through taxation. An under-populated region—with the risk of famine for people on tiny holdings—could deliver little, yet the population might double in fifty years if the barriers could be set aside. In the event, the elites clung to their privileges in backward areas and liberal regimes were restricted to special cases such as the steppelands where landowners encouraged settlement by ‘slobozeni’ free from feudal obligations.

THE NORTH

Brandenburg-Prussia and Saxony

Germany’s unification was of course a long way off but the great military successes of Friedrich der Grosse were reflected by the rapid growth of Berlin in a forward position between the Elbe and Oder rivers with a developing network of roads and canals. Its industries were but a shadow of what would follow the departure of the French, not to mention the stimuli arising from the Zollverein and the railway age, but porcelain and silk manufacture were established (the latter responsible for the appearance of a factory town) while the ‘Königliche Eisengiesserei’ (Royal Iron Foundry), established in Berlin-Pankow in 1803 was part of a strategic complex of powder mills and cannon foundries which also had the role of supplying steam engines to stimulate technological advance in

private industry (though the first private foundry did not emerge until 1821). Further afield lay a constellation of industrialising regions. The immediate hinterland was largely agricultural, but expansion in Silesia (annexed by Prussia in 1745) was indicated by suburban growth outside the walled towns of Schweidnitz (Świdnica) and Waldenburg (Wałbrzych). Here, Prussian mercantilism precipitated a surge of activity in textiles soon after the takeover of the province, with flax spinning schools in new villages where workers were able to make cash payments in lieu of feudal obligations. There was pressure from Irish and Scottish competition at the end of the century; and some locational shift from the deforested lowlands to the foothills of the Giant Mountains (Riesengebirge) which could better meet the fuel needs of the linen bleaching process. There was also a boost for business in Pomerania with Friedrich II's decision to make Bromberg (Bydgoszcz) the capital of Netze (Notec) district—acquired through the partition of 1772—and completion of the Bromberg (Bydgoski) Canal in 1773–4 (linking the canalised Brahe (Brda) and Netze rivers to connect the Oder and Vistula systems). Enterprise in textiles spread to other parts of Poland that fell temporarily under Prussian administration in 1793 and 1795. A clothiers' village was established at Dąbie on the Ner (southeast of Koło, between Konin and Kutno) in 1799—a model for later settlements. Other developments included Wizna, east of Łomża in 1799 and Pułtusk on the Narew north of Warsaw in 1803.

Meanwhile, Saxony was diversifying in a big way, taking off from the ravages of the Thirty Years War when many miners began making paper, textiles, glass and toys. Saxony was the most highly industrialised part of Germany, with a medieval history of mineral and handicraft production which provided a basis for proto-industrialisation in a territory with indifferent agricultural resources. Raw materials and power supplies combined with a dynamic trading city (Leipzig) and a positive attitude in government to guild restrictions combined with peasant emancipation. While linens came from Bohemia for finishing, there was a domestic woollen industry in the Elbe and Mulde valleys which progressed through the application of water power to spinning machines in Ernstal in 1782; while Mittweida had fifty looms in 1790. The cotton industry was introduced in Chemnitz and Plauen by Dutch/Swiss immigrants using British yarn before the Napoleonic Wars. It seems that cotton was imported from Macedonia for the first spinning mill which opened in 1800 on the Würschnitz River at Harthau using British machines and instructors (though local engineers were soon engaged). There was also a transition to cotton from linen in Zittau and from worsted in Vogtland (where embroidery and lace also expanded). Cloth was initially finished in Augsburg and Hamburg but calico printing started in Plauen as a service to rural manufacturers—and the printers then linked back to cloth production and organised a putting-out system to create a steady flow of material. There were furnaces and forges in the Erzgebirge, along with a furnace (1725) and four forges on Muckenburger estate (Lauchhammer), with an engine for the blast in 1803.

There was particular dynamism in two mining areas. First, the deepening of the Mansfeld copper mines required cooperation in driving longer drainage adits: the 14km 'Froschmühle' (Unterrissdorf-Klostermansfeld) with associated shafts and 'light holes'—providing air while allowing some ore and waste to be raised—was followed by the Glückauf tunnel (Benndorf-Wimmelburg), started in 1730, and the Zabenstadt Tunnel (Hettstedt-Zabendorf), started in 1778. Soon after, in 1783, the Boulton and Watt engine

was put to work at Mansfeld when horse-driven pumps were unable to lift water to the level of the drainage tunnels. The same trends were evident in Upper Silesia with an interest in iron mining, but an even greater commitment to lead and silver mining around Beuthen (Bytom) and Tarnowitz (Tarnowskie Góry) dating back to the early medieval. Surface exploitations were extended underground and—with the stimulus of rising prices and the invention of silver separation—pumping to depths of 50m, with the aid of belts, chains and ropes, was installed from the fifteenth century, given the high level of the water table which made the Silesian mines much more difficult than their Bohemian and Slovak counterparts. Adits were also driven from the late sixteenth century with investment by the local nobility and other small capitalists; draining into the Klodnitz (Kłodnica) and Malapane (Małapanie). Four adits at Tarnowitz had a total length of 8.2km by 1700 (of which 5.9km were underground). With very gentle river gradients it was often necessary to combine adits with pumping (the latter involving a lift of 60–70m). The first steam engine was installed at Tarnowitz in 1788 and there were six in Upper Silesia by the end of the century. Adits started at greater depths reached up to 14km in length: from Bobrownik (Bobrowniki), near Scharley (Piekary Śląskie), through Trockenberg (Sucha Góra) to the upper Klodnitz (Kłodnica) Basin and through Tarnowitz and Oppatowitz (Opatowice) to the Malapane. Counting main and branch adits, there were 200km in the Tarnowitz area by the early nineteenth century. And such was the demand for timber (12 million oak beams were used in the Tarnowitz mines in the sixteenth century) that whole forests disappeared. Meanwhile, water power was harnessed for iron furnaces, sawmills and fulling mills, creating many ponds in the process.

Mining provided a stimulus to industry. In the case of Mansfeld there was a successful engineering enterprise established at Rothenburg a.d.Saale with the help of an English mechanic to supply engines to the both the copperfield and the Schönebeck salt works near Magdeburg; as a result of which heavy industry came to be located in this city. Meanwhile, Upper Silesia was processing ores and long before the first Prussian government initiatives of the late eighteenth century the area was deeply affected by smelting at Malapane. However, engineering began soon after Friedrich took the province from the Habsburgs, for royal ironworks were set up at Kreuzberg (Kluczbork) and Malapane as strategic industries. Under the Mining Law of 1769 the state could designate appropriate areas as crown mining concessions, as a result of which both the Malapane iron industry and the Tarnowitz lead industry were extended. Malapane had previously been endowed with new blast furnaces in 1753–4, taking advantage of local timber and water power—not to mention proximity to the navigable Oder—which made for an important role in the Prussian armaments industry. Further capacity was installed under the 1769 act and when Friedrich moved to reorganise the iron industry in 1781 F.W.von Reden—responsible for all the royal mining operations in Silesia—produced a series of innovations concerned with coke smelting, steel making and engineering. Malapane remained very much at the centre: the Scottish technician John Baildon—recruited by von Reden—was able to cast sections for bridge building, but steam pumps were also manufactured, including one for the Tarnowitz mine, and an English-made atmospheric engine was installed in a new mine at Friedrichsgrube opened in 1786. But as demand for energy increased the coalfield exerted a stronger influence on industrial location. On the basis of Baildon's experience at Carron in Scotland, blast furnaces were

now completed at Gleiwitz (Gliwice) in 1796—the first built outside Britain using coke—and also at Königshütte (Chorzów) in 1801. And the Tarnowitz engine was transferred to Gleiwitz 1794 with the relocation of lead smelting to Friedrichshütte in 1789 where coke was available. Calamine was extracted and used in the brass industries of Gleiwitz and Tarnowitz, as well as Breslau (Wrocław). However, in contrast to Mansfeld, this was a remote region, very close to Russian territory, and downstream activities were situated in less vulnerable places: thanks to the new Klodnitz Canal from the Oder to Gleiwitz which advanced slowly into Upper Silesia during 1788–1806 to reach the royal coalmine in Hindenburg (Zabrze) sunk in 1791. With the programme of waterway development carried out on the Oder during 1796–1836 it was possible to connect with the canals leading to Berlin and the Elbe Valley.

The Habsburg Empire

The Czech lands

While Slovakia was still an important mining area, with Neusöhl (Banská Bystrica) and Kremnitz (Kremnica) active throughout the century, there was substantial protoindustrialisation to the northwest through an iron industry comprising 59 furnaces and 179 hammer ponds in 1798 while engineering was launched in 1814 by completion of the first steam engine on the Watt principle—destined for a Brünn (Brno) factory—by J. Baidon who was lessee of the Stiepanau (Stepanov) ironworks. However, demand was driven by a textile industry arising out of population increase in the north where, despite poor soil, density was much higher than in cereal-growing areas. Flax growing was established in the Middle Ages and cloth was exported through Bavaria from the sixteenth century through agents—representing such Nürnberg families as the Gewandschneiders and Pellers—who organised putting-out systems supported by landlords through the customary labour they controlled. Linen also moved north for finishing in Saxony because the Finke and Loose families of Zittau were putting-out in Böhmische Neustadt (Dolní Bělá) through agents who went round on horseback to check quality; while some cloth went to Silesia, where Greiffenberg (Gryfów) was a leading centre; and some export down the Elbe was organised by English and Dutch traders. Fourteen hundred domestic spinners were recorded in 1775 at Neugedein (Nová Kdyně) and 7,000 in 1838, and there were large numbers in the other areas of northeastern Bohemia such as Friedland (Frýdlant) and Reichenberg (Liberec). However, R. Allason—an exporter of linen to England—established bleaching and dye works for local finishing of cloth generated by his own putting-out systems (supplemented by market purchases) at Deutsch Gabel (Jeslonné), Georgenthal (Jičetín, etín), Kreibitz (Chřibská), Rumburg (Rumburk) and Schluckenau (Šluknov). There were also some peasants who became rich enough to operate as entrepreneurs, with feudal dues commuted to cash payments. In the case of woollen cloth there was a state company in Linz with which some 17,000 Bohemians were associated in 1786. Indeed some wool was sent out as yarn when spinning was organised at Neuhaus (Jindřichův Hradec) in 1765 to supply a stocking factory in Austria. There was also interest in cotton when prohibition was removed in 1763, despite the need to import the raw material.

Factories started to appear through the agency of the religious houses or feudal lords seeking rural development. A model is provided by Count Waldstein's woollen industry at Oberleutensdorf (Horní Litvinov) where skills were first acquired through work for the nearby Ossegg (Osek) monastery in the late seventeenth century. Waldstein's cloth gained a reputation equal to English or Flemish products, although he could not compete on price. With such developments manorial bureaucracies had to adjust to cash payments in lieu of feudal obligations, rising local demands for food and timber and the disturbance arising from the appearance of foreign workers and other strangers outside their jurisdiction. Other examples include Krzizanau (Křižanov) in 1794 and Namiest (Náměšť) in 1795; demonstrating a link with engineering in the latter case since Count Haugwitz was an early producer of woollen spinning machinery. Unusually, Count J. von Kinsky—with his Burgstein (Sloup) estate at Kreibitz—set up a dyeworks to process the linen woven by his domestic workers but later spurned the advantage of supervision in a factory by installing cotton looms in his workers' houses, reasoning that production could increase without the need for extra buildings and profits were greater thereby. This is a good example of an autonomous industry which arose from Kinsky's encouragement—through a spinning school (1756) and printworks (1759)—to the point where almost every local family was tied up with the business.

However, it was more usual for expertise to come in from outside, organised by the bourgeoisie. Vienna merchant J.M.Schmidt established a woollen mill at Neugedein on Count von Stadion's estate under an agreement to employ serfs and buy local food and firewood. There were mills for combing and for fulling, dyeing and finishing (the latter rebuilt as a more modern establishment in 1845) while outworkers did the spinning and weaving: in 1838 540 worked in the factory and 7,000 outside. Meanwhile, J.J.Leitenberger, a craftsman dyer, purchased his freedom in 1750 and went abroad to complete his apprenticeship, returning to Bohemia to marry the daughter of a master dyer at Wernsdorf (Verneřice) in 1758 and inherit the factory in 1764; whereupon the business was expanded and modernised. Leitenberger then went into cotton with a mill in Prague to escape the constraints of feudalism (citizens in a royal town were free) though he later bought—and modernised—a cotton factory at Josefthal (Josefův Důl) which may still be operating today, having been sold out of the family in 1904. He also engaged a craftsman to build English jennies, water frames and mules. While there were some failures due to bad management, disputes and neglect, there was usually success under efficient bourgeois management.

Habsburg encouragement of industry

Such developments would hardly have been possible without an enlightened approach to industry by the Habsburgs in a situation where smallholders and cottagers 'have nothing except an isolated dwelling and earn a miserable living for themselves and their children by weaving, spinning and handicrafts' (Klima 1974 p. 49). Since tradition favoured a single heir to each agricultural holding, work in textiles supported a growing landless population in the Bohemian mountains. A subsistence crisis, like that of 1770–1, was seen as potentially destabilising through unrest or emigration while intervention was also favoured by the pronatalist logic of mercantilism whereby a greater population would contribute to financial and military power. Overriding the parochial interests of the guilds

and sections of the aristocracy underpressure of falling living standards, 'central government succeeded in creating within four decades an environment propitious for economic development' (Komlos 1986 p. 430). A government 'Kommerzien Direktorium' (Commercial Board) planned industrial development in Vienna during 1746–72, while free trade was extended from Austria in 1775 to Galicia (1784), Hungary (1851; internally unified in 1784) and Dalmatia (1880). By contrast, internal barriers in Prussia were not modified until 1818. Quality ordinances sustained new spinning schools in Bohemia, while protectionist measures in 1764 blocked foreign textiles (especially Silesian wool and linen) and in 1784 there were prohibitive tariffs on all industrial goods which persisted until the mid-nineteenth century. Subsidies were advanced on woollen goods in 1768, while in the 1780s local government could help small producers (there had previously been weaving rents in 1755 to support mountainous regions) and in 1787 large factories could establish warehouses in all provincial capitals.

Yet there was also a need for social reform since feudal lords extracted licence fees from the yarn collectors who were serfs 'taking the spinners' yarn, sorting it according to quality and carrying it to the weekly markets of nearby towns for sale to weavers' (Klima 1974 p. 51). As early as 1766, a civil servant noted the contradiction between feudalism and industrial development and wanted to see traders purchasing their freedom so they would have more encouragement to develop trade. Theresian policy sought to maximise freedom for trade and industry 'to permit the peasantry to increase its income and thus stave off the Malthusian threat by participating in protoindustry' (Stokes 1987 p. 37). Rents payable by the peasantry were lowered in 1775 to encourage agricultural intensification, while a reduction in labour services to just thirteen days (for those without land) freed up time for work in industry which was considered much more elastic than agriculture in terms of scope to increase output. At the same time, industrial work was properly regulated when contractual relations were demanded in 1775 and the peasants were free to work for whom they liked. This measure increased efficiency and broke down the huge putting-out organisations that had been bolstered by servile labour. Josef II then acted in support of labour mobility in 1781 by allowing serfs to marry—and also to move if they were not in debt (a significant development towards complete abolition). By the end of the eighteenth century there were more workers in cotton than linen, and non-noble entrepreneurs were starting to challenge the dominance of the aristocracy. Reform stopped with Josef's death in 1790 but what was in force continued: a significant achievement 'given the unequal distribution of privilege which prevailed' (Komlos 1986 p. 480), although failure to institutionalise change eventually fomented revolution in 1848.

Meanwhile, there were measures to reduce the power of the guilds, seen as a conservative force potentially hostile to the innovations of Flemish immigrants. Thus a survey of imperial estates was made on the presumption that 'in a perverse way the introduction of a new technology might be easier with the untutored peasants of the Bohemian manor' (Freudenberger 1977 p. 31), although when industry was first allowed in rural areas (1732, but 1740 for cotton spinning and weaving) the master craftsmen had to be incorporated into the guilds of the nearest town. Hence the experiment over a woollen industry at Kladrau (Kladruby) on the Pardubitz (Pardubice) estate in the 1750s, though it lost money and was relocated in Brünn the following decade, where it survived until the 1780s. The town was obviously a better location for large-scale production but

some rural areas proved to be viable. A self-reinforcing growth process set in as cheap yet competent labour attracted more orders, and in turn stimulated earlier marriages and a growth in the labour supply which kept costs low through limited opportunity. Family income rose sufficiently to justify higher rents and ensure further landowner interest in industry, though charcoal smelting limited access to firewood while land endowments to incoming key workers could limit what was available for community subsistence. Meanwhile, pressure on the guilds continued. The emperor could sanction industries by licence or privilege and these remained free of guild control (from 1776 provincial authorities could also give such approval). In 1754 industries serving distant markets were classified as 'commercial' and were outside the guilds; in 1760 all weaving industries were declared open professions; in 1781 pig-iron production was deregulated; and in 1818 glass factories could be set up by people without 'special education'.

Transport in the north

An efficient market system needed better communications and Germany set the standard for road improvements through links from the western cultural centres passing through the central highlands to reach the 'colonial' lands in the east. The Hellweg led from Köln to Magdeburg and Berlin—thence to Stettin (Szczecin); to Danzig (Gdańsk) via Frankfurt a.d.Oder and Posen (Poznań); and further northeast through Bromberg and Thorn (Toruń). Another key route connected Frankfurt to Eisenach on the approach to the Thuringian passes, leading through Erfurt to Halle-Leipzig, Dresden and Breslau. And long-established routes also led from Nürnberg to Thuringia either by Coburg and Jena or Plauen and Zwickau. However, roads were still in a bad state in the eighteenth century and a shortage of vehicles also hampered the transport of heavy goods. There were coach services for passengers—one network served the lands of the Archbishop of Magdeburg from the late seventeenth century—and there was an expanding network of post offices in Brandenburg-Prussia by the beginning of the eighteenth century with specific 'post routes' scheduled for improvement (including some short cuts and other new projects). Otherwise there was little development in the east, although Friedrich der Grosse improved strategic roads—like the one from Schweidnitz to Glatz (Kłodzko)—in defence of Silesia. Even so, it was only in 1793 that a modern highway was built from Berlin to Potsdam.

The rivers were much used for transport. But there were natural hazards as well as tolls and some towns could compel merchants to use their harbours, e.g. the staple ports on the Danube upstream of Budapest; also Magdeburg, Dresden and Pirna on the Elbe. Moreover, shipping guilds (usually at the staple ports) could monopolise traffic on certain stretches of water. The stronger states did improve their waterways. Brandenburg-Prussia had a major interest in canal building to connect the navigable rivers and the old east-west trending glacial channels were ideal for the purpose. By the seventeenth century routes to the Oder were identified using the Havel and Spree valleys (respectively north and south of Berlin). But while the northern route was realised at the time by the Finow Canal—from the Havel near Liebenwalde to the Oder at Oderberg—and rebuilt by Friedrich der Grosse after destruction in the Thirty Years War, the southern 'Friedrich Wilhelm Canal' project was only realised in the eighteenth century through the 'Neuer Graben'. However, the latter had the great merit that goods from Silesia could avoid

Frankfurt a.d.Oder which was considered a great obstacle to trade. Furthermore the completion of the Plauer Canal in 1745 from the Elbe to the Havel at Plauen near Brandenburg gave access to Hamburg although there were still many tolls levied and goods from the east had to be transhipped in Berlin. The Plauer Canal was also useful for moving salt eastwards from Schönebeck. Meanwhile, there were local navigations in Uckermark facilitating grain and timber exports: the Templin and Wehrbellin canals in 1745 and 1766, respectively. Improvements at the Oder mouth involved the Swine as an outlet from the Stettiner Haff to the Baltic in 1729 and Swinemünde (Świnoujście)—on the site of the old fishing village of Swine—secured municipal rights at this time.

Further south road conditions were relatively poor though the Habsburg Empire had an effective system extended in line with military adventure such as the short-lived occupation of Oltenia (western Wallachia) during 1718–39 when a road was pushed down the Olt Valley. Some canal building was linked with the Danube. The Tisza-Danube Canal followed the Treaty of Svistov (Silistra) in 1791 and aimed to link Pannonia with the Adriatic to facilitate grain export; a privileged grain company was contemplated (also salt was brought down the Tisza on rafts from Maramureş). Work started in 1793–4 from Becej on Tisza to Bezdan on Danube—with locks at Stapari, Vrbas and Gradište—in the context of a concession including estate agriculture with milling and brewing at Apatin, and distilling at Kula. The canal opened in 1802 and—with a late nineteenth-century development from Mali Stapari to Novi Sad—was not superseded until the Danube-Tisza Canal was built after the Second World War with a link between Becej and Dan Palanka just upstream of the Romanian frontier. However, the planned westward extension of the canal did not materialise: it was to comprise the Vukovar-Šamac Canal and improvement of the Sava to Karlovac to meet the road to Rijeka or a possible waterway extension (proposed in the mid-eighteenth century) towards the Gorski Kotor highlands with locks from Karlovac to Brod na Kupi. There was a concession in 1801 but geological problems were encountered and the canal could not be sealed properly. Instead, a road was started in 1803 and finished by the French after 1809. Greeks were prominent in the cereal trade between Hungary and the Adriatic—and the reverse flow of Italian manufactures—following the rise of Fiume (Rijeka) and Trieste, aided by former's sugar refinery arising from Maria Theresa's ban on the import of refined sugar in 1755.

The northern peripheries

The north was not modernising at a uniform rate, for much enterprise in Poland arose only when Catholic landowners sought to maximise the economic value of feudal privileges whereby peasants had to deliver 25–50% of their harvest to the lords—plus two or three days' labour each week as 'robota'. This 'second serfdom' was organised by Jews who managed the economy of grain growing and marketing which provided the gentry with their luxuries. They 'may have enabled the Polish nobles to delude themselves into thinking of their sense of disorder as ultimately functional and truly viable' without the need for bridge-building between the classes (Levine 1991 pp. 137–8), but they were slow to see the limitations of a single-crop economy and dependence on serf labour which added up to domestic failure for which the Jews were convenient scapegoats. Industrial change was seen most clearly in the imitation of Prussian textile

villages through the 1779 plan for Ludwinów as a centre of commerce and handicrafts on the Vistula opposite Kraków's Wawel and Kazimierz quarters. A private landowner encouraged handicrafts at Nowy Dwór in 1780 and A. Tyzenhaus, a royal treasurer for Lithuania, planned manufactures in eastern Poland at Kunsztów near Grodno. A similar approach was taken in the eastern and southern borderlands of the Habsburg Empire where the Hungarian and Polish nobility were reluctant to countenance any diminution of their privileges and used serf labour to create jewels such as the Esterhazy Palace, finished in a reclaimed swampland in 1776. These were transitional areas, exemplified by the reference to the partly German Habsburg crownland comprising the Bukowina 'Corridor' (acquired in 1775 and joined to Galicia between 1786 and 1849) that was seen as 'Halb-Asien'—notwithstanding the fact that it was also the 'gradina veselá' (fertile garden) of Romanians. Meanwhile, Transylvania was another landlocked Habsburg province, this time under the control of Hungarian nobility. Although there was a livestock surplus which could be marketed on the hoof there was no opportunity to specialise in arable farming for 'bad roads and the more affluent estates of Inner Hungary barred the way to the growing markets of Budapest and Vienna' (Lampe and Jackson 1982 p. 78). Indeed there was a cereal deficit which drew in grain from the Romanian principalities, given the low tariff of 3% negotiated with the Porte in the eighteenth century. A snapshot of the Romanian majority village of Iaroshéviz (Toplița) at the end of the eighteenth century shows that 227 households belonged to three proprietors and all but nineteen 'inquilini' (without land) worked a small subsistence holding 'sesie' (and access to common grazing and woodland) in return for farm and forestry work on the owner's estate. The 208 holdings averaged 1.65jug (1.78jug equalling lha) but since some had as much as 9.25jug others must have been quite small.

Settlement in Galicia and Transylvania

After the setback of seventeenth- and eighteenth-century wars, Habsburg annexation of Galicia under the Polish partitions (1772) was accompanied by a measure of recolonisation. Germans from the Rhineland gave a boost to Bochnia—a centre of enhanced administrative importance close to the trade routes—through exploitation of the salt mines and fuller exploitation of the forests and the agricultural potential. The Habsburgs also presided over the growth of the iron industry in Galicia. Ustrón (first mentioned 1305 as an episcopal estate in the Silesian Beskid) acquired a foundry to work up low-grade iron ore, while Kuznica in the Zakopane area of the Tatra was engaged in mining and foundry work. There was a measure of urban and commercial growth. The small Middle Beskid town of Sucha Beskidzka in Galicia saw its seventeenth-century castle—now the local museum—redeveloped in the baroque style with a surrounding park. Merchant communities were moving into new houses while the beginnings of tourism based on the curative properties of mineral waters originated in this period, especially the 'szcawa' waters containing ferruginous substances. Renamed Krynica, the village of Krzyczka in the Beskid Sądecki Mountains acquired its first spa amenities in 1793, while Żegiestów-Zdrój also emerged in the same area. Szczawnica in the Pieniny—a medieval monastic estate village that passed to the Polish crown in the fifteenth century—was another eighteenth-century spa which expanded considerably after the Hungarian Szalay family bought the estate in 1834 and built the landscape park and local

housing. Finally Ustrón also became a health resort when hot slag from the local iron industry gained a therapeutic use in the 'gierzymowe' baths.

However, since virtually the entire mountain system was now under the control of Vienna, the greater rhythm of commercial activity and systematic resource exploitation could be seen more widely. A great transformation occurred in the Banat Mountains, at the southwestern extremity of the Carpathian system, where a major settlement programme followed the recovery of territory from the Turks in 1699 (Figure 1.2). In comparison with other regions with a ruling noble class, the emperor was the sole landowner here and a planned colonisation went ahead. Lowland Banat became a place of multi-ethnic Catholic colonisation, while a

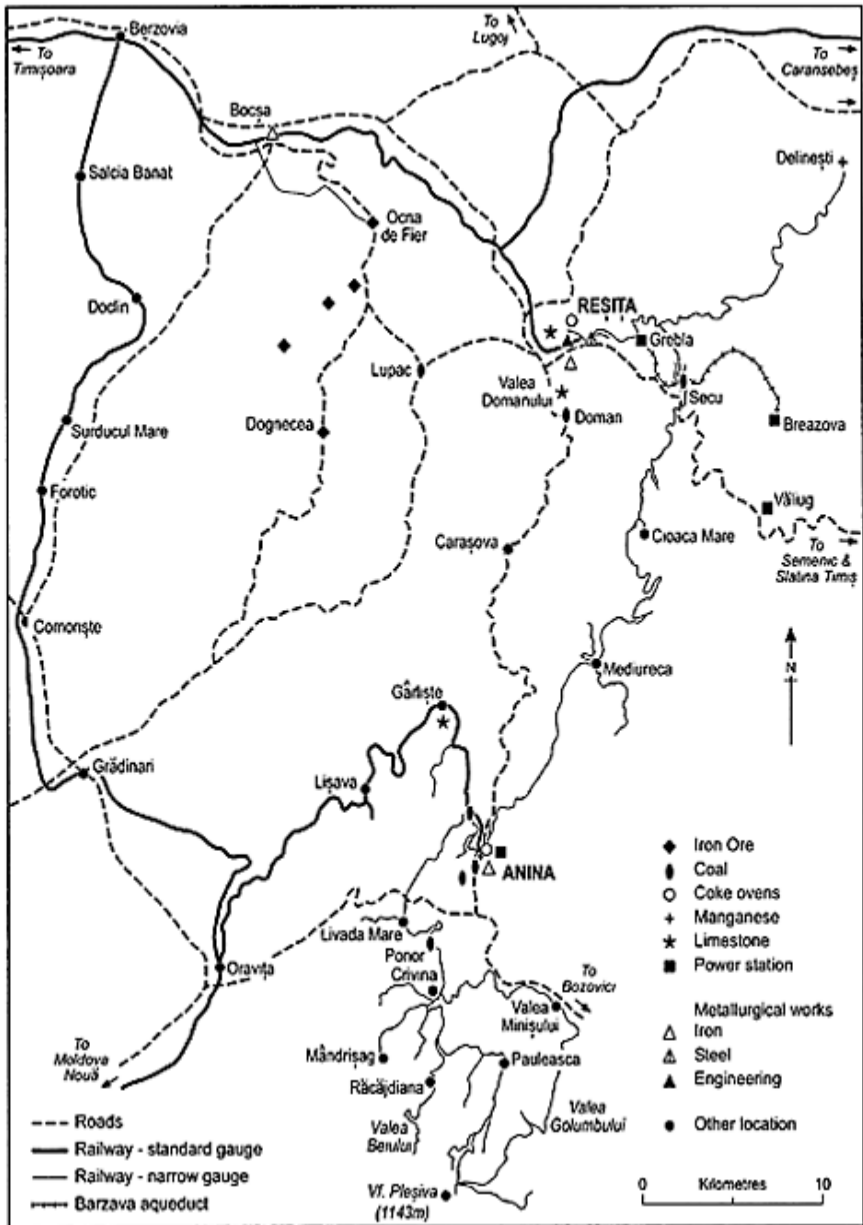


Figure 1.2 The Reșița industrial region

mining programme for the adjacent Carpathians was undertaken by the 'Banater Bergwerk-Einrichtungs-Kommission' set up in 1717. As skilled miners were brought from Bohemia, Styria, Tyrol and Zips (Spis), a copper smelter was opened at Oravica

(Oravița) in 1718 and an iron furnace at Bogsan (Bocșa) followed in 1719; the latter expanded into a large metallurgical complex on the edge of the Steyerdorf (Anina), Dognecea and Semenic Mountains with the Reschitza (Resica/Reșița) furnace of 1771 as the main element. Nearby in the Poiana Ruscă there were installations in the Bistra Valley (now Oțelu Roșu) in 1795; later at Ruschitza (Rușchița) in 1828 and Rusca Montană (1830). Reference should also be made of the coal first discovered within the woodcutting community of Steyerdorf (Steierdorf) in 1790 and the mining industry which developed in the early nineteenth century with skilled workers from Bohemia and Slovakia.

Rather special circumstances also arose where security considerations called for a military frontier against the Ottoman Empire: established in 1762 and dissolved only in 1881 after Hungarian pressure through the 1870s. Seven regiments were raised in the eastern sector extending from Banat to the eastern Carpathians and the work of the state in the frontier region was clearly a significant force for modernisation. In the extensively researched northeastern Rodna Military District—later the Naszód (Năsăud) Frontier District—twelve Companies were formed during 1762–83, each recruited from a group of villages. Under military planning there was a consolidation of the Greek-Catholic parochial structure and provision of a state education system through elementary ‘Trivialschulen’ from 1770 and a high school in Naszód in 1771. Medical and sanitary programmes provided effective barriers against the spread of plague from Moldavia in 1815 and cholera from Wallachia in 1830. Commerce expanded in a network of central places with their fairs and road systems, while the promotion of agriculture included attention to cereals, vegetables, potatoes, textile plants and fruit trees, along with stock rearing and allocation of grazings. Indeed this is the basis of landholding today apart from some ‘abusive’ transfers to non-frontier communes in the communist period. Regulation extended to hunting and fishing as well as forestry, mining and manufacturing; with the latter advanced through instruction in spinning, weaving and fulling, and a growth of water-powered cereal mills as well as the first water-powered sawmills (‘joagăre’) in Maieru and Parva in 1766. Beer and spirits were produced in Naszód from 1765, paper at Prundul Bârgăului from 1768, while a great lime furnace (‘varnița’) was built at Parva in 1777. It is also notable that settlement was consolidated so that Nepos was transformed between 1775 and 1783 from a scattered settlement north of the River Samos (Someș to a compact linear belt along the main valley. New settlement occurred in the heavily forested Ilva Valley as colonists moved from Maieru and Rodna to establish dispersed communities at Arșița, Recele and Secături before consolidating under the frontier regime as Ilva Mare, Măgura Ilvei and Poiana Ilvei. From the ‘mini-basins’ along this secondary morpho-hydrographic axis the meadows and forests on the high surfaces could be more fully utilised. Meanwhile, Habsburg modernising pressures displaced some Romanians eastwards across the Carpathians—hence the ‘Ungureni’ communities emigrating from areas of Hungarian influence—but the scale should not be exaggerated.

Handicrafts in the rural areas might be compromised by the monopolies maintained by the guilds in towns like Hermannstadt (Sibiu) which were closed to Romanians. An industrial axis developed along the Cibin with ample processing water, while canals were engineered at a higher level from other streams to supply the town centre (for street cleaning, fire fighting and fishponds as well as drinking) with the surplus diverted to the

Cibin. However, since little water power was available, a separate industrial community developed at Heltau (Cisnădie) and there were opportunities for the rural Romanians of Mărgineni Sibiului. They maximised their agriculture through maize, potatoes, fruit and apiculture while their pastoralism was extended to other areas including Banat and the Gurghiu-Căliman area of north Transylvania; moving progressively further afield over the next century in response to population growth and fiscal pressures. But increased wool production arising from the expansion of the transhumance system eventually had positive implications for local industry: hence the multiplication of the fulling mills ('pîua') especially at Saline, Sibiel and Tilișca. There was also a growth in food and wood processing: while the 'joagar' originated in the sixteenth century, the number increased rapidly in the eighteenth through the 'joagăreni' of Gura Râului, Rașinari, Sadu and Tălmăciu who produced wooden roof tiles and exported sawn timber to Wallachia. Corn and fulling mills were usually built within the village perimeters for security, whereas the sawmills were more scattered in order to economise on transport. As the forests and mountain pastures were more fully exploited the remoter villages like Jina gained ground. Elsewhere, there were high surfaces which provided scope for colonisation at a time of growing population pressure. Typically the new settlements on the higher ground were hamlets—each representing a gradually expanding kinship group—comprising individual farmsteads which often involved an enclosed courtyard appropriate for sheep rearing in exposed areas subject to the depredations of wild animals. In Transylvania the high surfaces of the Apuseni Mountains and also the platforms at Bran and Poiana Mărului near Brașov exhibit settlement at this time to very good effect. The Hațeg peasants arrived in the Petroșani Basin in the upper Jiu Valley and also the 'Ținutul Pădurenilor' on the eastern flanks of the Poiana Ruscă. And beyond the Carpathians in the Mehedinți Plateau of Oltenia people were breaking out from the village cores in the late eighteenth century in order to settle on individual farms carved out of the community demesne: perhaps initially a 'palanca' or shelter, developing into a more substantial temporary dwelling or 'conac', an outlying grazing station inhabited seasonally by some family members (a practice which still survives in many parts of the Romanian Carpathians).

The pressure of a growing rural population extending its grip over the intermediate slopes and plateau lands of the Carpathians was not without its risks. Galician registers of the late eighteenth and early nineteenth centuries reveal conversion of meadows and pastures to arable and much logging, driven by land settlement linked with profit and high taxation. At the same time variable weather and the poor condition of some of the land increased the risks of harvest failure with consequent instability in the ownership structure. On the Carpathian margins, oats were grown much more extensively and accounted for 80% of the land cropped at the end of the century; with the balance taken mainly by potatoes and clover. The forests were being seriously eroded (and beekeeping declined as a result), with the frequent appearance of the Polish placename element 'poreba', referring to the cutting of timber—often in connection with industrial settlements producing charcoal and tar within the forests. As the beech and fir receded there was some degradation as intensive run-off carried much more sediment to the rivers (Lac 2000 p. 204). The damage would have been greater had a grand conception of timber export by rafting on the regulated tributaries of the Vistula been realised. Ivanička (1999 p. 212) refers to the devastation of woodland in Slovakia by the eighteenth century

through mining, industry (bricks, glass and potash) and timber exports. However, an increase in wood prices demonstrated the need for the improved forest management regime worked out by the Forestry Faculty of Banská Štiavnica Mining College. More generally, the Theresian period saw forest management codes issued from 1769 (in parallel with stronger individual ownership rights). In Galicia fast-growing pine and larch were favoured over deciduous forest dominated by beech. All this impacted on pastoral farming since the landlords demanded higher leasing fees—and therefore forced more intensive grazing—while trying to prevent further erosion of woodlands, to which end the keeping of goats was often forbidden. In some cases shepherding associations or cooperatives retained a hold on their pastures (as in Těšín and Vsetín) while in Hukvald the forestry interest predominated and seasonal sheep farms were eliminated by the middle of nineteenth century.

THE SOUTH

Ottoman territories were devoid of modernisation through lack of a uniform administration and industrial development constrained by the tendency to specialise in the export of raw materials. But even so agriculture could hardly develop in a progressive manner. Ottoman officials—and the feudal cavalry—were supported by the ‘timar’ (estate) system although holdings were not inherited and did not carry feudal jurisdiction over the peasants. But during the seventeenth and eighteenth centuries these ‘spahis’ were able to convert their fiefs into ‘chiftliks’ functioning on the basis of servile labour, and demands tended to increase (or peasants might be driven off the land altogether). Finally in 1831 the ‘timar’ system was abolished but only for the rural population to be left in a state of dependence on native landowners which saw the Albanian ‘bajraktars’ presiding over rigid patriarchal societies torn by blood feuds. The extent of autonomy had already been demonstrated by Ali Pasha who was the Turkish governor in Yanya (Ioannina) during 1782–1822 and attracted the sympathy of Greek Christians before he was finally dislodged (after a two-year siege) when Sultan Mahmud II saw Ali as a threat to his reforming and centralising policy. Romanian lords operated in the same spirit since a ‘boyar’ class evolved from village leaders and claimed a share of the peasant’s grain crop as ‘dijmă’. However, until the nineteenth century labour service (‘clacă’) was rarely demanded to the full legal extent—and it was not used extensively to work demesne land—while obligations could usually be paid off by cash from livestock sales. Commerce was limited because Istanbul claimed a monopoly over wheat: European ships could not enter the Black Sea after 1592 while Turkish ships could not take goods into the Mediterranean without taxation. Surpluses were collected by traders from Dubrovnik who were initially favoured by the Ottomans, although the eighteenth century saw commercial aptitudes emerging elsewhere—particularly among the Greeks who were able to create a political bourgeoisie active in banking and administration. ‘Greek’ merchants—including Jews and Hellenised Orthodox peoples using Greek as the language of commerce—paid low prices for compulsory deliveries (‘zaharea’) of agricultural products, which diverted the peasants into maize because it yielded well (especially with vegetables between the rows) and was exempt not only from ‘zaharea’ but from all taxation.

It seems that the trading system was initially efficient, with a command economy maintained through administrative and military hierarchies working in a market system of towns interconnected by trading caravans. But it failed to modernise in the era of factory industry, and growth was stifled as intermediaries intercepted the flow of wealth heading for Istanbul. Although the Danube route was open after 1718—under the Treaty of Passarowitz (Požarevac)—the river was little used below Pressburg (Bratislava) on account of the water mills, strong currents (convict labour was used on the tow paths until steam power) and the Hungarian nobility's desire for isolation to safeguard feudalism. Even when regular steamships were provided in 1831 little was done to relieve constraints on navigation at the Iron Gates until funding by Hungarian state subsidies in 1896–7. Much of the region depended on roads of abysmal quality so that journeys were slow and expensive (not to mention security risks in the case of unstable areas of the Balkans). It was a laborious business gathering surpluses and distributing essentials such as salt which was taken inland from the Adriatic at the points where 'old contracts' specified that it should be produced: the Bojana Valley, Dubrovnik, Cattaro (Kotor) and the Neretva Estuary. Dubrovnik derived much profit from salt and Ston saltworks continued to supply its area, successfully competing with Slav enterprises at Budva and Sutorina (Erceg 1993). Until better roads allowed the use of carts, thousands of horses (each carrying packs of up to 100kg) would carry salt inland and provide a basis for exchange trade on the return journey.

The Romanian principalities emerge as an interesting case since they lay on the margins of the empire, enjoying a degree of autonomy through Ottoman suzerainty. The use of a succession of short-term Greek 'Phanariot' rulers had negative results through their exploitative attitude, though Bucharest became the largest and wealthiest Balkan city by the end of the eighteenth century as the Phanariots required luxurious housing and services and consigned wheat to Istanbul (whose wheat monopoly became ever more important after the Ottomans lost their southern Russian territories in 1783). However, the Treaty of Kucuk Kainarji (1774) gave Russia a protectorate over Moldavia and Wallachia and also the right to intervene if any Balkan Christians were threatened. This was promising enough for Moldavian volunteers to accept Russian objectives as their own during the 1787–92 Russo-Turkish War. But despite some Russian success with the Porte in easing the burden of rule through Greek Phanariot princes, Russian influence in Moldavia seemed rather less progressive when the eastern part of the principality (Bessarabia) was annexed in 1812 as the price for ending their occupation (Broadus 1981 p. 367). Meanwhile, the Habsburgs had occupied Oltenia during 1718–39 and had begun the 'Partition of Moldavia' by taking Bukowina in 1775 (by 1782 both the Habsburgs and Russians had their agents in Bucharest). There was, however, an economic stimulus because—despite the challenges of the established Habsburg borderlands—there was a mutual interest in trade and an 'inadvertent promotion of economic ties' between the principalities and Transylvania (Lampe and Jackson 1982 p. 107) sanctioned by commercial treaties, and Balkan commodity surpluses became increasingly valuable to the Habsburgs as the expansion of cereal growing in Hungary reduced the scope for livestock rearing. Romania's boyars were certainly encouraged by a sharp increase in cattle, horse and pig prices after the start of the Napoleonic Wars. Meanwhile, these northern markets were valuable for Ottoman peripheral territories given the disorganised domestic market and the dangers of travel in bandit country. Indeed cereals were also

needed in Balkan deficit areas such as Bosnia and the Habsburg Military Frontier. Close Serb-Habsburg relations from 1699 made Belgrade a transit point for Ottoman-Habsburg trade, but when war reduced the Ottoman outposts to chaos Serb traders moved their business northwards, as did some of the peasants. This 'new and essentially economic migration hastened the final weakening of Ottoman authority and the emergence of independent Balkan states' (ibid. p. 49). There was also opportunity for the Serb peasants of Šumadija to increase their pig herds using acorn fodder from the oak woods. Free peasants from mountain districts—like the Vlachs of Macedonia—traded their handicraft products and surpluses of wool, cheese and skins in both the Habsburg and Russian empires. As a result they improved their homes and churches, even in the threat of brigandage caused consolidation in key towns—like Kruševo, Monastir (Bitola) and Veles—and some migration to Belgrade and Banat. And while Armenian, Greek and Jewish traders left little scope for the Bulgarians, some peasants from the Rhodope and Stara Planina went to Hungary and Russia in the late eighteenth century.

CONCLUSION

ECE was anything but unified. It was a highly differentiated region—even within the Habsburg or Prussian domains—and in many areas insecure, with the Balkans consigned to an alien pattern of development after a long period of continuous association with the rest of the continent. Industrial growth was occurring as technology from the West was implanted and it was clear that population growth was sustainable, even if there were still plagues of biblical proportions in the Ottoman lands that would call for quarantine regulations. As Komlos (1989, 2000) argues, the 'Malthusian' agenda of growth triggering subsistence crises through diminishing returns was being liberated by an alternate 'Boserup' thesis of population growth as the spur for protourbanisation and technological change—which could not be expected to take place in a vacuum. The nineteenth century would pauperise the less fortunate but there was no major subsistence crisis and a growing working population was possible. Yet the run-up to the nineteenth century was demonstrating polarisation between cores and peripheries. The Czech lands were developed as the main Habsburg industrial base while Saxony played a similar role in the German lands—with the great trading emporium at Leipzig and a major centre of manufacturing in Chemnitz where the textile industries of the Erzgebirge were being consolidated. There were a number of other growth points of which those in Prussia were outstanding, but regions without obvious potential were consigned to an agricultural role and their elites were then able to make a virtue out of necessity with an appropriately conservative social policy. So the Habsburgs kept Hungary in a state of feudal subjection as the empire's breadbasket (for the warmth of the Great Plain gives Hungary an agricultural potential comparable with that of the Balkan states) and industrialisation took off only after the famous 'Ausgleich' (compromise) of 1867.

2

POLITICAL STRUCTURES, AGRICULTURE AND INDUSTRY

A NEW POLITICAL STRUCTURE

Following the Napoleonic upheavals it was, as Lord Castlereagh put it, the duty of politicians to 'bring back the world to peaceful habits' (Knapton and Deny 1965 p. 4). The Congress of Vienna (1814–15) achieved a broad measure of success over reconstruction in Germany, Italy and Poland; thanks to a spirit of cooperation among restored hereditary monarchies and new enlarged kingdoms within a 'Concert of Europe' which convened congresses to deal with threats to stability. A further massive conflagration was prevented for almost exactly a century (apart from the Crimean interlude). However, the three eastern powers were largely responsible for redrawing the map of Europe, with a balance of power between them. The Russians, who had contributed so much to the overthrow of Napoleon, obtained the greater part of Poland (more than had been gained under the eighteenth-century partitions) and held on to Finland and Bessarabia (gained in 1809 and 1812, respectively); Austria regained Dalmatia and Istria as well as portions of Carinthia and Carniola; Prussia made progress in Saxony as well as the Rhineland, but regained only part of her Polish territory which Napoleon had appropriated for his Grand Duchy of Warsaw. These powers were highly reactionary after 1815 and rightly saw nationalism as a threat to empire. In the Habsburg Empire the notion of balance inherent in the 'Metternich System'—named after the empire's highly intelligent foreign minister—was based on a frank recognition of conflicting ethnic elements (German, Italian, Magyar, Romanian and Slavic) that only an absolute power could mediate successfully, even though the grand design trampled on the aspirations of the peoples of ECE after the stimulation of the Napoleonic era. The compromise—such as it was—would clearly not be sustainable as the nineteenth century turned out to be a period of unprecedented change across Europe with the growth of urban-industrial interests, and while the basic outline proved durable there were continual struggles and adjustments and significant changes in the balance among the great powers of the region which finally erupted in the First World War.

The cavalier attitude towards the nations of ECE was well exemplified by Poland which was again divided in 1815 between three parties 'committed to make Polish lands as useless as possible to the power of the others' (Pogonowski 1987 p. 163), although at least the mortgage imposed by Napoleon in 1807 was liquidated. Poland was still acknowledged as an entity since the Duchy of Warsaw became the Kingdom of Poland (Congress Poland): an autonomous constitutional kingdom within the Russian Empire, endowed—thanks to Prince Adam Czartoryski—with as liberal a constitution as any in Europe. Some Russians might delude themselves that Slavophilism provided a bond between the two peoples—even if the Poles never acknowledged this—and most were pragmatic enough to accept that denying cultural autonomy would be counter-productive, even if the Polish gentry had forced grain surpluses from Orthodox peasants on to the urban markets under the oppressive feudalism of the sixteenth-eighteenth centuries. At

the same time, the Grand Duchy of Poznań was separated from Napoleon's duchy of 1812 and placed under Prussia, while the free city of Kraków acted as 'the symbolic capital of the divided Poland'. But these trappings of autonomy would not last. The kingdom was demoted to the status of Russia's Western Region after the 1863–4 insurrection and subject to Russification, while Poznań was Germanised (as Posen) and Kraków was annexed by Austria (as Cracow) as early as 1846, although there was still Polish culture at Cracow and Lemberg (Lviv) universities and access by Polish representatives to the Vienna parliament confirmed Galicia as a Polish Piedmont in the minds of a people whose national consciousness had certainly benefited from the Napoleonic experience. Polish was given official status in 1869 (when Vienna was happy to support all cultural activities of anti-Russian character) and Poles on the Austrian side were the first to engage Russian forces in 1914. Galicia was also seen by Ukrainians—a separate nation—as a Piedmont, although the Polish schools were the better organised and education in Galicia was effectively Polish. Meanwhile, the Ottomans also made concessions to nationalism with self-government for Serbia in 1817, while the principalities of Moldavia and Wallachia—simultaneously under Ottoman suzerainty and Russian protection—were blessed with constitutions in 1829. Even so, constitutions did not guarantee liberalism and democracy, for in the great empires dominating ECE control was exerted by hereditary dynasties entrenched in power and disposed to cooperate with each other in the interest of stability. Tsar Alexander of Russia presented European leaders at Paris with his Treaty of Holy Alliance under which rulers would agree to govern their states as branches of the Christian community and render mutual service to each other. There was a somewhat *ad hoc* approach to crises, but the imperial governments were able to preserve the spirit of the 1815 accords and stave off a general conflagration (briefly threatened in 1848) despite peasant emancipation, significant advances in constitutionalism and the Ottoman concession over Greek independence in 1832. Yet the conservative forces ruling over modernising industrial states were eventually confronted by the more ruthless nationalism of the age of Realpolitik.

The German Empire

Consolidation and modernisation in Germany was carried over to a new German Confederation (a loose union of thirty-four sovereign states and four free cities—each with its own assembly) placed under the permanent presidency of the Habsburg Empire. It acted as a stabilising force, but it was a poor substitute for a genuine national state. Meanwhile, Prussia gained ascendancy through the Zollverein, a free zone arising out of the measures taken in Prussia in 1818 to abolish all internal customs barriers while constructing a tariff wall against other German states. These pressures led ultimately (in 1834) to the customs union of 18 states with a total population of some 20 million. The organisation expanded further through the adhesion of Baden, Hannover and Oldenburg by 1853 and Holstein, Mecklenburg-Schwerin and Schleswig by 1866, and was a major contribution to the growth of German unity. It was not a prerequisite for political unification, but it brought fiscal benefits to member states, and free trade within Germany allowed for greater specialisation between the farmers of East Prussia and Posen and the industrialists of the Rhineland and Saxony. News of revolution in France in 1848 provoked demonstrations in Berlin—prompting the promise of a representative

constitution and subsequently a dramatic statement from Friedrich Wilhelm IV that Prussia would soon merge itself into a united Germany. Uprisings in other states including Saxony were effective in transforming the confederation into an assembly of democratically elected representatives at Frankfurt, where middle-class values crystallised in support of economic growth and concerted action against foreign competition. But there was disagreement over the issues of central versus federal government, the role of the monarchy (given a significant radical, republican element) and territorial extent: should the non-German areas of Prussia and the Habsburg Empire be included in a *Grossdeutschland*? The *Kleindeutsch* arguments of ethnic coherence were persuasive—signalling an aggressive nationalism (echoed in Hungary) combining the nation state with a pseudo-colonial ‘periphery’ where German interests would predominate despite non-German ethnic majorities. However, the Frankfurt initiative was effectively vetoed when Friedrich Wilhelm refused the imperial crown, allegedly because it was offered by ‘master bakers and butchers’ rather than brother monarchs.

Bismarck and Unification

Prussian strength was boosted when Wilhelm I ascended the throne in 1861 and appointed the anti-liberal Otto Karl von Bismarck (of the right-wing Junker party) as his minister-president. It is difficult to separate the process of German unification from the personality of Bismarck: an ambitious administrator who realised that conflict with the Habsburg Empire was inevitable. The balance swung decisively with the Prussian victory over Austria at Königgratz (Hradec Králové) thanks to a brilliantly efficient mobilisation that made full use of the developing railway system at a time when Habsburg troops were deployed on the southern front against what appeared a more immediate threat from Italy. Prussia now annexed several German states to create a continuous territory from the Niemen to the Rhine, with overwhelming authority over a North German Confederation of twenty-two states from which Austria was excluded. The Franco-Prussian War yielded Alsace-Lorraine and also gave an opportunity for Prussia to win over the southern German states and establish the new empire with Wilhelm I proclaimed emperor of a united Germany at Versailles in 1871: ‘the most powerful national state that continental Europe had even seen now came into being as the consequence of the most ruthless exercise of *Realpolitik* and military force’ (Knapton and Deny 1965 p. 157). Bismarck’s appetite was now satiated and peace was maintained throughout Europe until the First World War apart from relatively localised struggles in the Balkans. With the trial of strength now resolved, Germany and the Habsburg Empire secretly agreed in 1879 to come to each other’s aid if attacked by a third party and this Dual Alliance became a Triple Alliance through Italy’s adherence in 1882. Serbia was also associated with this defence system in 1881, followed by Romania in 1883—although this was difficult (despite Carol I’s pro-German stance) given the neo-feudal oppression of Romanians in Transylvania exposed by the National Party in Bucharest and also conceded by progressive Hungarians.

Meanwhile, in the ECE context, Bismarck’s style can also be seen in his desire for good relations with Russia. ‘After 1870 as the armaments race in Europe increased in intensity year by year, the efforts of the great powers to save themselves from a fratricidal war took on an always greater sense of urgency’ (Scott 1978 p. 399). Hence Bismarck’s

alliances which gave stability through an international balance of power giving imperial Germany precedence. Italy wanted security vis-à-vis both Austria and France but had to accept the status quo in Central Europe. Bismarck consolidated Germany's position through the Dreikaiserbund (Three Emperors' League) of 1872–3, which meant he had to overcome Habsburg-Russian tensions over Slav freedom (championed by Russia as a means of regaining a position in Europe after Crimea): note the Congress of Berlin to reverse some Balkan gains of 1877–8. After renewal in 1883, the Dreikaiserbund was replaced by a Reinsurance Treaty (1887) confirming the Balkans as a Russian sphere and agreeing to German and Russian 'benevolent neutrality' in a future war unless Germany attacked France or Russia attacked the Habsburg Empire. This was the pinnacle of Bismarck's diplomacy. He resigned in 1890 (to be replaced by L. von Caprivi) in the face of the headstrong Wilhelm II. The Reinsurance Treaty lapsed and when the Russian harvest failed France offered aid, leading to a military alliance in 1894: agreeing to mobilise if either partner was attacked by Germany (or any Triple Alliance country). The UK then joined what became a Triple Entente in 1907 (after the Entente Cordiale with France in 1904). As tension increased at the turn of the century there was heavy spending on armaments which took some 5% of national income in France and Germany and 6% in the Habsburg and Russian empires. But Germany's encirclement was arguably an inevitable consequence of her rise to great power status, rounded off by a substantial colonial programme (sparking the Morocco Crisis in 1905–6). Her response to the threat of isolation by land and sea was appropriately resolute: military planners were forced to adopt the Schlieffen Plan for quick, decisive and total victory, especially in the West, and saw in the First World War the stark choice of world power or downfall.

Colonial societies and 'Drang nach Osten'

German colonial societies were complemented by a Pan-German League formed in 1893 whose members advocated German domination over much of ECE (and the Low Countries) to achieve a Greater Germany. It was considered regrettable that the 5.5 million Germans who emigrated to the USA in the nineteenth century could not have been held on the eastern and southeastern marches to bolster German economic and political interests. There could be no doubt about the importance of trade with the Habsburg Empire and with the Balkans, to say nothing of the Middle East where German businessmen followed up Wilhelm II's visits to the sultan in 1889 and 1898 by accumulating a collection of railway concessions—enough to open the prospect of a Berlin-Baghdad railway when a 2,300km extension to the Anatolian Railway was agreed in 1903. But while Germany reorganised the Turkish army, the French were equipping Bulgarian and Serb forces so that Ottoman failures in the Balkan War of 1912 could be seen as 'Creuzot's victory over Krupp'.

Poland was also an area of critical importance since Palacký's notion of German-Slav antagonism gave Berlin a sense of mission through 'Drang nach Osten'. Initially there were good relations between Germans and Poles in the Grand Duchy of Poznań, though little manufacturing developed apart from food processing and handicrafts. However, 1848 brought a general desire for liberalism which quickly broke down over Polish desires for 'national' reorganisation. A Polish 'Duchy of Gniezno' was proposed in the eastern part of Prussian Poland whereupon the whole of Poznań became an integral part

of the Prussian monarchy (as Posen; see above). The poorer Jews supported neither party but others tended to support the Germans, especially in the north and west where Germans were in the majority.

German nationalists viewed the Poles ambivalently as actual or potential internal enemies of the state ('Reichsfeinde') and a sense of provocation was deepened by Bismarck's appreciation that enlightened attitudes towards the Poles would not be appreciated in St Petersburg if Russia were forced into some accommodation with its own Polish population. Polish nationalism had to be seen as a threat that might mean the loss of territory to a Polish state and Bismarck asserted that 'Polish nationalism cannot be judged humanistically and impartially by us but only antagonistically' (Blanke 1981 p. 9). His first strategy was the 'Kulturkampf' which sought to frustrate the growth of Polish nationalism through the activities of the Catholic Church by placing all schools under the supervision of state inspectors (1871) before the teaching of Polish in elementary schools was stopped altogether (1887). Nevertheless, the ethnic balance tipped in favour of the Poles because the effects of a high birth rate—and some Polonisation of German Catholics—were exaggerated by out-migration of Germans linked with the competition suffered by local small-scale industries on account of large urban-based factories in the west that now had the benefit of cheap distribution by rail. Transit trade with Russia was also hard hit by customs regulations, and the slump in farm prices depressed the agricultural sector along with related industries like timber, spirits and wool. German technicians could earn more in the west while German retailers were eliminated by Polish boycotts. Most went to Brandenburg-Berlin and Westfalen, but many went abroad in the 1870s and 1880s. Of course, ethnic Germans constituted the bulk of the migrants since they were in a better position to adjust to life among co-nationals in the west; Poles would usually stay only briefly in alien German-speaking areas before returning home with money to buy land.

Somewhat ineffectual action was taken to remove the Russian Poles employed by German landowners—exploiting cheap labour to bolster their profits—before the more positive approach of the 'Ansiedlungsgesetz' (Settlement Law) of 1886 which gave rise to an 'Ansiedlungskommission' to purchase estates so that Polish farmworkers could be replaced by independent German peasants. However, the German peasant farmers assisted by the act were also anxious to use cheap labour and so the Poles remained, albeit with a change of employer. Caprivi was personally less antagonistic towards the Poles and expulsion orders against foreign workers were revoked in 1890. There was frankly little alternative assuming that German farmworkers could not be compelled to remain in the east and employers could not be made to pay higher wages. There was also a changing international context—with strains between Germany and Russia reaching the point where Poles might become a factor in a future two-front war embroiling Germany with both Russia and France—and some softening of measures taken against Polish language teaching. These changes were hardly fundamental and the limited reconciliation arose simply because 'both sides were more or less conscripted into a closer relationship by fear of outside forces' (ibid. p. 147). Ethnic Germans in the east still advocated a radical policy: hence the Germanising ethos of the 'Ostmarkenverein' (1894)—an Association for the Advancement of the German Nationality in the Eastern Marches—followed by a new Expropriation Law in 1908 and the colonial society 'Gesellschaft zur Förderung der Inneren Kolonisation' in 1912.

Reference should also be made to the 'Hebungspolitik' of 1898: a programme of public spending to increase the attractiveness of the eastern regions. There was much new building in Posen, including a Royal Academy (later university) and the Kaiser-Wilhelm Library; and improved communications by both rail and water as the Warta was regulated and Posen port developed. Clearly there was a will to act but the programme was undermined primarily by the reluctance of Germans to compensate for the continuing exodus from the eastern periphery. Although Caprivi would not repeal the Settlement Law, rising land prices and a shortage of suitable German applicants reduced its effectiveness. While Germans dominated urban industry, the civil service and the railways, the gains made by Polish landowners between 1896 and 1914 went a long way to cancel out the losses of some 245,000ha from 1861 to 1896; many of them successfully adopted capitalist farming and extended rural industrialisation.

Tariff policy

Broadly speaking there was a conflict of interest between industrialists who wanted high tariffs to protect themselves against more efficient foreign producers and agrarians who believed that high tariffs for manufacturers would lead to retaliatory measures harmful to cereal exports which relied on free trade. Hence a compromise position of low tariff levels in the Zollverein, incidentally reciprocated when Metternich's policy of high tariffs was modified with the aim of joining the club. But the situation was rather different when protection was quickly reintroduced in Germany in 1879 through an alliance between 'rye and iron'. Agrarian interests now demanded protection, especially with the onset of depression when cheap food imports from Russia and the US undermined living standards among a farming population used to high incomes. But Bismarck's modest increase in tariffs was a signal that the great eastern landowners would not be allowed to stand in the way of industry's growing need for access to world markets in order to boost efficiency, specialisation and income growth (although even the moderate tariff increase had an adverse effect on production and accelerated emigration to the North America). However, it was difficult to avoid a spiralling effect given the tariff increase in the Habsburg and Russian empires in the 1880s. German retaliation culminated in 1892 when the Farmers' League, a political group representing the now-uncompetitive Junkers and their academic supporters, pressed their views in crucial tariff debates. High tariffs then brought prosperity to the land—and generated more jobs for Poles in the eastern provinces—but this recognition of the political influence of the Junkers did nothing to encourage peasant proprietorship. The case for an 'Agrarstaat'—requiring Germans to pay a high price for food—rather than a pure 'Industriestaat' was argued out on the basis of a physically fit rural population with a high birth rate that was more useful for the defence of a country than the physically inferior populations crowded into industrial towns. Autarky would also remove the risk of military weakness arising from excessive dependence on imports. The attempt by Caprivi in 1894 to negotiate simultaneous tariff reductions in Germany, the Habsburg Empire and some West European states (followed by Serbia and Romania in 1893 and Russia in 1894) gave a boost to industry—with a reduction in emigration in the late 1890s and a redirection of migration flows to the German cities—but eventually generated enough opposition to remove the chancellor

from office. The controversial 'Central European system' lapsed in 1903 and tariffs resumed their upward trend.

Compromise in the Habsburg Empire

Support for German interests was clearly seen in the Habsburg Empire after 1850. The centralised system of A.Bach dispensed with local diets and concentrated a huge German-speaking bureaucracy in Vienna. This formula was drastically modified in 1867 when, in the wake of a catastrophic defeat by Prussia in the brief seven-week war of 1866, the empire was not only expelled from the German Confederation but forced to negotiate with the Magyars led by E.Deák and Count G.Andrássy to transform the state into a Dual Monarchy (Austria-Hungary). Nevertheless, concern over 'encirclement' (especially Russian pressure on her borderlands) made an entente appropriate and German capital flowed from 1867. When demand inflation sparked off a series of trade deficits from 1908 Germany also helped with emergency loans in 1913-14. A Central European customs union was fully established in 1891 through a series of Caprivi treaties linking Germany with the Habsburg Empire (and Italy, Switzerland and Belgium). Food from the empire moved to Germany along with oil from Galicia—following German investment by Deutsche Petrol—which helped gather support for an abortive Oder-Danube Canal project in the 1890s.

The empire was still a major political force in the south and policy aimed resolutely at reducing Russian influence after Crimea. With German support, the Russian patronage for Bulgaria at San Stefano (1877-8) was reduced by the Berlin Congress in 1878. And after taking over the administration of Bosnia and Herzegovina after the rebellion of 1875-8, the province was formally annexed in 1908—following the Young Turk revolution—as part of a more active policy by foreign minister Von Aehrenthal during 1906-12 which included railway development in the South Slav lands. Relations with Serbia deteriorated until a crisis was provoked in 1914 by the assassination of Franz Ferdinand in Sarajevo by a Serb nationalist, whereupon Austrian bombardment of Belgrade caused Russia to mobilise. Until then the empire had an advantage because Russia was a net importer of capital and could not afford to invest in the region. For example, she could not summon finance for the Oriental Railway through Bulgaria in the early 1880s when 'the occupying Tsarist army and officials could surely have used such a loan to consolidate their influence in the new Balkan state' (Lampe and Jackson 1982 p. 90). But the empire was placed under great strain in the late nineteenth century as a result of the growth of nationalism. More powerful groups like the Magyars tried to maximise their influence while the weaker nations came to see the Dual Monarchy in a more negative light as an obstruction to their own ambitions. Yet stability arising out of the long continuity of administrative practice made collapse inconceivable before 1914. The principle of federation was widely supported. However, by 1918 interest in the principle of an imperial framework to provide security for small nations in the region—very strong in Palacký's time—had switched to the radical alternative of national independence for which there was a growing number of precedents in the Balkans at the turn of the century. Only the smaller groups still found the imperial framework congenial.

In Austria the Germans remained a distinct minority, with 34.8% of the population in 1910, by which time the Magyars in Hungary had achieved a majority of 54.5%. The

Germans struggled to maintain ascendancy over the Slavs (Czechs, Poles, Slovenes and Ukrainians) and a significant Italian element. Yet, despite their refusal to take these peoples into a full partnership, there was a measure of cooperation from Czechs and Poles in the Vienna Reichsrat (parliament). Indeed Count Taaffe's rule (1879–93) was based on a combination of Catholic, Czech and socialist parties against German liberals. As a nation without a state the Czechs secured an important cultural concession in 1882 with the establishment of a separate university using the Czech language; securing a measure of equality with the Poles who already had universities at Cracow and Lemberg. The Jews were also cooperative as a result of emancipation by the end of the 1850s: they could escape the restrictions of ghetto life and adopt the values and lifestyle of liberal middle-class Gentile society. As H.G. Wanklyn (1940 p. 187) put it, 'there is no denying the contribution of the Jews to contemporary economics: whether as tax gatherers, distillers, small traders, millers, manufacturers or timber merchants they had a lively sense of the resources of the region and knew in spite of many limitations how to make use of them'. Interestingly, census questions in Prague about everyday language after 1880 revealed a split between German and Czech which gradually shifted in the latter's favour as the poorer Jews began to identify more closely with the Czech majority in the city.

Hungary

The Habsburg link was applauded by progressives in the early nineteenth century as the basis for Westernisation where nations on the margins of the Ottoman Empire were often judged to be Oriental in character. It seemed desirable to associate Hungarian culture with Europe's Franco-German core provided her nationality would be safeguarded. A national idea then arose out of a Magyar renaissance, reflecting the ideals of the liberal aristocracy for agricultural development and emancipation in the 1830s and 1840s which generated strong literary and political impulses. Hungarian became the official language of the kingdom in 1844 and while liberals advocated an inclusive society giving non-Magyars a share in a superior culture, this was not heeded in 1848 when Kossuth rejected the idea of a multi-ethnic Hungarian state and thereby ensured that non-Magyars would back the forces of reaction in Vienna to defeat the revolution. But repression under martial law gave way to cooperation with Vienna in 1854, with economic development as the overriding concern. The emperor was subsequently disposed to fulfil Hungarian aspirations that went beyond progress in industry, transport and trade: there was a boost for the Church with money for Esztergom Cathedral in 1855 and tacit approval of the goal of 'equitable dualism'. Ultimately, the victory which eluded the Magyars in 1848 was achieved in 1867 under Andrassy's leadership when the *Ausgleich* maintained a unitary state yet with the Hungarian concession of giving up the dream of full independence balanced by freedom to promote the doctrine of a culturally superior Magyar race with a historic mission to control the southeastern marchlands which were drawn into the Hungarian 'half of empire with the boundary on the Leitha River separating Austrian 'Cisleithania' from Hungarian 'Transleithania'. The economic provisions were renewed every ten years through long negotiations, but an acute constitutional crisis occurred when failure to renegotiate in 1897 led to 'years of

obstruction' (up to 1903) and the election of a nationalist coalition in 1905, which eventually governed until 1910.

A nationality law in 1868 proclaimed all Hungarian citizens as members of the 'Magyar' nation irrespective of their mother tongue, yet each minority could use its own language and develop autonomy in educational and religious spheres. But in 1879 the teaching of Hungarian became obligatory even in non-Hungarian schools—a requirement reinforced by laws in 1883, 1891 and 1893. Substantial resources were put into the establishment of state schools while high standards were imposed on the religious denominations—which had run virtually all the primary schools before 1867—necessitating acceptance of state subsidies and the official interference that came with them, culminating in Count A. Apponyi's 1907 law which secured government control over teachers by declaring them civil servants (requiring competence in Hungarian and the right to a salary which many school managers in minority areas could not afford). The net result was the dominance of Hungarian as a language of instruction in all schools and a sharp reduction in the number of primary schools teaching in minority languages. Such actions made the minorities despair, for there was great frustration among national groups that tried to set up cultural facilities, for example reading rooms which were seen as having a political purpose against the interests of the 'Magyar nation'.

But the context lay in Vienna's sole concession over renegotiation of the *Ausgleich*: in each army regiment the prevailing language ('*Umgangssprache*') would reflect that which most soldiers understood and not the mother tongue of the majority. Since the Hungarians had always wanted their own forces, an army where more regiments operated in Hungarian was a way forward. Hence the coalition government accepted Vienna's terms in 1906 but then took measures in line with a chauvinistic policy to make 'the language issue the crucial element of its goal to create a Hungary of thirty million Magyars' (Sugar 1981 p. 301). The only substantial concession was made with Croatia through the '*Nagodba*' of 1868, allowing autonomy in internal affairs with a governor ('*ban*') and parliament ('*sobor*') in Zagreb and Croatian as the official language. But even here all railway employees had to master the Hungarian language. There can be little doubt that Magyarisation was effective while resentment was not always universally felt since the educated classes saw economic and social benefits in conversion to the Magyar cause. Romanians, Slovaks and southern Slavs aired their grievances at a Congress of Nationalities in Budapest in 1895, but the group broke up due to internal divisions after only four years of opposition to government policies.

The economy

Meanwhile, Hungary's economy within the Habsburg fold was based primarily on agriculture with cereal and flour exports catching up the traditional livestock sector during the first half of the nineteenth century. The aristocracy remained firmly in control: not only did differential tariffs (established in 1756 by Maria Theresa) favour exports of Hungarian farm products—as they did those of Austrian manufactures—but the ancient privileges of the aristocracy were confirmed by Leopold II, and—by 1830—they expropriated large areas of land cleared by free peasants of the previous generation. The events of 1848 changed the legal status of the nobility, who no longer held seigniorial rights, as well as the peasantry, who ceased to perform compulsory labour, but there was