EUROsimA 2024

Joint Crisis Committee:

The Disintegration of the Austro-Hungarian Empire

Study Guide

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1) Letters

a. Letter from the Secretary General

Esteemed participants,

I would like to welcome you all to EUROsimA 2024. My name is Alkım Özkazanç, and I am a third-year Political Science and Public Administration student at the Middle East Technical University. This year, I will be serving as the Secretary-General of this esteemed conference during its 20th annual session. EUROsimA has always held a special place for me since my first participation in the conference back in 2019; thus, being able to contribute to such a valuable session simply fills me with pride and excitement. An incredible amount of hard work has been dedicated to this conference, so I am confident that EUROsimA 2024 will not break the tradition and satisfy its participants as perhaps the most academically qualified Model European Union (MEU) simulation in Türkiye.

Our academic team, consisting of competent students who come from different departments and universities yet are definitely united by a strong team spirit, is the reason why I have been able to make the claim that stands just a few lines above. The Under-Secretaries-General and the Academic Assistants have been working hard for the last few months to produce a conference that is rich in content and educatory. I would like to thank every member of the academic team for their commitment.

Moreover, I would like to especially thank our Director-General, Miss Deren Ertan, whose support and company I can never disregard. I am quite grateful for her motivation, diligence, and solidarity, all of which she has exercised to an excellent degree. Seeing her and her team's efforts assures me that EUROsimA 2024 is going to be an unforgettable experience for all participants. Thus, I would like to thank every member of the organisation team for their commitment as well.

Having acted as the USG of the Joint Crisis Committee in EUROsimA 2023, I am so glad that my former assistant Mr. Aykut Küçükyıldız continues the tradition of preparing breathtaking Joint Crises Committees for EUROsimA. He clearly has an appreciable approach to JCC's as he conceives them not only as mere military simulations, but as political simulations wherein the participants are given a wide room for maneuver to administer polities in line with the economic, political, and social realities of the time. Words cannot describe how grateful I am to Mr. Küçükyıldız, and his assistants Mr. Uğur Ozan Baygeldi and Miss Işıl Başkan, for wholeheartedly striving to make this JCC model a reality.

I strongly advise the participants to read the study guides in detail in order to get a firm understanding of the agenda item and to fully immerse themselves in their committees. Only through that immersion could one get a full taste of the committee and accumulate good memories. After this short piece of advice, I would like to once again welcome you all to EUROsimA 2024, hoping that it will be a remarkable experience for you.

Kind Regards,

Alkım Özkazanç

Secretary-General of EUROsimA 2024

b. Letter from the Under-Secretary-General

Esteemed deputies of the Diet of Hungary, and honourable members of the Imperial Cabinet,

My name is Aykut Küçükyıldız, I am a 4th year student at the Department of International Relations, Middle East Technical University. Together with my assistants Uğur Ozan Baygeldi and Işıl Başkan, we will try to make you relive the last period of the Austro-Hungarian Empire.

The state structure of the Austro-Hungarian Empire, established in 1867 and 1868, is itself a source of crisis. On top of this, as the decision-makers of this structure, you will have to deal with the Great War that shook the very core of whole Europe. As delegates of this committee, you will occupy the seats formerly occupied by great individuals of history, like Klemens von Metternich, Count Andrassy, Lajos Kossuth, Istvan Széchenyi and many other people who you will learn about while reading this study guide. You will try to rule a country through the most turbulent times it had ever experiences, while dealing with a very complex administrative structure that spread across the Danube.

The procedure of this committee itself is a source of crisis, as I said earlier. We tried our best to reflect the administrative structure of the Dual Monarchy in the committee. In a country that had two capital cities, three parliaments and three councils of ministers, you will try to find your way to create an impact.

Together with my assistants, we tailored this committee to cultivate an environment in which you will have the chance to act and feel like those who were actually seated in a government post in Vienna or Budapest, trying to navigate.

I understand that the complexity of the structure you will be in would lead to many questions. If you have any, please do not hesitate to contact me from my e-mail address: kucukyildiz@eurosima.org.

While finishing my letter, I would like to express my gratitude to those who gave me the chance of realising this committee idea. To begin with, I would like to thank our Secretary-General Alkım Özkazanç and Director-General Deren Ertan. Secondly, I would like to thank to my saviours and my helpers Mr. Uğur Ozan Baygeldi and Ms. Işıl Başkan.

Respectfully yours,

Aykut Küçükyıldız

Under-Secretary-General of the Joint Crisis Committee: Disintegration of the Austro-Hungarian Empire

2) 1848 Revolutions Across Europe

1848 was a harsh year to be a monarch. Europe was swarming with revolutionary ideas filled to the brim with people who demanded change. The widespread calls for freedom and the awakening of the national identity were the main causes of the events, which quickly assumed a revolutionary spirit. Some historians argue that the first of the many revolutionary movements emerged in Sicily, an island in Southern Italy (Chastain n.d.). Yet the Sicilian Revolution left the rest of Europe unfazed, and no significant disturbance occurred until the French Revolution in February 1848 (Ellis 2002, 28). After that, one revolution simply entailed another, just like dominoes; it was almost as if the revolutionaries were daring each other to create the next big revolution that shocked Europe.

c. France

The usual suspect, France, also danced with revolutionaries. Even though it was chronologically not the first of the 1848 Revolutions, the **February Revolution of 1848** is widely regarded as the cause of the wave of revolutions embroiling Europe. As mentioned earlier, the Sicilian uprisings spread only amongst the Italians, failing to jump the border and reach Europe (Ellis 2002, 28); it was not comparable to the February Revolution of 1848.

The February Revolution in Paris could be understood in relation to two interlinked subjects, the political situation and the economic situation. In the political realm, the wealthy demanded a more conservative France prior to 1848, and their demands were satisfied by King Louis-Phillipe. However, the King's policies benefited only an exceptionally wealthy segment of the society, meaning that approximately 95% of the population was excluded. Thus, a number of minor working-class uprisings occurred against the policies of the King and his government; three artisan uprisings took place during the 1830s. Yet, these events failed to

influence the ideas of the deputies at the National Assembly, the majority of which supported the government up until August 1846 (Ellis 2002, 29).

Economic situation was the other important factor shaping the road leading up to the February Revolution. 95% of the population paid less than 200 francs in taxes, meaning that an overwhelming majority of the French simply worked as wage-labour. Thus, when the harvests of 1845 and 1846 both failed, the ensuing steep price increase on foodstuffs was combined with the slow but steady decline in the real wage for most artisanal trades; this combination prepared the basis of disaster. People took out huge loans to stay afloat and the situation was quite severe to the point people continued going bankrupt even after the bountiful harvests of 1847. This eventually led to the stock market shrinking, causing further grievances. The poor became poorer, and the enterprises reduced the number of their workers due to the decrease in sales (Ellis 2002, 30).

The revolution appears to be triggered by the government's decision to ban a political banquet on 21 February 1848. This decision triggered widespread demonstrations across the city, which soon transformed into revolutionary action. King Louis-Philippe had to flee Paris on 23 February and the Second French Republic was proclaimed soon thereafter (Ellis 2002, 36).

d. Germany

The emergence of a revolutionary movement in Germany was long anticipated as Europe was already swarming with revolutionary ideas. The main reason for the 1848 Revolution in Germany is believed to be the economic situation of the working-class and the tradesmen. Just like the French case, the harsh harvest of 1846 and the general tension played a crucial role as well (von Strandmann 2002, 105-107).

The first sign of the revolution manifested itself in the form of an uproar of the peasants in the southwest, which later spread to some of the neighbouring states. When attempts to suppress the riots by force failed, the ministers of the region were forced to meet the peasants' demands. However, the peasants were not satisfied with the slow response (von Strandmann 2002, 105-106). Naturally, other social classes began to rebel following the rebels. The casual workers, (a grouping which excludes those working in factories and mines) revolted in a number of industrial centres such as Mannheim, Mainz, Leipzig, and more. The workers were not alone in their fight towards the cause, as they were soon joined by the artisans who chose to work backend, producing resolutions and petitioning the government (von Strandmann 2002, 106).

Berlin, however, was a different case. The general problems mentioned above were multiplied due to the recent industrialization of the city and the high levels of poverty among its inhabitants. The city's population grew 30% between 1840 and 1847, reaching to 400 thousand people, with an estimated 85% belonging to the working class; furthermore, only 10% of the Berliners had regular employment (von Strandmann 2002, 107). Initially, the initial wave of revolts fell short in planning as the workers, without much coordination, began raiding their workplaces and vandalizing the streets. The second wave was much more successful as the aristocrats and the bourgeoise joined in (Von Strandmann 2002, 107).

In addition to the development of revolutionary ideas among the lower classes, a mindset that favoured the enaction of political reforms started developing. The desire to establish a separate parliament for the people soon entailed the formation of public assemblies in certain regions of Germany in 1847. Many propositions about political reform were made in the following months. For example, Basserman proposed on 12 February 1848 that a national

representative body composed of various state[1] legislatures be formed; his proposal clearly advocated for a Pan-German and democratic approach to the building of new political institutions. These propositions, however, were challenged. The **Meeting of People**, an assembly that demanded a democratic German state with absolute press freedom, trial by jury and arming of the people, convened on the 27 February. Nevertheless, to calm the ever-coming declarations made by different groups across Germany, a conference of 51 German states was held in Heidelberg on 5 March; this conference was held to decide on common steps to be taken by the states amidst the tense political atmosphere. It was decided in this conference that elections for a national (that is, inter-state) German Parliament be held. The election was later held, and the Frankfurt Parliament convened for the first time on 18 May 1848 (von Strandmann 2002, 108-109).

Frankfurt Parliament (public domain)

e. Poland

Throughout the 1800s, the Poles danced with the idea of change. There were several uprisings made by a variety of groups that opposed the administration of Poland by the autocratic Prussian, Austrian, and Russian Empires. As an extension of that sentiment, Polish

[1] Here, "state" refers to the numerous small kingdoms and principalities that existed across Germany.

nobles tried to restore “the nobility of the Poles” in 1846 by inciting an armed insurrection; however, they were defeated (Stauter-Halsted 2001, 1). In 1848, another revolt popped up; this time, the revolt was backed by the peasants. It should be noted that those peasants referred to themselves as “nobles,” claiming that they owned the land they worked on, thus making them not serfs (Sperber 2005, 22). Still, the revolt was eventually crushed, and the Polish National Committee (tasked with representing the rebels) was abolished (Sperber 2005, 136).

f. Italy

Talking about the year 1848, a period known as the **Spring of Nations**, would not be complete without mentioning the revolts in Italy. As mentioned at the start of this section, the initial revolt took place in Sicily. The overall situation of the region during this era reached a stage so chaotic that the word “48” is used as a synonym for “chaos” in informal Italian. It should be noted that the Italian Revolution was remarkable since it was the people who did not even speak the same language in most cases, who grouped up to revolt against a common enemy (Smith 2002, 56).

Akin to the other nations of Europe, Italy experienced economic problems in the 1840s. A natural result of those economic problems was that merchants, landowners, and the workers demanded change. Another remarkable problem was the constant oppression exercised by the kings and dukes around and in the region. The economically advantaged saw the kings’ and dukes' absolute power as being unjustified, and many regarded those kings and dukes to be incompetent (Smith 2002, 56-57).

The Sicilian uprising was the first to break out of this common unrest. On 13 January 1848, the rioters broke open prisons, killed tax collectors and policemen. The King of Naples (who was also the sovereign of Sicily) did not stay silent as quickly he ordered more troops into the region. However, in only two weeks the revolt scooped up most of the Sicilian region,

leaving only Messina under Neapolitan rule. A National Guard was later created by the rioters to protect their "revolution"; later, a parliament was elected. (Smith 2002, 58-59).

The revolt eventually grew to a point where the King had to concede by promising to promulgate a constitution to please the revolutionaries. However, the promised constitution still entrusted extensive authority to the King, much to the disliking of the revolutionaries. Nevertheless, the bringing of the "constitution" to the fore of the political agenda proved enough to capture the attention of people across Italy, eventually prompting those people to organise rebellions in different parts of Italy (Smith 2002 60-61).

g. Austria

i. Metternichian Order in Austria

In 1840s, Austrian Empire, as a country in the centre of Europe, was also affected by the trend of peasant revolutions shaking regimes across Europe. In this period, Austria was under the conservative and oppressive regime of **Klemens von Metternich**, who was also the architect of the **Concert of Europe** due to the ideals he presented at the **Congress of Vienna** in 1815. Metternich's ideals for the international arena were very conservative, as he foresaw the prevention of any nationalist movement's emergence, arguing that it would disrupt the foundations of the empires of Europe. In the domestic realm, anti-nationalist ideas manifested in the form of oppression on minorities of the Austrian Empire, particularly certain ethnic minorities which experienced economic and social development in the 19th century. These ethnic minorities included a number of Slavic ethnic groups (the Croats, the Czechs and the Poles), and Hungarians. These minorities were perceived to be minorities with a state-right[2], however, the national awakening did not emerge merely within minorities with state-right.

[2] Nations which have a right to establish their own independent state.

National awakening movements also appeared within nations without a state-right, like Slovaks. The elite considered the Slovaks to be Czech subjects and did not see them as a nation with state-right. However, the Slovaks worked to resurface (or construct) the Slovak national identity despite not having a state-right.

Metternich's policies consisted of measures taken against the national awakening of these minorities, who held the potential of disturbing the established order of Austria. However, despite Metternich's all efforts, these nations caused trouble in late 1840s.

The Metternichian order in Austria was mostly dependent on a compromise between local nobility and the imperial bureaucracy in Vienna. In the 19th century, **liberalism** and **nationalism** were deeply connected to each other and acted hand-to-hand in most cases. Therefore, an imminent threat of a liberal constitution, which would nearly eliminate all power and influence of local nobles, emerged due to the strengthening nationalist sentiments across the empire. Local aristocrats, motivated by a fear of losing their privileges due to a liberal constitution, consented to the curtailment of their powers by the imperial bureaucracy. In exchange, the imperial bureaucracy preserved Diets[3], through which the nobility was able to exercise influence over politics to a certain extent (Bérenger 2014, 143). However, this arrangement did not enable any opportunity for the lower classes to exert political influence; in certain fields, the only power was given to the imperial bureaucracy.

[3] Diet was a name given to the assemblies of nobles in pre-modern Europe.

Klemens von Metternich (Public domain)

Members of these diets were appointed by the presidents of the diets for life, and the presidents were appointed by the emperor. By appointing the presidents, Vienna ensured its hold over local politics. However, since the diets held the power to control conscription and taxation and since the members of the diets were appointed from among local nobles, the local nobility enjoyed an unchallenged control over the conscription and taxation of their own country (Bérenger 2014, 141-142).

Austria did not have an autonomous Council of Ministers and decision-making power was exclusively given to the emperor, who handed out the duty of applying these policies to his ministers and to the administrative bodies under their jurisdiction. Due to this arrangement, Metternich's position as the political leader of Austria was not officialised though he remained as an exceptionally "influential" politician (Bérenger 2014, 142-143). Despite his lack of an official position, Metternich was the master of Austria and was powerful enough to establish a domestic order for Austria and an international order for Europe.

As mentioned above, the Metternichian order was based on the prevention of rise of nationalism in order to preserve the status quo. Therefore, there was a widespread oppression exercised over liberal movements as it was feared that those liberal movements could fuel

minority national movements. The oppression even extended into Austrian universities, where liberal thoughts emerged and spread; to prevent this trend, Metternich appointed inspectors to inspect the universities, including Austrian universities (Bérenger 2014, 144).

ii. Responses to Metternichian Politics

The response of the minorities of the Austrian Empire to the Metternichian order was a movement of national awakening, particularly in Bohemia and Hungary. In both of these regions, national awakening movements emerged as political and intellectual movements which had no means to apply brute force but tried to ensure certain intellectual and political concessions from Vienna. In Austrian Italy and Galicia[4], the situation was much different as those regions (unlike Bohemia and Hungary) were not completely under Austrian domination. In Italy, Austria was considered as an invader and independent Italian states pursued a policy called *Risorgimento* that aimed to unite Italy. In Poland, Austria was again considered as an invader and Austria had to repress the Polish nationalism together with the empires that ruled the rest of Poland, namely Prussia and Russia. Meanwhile, Metternichian politics also caused a reaction from the Austrian elite in the form of the spread of liberal ideals in German-dominated parts of lesser Austria, including Vienna (Taylor 1948, 49-50).

Within Austria, Metternich's policies were met with displease even though the causes differed from those in the cases of Hungary and Bohemia. In Bohemia and Hungary, the reaction was against the centralist policies of Metternich, whereas among Germans, the reaction was due to lack of centralisation (Taylor 1948, 50).

As mentioned above, the order designed and implemented by Metternich depended on two antagonistic pillars: centralisation and decentralisation. Centralisation pillar was the oppression of nationalists and liberals by the imperial bureaucracy, carried out through the

[4] Part of Poland given to Austria in the 1792 Partition of Poland

excessive use of police and curtailment of the influence of local diets. However, Metternich also pursued decentralisation; despite being a German, he was not in favour of centralisation. While trying to keep his grasp over the country, he launched an effort to promote local crowns under the crown of the Emperor of Austria. Arguably, this was an effort to underline the fact that as the crown of an emperor, the Crown of Austria was superior to other royal crowns, such as the **Crown of Bohemia** or the **Holy Crown of Hungary**[5]. In 1830, upon Metternich's insistence, **Prince Ferdinand** was crowned as the **King of Hungary** while his father Franz I was alive. Moreover, after his coronation as the **Emperor of Austria** in 1835, Ferdinand was also crowned as the **King of Bohemia** in 1836 and the **King of Lombardy** in 1838 (Taylor 1948, 49).

The response of the German population was against the oppression and decentralist policies of Metternich; the latter bestowed granted a limited sphere of influence to the provincial aristocracy but left the real power within the imperial bureaucracy. This bastardised regime faced opposition even from the **Diet of Lower Austria**, which consisted of mostly imperial bureaucrats and convened in Vienna. The imperial bureaucrats were displeased with the medieval practices that persisted within the Metternichian regime, such as the local diets' influence on taxation. Furthermore, they were displeased with the power of local nobles in general. As the 1840s came about, even the imperial bureaucracy did not support the regime. The Metternichian regime lost the support of its own bureaucracy, after losing the support of Germans and minorities (Taylor 1948, 49-50).

In Bohemia, the Czech national awakening emerged as a movement of intellectuals who were working to promote their Slavic-Czech culture. Although Czech culture was already a

[5] Also known as the Crown of Saint Stephen. Takes its name from **Saint Stephen** (**Istvan I** in Hungarian), the last **Grand Prince of Hungary** and the first **King of Hungary** who reigned between 997-1000/1001 as the Grand Prince and between 1000/1001-1038 as the King of Hungary.

notable component of the European culture as early as the 17th century, the Austrian-ruled Bohemia lived a cultural rebirth in early 19th century. Czech intellectuals who were influenced by the German idealist trend and Austrian nationalism spurred after the Napoleonic Wars began publishing books on the Czech culture and language (Bérenger 2014, 158). This intellectual effort was followed by the standardisation of the Czech language and the creation of a Czech historiography. Around 1840s, Prague became a centre for Czech national institutions like the Czech Academy of Sciences or the National Theatre (Bérenger 2014, 145-146).

In Hungary, two approaches were adopted against the Metternichian politics. The first one, advocated by **Count Istvan Széchenyi**, was rather inspired by the evolutionary model of change adopted by the British than the revolutionary and violent French model. Széchenyi argued that Hungary should become an independent nation-state; however, instead of enforcing this independence on the imperial government through armed conflict, he supported an evolutionary approach. Széchenyi lobbied within the Diet of Hungary to revoke the privileges of the nobility and to tax them in order to finance the economic and infrastructural development of Hungary (Taylor 1948, 51). With his efforts, the first bridge connecting Buda and Pest was constructed over Danube, which was funded with taxes collected from Hungarian aristocracy. Accordingly with his plan, Széchenyi tried to reinforce Hungarian intellectual life by founding the Hungarian Academy of Sciences in 1825 and establishing journals and newspapers. Széchenyi believed that Hungarians would eventually become a nation ready for independence by following this path and that Vienna would be forced to recognise the independence of Hungary at a certain point (Bérenger 2014, 147-148).

Initially, Széchenyi's reformist approach was supported by radicals like **Lajos Kossuth**, who gathered many like-minded radicals around himself in support of Széchenyi. However, Kossuth and his radicals later parted ways with Széchenyi and demanded complete independence through a war of independence, which would result in the independence of

Hungary and the abolition of the aristocratic regime. Kossuth, unlike Széchenyi, was inspired by the French example and thought that the solution could be reached merely through use of violence by masses (Taylor 1948, 51). In 1847, Kossuth, despite not owning any land, became a member of the **Diet of Hungary**, swiftly acquired political power, and launched his radical program. In March 1848, when a revolution began in France, he gave the following speech in the Diet, summarising his program and political aims, which would lead to the Hungarian Revolution of 1848:

"The real source of our troubles lies in the governmental system. . . . There are political arrangements which, by virtue of their permanence, do not gain, but rather lose strength, till at length the moment is reached . . . when their long life qualifies them only to be allowed to die." (Evans 2006, 173).

Lajos Kossuth (Public domain)

The importance of this speech is hidden in Kossuth's description of the Austrian Empire. Kossuth, as a Hungarian revolutionary who later became the leader of the Hungarian Revolution of 1848, said that the Austrian state structure is doomed to fail. The political arrangements he

mentioned, the Metternichian regime, were unable to gain permanent legitimacy and was destined to be eradicated. This perspective later would be embraced by "**forty-eighters**," Hungarian political movement advocating for independence.

Even though not all advocated for a violent revolution, the ideas of the Hungarians still posed challenges to the imperial bureaucracy in Vienna. The Diet of Hungary was a platform for the Hungarians to voice their demands for reform. In 1825, despite Vienna's insistence on the usage of German or Latin in state affairs, the Diet declared **Magyar** as the official language of conduct (Bérenger 2014, 142). Up until 1848, the Diet pushed for further reforms and became a channel for radicals led by Kossuth to promote their ideas. In 1836, Kossuth was arrested by the police because of his radical stance. The Diet of Hungary, after a couple years of very strained relations with Vienna, managed to secure the release of Kossuth in 1840. Although this caused a short period of reconciliation between Vienna and Budapest, tensions rose again. A primitive form of party politics emerged within the Diet in 1840s; within that political landscape, the liberals began to demand independence and the abolition of all noble privileges (Evans 2006, 175-176).

In Bohemia, the Czech national awakening followed a rather different route, which was initiated not by national motives but by fiscal motives. The political components of the Czech national awakening emerged as a result of the discontent within the Bohemian aristocracy, who believed that they should be able to avoid the control of the imperial bureaucracy or imperial tax collectors by following the Hungarian route. **František Palacký**, the most prominent Czech revivalist, was one of those who proposed this idea of pursuing the steps of Hungarians. However, the Czech revivalist movement soon rivalled Hungarian nationalism since it began to advocate rights of Slovaks within Hungary (Taylor 1948, 50). Observing this rivalry, Vienna prepared itself to play Czechs against Hungarians as a way of maintaining balance between forces and preserving its authority. Still, the Bohemian Diet managed to get some concessions

from Vienna, claiming the right to examine and refuse proposals sent from Vienna in 1846 (Taylor 1948, 50).

iii. Revolutions of 1848 in Austria

Austria and Hungary were physically divided by the Leitha River, with Austria being called as "**Cisleithania**[6]" and Hungary as "**Transleithania**[7]." Between two sides of the Leitha, relations were complex and intertwined. On the one hand, the elites of the two sides were intertwined and connected. With the help of railroads connecting Budapest and Vienna, and also with the steamers going across the Danube, intellectuals from either side of Leitha began to travel to and settle in the other side. Hungarian intellectuals began to launch publications in Vienna and German intellectuals did the same in Budapest (Evans 2006, 248-250). On the other hand, there was a major opposition to the Metternichian order in both Vienna and Budapest.

In Cisleithania, the opposition emerged as a demand for the end of Metternichian order. Metternich's order was nearly exclusively dependant on the concept of legitimacy. The mentality was basically that the Habsburgs (or their officials, like Metternich himself) should not be challenged since they were the legitimate rulers of the Austrian Empire. If they were to be challenged, no compromise should be sought. This understanding of Metternich overlooked the fact that the masses had become an indispensable part of politics after the French Revolution in 1789. Furthermore, he ignored the fact that the masses had the power to enforce their demands on decision-makers, as they attempted to on 13 March 1848 in Vienna (Hirsch 1948, 210-211).

In Transleithania, the revolutionary activity emerged as a result of combination of causes. The main causes were the Hungarian national awakening pioneered by Count Istvan Széchenyi and Lajos Kossuth, and the poor harvest of 1847 that agitated the rural population

[6] Roughly meaning "this side of the Leitha"

[7] Roughly meaning "the other side of the Leitha"

across Europe. The first echo of the February Revolution in France came from Budapest on the 3rd of March, when Lajos Kossuth declared that Vienna and Budapest cannot remain together with the following reasoning: "*imperial government is not constitutional, it therefore cannot be in harmony with our own separate government or our constitutional life.*" (Evans 2006, 252).

Following his speech, Kossuth secured a unanimous vote for a new Hungarian constitution, and he petitioned the emperor to promulgate this new constitution. On 6 March, the guilds of Austria demanded political rights for the people, publication of court judgements, and suppression of censorship. On 13th of March, the masses appeared on streets. In Vienna, students and the burghers sieged the Diet of Lower Austria and marched to the Chancellery to demand Metternich's resignation. In the Diet, a doctor recited the speech given by Kossuth on3 March. The army units summoned by the government opened fire on the protesters, escalating tensions. Eventually, Metternich gave his resignation on the same day and left the Empire for London, where he sought refuge (Bérenger 2014, 161).

In Vienna, the insurgent masses consisted of peasants who migrated to Vienna to work in industry. However, the industry of the Austrian Empire was not developed enough to provide jobs for every landless peasant, resulting in the emergence of a mass of unemployed landless peasants in Vienna. This revolutionary mass was directed and led by university students in the city, who, unlike the peasants, had intellectual abilities to a certain extent. Together with other non-aristocrat circles of the city, like the bourgeoisie, these masses carried out the revolutionary effort in Vienna (Taylor 1948, 58-59). In the first hours of the revolution, insurgents established a **Central Committee** and **National Guard** units. For the next six months, the central government would be dependent on the cooperation of the revolutionaries in Vienna (Bérenger 2014, 161-162).

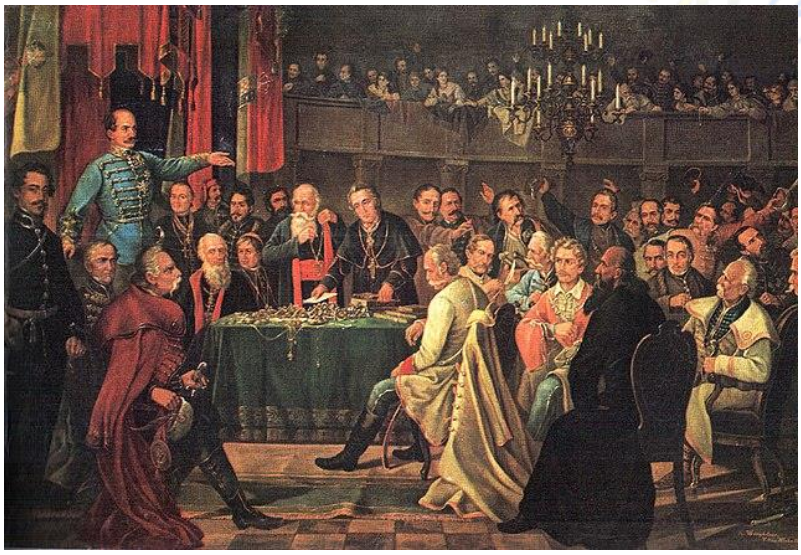
The revolutionary insurgency spread to Budapest on 15 March, when Magyar poet **Sándor Petőfi** organised a protest and presented a list of demands. The list of demands included

the establishment of a modern Hungarian Parliament that would replace the Diet of Hungary, equality before law, abolition of feudal privileges and duties, and the departure of "foreign" troops from Hungarian lands. The demands almost aimed for the establishment of an autonomous Hungarian state that would remain within the Empire. Petőfi, with around 15 thousand protesters, marched towards the headquarters of the garrison in Budapest. The commander of the garrison, believing that the Italian soldiers under him were not trustworthy, did not resist. Vienna gave the Hungarians a permission to establish their own parliament and a council of ministers responsible to the parliament; **Count Batthyany** became the first Prime Minister of Hungary under this arrangement (Bérenger 2014, 162-163).

On the same day, the **Committee of Public Safety** was established in Budapest by radical intellectuals for the purpose of administering the city for the next month. In mid-April, however, Count Batthyany took power and started following a path that was moderate when compared to those of the radicals. Later, elections for the first representative assembly of Hungary were held and the radicals secured only a limited number of seats. This led to a separation between parliamentary radicals and radicals who were members of a society named **Society for Equality** (Deme 1972, 72-73).

Members of the Society for Equality (which included Petőfi) pushed for very radical reforms which the liberals like **Count Batthyany** had no intentions to consider. Count Batthyany already favoured a reform program that would instate civil rights for all, limited suffrage, a rather controlled freedom of press, and freedom of religion for Christians. However, radicals demanded universal suffrage, the complete freedom of press, freedom of religion, emancipation of Jews, and the complete abolition of noble privileges. These demands were unacceptable for Batthyany, the liberals, and for the imperial government in Vienna. Despite this, the radicals were able gather major support from masses and they weaponised this support for forcing the government to carry out their reform program (Deme 1972, 74-75).

In the meantime, minorities within Hungary were also influenced by the events of **'48**[8], and as early as March, they began to form their own national assemblies. On 25 March, Croats established the **Sabor**[9], which appointed **Colonel Josip Jelačić**, an advocate for independence of Croatia, as the **Ban**[10]. The Croat parliament was followed by the Slovak parliament on 10 May, Serbian parliament on 13 May, and Romanian parliament on 15 May (Bérenger 2014, 163). These parliaments opposed to the government in Budapest[11] and declared their nations' autonomy. They perceived Budapest as a threat to their existence and perceived Vienna as a counterbalance. The Sabor went as further as to propose separating Croatia from Hungary and putting it directly under the Imperial Crown. Furthermore, Jelačić launched an army of 40 thousand to march to Budapest. Although only Croatians dared to engage in direct armed conflict, all minorities committed atrocities against Magyars across Transleithania (Deme 1972, 76-77).



Croatian Sabor (Public domain)

[8] The year 1848 is written as "**'48**" intentionally, to emphasise the name of the pro-independence trend in 20th century Hungarian politics.

[9] Croatian parliament

[10] A title given to Croatian leaders.

[11] It should be noted that those four nations were subordinated to the Crown of Hungary during the Metternichian Era.

Until September ’48, Vienna refrained from taking part in the conflicts within Hungary. Emperor Ferdinand limited his political role to the mere appointment of the Prime Minister of Hungary, and approving reforms made by the Hungarian Parliament. From March to September, Ferdinand even implicitly allowed Hungarians to establish their own army and **ministries of war, foreign affairs, and finance**. However, even the emperor’s very limited intervention aimed to break the force of the revolution. In Budapest, the Society for Equality accepted Lajos Kossuth as the leader of radicals, even though he was not a member of the society. Thus, radicals practically assumed power in the Hungarian capital and made it harder for the moderates like Count Batthyany to govern the country. Even though he was aware of the popularity of radicals, Ferdinand insisted on appointing Batthyany as the Prime Minister of Hungary, which led to a government crisis (Deme 1972, 76-77).

In September, the Hungarian revolution was under pressure from two sides. In Vienna, the Emperor decided that it was time to reverse the radical reforms of the revolution. He sent a memorandum to Budapest, requested that the Hungarian ministries of war, foreign affairs, and finance be abolished, and their duties handed to the imperial government, which administered both Transleithania and Cisleithania. In Croatia Jelačić launched a marched towards Budapest with an army of 40 thousand men on 11 September. Initially Jelačić was able to defeat the weak Hungarian defence and proceed towards the capital. Upon the threat of invasion, the Society for Equality and Kossuth began to push for the establishment of an independent Hungarian army of 200 thousand men. Moreover, the society publicly declared the establishment of its own armed forces, the **Vigilante Committee**. The society also tried to push for a dictatorial order in Hungary led by Kossuth. In response, Count Batthyany requested that the imperial troops from Vienna to suppress the radicals in Budapest (Deme 1972, 79-81).

With the radicals’ support, Kossuth assumed absolute power over Hungary on 22 September. In response, the emperor appointed **Ferenc Lamberg** as the commander-in-chief of

Habsburg forces in Hungary. Two days later, Kossuth ordered Hungarian troops to disobey Lamberg's orders. Next day, Lamberg was recognised by the radical while he was going to a meeting with Count Batthyany and was beaten to death on a bridge connecting Buda and Pest (Connelly 2020, 178). On 29 September, Jelačić was defeated by the independent Hungarian army a couple miles away from Budapest. Thus, the radicals managed to fully take over Hungary and forced Count Batthyany to resign (Bérenger 2014, 164).

In Vienna and Budapest, the revolution seemed to be successful until November '48. While Kossuth and his radicals were on their way to assume power in Budapest, the revolutionary insurgency ruled over in Vienna as well. Since March, Viennese revolutionaries were wreaking havoc in the city, forcing the imperial court, the government, and the Austrian parliament out of the city. The **National Guard** and the **Academic Legion** managed to take over the imperial capital from Habsburgs in May. From May to November, the insurgents ruled Vienna while the emperor was deploying armies to suppress the revolutions (Taylor 1948, 61-64).

In Austrian Italy and in Bohemia, revolutionary activities were much more limited. The local commanders of the imperial forces, on the contrary of the orders from Vienna, crushed the insurgents before they had any chance to spread and take over their region (Bérenger 2014, 167-168).

iv. The Empire Strikes Back: Reaction to Revolutions

The revolutionary activity was suppressed in Bohemia even before it had any chance. In June '48, **General Windischgrätz**, Governor of Bohemia, withdrew his troops from the city when the revolutionary activity began to emerge in Prague. Then, he besieged and bombarded the city, forcing it to capitulate (Bérenger 2014, 167).

In Italy, the insurgency was much more challenging for the imperial forces, as the Italian armies joined the insurgents against Austrians. General Radetzky, the 82 years old commander

of the forces in Italy, was forced to withdraw up until late July, when he defeated the Piedmontese army. On 6th of August, Radetzky entered Milan, ending the revolution in Austrian Italy. To celebrate this victory, famous composer Johann Strauss composed the **Radetzky March** (Connelly 2020, 177).

In Vienna, the tide began to turn against the revolutionaries in October, when the imperial army led by General Windischgrätz besieged the city. Throughout September and October, Viennese insurgents increased their activities, as a response to increased pressure over Budapest. However, with the crushing of the revolutionaries in Italy and Bohemia, the imperial forces were able to deal with two major revolutions within the Empire (Bérenger 167-168). On 26 October, General Windischgrätz, stormed Vienna in cooperation with Jelačić. 25 thousand soldiers sent by Kossuth to support the insurgents in Vienna were defeated by Jelačić's forces. On 31 October, imperial forces defeated the revolutionaries and took over the capital. Windischgrätz brought an order of brutal oppression to Vienna by disbanding the National Guard and the Academic Legion, arresting thousands of revolutionaries and executing 25 of them (Connelly 2020, 179).

As the winter of '48-'49 came about, Austria began reconstruction efforts and began to prepare for a struggle against Hungarians. On 2 December, Ferdinand abdicated the throne in favour of his nephew **Franz Joseph**, who would reign until 1916. Franz Joseph was a man who wanted to deal with the Hungarian issue with violence. He believed that the rights of minorities should not be discussed, and absolutist rule should be re-established with only minor concessions being made to the liberals. In accordance with the new emperor's agenda Windischgrätz invaded Budapest in the Winter of 1849 and forced the Hungarian government to flee to Debrecen (Bérenger 2014, 170-171).

Meanwhile, in Debrecen, Kossuth declared a **Hungarian Republic**, deposing the House of Habsburg. Franz Joseph's first **Minister-president**[12], **Schwarzenberg**, asked the Russian Tsar Nicholas I to help against the Hungarians; the Russian accepted the offer and began invading Northern Hungary in May 1849. At the same time, Austrian forces began to sweep across the Danube. On 31 July, Russian troops defeated the Hungarian army in the Battle of Segesvar. Seeing the situation, Kossuth understood that he had no chance of success and sought refuge in the Ottoman Empire (Bérenger 2014, 171).

General Görgey, who replaced Kossuth, surrendered to the Russian army in Vilagos on 13 August. Thereafter, the Russian army left Transleithania completely to the mercy of the Austrian forces, who brought an era of terror and persecution with them. Count Batthyany was executed on 6 October by Austrian forces. On the same day, 13 generals who commanded the Hungarian army were shot by firing squads and were later named as "**Arad martyrs**." Along with them, many officers and soldiers of the Hungarian army were executed. Franz Joseph saw them as traitors who committed unforgivable crimes against the Austrian Empire; he therefore never considered pardoning them (Connelly 2020, 183-184).

The government in Vienna acted as if Hungary was an enemy land that was conquered by the Austrian army. Until 1852, Hungary remained under military administration and the reforms of 1848 were revoked soon after a civilian administration was re-established in 1852. Feudal duties enforced on the peasants were abolished, though the privileges enjoyed by Hungary and other parts of the Empire were withdrawn. Franz Joseph asserted the power of the central government over the parts of the Empire and centralised the rule to an extent that would be unexpected even for Metternich (Bérenger 2014, 168-172)

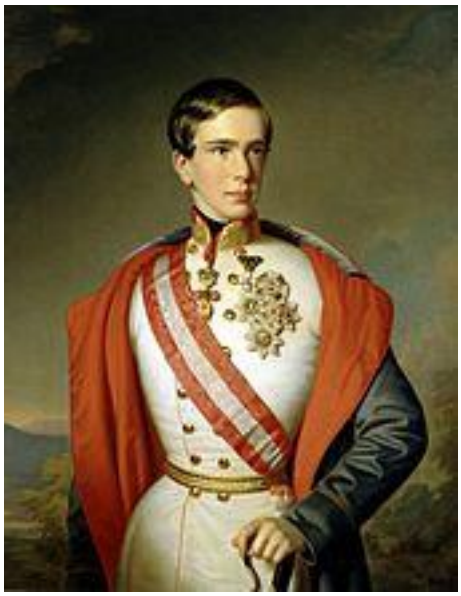
[12] Minister-President was an office akin to the office of the Prime Minister in contemporary political systems.

3) Austria after the 1848 Revolutions

a. Rule of Emperor Franz Joseph

Emperor Franz Joseph ascended to the imperial throne as a result of a plot conducted by his mother, **Princess Sophia**, and his to-be first Minister-president, **Schwarzenberg**. The two, forced Emperor Ferdinand to abdicate in favour of Franz Joseph in December 1848. As the Emperor, Franz Joseph's first action was violently repressing the Hungarians, declaring martial law in the majority of the Empire, and establishing a centralised bureaucracy that gave no space of manoeuvre for local notables. In terms of foreign policy, Franz Joseph and Schwarzenberg tried to establish Austria as a dominant actor in 1850s even though most of their attempts would result in a shameful series of defeats (Deak 1990, 43-44).

Franz Joseph's reign was marked by a different sense of centralisation and conservative order compared to that of Metternich's. Franz Joseph, after the centrifugal elements that attempted on his Empire were violently eliminated, made the state structure dependent on himself. He was the supreme commander of the army who appeared on battlefields, and he was the head of bureaucracy who directed everything from Vienna. Unlike Metternichian order, Franz Joseph tried to rule the country as a unitary, monolithic state (Bérenger 2014, 175).



Franz Joseph in 1848 (Public domain)

On the other hand, it was possible to recognise the effects of the ideals promoted by ’48 movements on Franz Joseph’s regime, though those ideas were materialised for different purposes this time. Like the revolutionaries of ’48, Franz Joseph granted equality before law to every subject of the Empire. He abolished feudal duties and privileges. He enacted those reforms not to support the cause of the revolutionaries, but to ensure that there would be no force to oppose his absolute power. The Habsburg rule was stripped of its historical role as the negotiator between local decision-makers. Instead, every program to be applied was enforced from Vienna by the Emperor. To impose his programs, Franz Joseph relied on the imperial bureaucracy he spread across the Empire instead of local notables (Judson 2016).

As early as 1849-1850, **Minister of Interior Alexander Bach** worked for the creation of so-called **Bach system**, which abolished the existence of different crowns within the Empire as separate entities. So far, different crowns of the Empire, like Hungary, Croatia, or Bohemia, were polities that were separate from the Imperial crown. They had their own Diets, own customs, and sometimes even their own institutions. However, with the Bach system, all these were revoked, and every local agency was replaced with an imperial agency directly under the control of Vienna. First, Hungary was abolished as a separate entity within the Empire, along with its Diet, nobility, and own limited authority on domestic policies of Transleithania. This was followed by the other separate crowns of the Empire, like Bohemia and even Croatia, which remained loyal to Vienna (Taylor 1948, 85-86).

One of the major decisions for this end was the abolition of internal customs of the Empire, and formation of a single, united market. From the early 18th century to October 1850, Transleithania and Cisleithania were separate markets and customs existed on the Leitha. This separation of markets was an outcome of mercantilist policies of 18th century through which the Austrian emperors turned Transleithania into a territory that resembled a colony of Austria. Transleithania was produced raw materials, mainly agricultural products, and exported them to

Cisleithania; in exchange, Transleithania purchased manufactured products (Komlos 1983, 28-30).

On the other hand, products whose import into the Empire was prohibited could be traded between the left and right sides of the Leitha[13]. The import of products like iron, cotton and wool into the Empire was prohibited; therefore, the emerging Austrian industry supplied these goods from Transleithania. However, since Hungarian producers were able to sell their products to Austrian industry, Hungary had no chance to develop her own industry. As a result, she became more and more dependent on Austrian manufactured goods (Komlos 1983, 30).

After the suppression of the'48 movement in Hungary, there were no obstacles before the introduction of Austrian systems into Hungary, including Austrian taxation system. With the introduction of Austrian financial system into Hungary, there remained no difference in financial matters between either side of the Leitha. Moreover, the Hungarian notables, particularly those who stood with Kossuth, were eliminated. Along with their idea of Hungarian independence, support for protectionist measures for Transleithanian market and the ideal of a Hungarian industry disappeared as well. Thus, Franz Joseph, faced no challenge in 1850 when he decided to abolish the customs on the Leitha, enabling the Austrian industry to compete and expand (Komlos 1983, 33-34).

Meanwhile, Austria was still participating in German affairs, aiming to secure a dominant position for herself in anticipation of a German unification or integration. However, Prussia was also working to assert its dominance over a hypothetical united Germany. When the Frankfurt Parliament was convened in 1848, deputies of both Austria and Prussia tried to ensure a unification plan that would put the German kingdoms and principalities under their

[13] For rivers, left and rights coasts are determined according to the direction of stream. For the Leitha, the right coast is Transleithania (Hungary) and the left coast is Cisleithania (Austria).

domination. When the Frankfurt Parliament prepared a constitution creating a unified and autonomous German state, the constitution was rejected by **Friedrich Wilhelm of Prussia** and the parliament was forcibly dissolved without realising its goals. In September 1850 Prussia invaded the Principality of Hesse in order to put a pressure on Austria. In response, the Empire gathered an army of 450 thousand men against Prussia, which led the latter to back down and sign the humiliating **Punctuation of Olmütz** (Deak 1990, 43).

This was one of the first instances of Schwarzenberg and Franz Joseph's active foreign policy; however, this victory was a victory of the Minister-president and not of the Emperor. Since his coronation, the Emperor had been the absolute authority, but policies of the Empire were devised and implemented by his ministers. The country was ruled with the absolute power of Bach and Schwarzenberg until the latter's death in 1852. The decrees were issued by the Emperor himself, like the decree abolishing the Leitha customs or the decree suspending the constitution of 1849; however, the path which he was supposed to follow was determined by his ministers (Taylor 1948, 85-86; Bérenger 2014, 175-176).

With Schwarzenberg's death in 1852, the Emperor managed to assert his absolute authority over the state. Thereafter, Franz Joseph established himself as the mere decision-maker of the Empire and the ministers were reduced to officials who only carry out the orders coming from the Emperor. **Minister-presidency** became an arbitrary office that was occupied by a figurehead and the cabinet did not meet without Franz Joseph's presence. From 1852 onwards, the government made no decision on matters of foreign policy and defence, nor did the Emperor consult the government when making decisions. He made all decisions by himself and gave orders to the bureaucracy (Bérenger 2014, 177).

In order to entrench his absolute rule over the country, Franz Joseph endeavoured a major expansion of the bureaucracy and the army. The bureaucratic duties he wanted to transfer to the central bureaucracy were previously being carried out by the nobles, particularly in

Bohemia and in Hungary, but in Austria as well. The nobility had to be replaced by a hierarchical bureaucracy consisting of people who received orders and salaries from Vienna and who knew German. This bureaucratic class was non-existent, especially in Hungary. The personnel needs were met by employing the former employees of nobles; however, the central treasury had to pay salaries to people who previously received nothing from the imperial treasury, thus placing a financial burden on the Empire (Bérenger 2014, 177-178).

Also, in Hungary, the central government had to appoint bureaucrats who were alien to the Hungarian people. Unlike Cisleithania, there were no imperial bureaucratic class in Hungary, hence, there were no one to be employed by the government as a civil administrator. The imperial government thus appointed Germans as the bureaucrats who would administer Hungary despite having no knowledge of the region and its people (Taylor 1948, 86; Bérenger 2014, 177-178). However, those German bureaucrats in Hungary, who were known as "Bach's hussars" were not able to secure the aims of the absolutist program. Hungarian peasants, under the administration of aliens, refused to pay taxes and resisted to imperial officials (Judson 2016).

On the other hand, the liberal reforms (such as the emancipation of peasantry) did not bring the expected support for the imperial government. Certain reforms in the education or legal fields cultivated a limited support for the imperial government. Still, the economic reforms promoting the reinforcement of a capitalist economy did not bring anything close to expected results (Judson 2016).

On top of all of these, the imperial treasury had to borrow huge sums of money to support the establishment of the central bureaucracy and mobilisation efforts of 1854-56. In 1853, when the Ottoman Empire declared war on Russia, Austria first remained neutral to avoid

alienating Russia. However, with the establishment of the Allies[14], Russian forces withdrew from the Danubian principalities, namely Wallachia and Moldova. The Emperor saw this as a chance to establish his dominance over the Danube and push the Russians out of the Balkans. In 1854, the Emperor ordered the invasion of principalities and sent and ultimatum to Russia. However, Austrian generals pushed the Emperor not to act on the ultimatum. In general, Austrian military staff opposed any conflict with Russia; therefore, the Emperor refrained from aligning with the Allies. This attitude brought a disastrous result in Congress of Paris of 1856, wherein Austria received nothing. The Danubian principalities, which were under Austrian occupation, were given back to the Ottoman Empire with increased autonomy (Taylor 1948, 91-92).

The Crimean War brought about several results that completely worked against the Austrian Empire. First, Austria lost its significance in the eyes of Western Europeans as a necessary counterbalance against Russia. Without a major Austrian involvement in the war, Britain and France managed to defeat Russia through allying with the Ottoman Empire and landing on Crimea. Without Austria's participation in the war, Russia was defeated and had to accept a humiliating peace (Taylor 1948, 92-93).

[14] In the context of the Crimean War (1853-56), the term Allies refer to the belligerent party formed against Russia by the Ottoman Empire, Britain, France, and Sardinia-Piedmont.

Siege of Sevastopol (1854-1855) during the Crimean War (Public domain)

Second, Sardinia-Piedmont, Austria's primary rival in Northern Italy, took part in the war with the Allies. While the "incompetent neutrality" of Austria alienated both the Allies and Russia from her, Sardinia-Piedmont had a chance to cultivate better relations with the great powers of Western Europe. Austria's unreliable stance during the war pushed the Western European powers away from her. Meanwhile, her actions against Russia strained the relations between those two former allies as well. As a result, Austria was left in the middle of Europe as an isolated power (Armaoğlu 1997, 253-254).

Third, in order to finance the mobilisation efforts of 1854 and 1855, Austrian military expenses skyrocketed. Both the **National Bank** and foreign capitalists refused to give loans to the Austrian treasury. The National Bank refused to give the loan because the treasury did not pay the previous credits of the bank and would not be able to pay even the interests of a new credit. Foreign capitalists' refusal was a result of domestic policies of Franz Joseph, particularly the oppression of the Jewish population. As a result, the Empire took an internal loan of 500 million guldens by selling bonds to repay the loans of the National Bank. This amount was the greatest loan taken in the history of the Empire until that point. However, instead of repaying

the credit, the money was spent for the army and the treasury continued to indebted to the National Bank (Macartney 2014).

In 1855, the **Minister of Finance Baumgartner** resigned in desperation and was replaced by Bruck, who worked to cut state expenditures. The Empire backpedalled on constructing railways from the treasury; it instead gave authorisation to private companies through certain concessions like transferring mines and other establishments in exchange for money. When this measure was not sufficient, the government began to sell the railway lines which it had owned. In order to end the fiscal crisis, the government began to sell government assets other than railways. By the time the treasury was again allowed to get loans from the National Bank in 1858, the government had sold nearly all of its assets, and money in the treasury was nearly empty again (Macartney 2014).

The final straw was the stock exchange crisis of 1857, which reached to Vienna Stock Exchange. Many of the credit providers were hit by the crisis. In order to receive their money back, they entered into a vicious cycle of interacting with the treasury: they sponsored more loans to be able to receive the repayments of earlier loans. This situation led to the emergence of an opposition demanding constitutional control over the expenditures of the government. Gradually, capitalists who initially supported the Franz Joseph regime withdrew their support and sided with the opposition. Even though the government made promises about social reforms in 1859, the opposition turned into an opposition against absolutist rule as a whole (Macartney 2014). In this domestic and international environment, Austria had to face a challenge coming from Sardinia-Piedmont, a challenge which emerged as a result of Austria's "incompetent neutrality" during the Crimean War.

b. Austrian Defeats in 1860s

Following an era marked by a series of revolts throughout Europe, Austria's past course of action navigated their approach toward the shaken dynamics of Europe a decade later. Austria's weakened state in the 1860s essentially derives from a long history of territorial dispute and political tensions surrounding the involvement of the French-Italian alliance in the matters of Austria's expansionism and Prussian foreign policy's impact on the German Confederation under the influence of Otto von Bismarck.

The roots of the Italian problem of Austria stretches to the enduring Italian goal of *Risorgimento* (the unification of Italy). Before Italy was a unitary kingdom of its own, the Italian Peninsula hosted the Kingdom of Sardinia-Piedmont, Papal States, kingdom of Two Sicilies, Duchies of Parma, Moderna, Tuscany and the Austrian controlled Kingdom of Lombardy-Venetia (Schneid 2012, 10). As the Prime Minister of Piedmont, **Camillo Benso** (more commonly known as **Count of Cavour**) pursued greater prospects for Piedmont and eventually paved the way for the formation of the Kingdom of Italy in 1866 (Armaoğlu 1997, 293-294).

Cavour dedicated his career to pushing a rhetoric of achieving Italian independence in all the regions of concern. On this basis, when Cavour made remarks against Austria in the Piedmontese Parliament in 1856, he not only warned the Italians of a potential war against Austria but also sparked an awakening in the Austrian controlled Kingdom of Lombardy-Venetia (Armaoğlu 1997,288). As Austria and Piedmont had recently been on the opposite sides in the Crimean War, the words of Cavour did not come as a surprise to Austria; however, it did expose the vulnerabilities of the Austrian Empire. The Italian cause would be supported by none other than **Napoleon III**, the Italian sympathizer ruler of France (Popkin 2001, 122-123).

French Emperor Napoleon III's ideals were dedicated to upholding a positive Catholic image and a stable structure in Europe through the French involvement in Italian politics. Following the Paris Peace Conference of 1856, Napoleon III guaranteed an alliance with

Sardinia-Piedmont, which played in favour of Cavour's long-term goals towards unification. (Armaoğlu 1997, 289-290).

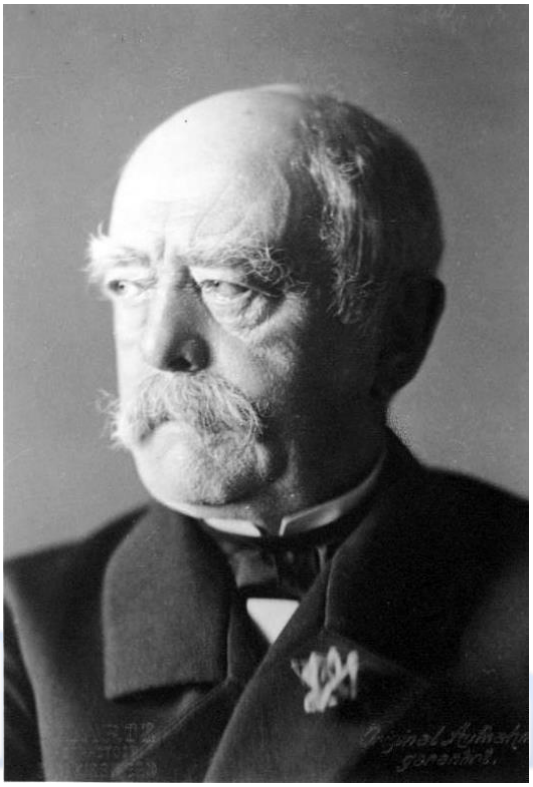
In the following months, Cavour and Napoleon convened discreetly in Plombieres to map out the preparations for a possible war against Austria through which they aimed to hinder the ambitions of the Austrian Empire in Italian territories. Consequently, the Franco-Italian compromise would lay the groundwork for the Second and Third Italian War of Independence wherein the allies emerged victorious and successfully limited Austrian dominance in the late 1860s (Schneid 2012, 28).

Aside from the Italian affairs, a significant amount of Austria's political decline in the 19th century was driven by Prussian interests. Austria's long-established power over the German Confederation was challenged by the pursuit of **Otto von Bismarck**'s endeavour to unify Germany under Prussian leadership. Due to the potential von Bismarck had displayed as an ambassador, he was highly favoured by King Wilhelm I. The collaboration between Bismarck and Wilhelm I helped Prussia secure a strengthened social and military order.

Instead of tackling the Austrian concern impulsively and direct confronting Austria, Bismarck strove to implement industrial reforms in Prussia that served his unification agenda in advance. Chancellor Bismarck practised **realpolitik** so that he could approach the political climate realistically in a way that serves the German nation's legitimate interests, in contrast to the traditionally embraced bureaucratic principles (Pflanze 1963, 53). Not only did Bismarck's practice (shaped by the desire to seek industrialization and military reforms) align with his ambitions to establish superiority in Europe, but it also helped Prussia ascend to become the leading power of German Confederation.

The ambitions of Bismarck were bolstered by Chief of the General Staff **Helmuth von Moltke**'s efforts to reorganize the military. Emphasizing the need to preserve "*esprit de corps*," von Moltke centralised the military in the German nation's endeavours. The structural changes

Prussia experienced under von Moltke and von Bismarck comprised extensive military staff training, expansion of the Zollverein customs union, and increase in artillery forces and the standing army (Barry 2010, 50-70).



Otto von Bismarck (Public domain)

i. Campaign in Italy:

After the Austrian acquisition of the regions of Lombardy and Venetia, the Kingdom of Lombardy-Venetia was formed, resulting in the intensification of Austrian activity in the region. By the first half of the 19th century, Austrian Empire had established a dominance over the Italian Peninsula through their acquisitions in Northern Italy (Duggan 2014, 121).

The Plombieres Agreement of 1858 had solidified the joint decisions and requirements of the secret Franco-Italian alliance in the case of a war against their common rival Austria. Cavour ensured Austria would initiate the first strike with hopes to garner Napoleon's support and guarantee compliance with the premise of the agreement (Armaoğlu 1997, 290-291).

The hostilities began with the Austrian declaration of war in April 1859. **The Franco-Austrian War** began as the Austrian troops hailing from Lombardy marched on through the

borders of Piedmont, where they would soon be outnumbered by the French corps. The Austrian Army's leading division would meet the same fate as it pushed through Solferino and Magenta, where the French military order and artillery proved to be far more advanced in comparison their opponents'; Austrian forces were subsequently forced to retreat from the battlefield with heavy casualties (Schneid 2012, 34-47). Simultaneously, the alliance's great success encouraged the Italian states of Tuscany, Parma, and Modena to instigate civilian revolts against unwarranted Austrian influence and raised the morale (Schneid 2012, 51). Having achieved consecutive (though indecisive) victories in the war, Napoleon dreaded the devastation of battle and its risks of expanding to the rest of Europe. As a result of rising French concerns, **the Armistice of Villafranca** was signed in an attempt to conclude the war campaign in July 1859. The armistice stated that Lombardy would be ceded to Sardinia-Piedmont while Venetia remained in the hands of Austria. In addition, Piedmont was awarded Nice and Savoy (Armaoğlu 1997, 295-296).

Despite all, the unification efforts of Italy continued. A revolutionary named **Giuseppe Garibaldi** led an expedition in Italian provinces and recruited volunteers to accelerate the process of unification. As part of Garibaldi's campaign, Piedmontese pursued the annexation of Papal States to secure Italian integrity. This attempt ended with the annexation of the Papal States (except for Rome) into Sardinia-Piedmont. While Piedmontese acquisitions favoured Italian interests, they also indirectly empowered Prussian leadership in the German Confederation through leaving Austria in a weakened position after the war.

The turning point for the process of Italian unification proved to be the plebiscites held across the Italian states. Their results unsurprisingly affirmed Victor Emmanuel II as King of a new, unified Kingdom of Italy (Duggan 2014, 133-134).

In the Kingdom's early stages, the Italians desired to seize the chance of annexing Rome and Venetia to the kingdom. However, their intention to annex Rome was heavily protested by

the French Catholics and did not gather the consent of Napoleon III. While Rome remained separate from the Kingdom of Italy for almost a decade, conquest of Venetia seemed within the reach of the young kingdom's capabilities. In pursuit of Venetia, Victor Emmanuel proposed to purchase the territory to the Austrian Emperor. This proposal was unsurprisingly rejected. (Duggan 2014, 88)

As Italy sought ways to focus on realising its territorial ambitions the outbreak of the Austro-Prussian War in 1866 presented a great opportunity for Italy to reclaim Venetia. Since Bismarck had already appealed to Napoleon III to form an anti-Austrian alliance through **Biarritz Meetings**, it only made sense that this alliance would be extended to the Italians as well. In fact, the capture of Venetia had already been discussed through a series of military conventions which were concluded with an official agreement between Italy and Prussia in April (Barry 2010, 89). Taking advantage of the divided focus of Austria, Italy made military advances on Venetia and marked a swift victory on the side of Prussia. Following Venetia's incorporation into Italy, the kingdom successfully gained leverage against Austrian ambitions (Armaoğlu 1997, 311).

ii. German-Austrian Rivalry and the Battle of Sadowa (1866)

Austria had functioned as the leading power of the German Confederations during the first decades of the Confederation. German states acknowledged Austria's leadership due to her long-established prestige as a political powerhouse. However, Austria's inability to address challenges she faced throughout the 1860s led to the emergence of Prussia as the Confederation's preeminent member under the lead of Chancellor Otto von Bismarck. As the rivalry between Prussia and Austria progressed, Prussia adopted a cautious yet assertive political approach. The approach was named the **Blood and Iron** policy and highlighted the crucial role of inevitable bloodshed and industrial development in efforts to unify Germans under one flag (Sheehan 1989, 913).

Bismarck sought diplomatic and economic negotiations with the lesser German states in the path towards achieving German unification as he feared that those lesser states might come to sympathise Austria. Bismarck offered trade agreements that lifted cross-border trade limitations and reduced tariffs (under Prussia's terms) as a part of the **Zollverein customs union** scheme. Renewal of the Zollverein agreement in 1865 gave Austria hopes of a definitive entry into the union. However, the union's focus on free trade would render Austria the only German state to be excluded from Zollverein (Pflanze 1963, 153).

As the signs of Austro-Prussian War drew in closer, Bismarck's economic strategies suggested that Prussia would be in an advantageous position thanks to of its past efforts. For von Bismarck, the pressing issue surrounding the Elbe duchies and the breach of **Gastein Agreement** (caused by Governor of Schleswig's abuse of power) posed as favourable fronts to prompt Austrian agitation. While the provocations of Prussia persisted, Bismarck successfully implemented a public campaign that painted Austria as the aggressor and leaving Austria vulnerable (Pflanze 1963, 261).

Public outreach of Bismarck failed to achieve the desired outcome, so the Chancellor resorted to violence at last. During war preparations, von Bismarck and the Austrian Emperor Franz Joseph contested over the German states' allegiance. Frightened by sudden outrage, Hannover and Dresden aligned themselves with Austria early on; then, Bavaria and Saxonia followed through, which proved that von Bismarck's attempts to rally allies for the nationalist cause was ineffective (Barry 2010, 298). Motivated by the act of revenge, Prussian forces advanced through Northern Germany to invade Hanover. The Prussian forces won a battle they engaged in Hanover against the Austrians and marched on to the Main (Lower Rhine) River under the command of General Hasso Von Manteuffel. Soon after, the surrenders of Hesse and Bavaria took place (Barry 2010, 591-592).

Following the final decision of the powerful coalition of German states to side with Austria, the **Battle of Sadowa** officially begun. Prussia entered the battle with 350 thousand troops while Austria had 850 thousand troops. Similarly, the Prussian artillery was far inferior. Despite the artillery sales and the military modernizations, most of their systems in 1866 were in worse condition than the Austrians' (Sheehan 1989, 902). Prussian forces defied the odds in the duration of the battle and seized the upper hand. The First Army of Prussia, positioned in Elbe, was joined by the Italian forces in Bohemia and pushed on through the village of Königgrätz on 3 July, forcing the Austrian Army to retreat (Barry 2010, 375-376).

As a result of their failed manoeuvres, Austria had suffered a great loss estimated to be around 40 thousand. Franz Joseph anticipated that potential further military action spread into the already troubled Hungarian territories might cause a domestic disruption. Considering their growing concerns, Franz Joseph appealed to Napoleon; Napoleon had declared neutrality prior to the war but engaged in secret negotiations with Prussia to acquire some territory across the Rhine on the condition of Austrian defeat. Having accepted defeat, Franz Joseph requested the mediation of Napoleon III to finalise the war, as he could not risk experiencing more detrimental strikes, and signed Nikolsburg Preliminary on 26 July with Wilhelm I (Barry 2010, 539).

Before the signing of **Peace Treaty of Prague**, von Bismarck had made clear his intentions to keep Austria alive to Wilhelm I. Von Bismarck wanted to avoid hostilities in Europe since he prioritized his greater ambitions to assert Germany as a continental power in the coming years. According to decisions formalised by the treaty, the goal of Prussia would be fulfilled through the dissolution of the German Confederation. It is also worth noting that the Main River played a pivotal role in defining the divide between the newly formed North German Confederation under Prussian leadership and the autonomous states located on the south of the river (Armaoğlu 1997, 313-314). It was evident that von Bismarck's aspirations for Austria had now shifted towards utilising this weakened, war-torn country. By reluctantly

accommodating to Austria's interests, he aimed to maintain a nuanced control over her region (Pflanze 1963, 308).

Battle of Sadowa (public domain)

4) 1867 Settlement and the Austro-Hungarian Empire (1867-1914)

While the imperial army was beaten first by Italians and the French, and then by the Prussians, Franz Joseph had to face challenges within the Empire that would eventually lead to the Compromises of 1867 and 1868. The challenges the Emperor and his absolutist regime faced led to a series social and political experiments to consolidate the Empire's power inside.

a. Eight Years of Experiment (1859-1867)

After the defeat against the Italian and the French forces, Franz Joseph understood that the loss of Northern Italian provinces was a great scar on his legitimacy. In order to cultivate his legitimacy back, he believed that a façade of power-sharing would be enough. He planned a constitutional monarchy and the opening of an assembly which would merely work as a show, while the real authority would remain in his hands. However, this attempt soon turned into a political competition between liberals, capitalists, former landowners, and minorities to push their own agenda (Judson 2016).

In the meantime, the Emperor began the punishments of those who were held responsible for the defeat, including himself. Many officers of the high command were purged from the army and the Emperor himself never assumed the command of another military unit (Deak 1990, 48-49).

The purge that began in military high command quickly spread to the people and the practices of the absolutist regime. On 15 July 1859, just after the Treaty of Villafranca, the Emperor issued a declaration promising the modernisation of economy and administration. Within the same month, Alexander Bach was forced to resign. In August, a new government was formed with **Rechberg Thun** as Minister-president; two days later, Thun declared his program, which concretely demonstrated that the Emperor was ready to give up some of his powers (Macartney 2014). In September, Thun issued a "Protestant Diploma" giving the protestants of Hungary certain concessions. However, for Hungarian Protestants, this diploma was a violation of the autonomies of their churches. Within the following period, there was a tension between Hungary and Vienna. Refusal of paying taxes became common among Hungarian people; on the other hand, Franz Joseph continued to strongly oppose to concessions for Hungarian people (Macartney 2014).

Although Franz Joseph despised Hungarians, the strength of his regime was heavily eroding, and he had to cultivate popular support to entrench his rule. For this end, the Emperor declared the **October Diploma of 1860,** recalling provincial diets to convene. Furthermore, the diploma declared the convention of an imperial parliament, **the Reichsrat**, in Vienna. The local diets would elect deputies for the Reichsrat, and the Reichsrat would review the annual budget of the Empire (Judson 2016).

This arrangement, however, was unable to please the people. The diploma re-called the Hungarian Diet to convene and allowed the use of Magyar as the administrative language of Transleithania, which attracted the opposition of Slav population (Bérenger 2014, 186). In

Cisleithania, the other problematic minority, Czechs were in a dilemma. One of their main aims, increased autonomy for Bohemia, was achieved. However, the diploma did not contain any provision regarding a social reform (Judson 2016).

Hungarians were divided into two camps. Some of the Hungarians, strangely, sided with Germans who advocated for centralisation and oppose anything that resembles pre-1848 regime. This group believed that in a decentralised and democratised imperial regime, Hungarians and Austrian would lose their power to different Slavic groups since Austrians and Hungarians had less population compared to Slavs. Therefore, they would be dominated by Slavs in a decentralised imperial regime and lose their position (Deak 1990, 49).

The other camp of the Hungarians, along with a part of Czechs, believed that the concessions given with the diploma were insufficient. For them, their historic state-right was disrespected by the diploma. This camp, particularly Hungarians in it, would advocate and push for more federalisation. Among them, there were some who would support the re-installation of April Laws of 1848 (Bérenger 2014, 186).

The October Diploma faced an opposition of the press. Hungarians, along with some German liberals, criticised the diploma and pushed the Emperor for a revision; the anticipated revisions came in February 1861, under Minister-presidency of **Anton Ritten von Schmerling**. Von Schmerling was a minister in the Frankfurt Parliament and his Minister-presidency was demonstrating the pressure Franz Joseph was under. With the **February Patent of 1861**, an upper house for the Reichsrat would convene to represent the Empire as a whole, though the power of provincial diets would be curtailed (Judson 2016). This revised arrangement pleased the German liberals, as they had a chance to push their own agenda. However, Hungarians directly rejected any kind of an arrangement that gave any authority to a Vienna institution to regulate the Empire as a whole (Deak 1990, 50).

Despite Hungarian and Croatian opposition, the system managed to function with the support of German liberals and imperial bureaucracy. The two opposers, Hungarians and Croatians, refused to send deputies to the imperial parliament that convened in April 1861. The parliament convened and the system functioned, but the parliamentarians did not hesitate to criticise the system. In the parliament, many deputies refused the role given to them by the Emperor as members of a "consultative body," and addressed themselves as the representatives of the people. They demanded **parliamentary control over the cabinet**, **parliamentary autonomy** to regulate their own affairs, and made many other demands which were exceeding the role the Emperor intended to give them (Judson 2016).

In the meantime, the administration was actually able to function. Von Schmerling cabinet, for the first time in many years, managed to make a balanced budget in 1861 by extensively cutting the expenditures of the army. However, this underfinanced army would be the imperial army that would have to fight against Prussians in 1866 (Deak 1990, 50-51). Unlike the government, the 1860-61 arrangements created the very thing they were aiming not to achieve, an Empire in which every group launches an opposition to the Emperor. The Parliament was full of radicals who regularly submitted bills to alter the arrangement, limit the powers of the Emperor or the government. With the provocation of deputies, the media was attacking on the Emperor (Judson 2016).

b. Compromises of 1867 and 1868

Emperor Franz Joseph was pushed to seek a compromise, a solution to the Hungarian question, as a result of pressure coming from both von Bismarck and Hungarian elites such as **Ferenc Déak** and **Count Andrassy**. Immediately after the defeat against Prussians, Count Andrassy went to Vienna to request a new arrangement with respect to Hungary's relationship with Austria. Andrassy's design was a centralised Austria and centralised Hungary, united

under a **personal union**[15]. The Emperor was also favouring giving concessions to Hungarians rather than German liberals. Even though it was far from the ideals of Franz Joseph, he preferred giving concessions to Hungarians instead of Slavs (Taylor 1948, 130-131; Deak 1990, 53-54).

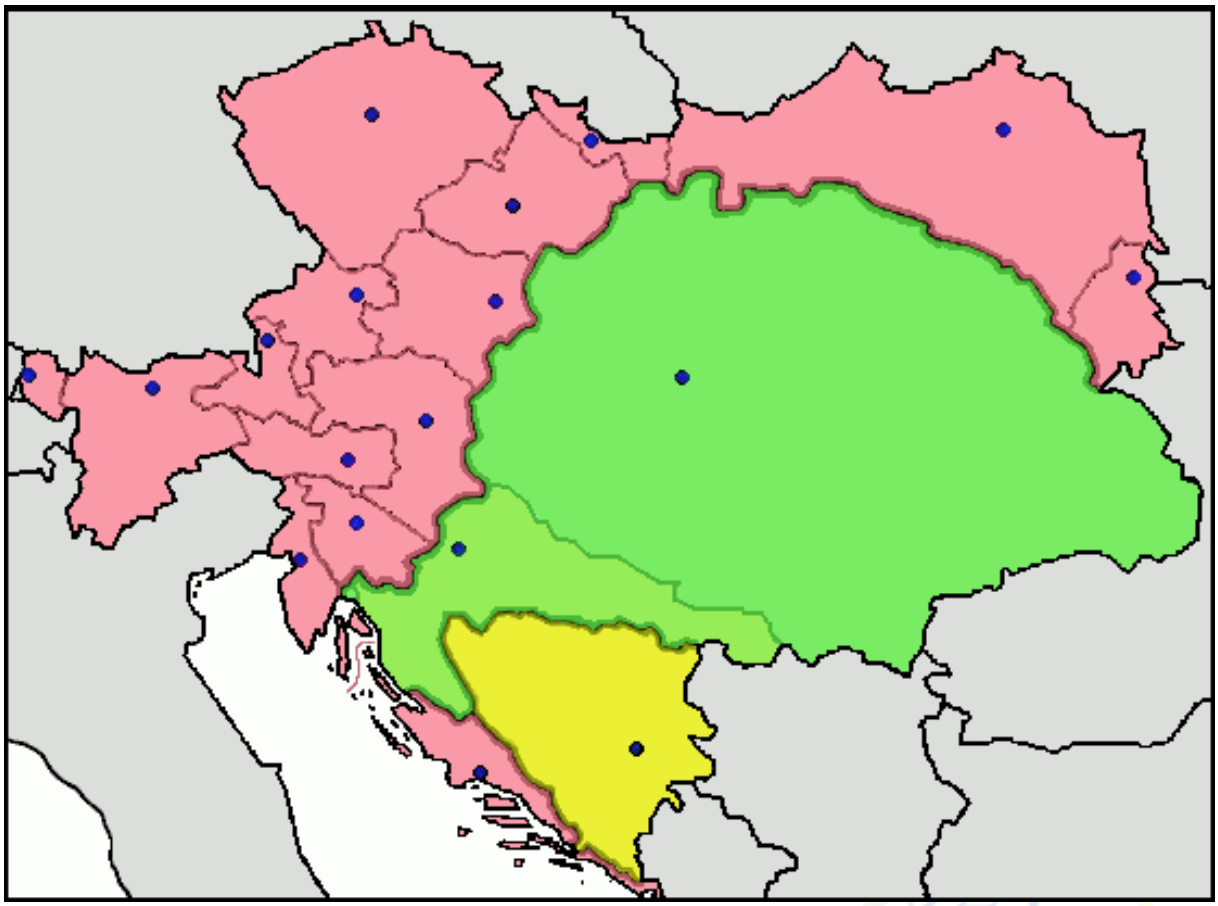
The negotiations between Hungary and Austria concluded that foreign affairs and finance are common matters which should be handled at the **imperial-royal level**. Ministers who handle these portfolios would have their seats in Vienna and they would articulate and implement policies for both Hungary and Austria. However, Hungarians opposed the idea of a single, unitary army commanded at the imperial-royal level. They favoured a common defence policy but this common defence policy, they argued, should be implemented by the separate military forces of Hungary and Austria. Franz Joseph refused the separation of armies and pushed for an imperial-royal military. Eventually, Andrassy had to accept the common defence policy proposed by the Emperor (Deak 1990, 54).

The agreement was turned into the form of a law, one for the Austrian Reichsrat and another one for the Diet of Hungary. In May 1867, Diet of Hungary passed the "**Law no. XII of 1867**"; on 8 June, Franz Joseph was crowned as the King of Hungary and on 28 July, he gave his royal approval to the Law XII as the King of Hungary (Judson 2016). The approval of this law effectively established the **Dual Monarchy**. The laws establishing the Dual Monarchy remained unaltered until 1917, as the arrangements displeased every group within both parts of the monarchy (Deak 1990, 55).

Along with the laws establishing the Dual Monarchy, a series of economic and commercial agreements were signed between Austria and Hungary. In 1868, a similar

[15] A **personal union** is an arrangement two or more states share a single head of state even though they continue to preserve their unique institutions and legal personality.

arrangement was made within Hungary, dividing the country into **Hungary proper** and the **Kingdom of Croatia-Slavonia** (Deak 1990, 54-56).



Map of the Austro-Hungarian Empire after 1867 and 1868 settlements. Red: Austrian Empire (Cisleithania), dark green: Kingdom of Hungary (Transleithania), light green: Kingdom of Croatia-Slavonia, yellow: Bosnia and Herzegovina (after 1878) (Public domain)

c. Dual Monarchy

The system of the **Dual Monarchy** is a complex system that depends on three entities. On the left side of the Leitha, there is the **Austrian Empire**, unofficially known as **Cisleithania**. On the other coast, there is **Transleithania**, officially named the **Kingdom of Hungary**. Within the Kingdom of Hungary, the **Kingdom of Croatia-Slavonia** has an autonomous status similar to the autonomous status held by Hungary within the Dual Monarchy system. These three polities are united under the **Crown of the Dual Monarchy** or the **Danube Monarchy**, which was headed by **Emperor-King** Franz Joseph until 1916.

The head of the Dual Monarchy bears the titles of "**the Emperor of Austria**" and "**the King of Hungary**," and is addressed as the **Emperor-King**. The Emperor-King is the sovereign of all three entities and therefore has the authority to dismiss the cabinets, dismiss the parliaments, veto official decisions of parliaments and cabinets, and appoint **k.u.k.**[16] **ministers**.

Within the Dual Monarchy, Hungarian and Austrian governments have the absolute autonomy over every administrative field in their country. They are able to devise and implement autonomous policies in every field, except for four fields that were determined as "common matters" in 1867: **foreign policy**, **defence**, **finance**, and **foreign trade**. These four fields are governed by k.u.k. ministers appointed by the Emperor-King, and k.u.k. ministers are responsible to both Hungarian and Austrian parliaments. The **k.u.k. Minister of Foreign Affairs** is responsible for making and implementing the foreign policy of the Dual Monarchy as a united entity in international realm. The **k.u.k. Minister of Defence** is responsible for the command of the common army. The **k.u.k. Minister of Commerce**, like the k.u.k. Minister of Foreign Affairs, is responsible for making and implementing the international trade policy of the Dual Monarchy as a united entity, and for the administration of internal customs within the Dual Monarchy. Finally, the **k.u.k. Minister of Finance** is responsible for the fundings of common institutions.

Both Hungary and Austria have their own national treasuries, under the administration of their **Prime Minister** (for Hungary) or **Minister-president** (for Austria). While national institutions are funded from these treasuries, both the national treasuries undertake the financing of common institutions by providing funds to the k.u.k. Ministry of Finance. Initially, according to the temporary economic treaties of 1867, Hungarian treasury was responsible for financing

[16] **K.u.K.** stands for "*Kaiserlich und Königlich*," meaning Imperial-Royal. This abbreviation is used as a prefix in the names that directly refer to the joint institutions of the Dual Monarchy, such as the k.u.k. Minister of Foreign Affairs.

30% of the expenses of the common institutions and Austrian treasury was responsible for 70%. However, as the initial economic agreements dictate, in every ten years, the common economic matters are discussed and if the need arises, revised by joint commissions. The funding of the common institutions, since 1867, is a matter of controversy since Austria demands an increase for the Hungarian share in every joint commission. Currently, the share of the Hungarian treasury is 37%, however, it is expected that in the next joint commission, Austria would demand it to be increased to 40%.

The army consists of conscripts who were gathered through a universal conscription across the Dual Monarchy. 80% of these conscripts are directly stationed in the army and the navy, while the remaining 20% are equally distributed as gendarmerie forces under the ***Landwehr***[17]***/Honvédség***[18]. Despite having a common army, Hungary and Austria have separate gendarmerie forces. The Croatian *hondésvég*, on the other hand, was only a branch of the Hungarian Hondésvég.

Within Transleithania, Croatians and Hungarians have their separate parliament. However, **the Sabor**, parliament of the Kingdom of Croatia-Slavonia, only has jurisdiction over matters regarding their own Kingdom. The matters that concern both Hungary and Croatia, or only Hungary, are under the jurisdiction of the **Diet of Hungary**.

Diet of Hungary consists of two types of deputies: deputies elected by the people and deputies of Croatia-Slavonia. Deputies of Croatia-Slavonia are elected by the Sabor to represent their own kingdom in the Diet. Other deputies are directly elected from counties of Hungary proper by the people. However, in Hungary, suffrage is limited to those who pay the "electors' tax."

[17] Name of the Austrian gendarmerie forces.
[18] Name of the Hungarian and Croatian gendarmerie forces.

d. Hungary under the Dual Monarchy

i. Hungarian economy

In 1860s, the Hungarian economy was not an economy that could be classified as a developed and industrialised economy. When the Compromise was reached in 1867, Hungarian economy was still mostly dependent on agricultural products. In 1867, there were only four banks active in country with very limited resources. Even the currency of Hungary, which was issued by the **Austrian National Bank**, was being imported from Cisleithania and Hungary had no say in monetary matters until the first revision of the Compromise in 1878 (Barcsay 1991, 216).

On the contrary of arguments made in ’48 to raise protectionist barriers in trade with Austria, the Compromise and the customs union created an advantage for Hungarian economic development. First, with the customs union, Hungary witnessed a major flow of capital from Austria. The Hungarian milling industry, which would shoulder the country’s economy beginning with late 1870s, was mostly founded with capital coming from Austria. The Hungarian government, to fund the industrialisation efforts, worked to attract capital flow from Austria into Hungary and provided incentives for industrialists. The Austrian capital was the main driving force of the transformation of Hungarian economy (Komlos 1983, 112-119). At the beginning of this period of transformation, Hungary had no means of financing such an industrialisation effort. The financial institutions that are actually able to extend credits for industrialists were also established with the flow of Austrian capital, particularly after the economic crisis of 1873 (Barcsay 1991, 216-217).

Second, the agricultural products were more expensive in Austria than in Hungary. With the customs union, Hungarian agricultural producers were able to reach to a market where their products were more expensive. Even when agricultural prices floored in late 1880s, corn prices

were one and a half crowns higher in Austria than in Hungary (Gunst 1989, 62). With regard to the agricultural trade between coasts of the Leitha, the customs union provided Hungarian farmers access to a market where they could earn more, and also provided security from international competition on agricultural products. Furthermore, the customs union provided and advantage for the Hungarian farmers against their Eastern European rivals: Unlike, for example, Russian or Romanian grain, Hungarian grain was able to reach to the Western European markets. On top of these, the customs union and Hungarian agricultural production decreased and for some time even eliminated the Austrian need for imported food (Gunst 1989, 62-63; Komlos 1983, 143).

The transformation of the Hungarian economy did not begin with the Compromise; however, the commercial situation created with the Compromise definitely enhanced the transformative capability. Except for a brief period between 1871-74, Hungarian manufactured exports climbed steadily. Even in the brief period of relative decline, which could be explained with the infamous **1873 Economic Crisis**, total value of manufactured exports never fell under 80.6 million florins, the total manufactured export value of 1868 (Komlos 1983, 122). Another indicator of industrial development, consumption of iron, also demonstrates a similar trend of transformation and industrialisation in the Hungarian economy. From 1868 onwards, both the consumption and production of iron increased. However, the increase in iron consumption and production was overshadowed by the performance of another industries, particularly textile and milling (Komlos 1983, 123-124). The milling industry was one of the main pillars of Hungarian wealth acquired during the Dual Monarchy, which was developed enough to compete with French, German and even American flour milling (Gunst 1989, 62; Hammond 1894, 314).

Despite the industrialisation, the Hungarian economy was not able to stand on its own feet. The industrialisation effort was not an effort aimed at substituting imports. The share of manufactured imports was in decline, though this decline was not a significant one. From the

Compromise to 1873 economic crisis, the share of manufactured goods in total imports decreased by less than 1% and constituted three quarters of total exports (Komlos 1983, 125).

Following the setback caused by the economic crisis in 1873, the Hungarian economy began to expand again. This time, however, the expansion of economy was much more sophisticated than the pre-1873 period. In this period, while the milling and textile industries preserved their significance, sophisticated sectors like machinery and finance were notably introduced to the Hungarian economy. Particularly the finance sector held a major importance in the economic development. Investors who saw the opportunities created by the rapid development of the Hungarian economy began to inject foreign capital through financial sector into the country (Barcsay 1991, 217).

The Hungarian Six, six banks centred in Budapest, emerged as major financial institutions of the Hungarian economy in the post-1873 period. Among them, The **Hungarian General Credit Bank** (shortly known as the **Creditbank**) and the **Pest Hungarian Commercial Bank** (shortly known as the **Commercial Bank**) were the two largest financial institutions of the country. Both of them were established before the economic crisis; however, they were able to survive it. The Creditbank was initially a branch of the Austrian Creditanstalt. Later, this branch grew to be an independent bank owned by Creditanstalt, which was in turn owned by the infamous Rothschild family. The Commercial Bank, on the other hand, was a product of ’48, and was established with domestic capital. Before the outbreak of the Great War, assets of the former one reached to 553 million crowns. Whereas the assets of the latter one were around 1,2 billion crowns, making it not only the greatest bank of Hungary, but a prominent bank in Europe (Barcsay 1991, 218-219).

The **Hungarian Mortgage and Credit Bank** was also established in pre-1873 period. However, the bank became a major institution with a great foreign investment in 1881. In 1881, three foreign banks, the **Vienna Union Bank**, the **Banque de Paris et Pays-Bas**, and the

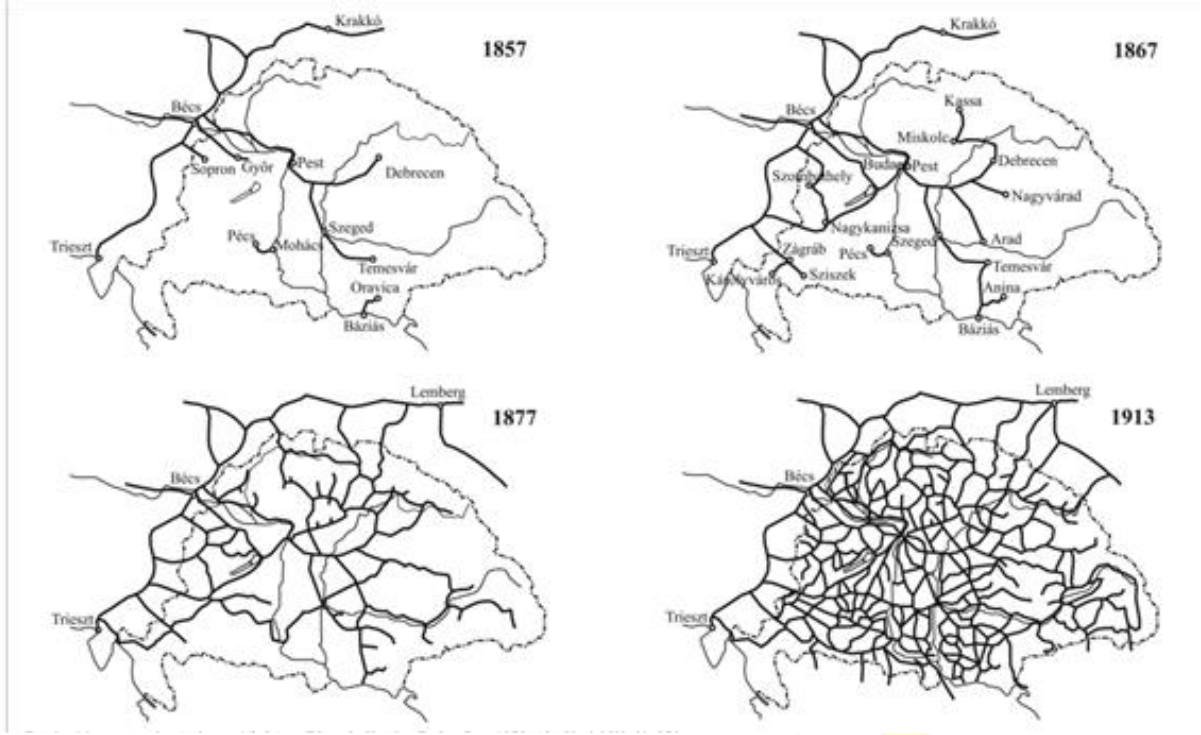
Société Génerale made an investment of just above of 17 million crowns. This major investment put the bank in a position of major expansion, along with the fact that the bank was run by a former **Minister of Finance**, **Kalman Szell**. By 1914, the assets of the bank had reached to 834 million crowns and the bank was the third greatest financial institution of Hungary (Barcsay 1991, 219).

The other three of the Hungarian six were the **Hungarian Discount and Exchange Bank**, **Hungarian Bank and Commercial Company**, and the **Pest Domestic Savings Bank**. The first one emerged as a prominent financial institution with another infusion of capital made by the three banks which also invested in the Hungarian Mortgage and Credit Bank. It managed to reach the total assets of 423 million crowns in 1914. The Hungarian Bank and Commercial Company was the youngest among the Hungarian Six. It was established in 1890, and it was the smallest of the six in 1914, with total assets of 295 million crowns. The last one of the Hungarian six, and the oldest, was the **Pest Domestic Savings Bank**. In line with the vision of its founder, Andrew Fay, it was intended to be a non-profit bank to extend credits to artisans and farmers. However, in 1844, it became a joint stock company and in 1895, together with Austrian bank *Niederoesterreichische Escomptegesellschaft*, it founded the **Home Bank**. In 1914, the Pest Domestic Savings Bank was the second largest Hungarian bank with total assets of 902 million crowns (Barcsay 1991, 219).

The Hungarian Six played a role in the Hungarian economy in three important ways: First, the banks provided credits for investors and paved the path for foreign investors into Hungary. The foreign investment was one of the most influential driving force of the transformation of the economy through the establishment of companies and industrial plants (Barcsay 1991, 217-219). Secondly, the banks established junior companies, which were mostly industrial companies. Particularly from 1890 onwards, the six made major investments in industrial sectors like steel production, milling and petroleum refinery across Transleithania.

The trend these banks created was heavily supported by the government (Barcsay 1991, 221). Thirdly, the banks, from 1880s onwards, began to penetrate into the Balkan countries had had recently declared independence from the Ottoman Empire. Soon, the six began to penetrate into Romania, Serbia, and Bulgaria through joint ventures with local companies and mergers. By the early 1900s, Hungarian banks had grown enough in these countries to participate in consortiums extending credits to governments (Barcsay 1991, 220-221).

The other branch of the economic development was the machinery and transportation. Beginning with the 1870s, these two intertwined sectors of Hungarian economy began to develop hand to hand, laying the rails of increasing manufactured product trade. As early as 1890s, Transleithania had a developed railway network carrying the manufactured goods from corners of the country to Austria, to other neighbouring countries, and to commercial ports, the most important being the **Port of Fiume** (Nemenyi 1891, 515). Furthermore, in order to increase the capability of the railroad network, the Hungarian government launched an unconventional program. According to this program, decreasing the price of transportation would create more revenue. This policy was deemed to be unsuccessful by experts. However, as the government decreased the price of transportation on railroads, both the volume and the revenue of railroad transportation increased significantly (Nemenyi 1891, 509-511).



Development of the Hungarian railway network (Public domain)

Meanwhile, as the railroad network improved, Hungarian economy witnessed the development of machinery industry. The first Hungarian locomotive was produced by **Hungarian State Railroads** in 1873. By 1896, the demand for manufactured goods for railway companies had dramatically increased to 100 million crowns. On top of this, the government need for manufactured goods for railways was also around 200 million crowns. Thus, in a relatively short amount of time, the railways industry had become an industry with a volume of 200 million crowns. Then, this amount accounted for nearly a seventh of total industrial production of Transleithania (Komlos 1983, 127-128).

The three biggest machinery producers, **Ganz & Company**, **Schlick** and the **Hungarian State Railroads,** employed nearly two thirds of labour force in their sector. From 1870s onwards, their production capacity and sales increased dramatically. From 1884 to 1896, the total sales revenue of the three companies nearly doubled from 14 million florins to 27.7 florins. Moreover, the Ganz & Company became one of Hungary's major industrial firms with

its electronic products, generators, locomotives, industrial machines, and shipbuilding (Komlos 1983, 128-129; Barcsay 1991, 222).

Ganz & Company was a pioneer of technology not only in Hungary but in Europe. The company created more efficient milling machinery that improved flour production and led to the mechanisation of the sector. From 1863 to 1906, the number of mechanised mills increased nearly 17 times, most of which was mechanised with the machines of Ganz & Company (Komlos 1983, 136, 143). The Ganz & Company also produced wagons and locomotives, which were world-famous for their high quality. The company, thus, played a significant role in the improvement of Hungarian railways (Gunst 1989, 86).

In terms of monetary policies, Hungary had no authority to issue its own currency, as mentioned above. This was not a provision of the Compromise, but an outcome of it since Hungary had recognised the Austrian National Bank as the only bank to issue currency. A problem emerged in 1873 economic crisis, when Hungary needed an institution to determine monetary policy. On the other hand, the Austrian National Bank also sought the recognition of Hungary since it was believed that a stable monetary policy would bring a more stable economy (Flandreu 2006, 6-7).

When the renewal time of the Compromise came in 1878, Hungarian side brought up the issue of monetary policy, demanding a joint administration of the Austrian National Bank. The Austrian side, facing the threat of the establishment of a Hungarian National Bank, had to give in to Hungarian demands. The bank was restructured as the **Austro-Hungarian National Bank (AHNB)** under the joint administration of Hungarian and Austrian officials (Flandreu 2006, 8).

Another crisis arose on monetary policy in 1890s, when the Austro-Hungarian National Bank decided to tie florins to a gold standard. Implementation of this policy would mean that

the Hungarian treasury had to buy back florins in circulation, which were based on silver standard. When negotiations to renew the Compromise began in 1898, Prime Minister **Sándor Wekerle** threatened to establish a Hungarian National Bank. However, his government got dismissed while the negotiations were ongoing, and the issue was never resolved. Instead, the AHNB itself decided to fix the florin-crown exchange rate as "1 florin=2 crowns" and tied both to gold standard (Flandreu 2006, 8-9).

ii. Hungarian politics

Even before the finalisation of the 1867 Compromise, Lajos Kossuth, who was in exile, launched an opposition to Déak and Andrassy. Kossuth, in his open letters addressed to his former comrade Déak, stated that putting Hungary under the rule of Habsburgs was the rejection of Hungarian state-right. Kossuth argued that rejection of the program of '48 and reconciliation with the Habsburgs would mean the death of Hungarian nation. Although he was in exile for nearly twenty years, Kossuth was still a popular public figure in Hungary; thus, a debate with him while the negotiations were proceeding might have disrupted the negotiations. Therefore, Déak refrained from directly engaging in a discussion with Kossuth; still he published an article saying that instead of a violent war that would destroy Hungary, he would prefer a peaceful compromise with the Habsburgs (Tihany 1969, 116-118). Meanwhile, Andrassy, taking a step further, made the following statement: "*If Austria did not exist, it would have to be invented"* (Andrassy 1896, 31 as cited in Tihany 1969, 118). This statement of Andrassy, rather than a defence for Austria, was underlining the fact that in order for Hungary to have an influence over the world politics, she had to be aligned with Austria. Austria, also, would not be able to have a great-power position without Hungary.

Thus, Hungarian politics, while the Compromise was not finalised yet, witnessed the emergence of two major political movements, namely, **'48ers** and **'67ers**. The debate on the

compromise soon turned into a debate of advocating in favour the compromise or advocating for its abolition (Gray 1906, 202).

The ’48-’67 division was also a part of newly emerging party politics in Hungary. The political parties resembled gentlemen’s associations instead of being institutional organisations with an underlying firm ideological guidance. Members of parties were in their particular parties because of their personal connections, not because of their ideological stance. Ideological divisions existed, though those division were mostly on the Compromise. Déak, Andrassy and their **Address Party** favoured the preservation of the Compromise, while their main opposition was ‘48ers, gathered under a party named the **Left Centre**. The Left Centre was again not opposing the Compromise altogether (unlike Kossuth); however, they advocated for the increased autonomy of Hungary. Still, there was a minority of deputies who advocated for complete independence within the Diet of Hungary. These deputies, who would later establish the **Independence and ’48 Party** were sympathetic to Kossuth (Kontler 2002, 284).

From the Compromise until 1871, Hungary was governed under Andrassy’s premiership. As the Prime Minister, Andrassy adopted an ideological stance that was a mixture of conservatism and liberalism. Under Andrassy government, many laws of 1848 were re-installed in a more conservative way.

When Andrassy was appointed as the Prime Minister in 1867, he enjoyed a major support in the Diet, which allowed him to exercise his powers easily. In his period, civil liberties were re-established, and the pre-deposit required to open a newspaper was lowered. In 1868, with a new law regulating legal procedures, Andrassy government re-introduced the principle of equality before law and independence of judges. With a law on education in 1868, prepared by Andrassy’s companion **Eötvös**, primary education was made compulsory for children aged between six to twelve. With this law, rate of literacy increased from 41% to 66% in following decades (Kontler 2002, 284-285).

Count Gyula Andrassy (Public domain)

On the other hand, Andrassy's government harshly curtailed the freedom of assembly, to an extent that it was not regulated by laws but by decrees. Political discussion in public was limited for local assemblies where half of the seats were reserved for the highest taxpayers of the community. The Jewish population received a guarantee for their civil rights and the Jews were not excluded from accepted religious communities (Kontler 2002, 284-285).

Furthermore, the Andrassy government and following governments made attempts to suppress the structures of minorities within Transleithania. With laws **IV/1868** and **XLII/1872**, the Address Party paved the way of manipulation of local political establishments and local courts by Budapest.

In 1871, Count Andrassy was appointed as the k.u.k. Minister of Foreign Affairs by Franz Joseph, which brought the decline of the ruling party. The three greatest figures of the party, namely, Andrassy, Eötvös and Déak left the party, and Andrassy was replaced with **Lónyay**, another prominent figure from the party (Janos 1982, 94).

In 1871, Andrassy left Budapest for Vienna with his new appointment, Eötvös died, and Déak, seeing that politics turned him into a worse man, resigned. Thus, the three most influential men of the Compromise and the Address Party distanced themselves from their own party. As a result, Lónyay was appointed as the Prime Minister. He was a man who earned his fame with his revolutionary struggle and financial capabilities. Soon after his appointment, he became an infamous figure with his aggressive pursuit of personal ambition and nepotism, which led the Diet to throw him out in 1872 (Kontler 2002, 286).

Lónyay was followed by a series of insignificant cabinets, which gradually undermined the Address Party's influence. The party's influence further declined with 1873 crisis and the government's last resort decision to get a credit from Rothschilds with very unfavourable terms (Kontler 2002, 286).

In March 1875, **Kálmán Tisza**, bringing together liberals and Déak's former comrades in the disintegrating Address Party, founded the **Liberal Party**. The Liberal Party demonstrated the first instances of party discipline in Hungarian politics, with a monolithic party group supporting Tisza and tightly following the party ideology within the Diet (Kontler 2002, 286).

Tisza's 15 years of premiership was marked with a favouritism towards the capitalists and landowners, who then constituted the majority of the electorate and the formation of a capitalist, industrialist economy in Hungary. Prime Minister Tisza would regularly spend his time at the national casino, where he made important decisions on the course of action of his government while chatting with wealthy people of Budapest (Kontler 2002, 286-287). Tisza was a liberal, though the liberal face of his administration was only for Magyar middle class and capitalists. For minorities and poor Magyars, the Tisza government nor his successors were no different than the absolutist rule of Franz Joseph (Gray 1906, 203).

Tisza and his successors from the Liberal Party worked to reinforce the idea of Hungarian superiority in Transleithania. Although Magyars never achieved a numerical majority in total population, it was believed that the country was sustained thanks to the works of the Hungarian elites. Moreover, it was also believed that the Hungarian culture was superior to others. Thus, it was believed that the Hungarian elite should be the ruling class of the country (Vambery 1944, 79-80). Under Tisza's administration, many corrupted aspects of Hungarian politics became institutionalised practices, aiming to exclude every group other than the Hungarian elite and bureaucrats from participating in politics. The modern bureaucracy, which penetrated into every corner of the country and replaced traditional institutions, worked in collaboration with the Liberal Party. The aim of this coalition was to exclude "others" from participating in politics and ensuring the domination of the Hungarian elites. Romanian and Slovak opposition to the regime in Transleithania was suppressed with the works of this bureaucratic machine (Janos 1982, 97-99).

The oppression of the regime proved effective in minority-inhabited lands, with Romanians and Slovaks submitting to the pressure applied by bureaucrats, even while they were casting their votes. However, it faced with resistance in Protestant Hungarian lands where Magyar people were not much into submitting themselves to the central government. For example, in 1878, when Tisza sought re-election in Debrecen, he was defeated since the people of the city, even when they were physically intimidated by government officials, casted votes as they wish (Janos 1982, 99).

The Tisza government was aware of the fact that it had to have the support of Vienna to enjoy their rule over Transleithania. They needed the support of the former since the legitimacy of the government in Budapest was coming from the Habsburg dynasty and the Compromise. Furthermore, with the Compromise, Hungarian government was not obliged to protect itself from outside threats. Instead, the Dual Monarchy, as a whole, was defended by an imperial-

royal army led by the k.u.k. Ministry of Defence. Thus, the Hungarian government was able to focus its energy on consolidating the Magyar state. Therefore, Tisza governments posed no challenge to renewal of the Compromise in 1877 and 1887 (Gray 1906, 203).

On the other hand, the Tisza government, as the representative of the Hungarian elite, showed its dark face to the newly emerging proletariat. With a law in 1876, employees were defined as the "servants" of their employer. If the servants refused to serve, the "master" was allowed to call law enforcement. Meanwhile, the first instances of organised labour movements also emerged in Hungary, with the establishment of agrarian and workers parties, which followed a Marxist path. In 1880, the **General Workers' Party** was established to represent the "proletariat" and became a member of the First International (Kontler 2002, 289).

After Tisza's fall in 1890, his successors continued to pursue his path to consolidate the status of the elites and suppress the minorities. Kossuth supporters, and newly emerging socialists. **Sandor Wekerle**, one of Tisza's successors, and the first Hungarian Prime Minister from middle-class origins, was ousted from office in 1895, following a secular and liberal bill regulating marital affairs. Count **Dezsö Bánffy**, Wekerle's immediate successor, suppressed any movement that would oppose his rule in any way: agrarian movements, minority movements, Kossuth supporters faced harsh persecution. The Liberal Party, even after Tisza was removed from office, continued to follow the path he paved. They showed their liberal face to the ruling elite while acted radically conservative against any opposition (Molnar 2001, 215-216).

In this environment, the issue of the common army caused tension within the Diet of Hungary. The issue of common army was a delicate issue that raised tensions in Hungary every time it was mentioned. It costed Kálmán Tisza his premiership in 1890. Similarly, in 1904, in the last session of the Diet before the 1905 elections, the issue of common army led to a fight in the Diet during which deputies threw their chairs to each other (Kontler 2002, 296). In early

1900s, the Austro-Hungarian army had stalled behind the armies of European powers. The Dual Monarchy was unable to keep up with the arms race. Therefore Emperor-King Franz Joseph demanded an increase in annual conscription in 1902. The Diet countered this offer with requesting Hungarian to be a language of conduct in the army, and units recruited in Hungary to carry the Hungarian flag. In the course of the following months, the crisis emerging from the common army issue costed two consecutive Prime Ministers their seats in 1903. Amidst the crisis, **Istvan Tisza**, son of Kalmar Tisza, emerged as the leader of the Liberal Party. In 1904, he submitted a revised version of the Emperor-King's demand, which was rejected by the Diet. In the last session before the 1905 elections, deputies fought in the chamber while discussing the common army (Kontler 2002, 295-296).

As a very unexpected result, the Liberal Party was defeated in the 1905 elections. However, a major problem for the regime arose as the victorious party, **Independence and '48**, and its leader **Ferenc Kossuth** (Lajos Kossuth's son) were against the Compromise. Despite the parliamentary majority of '48ers, the Emperor-King refused to appoint a Prime Minister from among them. With the prevailing instability and the news of Russian Revolution of 1905 reaching to the Dual Monarchy, Hungary was under an imminent threat of mass violence. This mass violence broke out in June 1905, when Franz Joseph appointed a caretaker government without the Diet's approval. Independence and '48 called peasants to launch a "silent resistance." The silent resistance soon turned into a general strike and resulted in occupation of the Diet by imperial forces in February 1906 (Kontler 2002, 296-297).

Országház, Hungarian Parliament Building (Public domain)

Moreover, Franz Joseph threatened the Independence and ’48 with introduction of universal suffrage, which would mean that minorities without any intention to support Hungarian independence would become able to vote as well. Thus, the Emperor-King forced the parliamentarians to support his own program. In 1906, Sandor Wekerle was appointed as the Prime Minister for the second time, and he formed an all-party government. Despite his reputation as a liberal, Wekerle launched an attack on minorities and socialists. This policy brought his defeat in 1910 elections (Molnar 2001, 234-235).

Being the victor of the 1910 elections, Istvan Tisza, with his new party **National Party of Labour**, served as the Chairman of the Diet in 1912 and became the Prime Ministers in 1913. Throughout the 1910s, the Hungarian government continued to put pressure on minorities and socialists but followed a stance harsher than that during Istvan Tisza’s premiership. However, the former one now had a protector, **Archduke Franz Ferdinand**, who would try to ease the policies of Tisza until his assassination in June 1914. Contrary to his uncle Franz Joseph, Franz Ferdinand believed that the problems of the Dual Monarchy could be solved by respecting the rights and requests of the minorities. However, his assassination in Sarajevo in June 1914 would

lead to suspension of the debate on minorities as a whole, and the breaking out of the Great War (Molnar 2001, 235-240).

e. Austria under the Dual Monarchy

i. Austrian economy

On the contrary of Hungarian economy, the first decades of the Dual Monarchy was a period of contraction for the Austrian economy. Beginning with 1870s, the Austrian economy began to demonstrate signs of falling behind of European countries in terms of economy. Although the Austrian economy continued to grow, the growth rates were lower than those of Germany and France, and sometimes even Hungary (Schulze 2007, 190-191). On the other hand, while the production was falling behind of her rivals, Austrian finance sector was growing more and more influential. It could be argued that the reason why Austrian production was falling behind was the fact that Austrian finance sector preferred not to invest in Austria. Following the Compromise, Austrian banks and bankers began to direct their investments to Hungary rather than Austria. This flow of capital became one of the main driving forces of Hungarian economic development (Bérenger 2014, 225-226).

Despite the setback in growth rates, Austrian industry was much stronger than the Hungarian industry. Nearly three quarters of total Hungarian imports were constituted by manufactured goods. Major part of this import was made from Cisleithania (Becker 2014, 4; Komlos 1983, 125). Furthermore, major industrial centres which emerged as early as late 17th century, like Bohemia, were in Cisleithania. The Cisleithanian industrialisation took place much earlier than Transleithania and industrial companies were more established and had more experience compared to their Hungarian counterparts (Becker 2014, 4).

In terms of financial sector, Vienna was the centre of the Dual Monarchy. Even the Hungarian six were mostly controlled, established, or invested in by Viennese banks. The

Viennese capital was flowing into the Transleithania, Bohemia, and in late 19th-early 20th century, penetrated into the Balkans (Becker 2014, 4).

The stagnation of the Austrian economy in the late 19th century came to an end as the 20th century dawned. In the 1890s, the Austrian economy began to experience upswings in production and economic growth, brought by several factors (Schulze 1997, 285). First of all, at the end of the century, Austrian economy, particularly steel industry received major investments from abroad and expansion of domestic companies. For instance, **Skoda**, centred in Bohemia, expanded its operations to begin steel production in 1889 and armament production in 1890. In the eve of the Great War, Skoda became one of the main suppliers of military supplies of the Dual Monarchy and of Europe (Milward and Saul 1977, 312).

The second factor emerged as a result of developments in Germany in chemical sector. Austria had only one resource for chemical sector: crude oil. Crude oil was produced in Galicia for decades. However, as the end of century came close, foreign capital, mainly German and American, began to extend huge investments into crude oil production in Galicia. These investments led to a great leap forward in crude oil production, from 32 thousand tonnes in 1880 to 97 thousand tonnes in 1890, 452 thousand tonnes in 1901 and to its peak in 1909 with 2 million tonnes. Throughout this process, a few refineries were established across Cisleithania, though the chemical sector remained insignificant due to lack of refining capacity. Except for enhancing the productivity of other sectors, the chemical sector did not possess much importance (Milward and Saul 1977, 312).

Third, beginning with the railway boom in the 1890s, both the demand for machinery and transportation capabilities for consumer goods increased dramatically. Machinery production remained relatively stagnant in the first two decades following the Compromise. This was due to the fact that the demand for machinery, especially locomotives, were mostly aimed to replace outdated machines. However, with 1890s, the demand for railway machinery

increased significantly and paved the way for the expansion of machine producers (Schulze 1997, 288-290).

Also, the economic developments of the 1890s, particularly in machine building, were affected by factors like the electrification of cities and low interest rates. The electrification efforts in Austria were launched by German foreign capital in the country, mainly German company **Siemens-Halske**. This process was causing a cycle: Electrification would require generators, which was produced by machine builders. In return, electrification would enhance the production capabilities of machine producers. Throughout the 1890s and 1900s, Bohemia and Moravia became the centres for electricity production (Schulze 1997, 293-294; Rudolph 2008, 32).

From 1880s onwards, Bohemia and Moravia also turned into the centres of Cisleithanian heavy industry. Before 1880s, Austrian heavy industry was mostly based on Austrian Alps, where the iron resources were abundant. In this arrangement, major part of the coal that was required to process iron was being brought from German Silesia. However, after 1880s, steel production in Bohemia and Moravia, regions sharing a border with German Silesia, began to overtake Alpine steel production. The shares of Alpine and Bohemian-Moravian steel production in total production of country were 57% and 42% respectively. In 1913, these shares became 60% and 40% (Bérenger 2014, 233).

In the meantime, the invention of the internal combustion engine and its introduction into Cisleithanian market created new opportunities for machine producers and Austrian industry in general. Internal combustion engines decreased the demand for manpower in agriculture, thus creating masses of unemployed people. This mass of unemployed people

would later be employed by factories and primary sector establishments[19]. Particularly, mining production in this period witnessed an increase in output, caused by an increase in demand and the available workforce (Rudolph 2008, 32-33; Schulze 1997, 284-285).

The financial sector in Austria had a major role in the economic developments of this period. Austrian banks took part in especially in transformation and expansion of industrial plants. The banks participated in the transformation of companies in two ways. First, banks extended credits to companies. Second, companies which failed and went bankrupt were taken over by the banks. In a way, debts of the companies would be reimbursed by the banks in assets. Later, the banks would make investments to expand the companies into greater industrial establishments, or the companies would enter new sectors (Resch and Stiefel 2011, 121). For instance, when Skoda launched its operation in armament production, this decision was financed by Creditanstalt, owned by the Rothschild family (Milward and Saul 1977, 320-321).

In the eve of the Great War, the Austro-Hungarian economy was the 4th greatest producer in Europe. However, the situation of the economy was hanging on a delicate balance. By 1914, foreign investments had risen to 10 billion francs. Two main sources of imported capital were Germany, with 60%, and France, with 30%. In this situation, Austrian banks were rather working as intermediaries receiving capital from abroad and injecting it into the economy. On the other hand, the Vienna Stock Exchange was also mostly running on foreign capital. Many joint stockholder companies, such as Skoda or Prague Iron Works, were being traded in the Vienna Stock Exchange and were also subjects of foreign capital movements (Bérenger 2014, 232-233).

[19] Primary sectors refer to the economic activities for the production of raw materials, such as mining or agriculture.

ii. Austrian politics

After the Compromise, Franz Joseph relied on liberals for the Minister-presidency. The Compromise, for the Emperor-King, was not a decentralisation accord. Rather, it was an attempt of centralisation based on not one but two centres. Both Transleithania and Cisleithania were centralised polities. While the Hungarian government was repressing national movements of Romanians, Slovaks, and Serbians in Transleithania, the government in Cisleithania launched an effort to suppress Bohemian movements. Bohemians who saw the privileges that the Hungarians managed to secure with the Compromise initiated their efforts to demand a similar compromise from the Austrian government. As a response, Austrian liberals, who were stubborn supporters of centralisation, alienated Bohemians to not give further concessions from centralisation (Taylor 1948, 141-144).

In 1870, the Bohemian deputies of the Reichsrat launched a boycott demanding concessions from Vienna. They argued that similar to Hungarians, Czechs were not a minority but a nation with a state-right. Therefore, they refused their status within Cisleithania as minorities under Austrian dominance. The electoral system of the country was designed to prevent a formidable Czech presence in the Reichsrat, which alienated the Czech population. The electoral system was changed in early 1870s with a system of direct election. However, this change in electoral system led to a loss of support for the liberals and in 1879, conservatives took over the government (Bérenger 2014, 238-240).

In 1879, Franz Joseph broke ties with liberals. He appointed **Eduard Taaffe**, an Irish aristocrat and a conservative who declared his loyalty to the Empire, as the Minister-president. Unlike liberals, Taaffe did not favour a German-oriented centralism and promised equal treatment for all nations of Cisleithania. Instead of relying on a political party for consolidation, he aimed to conciliate peoples and gather them under the "iron ring" he established. The iron ring was a government bloc that brought together Germans, Czechs, the Polish, and Slovenians.

In return of Taaffe's policy of "no predominance," peoples accepted the unity of Cisleithania and the rule of Franz Joseph (Taylor 1948, 156).

Eduard Taaffe (Public domain)

Facing the approach of Taaffe, **František Ladislav Rieger**, a Czech political leader who orchestrated the Bohemian boycott to the Reichsrat, began to lose his political influence. His political view and influence were based on Vienna's antipathy towards Czechs. As Taaffe revoked this attitude of Vienna administration, gradually Bohemian deputies of the Reichsrat began to leave the boycott and returned to the Reichsrat. Soon, Taaffe managed to bring all peoples of Cisleithania to the Reichsrat and made them accept the authority of Vienna. However, in return, Vienna had to revoke the predominance it gave to Germans in administration. The final hit for Rieger was the decision made by Taaffe government in 1881,

that proposed a major change for government's outer service[20]. This decision made Czech, along with German, the official language of outer service of the government in Bohemia (Taylor 1948, 156-157).

On the other hand, Taaffe did not introduce any major structural changes to Cisleithania apart from electoral changes. Instead, he preferred to defend the requests and interests of those who held the majority: agrarian population against industrialists, Slavs against Germans. His policy was to keep all peoples of the Empire in a situation of even and well-modulated discontent. Except for the socialist movement, Taaffe refused to repress of flourish any national or political movement. Rather, he observed them and let the events take their course. Meanwhile, he did not do anything to solve "the question of the Empire," and he even refused to acknowledge the fact that there was a question (Macartney 2014).

In 1882, Taaffe achieved to pass a law that lowered the tax threshold for electors from 10 florins to 5 florins. However, this act was countered by liberals with a huge opposition. The next year, a reform for workers' conditions was also introduced by the Taaffe administration and passed the Reichsrat. Two major developments created a division among liberals. The reforms met with a fierce opposition from **Neue Freie Presse**, a huge liberal newspaper based in Vienna. However, there were also liberal deputies in the Reichsrat who supported the course adopted by the Taaffe administration (Bérenger 2014, 250).

In 1893, Taaffe government was brought down on the question of expansion of the electorship. Taaffe was planning a bill to introduce universal suffrage for all adult men, who would be divided into four *curia*s based on property. However, even the rumour of the bill created displease among conservative deputies. Although Taaffe abandoned the plan, the iron

[20] Government services that are in direct contact with the people. Inner service is government correspondence within government officials and institutions.

ring was dissolved and the Reichsrat voted the Minister-president out of his office (Bérenger 2014, 250).

Taaffe era was marked as an era of stagnation. The Minister-president, as mentioned above, refused to introduce major structural reforms to Cisleithania. Instead, he relied on minor arrangements to deal with the problems. Other than reforms to improve workers' conditions and expand the electoral basis, Taaffe did not intervene into affairs of the people.

Yet, Taaffe era brought a peace and stability to Cisleithania, which it had not witnessed for many decades. The imperial bureaucracy, before Taaffe, was in a way playground for young Germans of '48. Under his administration, Taaffe transformed the imperial bureaucracy into an outlet for the ambitious young men of all Cisleithanian peoples. Moreover, he also managed to reconcile nobles and imperial bureaucracy. Taaffe's Minister-presidency turned the imperial bureaucracy into a structure that actually governed the whole Cisleithania. In former state of affairs, the imperial bureaucracy was German bureaucrats were attempting to enforce their rule over, for example, Bohemia. In contrast, Taaffe's bureaucracy was an actual imperial bureaucracy that was employed the peoples of the Empire and was accepted as a legitimate authority. Also, Taaffe administration witnessed the introduction of administrative autonomy. Instead of making decision from Vienna for whole country, Taaffe allowed local bureaucratic centres, such as Prague, to take decisions concerning their own regions. In 1914, Prague had a bureaucratic machine that was almost as large as Vienna's (Taylor 1948, 158-159).

The other field that Taaffe administration intervened in was the workers' issues. While putting pressure on socialist movements, Taaffe tried to appease workers and prevent them from supporting socialist movements (Macartney 2014). In 1883, he managed to pass a bill from the Reichsrat to appoint labour inspectors, prevent exploitation of workers, prohibit paying workers in-kind, and mandate payments to be made with money. In 1887 and 1888, he managed to pass a bill to establish mandatory health insurance for workers and another bill to involve the state

after working accidents. With the second bill, Taaffe managed to include the state to procedures after a working accident; he thus attempted not to leave workers alone against their employers (Bérenger 2014, 250).

The question of universal suffrage, which led to Taaffe's removal from office in 1893 remained on the agenda even after his removal. **Count Badeni**, Taaffe's successor and former governor of Galicia, attempted to introduce a bill for this end. According to the bill, a fifth curia covering men 24 years of age and older would be established to elect 72 out of total 425 deputies to the Reichsrat. Although this bill passed and came into effect, it also brought Badeni's end. In 1897, the Reichsrat voted him out of office due to his favourable attitude towards the Slavic people (Bérenger 2014, 250-251).

After the fall of Badeni in Cisleithania, and the emergence of common army issue in Transleithania, the Dual Monarchy began to crack. Both the Magyar gentry and the Austrian middle class, two pillars of the Compromise, began to drive themselves apart from each other and the Compromise. On top of this, Franz Joseph, the once energetic and young emperor who saved the Empire in 1848, had become an old man who lacked his former capabilities. In this situation, two possible heirs, **Archduke Rudolph** and **Archduke Franz Ferdinand** came up with two different solutions. Rudolph was a stubborn supporter of the German liberals and was the heir to the throne. However, Rudolph's suicide in 1889 eliminated his chance of being the next Emperor-King. Instead, the heir to the throne became Archduke Franz Ferdinand, who proposed a federalist solution for the Empire (Taylor 1948, 196).

Franz Ferdinand was the enemy of all nationalisms. He openly opposed Germans, Czechs, Magyars, and even Croats. Instead, he aligned himself with Romanians and southern Slavs, the Archduke was providing them political support. When an issue arose that would be concluded against the latter one's interests, the Archduke was opposing the solution to protect their interests. Franz Ferdinand believed that the issues of the Dual Monarchy could be resolved

this way (Taylor 1948, 196-197). However, his assassination in Sarajevo in 1914 would trigger the Great War and the discussion he was part of would be paused due to the war efforts.

Archiduke Franz Ferdinand (Public domain)

Another current in Austrian politics was pan-Germanism, which gained power following the turbulence of 1897. According to the pan-Germanists, Southern Germans should unite with other Germans and establish a great German state. This movement was against many democratic concepts of the 19th century and advocated for the extensive usage of brute force. Although pan-Germanists received support from the Austrian working class, they could not gather enough people to influence Cisleithanian politics in a major way (Bérenger 2014, 251-254).

f. Imperial-Royal Foreign Affairs

The foreign affairs of the Dual Monarchy were marked with two important issues: **power politics** of European great powers and the **Eastern question**. The power politics issue emerged as a result of von Bismarck's realpolitik, which was aiming to secure the unified Germany. The Iron Chancellor believed that the security of Germany could be only achieved through ensuring peace. However, his understanding of ensuring peace relied on isolating possible rivals through a network of alliances. This mentality eventually led to the complete opposite of what it aimed: the Great War (Armaoğlu 1997, 334-335).

On the other hand, Count Andrassy, who was appointed as the k.u.k. Minister of Foreign Affairs in 1871, advocated for siding with Germany in power politics. Franz Joseph, leaving his goal to take revenge, began to re-approach Germany as an ally. Instead, the Emperor-King preferred to focus on the Balkans and the competition with Russia (Bérenger 2014, 255).

The first move in this European power play came from von Bismarck. He orchestrated the initiation of a "honeymoon phase" in German-Austrian relations in 1871. With the encouragement of Count Andrassy, Franz Joseph also participated in this effort. The improving relations between the Dual Monarchy and Germany led to a meeting in 1872 in Berlin between Andrassy and von Bismarck. However, before the meeting, the Russian Tsar asked the German Ambassador in Saint Petersburg to participate in this meeting. Thus, in 1872, Count Andrassy, von Bismarck and **Gorchakov**, the Russian Minister of Foreign Affairs, met in Berlin to create the "**Three Emperors' League."** The League resembled the Concert of Europe after the 1815 Vienna Congress. It was an alliance between three conservative, status-quo powers of Europe (Armaoğlu 1997, 338-341).

However, the League did not stand on strong pillars and was dissolved in 1875, following a Russian-Austrian conflict. The conflict was caused by the Eastern question; to be more precise, it emerged with the Balkan crisis of 1875, which led to the 1877-78 Russo-Turkish War. When the war ended in 1878, the Russian troops were very close to annihilating

the Ottoman Empire and occupying İstanbul. The war ended with the Treaty of San Stefano, which never came into effect because the treaty disrupted the **balance of power in Europe** in a very harsh way. Interests of Austria-Hungary and Britain were just ignored. Thus, in 1878, the **Congress of Berlin** was convened to resolve the issue (Armaoğlu 1997, 345).

While the Congress was in session, Austria claimed Bosnia to re-establish the balance of power, which was disrupted with the establishment of Bulgaria and unification of Italy. However, the Hungarian side raised concerns about the increase of Slav population, which would pose a greater problem with the annexation of Bosnia. Thus, the Dual Monarchy demanded an occupation, instead of annexation, of Bosnia in the Congress. In 1878, Bosnia was occupied, and the occupation raised further questions between Budapest and Vienna (Jelavich 2006, 59).

As a result of the Balkan crisis, a rapprochement between Britain and the Dual Monarchy took place since both states were opposing a Russian dominance over the Ottoman Empire. The rapprochement was a source of displease for Germany because Britain had close relations with France. For von Bismarck, close relations between the Dual Monarchy and Britain had a potential to cultivate close relations between Austria-Hungary and France, Germany's greatest rival. Therefore, von Bismarck made a new alliance with Austria-Hungary in 1879. This alliance would transform into the **Second Three Emperors' League** in 1882 (Armaoğlu 1997, 347-352). On the other hand, von Bismarck also attempted to bring Italy into an alliance with Germany. However, in order to realise this aspiration, von Bismarck first had to resolve issues between Italy and Austria-Hungary. For this end, von Bismarck forced a conference between Italy and the Dual Monarchy to resolve the issues. as a result, Italy denounced her claims over Austrian Italy. The three formed a tripartite alliance in 1882, which would be **the Central Powers** in the beginning of the Great War (Armaoğlu 1997, 352, 357-360).

In 1880s, von Bismarck managed to isolate France from other European powers by networks of alliances that brought Austria-Hungary, Russia, and Italy to his side. However, **Wilhelm II**, the new Kaiser of Germany would remove von Bismarck from his office. In addition to him, Wilhelm II removed his conservative and status-quo approach from German foreign policy to pursue his own **Weltpolitik**[21]. Eventually, von Bismarck's network of alliances dissolved in 1890s and 1900s with the French-Russian rapprochement and the creation of a Russian-British-French tripartite alliance (Armaoğlu 1997, 382-386, 397-400). The Russian-British-French tripartite alliance was a *Bismarckian* network of alliances between the three countries. The Russo-French alliance of 1894, French-British alliance of 1904 and Russian-British alliance of 1907 established **the Entente Powers** of the Great War (Armaoğlu 1997, 439-450).

The Eastern question was mostly an issue intertwined with the power politics; however, had its own dynamics and impact on the Dual Monarchy. The Dual Monarchy's involvement in the issue was caused by her interests in the Balkans and the occupation of Bosnia in 1878. For Austria-Hungary, the Balkans was a slippery slope which she was neither able to leave nor in which she was able push Russian interests back. As the Austro-Hungarian capital penetrated into the region, the Empire got more and more involved. In the meantime, Russia was also trying to expand into the region using the Slavic population (Armaoğlu 1997, 345; Jelavich 2006, 59).

Following the occupation of Bosnia, a question of administration emerged between Budapest and Vienna. The Hungarian side refused to integrate Bosnia into its territory but also refused leave Bosnia to Austria. For Budapest, both of these options would have overthrown the delicate balance established in 1867. Thus, an imperial-royal administration in the region

[21] Foreign policy of Wilhelm II aiming to secure colonies for Germany and establish her as a colonial, industrialised world power.

was established in 1882, under the k.u.k. Ministry of Finance. This time, however, the imperial-royal administration in Bosnia faced the challenge of attracting administrative personnel into the region. Compared to either side of the Leitha, Bosnia was a very backward region (Jelavich 2006, 59-61).

The occupation also created a Serbian problem within the Dual Monarchy, particularly in Transleithania. Serbians, allied with Croatians, began to enter to the Sabor and later to the Diet of Hungary. Annexation of Bosnia in 1908 and then the **Russian Foreign Minister Izvolski**'s provocations agitated the Serbian problem. In the Sabor and in the Diet of Hungary, Serbian deputies began to advocate for the empowerment of Bosnia and Slavs within the Dual Monarchy. The annexation also brought the Kingdom of Serbia into the equation. With Izvolski's push, Serbia began to oppose the Austro-Hungarian annexation of Bosnia and to criticise the Empire's approach towards its Slavic population. The tension between Belgrade and Vienna nearly triggered a war in 1909. However, Franz Joseph refused to declare war as he did not trust the capabilities of the army (Taylor 1948, 216-219).

In the meantime, the Serbian agitation gradually became a greater problem for Austria-Hungary. In 1901, a secret terrorist organisation, **Black Hand**, was formed by Serbian officers to liberate Southern Slavs from Austro-Hungarian domination. The Black Hand was an influential organisation which managed to topple down the King of Serbia in 1903. Following the victory in the Balkan Wars of 1912-1913, the Black Hand launched an operation to agitate Southern Slavs of the Empire (Williamson 1988, 804-805).

Alongside many other factors, the Black Hand led to a change in Austro-Hungarian perception of Serbia. For the Dual Monarchy, Serbia turned into a threat to state security in 1900s (Williamson 1988, 804). When in March 1914, it was announced that Franz Ferdinand would visit Bosnia, the Black Hand prepared a plot that would prove Vienna's concerns. On 28

June 1914, Franz Ferdinand and his wife were shot by a Serbian named **Gavrilo Princip** in Sarajevo (Bay 1925, 203-205).

Sarajevo Assassination (Public domain)

5) The Great War

a. 1914

Following the **Sarajevo Assassination**, Austria-Hungary sent a very harsh ultimatum to Serbia, demanding major concessions. Serbia rejected this ultimatum and on the 28th of July 1914, Austria-Hungary declared war on Serbia. Two days later Russia declared mobilisation, to be followed by the Germans declaring mobilisation two more days later. The same day of the declaration of mobilisation, Germany requested free passage from Belgium, which was rejected. On 3 August, German forces began to invade Belgium. On 4 August, Britain declared war on Germany (Howard 2003, 29-31). Following the outbreak of war, the Emperor-King dissolved the **Reichsrat** until further notice, but the **Diet of Hungary** remained in session.

The war began with Austrian advance into Serbia and **Bombing of Belgrade**. First, Austrian Danube Fleet bombed Belgrade but was unable to make a significant damage to the city. This offence was followed by Austrian land operation to invade Belgrade, which was stopped by Serbian forces.

With the outbreak of the war, Germany triggered the **Schlieffen Plan**, a plan to capitulate France in 6 weeks. As a part of this plan, German armies entered into Belgium and attacked to the Fortress of Liège. German mobile siege artillery, particularly Skoda 305mm howitzers produced in Bohemia, destroyed the fortifications. In response, French armies entered into Alsace-Lorraine and soon turned their course to the north, to flank the German army. As soon as German forces passed through Belgium into France, they engaged with Entente forces. In the **Battle of Marne**, German army had to withdraw. Following the withdrawal, German armies dug trenches and the war turned into trench warfare (Howard 2003,

35-39). With the **Battle of Ypres**, the trench warfare was entrenched as this time both belligerent sides dig trenches to defend themselves (Howard 2003, 39-40).

Meanwhile, the Russian army engaged with the German and Austro-Hungarian armies in East Prussia and Galicia. Although initially the Russian army managed to push Austro-Hungarian army back, with the German advance towards Warsaw, the front entered into a stalemate. However, both Austria-Hungary and Russia suffered heavy losses.

Around the end of the year, the Ottoman Empire entered into the war by bombing Russian ports of Sevastopol and Odessa. Later, the Ottoman army launched an operation towards the Russian outpost of Sarıkamış, which was defeated by Russian forces in January 1915.

b. 1915

In February 1915, a joint French-British naval force came before the Dardanelles, to push towards Istanbul and to reach Russia. The next month, the whole fleet made an attempt to pass the Dardanelles but was pushed back by the Turkish resistance. In April, the Entente forces landed on Gallipoli to eliminate Turkish fortifications around the Dardanelles. In January 1916, they were pushed out of the peninsula by the Turkish defence.

On 23 May 1915, Italy declared war on Austria-Hungary, the Ottoman Empire and Germany. Soon, Italian armies launched an attack on Austrian Alps to take back Austrian Italy. However, they met with a strong defence from the Austrian army (Howard 2003, 56-58).

On the Eastern Front, German Chief of General Staff von Falkenhayn was not eager to give priority to the fight against Russians. However, with Austrian casualties reaching around a million in Galicia, von Falkenhayn launched a series of offensives pushing Russians out of Poland. The Austro-Hungarian army, however, was struggling with the cold and the desertion of Slav soldiers (Howard 2003, 58-60).

1915 passed nearly all quiet on the Western front. The German side did not attack, and Entente attacks did not create a major change (Howard 2003, 62-66).

c. 1916

On the Western front, two major campaigns were launched by Entente forces in 1916, both of which did not bring any substantive result other than hundreds of thousands of casualties. On the other hand, on the Galician and the Eastern fronts, Russia launched a major attack. The offensive did not bring any major results in Poland; however, in Galicia, the Russian army was able to penetrate some 80 miles into Austro-Hungarian territory (Howard 2003, 67-80).

In Caucasus, however, the Russians suffered a defeat that would bring the demise of the Tsardom. In order to establish a supply line, Britain invaded Iraq and Russia began to push towards the south on the Caucasus front. In 1916, the Turkish army led by General Mustafa Kemal pushed the Russian forces to north, preventing the establishment of a land connection with the British forces in Iraq.

Also, on the 21st of November 1916, Franz Joseph died at the old age of 86 after ruling Austria for 68 years and Hungary for 49 years straight. Franz Joseph was succeeded by **Charles I** (of Austria) **& IV** (of Hungary) **von Habsburg-Lorraine**, the late Archduke Franz Ferdinand's nephew and the late Emperor Franz Joseph's grandnephew.

6) Questions to be Addressed

i. What should be the status of the Slavic population within the Dual Monarchy?

ii. Should the k.u.k. ministries remain, or should they be replaced by national and separate institutions of Hungary and Austria?

iii. How could an imperial capital (i.e., economic resources) that is not dependent on import of foreign capital be established?

iv. How could the widespread corruption that emerged as a result of the lack of supplies during the war be solved?

v. Should any amendments be proposed to the Compromise in the renewal negotiations of 1918?

vi. What will be the next course of action regarding the Great War?

vii. What could be done to strip the Slavic population of the Empire of Russian influence?

viii. Should Hungary remain within the union?

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