

## Hungarian Bank and Colonial Projects during the First World War

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Powerful Hungarian financiers cooperated with the Hungarian government during the First World War to extract the maximum economic benefit possible from the territories that Austria-Hungary invaded and occupied. Historians have treated these colonial projects as established war aims and the culmination of decades of imperialism aspirations. Some groups within Austria-Hungary, such as the military and the foreign ministry, had long considered colonial expansion essential to Austria-Hungary's survival as a great power. But my research reveals that the cooperation between the Hungarian government and Hungarian financiers reflects desperation triggered by Austria-Hungary's severance from the global economy after July 1914 rather than a strategy developed before the empire declared war on Serbia. It has become popular to present 1917 as the year the war became global. But Austria-Hungary's global war began in 1914 when the United Kingdom turned the full force of the global economy against the Dual Monarchy and the Hungarian state's colonial projects during the First World War resulted from the economic stress of a regional war that transformed abruptly into a global war.

Before the war, most Hungarian governments ignored calls from colonial enthusiasts who argued that Hungary required colonies to expand economically and achieve great power status. Hungarian politicians who supported the compromise that granted Hungary autonomy within the empire argued that Hungary's relationship with Cisleithania assured relative economic security. Government economists argued that Western Europe - not Africa or Asia - dominated the trade Hungary did maintain beyond the monarchy's borders. Nationalist politicians feared that overseas activity and territorial expansion into the Balkans would induce a demographic shift that could

weaken the authority of the Hungarian majority. Many Hungarian politicians realized that Hungary's economic activity overseas flourished without colonies.

Despite successive governments' opposition to colonial ventures, Hungary's economic presence extended beyond Europe. Largely forgotten today, by 1914, Hungary had developed a trade and investment network that spread from Argentina to Japan. The Hungarian Commercial Bank and the Hungarian Credit Bank financed rice cultivation in India, gold mining in Africa, coffee production in Brazil and the public debt in China. The Hungarian Ganz Works electrified cities in Australia, India and South Africa. Hungarian producers shipped sugar to East Asia and flour to South America. Quite spectacularly, most of these networks succeeded with neither navies nor colonial possession in an age when both dominated the globe and the public imagination.

It was not the opportunity for colonial or imperial expansion that convinced the Hungarian government in 1914 to approve the Foreign Ministry's declaration of war against Serbia. Many in the government believed that regional insecurity posed an existential threat to Hungary. The Hungarian government's decision to invade Serbia derived more from a reaction to a perceived act of terrorism and military aggression than an attempt to lay claim to a hypothetical market, to expand territorially or even to protect the prestige and status of the empire. Despite the Hungarian government's goal not being colonial expansion, the decision to declare war offered the Foreign Ministry and the military the chance to pursue the imperialist ambitions that successive Hungarian governments had curtailed over the past forty years.

Few could imagine in July 1914 the eventual territorial and economic extent of the First World War. The outbreak of war almost immediately severed Hungary's trade connections to Western Europe and global markets. Shortly after Britain declared war on Austria-Hungary, Leó Lánczy, the president of the Hungarian Commercial Bank, wrote to the Hungarian Prime Minister

István Tisza to inform him that, in Lánoczy's opinion, Hungary required drastic measures to compensate for the overseas trade and investment loss due to the Entente's blockade. In a desperate bid to reestablish global economic ties after the Entente had turned most of the world against the Central Powers, the Commercial Bank, with the support of the Hungarian government, dispatched trade representatives to the world's few remaining neutral states in the Americas. But the establishment of new trade relations even with neutral powers proved politically and practically unfeasible.

The economics of colonialism may still have relied heavily on a strong imagination. But Hungary's desperation pushed many non-believers over to the other side. During his reign as the Commercial Bank's president, Lánoczy had resisted pressure from colonial enthusiasts to use the bank's numerous global ventures to secure territorial acquisitions. He could manage to resist such pressure then because the bank's projects proved lucrative without formal control over the regions in which they operated. The war destroyed those rewarding ventures but created what many claimed to be economic opportunities in southeastern Europe.

Pressured by profit losses during the earlier months of the war, Lánoczy accepted Tisza's request that the Commercial Bank assist in the administration of Austria-Hungary's occupation of Serbia. But it would be misguided to assume that Lánoczy's position represented a culmination of imperialist designs or that he expected greater economic benefits for the empire from colonization in the Balkans than from the empire's prewar trade with Western Europe, South America and East Asia. The Hungarian government's own support for colonial projects in the Balkans, northern Italy, Ukraine and Romania arose from the growing public demand to serve the basic needs of Hungary's inhabitants. In each case, the war effort's immediate needs rather than plans for a new postwar economy proved the deciding factor in the decision to instigate colonial projects.

Lánczy deduced correctly that occupation could not provide sustenance for the empire. Occupation of territory in the Balkans and northern Italy failed to compensate for the loss of overseas trade. Reports from the occupation zones highlighted that military occupation generally cost more than the resources extracted from the territories. The occupied zones could not provide a market for Hungarian expertise, technology or finished products. The occupation of Ukraine, championed by many at the time as the key to the Central Power's success, proved unable to provide Austria-Hungary with adequate resources. Historians have presented the end of the war as a break from the past when new governments formed a distinct new order. But for Lánczy and those invested in the Hungarian Commercial Bank, the end of the war offered the opportunity to return to the prewar order when Hungary could once more trade with the world.

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