
DEBATES

The Triumph of Quantitative Economic History in Budapest

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Scholars in small countries are faced with a two-way language barrier, in their endeavor to keep up with the research of their colleagues as well as in attempts to reach an extensive readership for their own findings. The efforts devoted to overcoming such obstacles often lead to such successful results, both in the following of current publications in several languages and in the publishing of translated domestic research, that — paradoxically enough — the international community of scholars seems more of a reality in the domains of « small » tongues (e. g. Dutch, Hungarian, Swedish) than in countries belonging to the area of a major world language. An outstanding demonstration of this principle is provided by the series *Studia Historica*, in which the Hungarian Academy of Sciences publishes translations into English, French, German, and Russian of work done by its Institute of Historical Sciences. Number 62 belongs to those volumes of the series that are of special interest to the economic historian, and almost half of it is in English.

This volume,* however, is not just a random selection of Hungarian articles written between 1966 and 1968, but — and quite consciously so — a landmark in the development of economic history in Budapest. As such it claims and deserves much wider attention than given to it, naturally, by students of economic growth in 19th century Austria-Hungary. On the one hand these articles bring to its conclusion a long and painful process of revision in historiographical evaluation, and on the other hand they present the main

* *Social-Economic Researches on the History of East-Central Europe* (Budapest: Akadémiai Kiadó, 1970).

basis for this revision in the form of quantitative research in economic history along the lines of similar work in the « West ». This research and the ensuing discussion proceed almost wholly within the conceptual framework with which the reader of this Journal is familiar, and the great majority of the volume's copious footnotes make him feel equally at home. The implications of this methodological development one has to bear in mind when reading the concluding words of the Introduction by György Ránki, himself one of the chief contributors to the volume, in which he characterizes these papers as having « the merit of summarily reflecting the main trends of Marxist science in Hungary, [and] its close relations with international scholarship » (p. 9).

The volume's centerpiece is the 90-page article (inclusive of tables and graphs) by László Katus on the economic growth in the Hungarian half of the Habsburg Dual Monarchy, from 1867 to 1913. Introduced as « a few preliminary results » of research still in progress (p. 35; written 1968), this paper first aims at a sectoral quantitative analysis of the growth of Gross Domestic Material Product (GDMP). It appears that during the period as a whole value added in agriculture grew at an average annual rate of 1.7 per cent at least, in the industrial sector (including mining and construction) at 4.2 per cent, and in transportation and trade at 4.6 per cent. Weighted at 1913 prices, which are used throughout (primarily for purposes of international comparisons, but also for arriving at lower-limit estimates — cf. p. 59), these sectors add up to an average growth of GDMP at a rate of 2.4 per cent, or 1.7 per capita. The concept of GDMP is, of course, not one which corresponds exactly to macro-economic aggregates used in the « West », such as gross commodity output (to which it is closest); because of the inclusion of trade it does not correspond to the sum of Kuznets's A and I sectors either, but is almost identical with it.

The factors and incentives for this quite impressive performance of the Hungarian economy are analysed, as far as the data permit, by industries and sub-sectors. Katus attempts to evaluate the relative contributions of investments in durable capital and in human resources, of technological progress, and of structural shifts; as well as the relative weights of « foreign » (including Austrian) and domestic demand. His findings are not only highly illuminating, but should also stimulate further research in these directions. As to the temporal variations in growth, the years 1887-1899 are identified as the « great spurt » (à la Gerschenkron) in Hungarian industrialization, and 1887-1913 as the Hungarian « take-off » into sustained growth. These are, by the way, only two examples of the eclectic reliance on the concepts and findings of American scholars of modern economic growth, in which the volume abounds, together with a rather elegant effort to incorporate them and the traditional Marxist tools into one system of analysis.

The results are then evaluated by comparison with the other European countries, using both aggregative economic estimates and representative pro-

duction and consumption indicators. In this section, incidentally, one would have preferred a clearer indication of how the growth rates and product estimates for the Austrian half of the Monarchy were derived. In any case the characteristics of economic growth in 19th century « Hungary », as one whole, emerge quite clearly: starting from a very low level of economic performance, and with an extraordinarily small industrial sector (less than 20% of GDMP, whose definition will be remembered, as late as 1867) in particular, even rather vigorous growth during the last thirty to fifty years could not close the gap of relative backwardness before World War One. On its eve per capita GDMP in Hungary, similar to that of Spain and Portugal, was only 40-50 per cent that of Western and Northern Europe, 70-80 per cent that of Austria and Italy. Moreover, the share of industry in the Hungarian economy was still disproportionately small.

This picture leads quite organically to questions about long run economic forces as well as to speculation about the influences of political and cultural factors, and in particular to the question of whether the performance of the Hungarian economy during the era of Dualism could not have been even better under somewhat different circumstances. It is with regard to these issues that the third, conclusive section of Katus's article has to be read in conjunction with the other major contributions to this volume — that by the prolific team of Berend and Ránki on the Industrial Revolution in Eastern Europe (in Russian), and that by Péter Hanák on the Bourgeois Transformation in the Habsburg Monarchy (in German).

The Budapest historians view their country as one instance of a special and distinct type of industrialization — that of Eastern and South-Eastern Europe. The methodological question of typology is discussed at length in the first part of the Berend-Ránki paper, (I am indebted to Mr. Alexander Buch for a summary of the Russian version), which also defines their understanding of Industrial Revolution as the transition from Feudalism to Capitalism, or — in effect — as the transition to modern economic growth. Not all European followers of England underwent this transformation along similar lines, and in addition to stressing the difference between West-Central Europe and the East-South East countries two groups are differentiated in the latter type: the earlier and faster group, Hungary, Poland, and Russia, versus the laggards such as Bulgaria, Rumania, and Serbia. The tremendous differences between the two parts of Europe developed during the Early Modern Period of history, in most economic, social, and political aspects (cf. earlier volumes of *Studia Historica*, esp. numbers 53 and 54, and Zs. Pach's paper at the Bloomington international congress in 1968). Major elements of the East European characteristic processes stemmed from the role of those countries as suppliers of primary products to the rapidly growing (and already capitalist) Western economies, as well as from the resulting peculiar combination of market- and profit-oriented production with « feudal » micro- and macro-social structures. This differential heritage manifested itself at

the time that the Eastern late-comers reached « the threshold of industrialization and modern economic growth ». In emphasizing the impact of these characteristics, and of the time element, on the path and features of economic transformation in the late 19th century, our Budapest colleagues draw special attention to the relation between the development of a modern infra-structure and of factory-type industry. Whereas in England the Industrial Revolution preceded the development of the railroads and investment banks, and in France, Germany, Belgium, and « Austria » these developed concurrently, in the East the main elements of what they consider infra-structure developed before industrialization.

A second element stressed particularly is the role of foreign capital (and enterprise). Berend and Ránki consider this view more useful for explaining and describing differences in industrial beginnings than Gerschenkron's approach which emphasizes the centers of enterprise (individuals, banks, government). The third chief difference between East and West they find in the identity of the leading light industries at the early stage of industrialization — textiles versus processing of grain (and beet-sugar).

This contribution to the typology of European industrialization deserves attentive consideration, the more so as it already appears in a form that seeks to integrate it both with the relevant over-all models (especially Rostow's) and with previous generalizations about the results of differential backwardness. Those of us who have not despaired of the take-off and of relative backwardness as useful (even if not quantifiable) descriptive and heuristic devices should be interested in obtaining also a more detailed version of the Budapest theory, in order to reap the benefits of disagreeing with various of its components.

The Hungarian scholars, however, apply their general model to a very specific task, too, i. e. to the revision of their historical evaluation of the political-economic regime of Austria-Hungary during the *Ausgleich* era. Thus we are told, e. g., that « the faulty perception of the problems of industrial development in Eastern Europe, the disconnection of the process of industrialization from the process of capitalist transformation of the economic whole, the disregard of the preconditions for industrialization, constituted in any case an important aspect of the one-sidedness of previous opinions » (G. RÁNKI in his contribution to *Historisches Geschehen im Spiegel der Gegenwart: Oesterreich-Ungarn 1867-1967* [Vienna, 1970], p. 55, my translation). This previous view, in effect the traditional interpretation by both contemporaries and historians in Hungary up to the 1950's, « deduced all the weakness ... and disadvantages of a primarily agrarian country's backwardness ... from the special conditions of the Austro-Hungarian empire and from the common customs area » (Ránki's introduction to the present volume, p. 8); in brief, this was the thesis of Hungary's quasi-colonial or semi-colonial status up to the end of the Monarchy.

By contrast, the present interpretation views the system of Dualism as a kind of second-best solution, within the framework of possibilities and limitations set by domestic as well as by international factors. « The *Ausgleich* was indeed an anti-democratic solution, which served to preserve the ranking of power within the Habsburg multi-national state; however, this solution resulted from the preceding social developments, from the relative strength of the nations of the Monarchy, from the defeat of the 1848 revolution, and from the influence of contemporary European power-constellations » (Hanák's article, p. 192, my translation). The Dual Monarchy has proved, that national sovereignty is no unconditional pre-requisite for modern socio-economic development, and even for rapid economic growth; although, on the other hand, such rapid capitalist growth is no sufficient basis for complete social modernization nor, necessarily, for the continued existence of a multi-national polity (*ibid.*). Thus, the ground is cleared for the conclusion, that « it is hardly possible to derive the fall of the Monarchy from the economic basis, or to explain it primarily by economic reasons » (RÁNKI, *op. cit.*, [Vienna, 1970], p. 54, my translation; this view was already rather clear in his contribution to the *Austrian History Yearbook*, III: 3 [1967], 164-86). Rather, political and social, ideological and psychological factors even, were decisively responsible for the dissolution of the empire. In brief, the economic historian refers us in this case to the primacy of non-economic factors; a point well noticeable in face of contemporary problems of Common Markets.

From the economic aspect, the present Budapest consensus presents the *Ausgleich* regime as having been advantageous for Hungary, on balance. First, the common customs area was of predominant importance for the growth of Hungarian agriculture (which, it should be noted, had been the Austrian contention all along); and the primary sector played an overwhelmingly large role in the Hungarian economy, as already mentioned. Secondly, the Dual Monarchy provided an institutional setting conducive to extensive imports of capital, entrepreneurship, and technology from Austria and (mainly via Austria) from strictly foreign countries. Capital imports were the estimated source of 40 per cent of total investment during the period (cf. the first Berend-Ránki article in the volume, on National Income and Capital Accumulation, in German; which is, incidentally, not free of methodological ambiguities); though their share was much larger before the turn of the century and smaller during 1900-1913. In view of the timing of the Hungarian take-off, the simultaneous build-up of a modern state apparatus, and the very limited initial endowment in the secondary sector and in infrastructure — capital « requirements » were particularly heavy, and foreign sources thus of prime strategic import. « For Hungary the political and economic connection with Austria ensured in this regard an especially advantageous situation when compared with both Russia and the Balkan countries » (KATUS, p. 84).

Ránki, in the present introduction as in his paper for a 1968 conference in Bratislava (published in the Vienna-1970 volume cited), briefly traces the history of the re-examination and eventual rejection of the traditional thesis by recent Hungarian historiography. In stressing the foundation of the new conception on the East European Industrialization model on the one hand, and on quantitative research on the other, he underlines the more realistic evaluation of the extent and causes of the initial backwardness as well as of the actual performance of the Hungarian economy during Dualism. It is in these respects that we may consider the historiographical revision a result of quantitative economic history and « Western » methodology.

It is interesting to note, that while the subject matter of their research is pointedly integrated with « international scholarship » throughout the volume (including a footnote aimed at avoiding « formal semantic debates », p. 193), the revised historical evaluation is in effect presented as an autonomous achievement of the Budapest school. Parallel work in Western Europe, especially when much less sophisticated in its economic and statistical analysis (e. g., KRISZTINA FINK, *Die österreichisch-ungarische Monarchie als Wirtschaftsgemeinschaft* [Munich, 1968]), may have indeed had little impact on the Hungarian historians. But much more intriguing is the complete absence of even a fleeting reference to the role and impact of their re-current debates with their colleagues from Czechoslovakia, Rumania, Yugoslavia (cf., e. g., the report by Kurt Wessely on three East-bloc historical conferences between 1959 and 1964 and on the relevant literature, *Der Donaauraum*, XII [1967], p. 13-40). In any case it is hardly to be expected that the Budapest thesis of the late 1960's will remain the final and sole version of evaluating the regime of the Austro-Hungarian Monarchy, in its two parts and as a whole.

It is difficult to refrain in this context from mentioning the regrettable lag in economic history research on the 19th century, being undertaken in Vienna. Although the present-day ideological differences have no doubt played a part, I would tend to look also for differences in the tradition of economic policy between Vienna and Budapest. The much more active involvement of the Hungarian government in stimulating economic growth had incidentally advanced more extensive economic-statistical work as early as the 1880's. The statistical heritage of « Hungary », especially with regard to manufacturing product and inputs, is considerably wealthier than that of « Austria ». Still, one can hardly claim that the Viennese sources have been fully utilized. The modern work done so far about Austrian industrialization in the 19th century, furthermore, has suffered from its geographical dispersion (including several American scholars working each in relative isolation). It is to be hoped that sooner or later, preferably sooner, some present-day Austrian institution will draw the moral from the Budapest example of perseverance and team-work. The editorial board of the History of the Habsburg Monarchy 1848-1918, now in process, is a possible source for academic entrepreneurship in this direction.

To return to the volume under review, the absence of a discussion of somewhat similar historical cases, such as the situation of Poland within Czarist Russia, is probably organic to its approach to the Austro-Hungarian case. Still, one cannot escape the feeling that the new Hungarian conception has opened a Pandora box of historical evaluations. If at a certain stage of economic development the framework of a multi-national polity was, on balance, advantageous to Hungary; if the rapid growth of agriculture and industries with comparative advantage was more conducive to modern economic growth than the retardation of certain branches by the customs union was hampering it; and if the development of the infrastructure, including banking, and of the basis of a modern administration — even if by foreigners — had prime strategic importance — is it the designation of « quasi-colonial status » which has to be rejected? Or, rather, should this case study not lead to a most interesting re-examination of the role of colonialism in contributing to the preconditions for economic development, from the point of view of « Marxist comparative discipline »? True, 19th century conditions in Asia or in South America were different from those in Europe, probably even more than Eastern differed from Western Europe. Nevertheless it seems as if the Hungarians have shown us the most fruitful approach to problems of this sort, i. e. an avoidance of dogmatic semantics and heavy reliance on the methods of quantitative economic history.

