The crisis of 1869 is not typeset in bold in the crisis chronicles written about the 19th century. In fact, it often goes entirely unmentioned. This is partly so because it did not emerge in London or Paris, in the principle hubs of world economy at the time but in Vienna (Pest) and New York, and partly because it soon slipped out of the limelight thanks to the arrival of the Great Crash of 1873. Contemporary sources initially referred to the crisis of autumn 1869 as a “money crisis” (the equivalent, using a modern term, of a monetary crisis). Later on, it was merely referred to as the prelude to 1873.

Crisis history rewritten

Albert Schäffle was one of the first scholars to offer an analysis of the crisis of 1873. Written in autumn 1873, his first study on the topic does not touch on 1869. However, in his second work he does mention it as a “fore-crisis” and as a “cold water cure” when he writes “Man erinnert sich dabei der Vor-Krise und des »Vor-Krachs« von 1869; es war eine erste Kaltwassercur, welche den Speculationswahnsinn zwar aber sehr kurze Zeit, aber doch einige Zeit lang ernüchtert hatte.”

Max Wirth, who was in the habit of expanding his tome on the history of commercial crises with a new chapter after any notable crash, added a book-size supplement in 1874 solely dedicated to 1873. In this work, he discusses the activities of the National Bank of Austria, and, citing Neuwirth’s work, he too mentions the crisis of September 1869. Moreover, Hungary is shown in a different light here: “Die eingetretene Krisis und ihre verheerenden Wirkungen wurden naturgemäß dort am fühlbarsten wo am stärksten und mit geringsten Berechtigung gesündigt werden war, nämlich in Ungarn.”

In other words, the crisis was

---

1 Schäffle, 1875. 658-659. In his first article written on the “great crash” it was the autumn of 1872 which was figured as a “fore crash” (“Vorkrach”) to the “Hauptkrach” of May 1873. Schaeffle, 1874. 23, 55. On the connection between crisis literature in economics and medical terminology, see Koselleck, 2006.; Besomi, 2011.

2 Wirth, 1874b. 27-28. A verbatim quote from a chapter of Neuwirth’s work entitled “Das Jahr 1869 und die Speculationskrise”. Neuwirth, 1873. 213-214. This sentence did not change in any of the later editions either, except that the quotation mark was inserted back into the text at the end of the sentence. However, Neuwirth continued his train of thought in the following fashion: “Statt aber sich selbst anzuklagen, schob man dort alle Schuld auf Wien und die Wiener Nationalbank…” Ibid. 214. Neuwirth, in his originally not planned second volume written on speculation crisis, drew parallels between 1873 and the other ‘big crises’ of 1857, thus referring to 1869 only briefly: „Es war eine gewaltige Deroute, eine veritable Krisis, die da über den Effectenmarkt im September 1869 hereigebrochen war; man berechnete am 1 October 1869 den Coursverlust, welchen die Effecten an der Wiener Börse in Verlauf des vorausgegangenen Monats erlitten hatten, auf nicht weniger als 385.7 Millionen und eine ansehnliche Reihe neu emittirter Werthe war von dem Markte verschwunden. Trotz allem aber bleiben, als reinigende Gewitter sich verzogen und der Effectenmarkt sich relativ rasche wieder erholt hatte…” Neuwirth, 1874. 64. The term ‘Deroute’ had remained to be used as a special term characterizing the autumn crisis of 1869 for a long time. Veith, [1933] 20-24. By evaluating crises the question whether having or not having historical perspective always interested the scholars: „Uns, die wir rückblickend die Ereignisse betrachten, zu ihnen eine historische Distanz gewonnen haben, auch über andere wirtschaftlich Kenntnisse verfügen, scheint diese Entwicklung selbstverständlich. Denn es war unsinnig zu
dragged right into the crossfire of political debate on the issue of setting up a Hungarian central bank. From the second edition on, Wirth also added a separate, shorter chapter on 1869, in which, however, he focused on the expansion of international cash flows, limiting his discussion to the speculations of the New York gold clique and September 23, Black Friday. His interpretation, however, was very much informed by the spirit of 1873: “Bei dem damaligen »Corner« wurde genau dieselbe Methode und Taktik, wie bei dem 1873 beabsichtigten vervolgt und viele der Agenten und Makler, welche damals zu Werkzeugen der Clique hergaben, arbeiteten 1873 wiederum für dieselbe. Als am »Black Friday« das Agio auf 65 stieg und ehe der große Krach kam, welcher Wall Street Wochen lang in Vervirrung setzte und Tausende von Personen total ruinirte, hatte die Clique mit ihren Opfern nicht das geringste Mitlied.”

The reproach of not having learned the lesson of 1869 was often formulated by contemporaries as well.

One of the first Hungarian authors to publish a crisis history discussed 1869 only briefly, set in the context of the “founding fever” (“Gründerzeit”): “The buccaneering spirit and all its excesses met their punishment soon. Already in the fall of 1869, the month of September ushered in a crisis, whose valuable lessons, however, were not drawn either in Hungary or west of the Leitha. In Hungary – and even west of the Leitha, where they were also neck deep in start-up frenzy – the crisis only soothed the founding itch temporarily.”

Tivadar (later Theo) Surányi-Unger, a Hungarian classic in the field of crisis history, described the events as two distinct phenomena, one American and one Austro-Hungarian.

Lajos Juhász, the Hungarian monographer of the “money crisis” of 1869, listed two reasons in explaining the crisis: “In August, disaster struck from both directions. Securities plummeted at the Vienna stock exchange, which also pushed stock prices down at the Pest stock exchange – first slowly, then at a more dynamic rate. On the other hand, because of the increased demand for credit, the National Bank of Austria raised first its deposit rates, and then, soon after, its discount rates and its financing rates – and the banks in Pest followed suit. Such actions on the part of the banks led to a loss of trust.” After describing the events taking place in Pest, he goes on to provide the following summary: “In this crisis, Hungarian economy was only very loosely connected to general economic life at a European level. At the time, Pest lived almost exclusively within the orbit of Vienna, and any understanding of European economic phenomena was mostly mediated to it by Vienna. Primarily, the events of
1869 affected Vienna, while Pest was only affected secondarily partly in its own right and partly via Vienna; unlike the crash of 1873, this crisis had not emerged as a consequence of a set of economic phenomena affecting the whole world."}

The first modern study of the “gold crisis” of 1869 was Larry Wimmer’s dissertation, which analysed American events in the context of the floating exchange rate system and the government’s attitude of non-interventionism. However, he also paid due attention to trends in cereal crop yields and in international precious metal flows, and came to the conclusion that speculation, even in the context of floating exchange rates, only had a destabilising effect in America between 22 and 24 September 1869, and the agitated market swiftly returned to business as usual as soon as the government would declare its commitment to act if necessary.10

In the Austrian historiography the term ‘small crisis’ (kleine Krise) was already in vogue at the turn of 1960/70s. E. März only mentioned it as ‘so called small crisis’, Matis in his habilitation thesis called it as ‘local stock exchange crisis’ that had influenced the different banks in different ways, while looming their destinies realized then in 1873: „Für die größeren öst. Bankinstitute und die altrenomierten Privatbankiers unter Führung Rothschilds war die „kleine Krise“ jedenfalls Anlaß genug, in Hinkunft eine vorsichtigere Geschäfts- politik einzuschlagen, während die Bau- und Maklerbanken auch weiterhin unbeirrt ihren Weg gingen, der sie geradewegs dem „großen Krach“ zuführen sollte.“11

Kindleberger tried to establish links between the American and Austro-Hungarian events but failed to identify any trustworthy leads.

“There is no obvious connection between the U.S. gold crisis of September 1869 and the Austrian crisis of the same month. Both national currencies were floating. Both countries had had investment booms following their wars, although the devastation from the conflict had been much greater in the United States. Wirth prefaced his brief discussion of the ‘great crash of 1869,’ which preceded the real great crash of 1873, with some remarks about German and Austrian investments in the United States, the invasion of European markets by U.S. goods, and the extension of shipping and banking connections across the Atlantic. Since Wirth did not mention the U.S. gold crisis, however, it seems unlikely that he was suggesting a connection. The accounts of the 1869 gold crisis in the United States ignore Austria. A possible link may run through the price of wheat, which Jay Gould and Jim Fisk were trying to raise when they bid up the gold premium (e.g., the discount on the greenback dollar). The difficulties following the September 1869 ‘crash’ were concentrated in Hungary which was a wheat-growing country. Gould states that the United States could sell wheat to Great Britain in competition with the low-priced labor and water transportation from the Mediterranean with the gold agio at 45, but the United States could not sell wheat with gold below 40. The decline in the gold agio in the United States in September should have assisted Hungarian economic prospects."12

---

9 Juhász, 1939. 63-64. At this point, we must reference the following literature: Max Wirth, 2nd edition of 1874 (433 and ff.), Pólya, and Surányi-Unger.
10 Wimmer, 1975. “Prior to September 22, with the exception of one day, neither the price change on a given day nor the variation from one day to the next increased by more than 1%. Clearly, from September 22 until noon on September 24, the actions of speculators in this country were destabilizing. Nevertheless, once the government’s position was clarified, the market returned to its previous price and stability with amazing speed.” Ibid. 120.
12 Kindleberger-Aliber, 2005. 136-137. With the exception of minor language revisions, this passage did not change in essence since the first edition (1978).
The periodization used by the most recent history of business cycles splits the 19th century into two periods right at 1870. As a consequence, 1869 is not discussed either in the first volume or in the second. Of course, it may also be that, in the opinion of the authors, 1869 did not merit mention because of its low relevance in the context of the history of business cycles. Whatever conclusion we draw, it remains a question, how the crisis of 1869 could remain to be a 'local' one while in few years later that of 1873 presented itself as so inherently global one. And how can be interpreted the events of 1869 in the retrospective light of 1873?

The key actors
How did the key actors behave during the period leading up to the crisis? “The bank institutions that, desperately seeking ways to invest and put to good use their funds in times of boom, had focused mostly on promoting profitable trading in securities, and the banks that had offered financing for up to 90% or even 95% of the then current market value of the stocks even at times when no increase in the security prices could possibly be expected any more, all of a sudden became exceedingly cautious. On the one hand, there was no overabundance of funds to push them to look for business opportunities by hook or by crook… On the other hand, in the wake of September’s bitter experience with pledged securities and with the additional payments demanded by the banks, they were somewhat worried that stock prices would continue to fall, so they thought it would be wiser to limit their advancing on securities. They demanded that their clients make additional payments or pay back the financing received; in doing so, they themselves contributed to pushing stock prices down, wherefore they ended up having to demand more in additional payments, with stock prices falling by the minute with narrowing margins.”

The following passage from merchant Ignác Leopold’s contemporary justification of why he had to file for bankruptcy in 1869 is a good example of the reactions observed at the micro level: “… especially dire was the situation of those who found themselves in the middle of this outstanding stock exchange crisis with their portfolio of securities pledged; especially great were the sacrifices they had to make to obtain the funds needed to provide the additional collateral that the banks demanded because of the consistently falling stock prices, right at a time when in general cash was not readily available and trust was entirely lacking; eventually, being forced to sell the securities in execution or otherwise, they lost not only these securities but also all the money initially invested and later paid up, including the funds sacrificed in the hope of saving the investment; accordingly, it is my most sincere plea that the Honourable Court of Law appreciate the above account of my situation, duly supported as it is by the strongest argument of these most unfortunate figures, have compassion for me as a fellow human being who has suffered such a disaster and fatal blow to his well-being as truthfully described above, grant me the sympathy that any sufferer of such misfortune undoubtedly deserves, and attribute my bankruptcy and insolvency to a most unfortunate crisis that, while it certainly affected me, is certainly not my doing, especially in the light of the sacrifice such crisis has already demanded of me, and absolve me of any and all charges of guilt or culpability.” It is only natural that the bankrupt merchant makes every effort to clear himself of the charge of bankruptcy fraud; in fact, this is the very function of the document he is drafting. And even as we listen to the merchant’s account of his personal tragedy, we can clearly hear that at the time of boom, when stock prices were on the increase, Ignác Leopold

14 Pólya quotes the description given in Rückblicke auf die Handelsverhältnisse des Jahres 1869, 1895. 45.
was very much involved in the sort of speculation called “cost business” (‘Kostgeschäft’) at the time, which consisted in pledging the securities just acquired and investing the funds so raised into purchasing more securities. Understandably, his account of the storyline becomes especially dramatic when it comes to the phase after the tipping point, the stage that Hyman Minsky calls financial distress. However, Leopold is not only interesting to us as a source giving account of the decline; accounts like this can be listed by the dozen. What makes him special is that he is the brother-in-law of the most prominent merchant-banker that filed bankruptcy in Pest, who, through his involvement in the accommodation bill business, observed and experienced the crash right in frontline.

I. I. Kohen filed for bankruptcy on 2 November 1869, starting the avalanche that the above-cited literature mentions as the Pest crisis. A few words should be dedicated to introducing one of the key actors of our story.16 Ignác Izidor Kohen was born in Szeged in 1829 in a Jewish family. Upon his graduation from the faculty of commerce of the Imperial-Royal Polytechnic Institute of Vienna, he was first a trainee at the Szeged tobacco shop of his father, and then, upon the death of the latter, he assumed the position of the top executive of the family business and started out on a six-month business trip with a passport issued to Germany, Belgium, England, France, and Italy. His Pest-based company was registered in 1857, the tobacco business being one of its core activities. In his inventory of assets (see hereunder), stock of commodities represent one fifth of the company’s total assets, and most of those stocks are tobacco. 70% of such tobacco was stored in a warehouse that his firm and the Pest branch of Creditanstalt Vienna managed jointly in Statio (today: Baross) Street. Only half of the tobacco listed in the bankruptcy inventory belonged to Kohen, as he cooperated with Mannheim merchant Gustav Maas in his export-import business. However, the overwhelming majority of Kohen’s assets was in securities (which, as we explained hereabove, were pledged).

Table No 1

<table>
<thead>
<tr>
<th>The composition of the total assets of I. I. Kohen (2 November 1869)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I-III. Shop, apartment, stables</td>
</tr>
<tr>
<td>IV. Securities (pledged)</td>
</tr>
<tr>
<td>V. Stock of commodities</td>
</tr>
<tr>
<td>VI-VII. Real estate</td>
</tr>
<tr>
<td>VIII. Usufructuary rights enjoyed in common</td>
</tr>
<tr>
<td>IX. Outstanding claims</td>
</tr>
<tr>
<td>I-IX. TOTAL</td>
</tr>
</tbody>
</table>

Source: BFL IV. 1343. j. 37/1869

Some of the securities Kohen owned were shares in whose stock market launch he was involved as a banker (Ganz’s machine factory, First Omnibus Company of Pest-Buda, Hungarian Lloyd Company, or the Export Steam Mill Company of Nyitra), but he also owned (and pledged) substantial packages of other securities (priority bonds issued for the construction of Budapest’s Chain Bridge; the Privileged Imperial Royal Danube Steam-boat Company; First Hungarian Insurance Company; Northern Railroad Company; the Salgótarján Iron Refinery Company; the Waggon Factory; the Budapest Construction Company; and Lottery Loan coupons – just to mention packages of a value in excess of 10,000 forints). The

16 On Kohen’s company and bankruptcy, see Kövér, 1987.
diversity, in terms of sector and type, of the securities Kohen held speaks eloquently about the habit of Hungary’s industrialisation or, if you like, the Hungarian “Gründerzeit”. The securities were pledged to various banks (such as the Pest branch of Österreichische Creditanstalt, Hungarian General Credit Bank, Anglo-Hungarian Bank, First Savings Bank of the Capital City, Franco-Hungarian Bank, Wiener Wechselbank).

Undoubtedly, the most important link to Vienna was the Pest branch of Creditanstalt Vienna, and not only because of the tobacco business run in partnership. While the bankruptcy documents dated in Pest do not mention this, board documents of the bank drafted in Vienna let us in on the fact that on 28 October 1869, just a few days before Kohen filed for bankruptcy in early November, the board (Directions Comité) of CA discussed a proposal submitted to the head of the Pest branch by ten Pest-based trading houses involved in the transactions about issuing a joint guarantee in support of Kohen (spelled alternatively as Cohen or Kohen throughout those documents). Bank director Weiss reported that the liability (“Impegno”) of the Pest branch amounted to a debit of 575,000 forints issued against securities whose then current value was 688,000 forints (a leverage of 83.6%). The proposal submitted to the Pest branch of the bank landed before the Board (Verwaltungsrath) on 3 November – the very same day that, completely unexpectedly by the Board, Gudbrand Gregersen, one of Pest’s largest timber dealers and construction industry entrepreneurs, filed for bankruptcy. The Vienna Board did not accept the terms of the guarantee proposal submitted by the ten Pest merchant houses and sent Director Weiss to Pest to start negotiations. The “counterproposal” he was to put forward was essentially based on the idea that in addition to his securities, Kohen’s share of the warehoused stocks had also been pledged to secure the loan. In total, 28,500 customs hundredweights of tobacco and 39,500 méro (Metzner/multure) of maize served as additional collateral to secure the loans.

Originally, Creditanstalt requested that these be auctioned off; however, our Viennese sources only show signs of partial sales. For example, at the end of November 1869, the minutes of the Viennese Board state that 10,000 hundredweights of maize were sold off at a unit price of 2.40 forints and 5,300 hundredweights of tobacco at a unit price of 9¼ forints.

Having given an outline of the relationship between Kohen and the Pest branch of the Viennese bank Creditanstalt, it may be also worth taking a look at Kohen’s network of international relations. As far as his ties with countries outside the Monarchy are concerned, we have already covered those partly (tobacco business, Mannheim); however, a brief overview of the claims filed against him also gives us valuable insight. Some of the international bill of exchange transactions involving Kohen were indeed related to import goods. The engineering firm Hartl et Co. (Nienburg, Lower Saxony) supplied and commissioned machinery for the Brick Factory and Coal Mines Company; in consideration, Kohen promised to remit bills of exchange drawn on Berlin and Leipzig (Rimessen). However, instead of this arrangement, Kohen sent out promissory notes (Accreditiv) drawn on Blecker et Co. in Leipzig and Mendelssohn et Co. in Berlin; it became clear only after that Hartl et Co. endorsed the bills (and Kohen filed for bankruptcy) that the instruments were found to be uncovered. Rather than examining whether the debtor acted bona fide or mala fide, we are interested in how strong Kohen’s ties to the German market were. To settle his debt to a Swiss factory, Pest industrialist Pál Kollerich arranged Kohen to issue a bill of

17 Historisches Archiv BACA Directions Protokolle, 28 October 1869.
18 On the bankruptcy of Gregersen, a Norwegian-born Evangelical-Lutheran, see Halmos, 1986.
19 Historisches Archiv BACA Verwaltungsrath Protokolle, 3 November 1869; 9 November 1869. As early as on 12 November, Sections I and II of the Board of Directors held a separate session dedicated to the issue; however, this session is not filed with a specific serial number within the sequence of board meetings usually convoked on a weekly basis.
20 Historisches Archiv BACA Directions Protokolle, 26 November 1869.
21 BFL IV. 1343. j. 37/1869. Hartl et Co. 29 January 1870.
exchange drawn on Paris bankers Marcuard, André et Co. Eventually, after the bill of exchange was negotiated to the Swiss manufacturers, the Montpellier branch of Banque de France presented it to Marcuard et Co., who, however, refused to accept it because it was not covered.\textsuperscript{22} Granted, this also happened in the middle of November, that is, after I. I. Kohen filed for bankruptcy. Munich banker Josef Marum’s claim for 32,000 forints can also be cited as an example; this was a package that involved not only the above-mentioned houses (Marcuard and Mendelssohn) but also a range of other big names such as, for example, Frankfurt trading house de Neufville, Mertens et Co. While it is possible that the European bankers participating in the network were not careful enough with I. I. Kohen’s bills of exchange, this could only happen because he was generally seen as a reliable partner forming part of their well-established channels. Even though \textit{intercontinental} links may be difficult to find, the conjuncture was certainly of an international nature at least as far as the European theatre is concerned. How could, then, the bust following the big boom have still remained particular?

The negotiations opened with Creditanstalt in Pest failed partly because the month of November brought along a wave of bankruptcies in the Pest market. While in 1868, a boom year of exceptionally high cereal crop yields, only 26 bankruptcy procedures were opened in Pest, their number soared to 46 in 1869 and 48 in 1870, and even in 1871, the Royal Court of Law in Pest registered as many as 60 new bankruptcy cases.\textsuperscript{23} The fluctuation in the number of new bankruptcy proceedings opened speaks volumes, albeit the statistics showing the number of bankruptcy proceedings closed seems to be an indicator even more sensitive (even if the high rates at which bankruptcy proceedings were terminated in certain periods suggest that judges may have occasionally been on a campaign to reduce the number of cases pending).

\begin{center}
\textbf{Chart No 1}
\end{center}

\begin{center}
\textbf{Bankruptcy Cases in Pest 1867-1876}
\end{center}

\begin{center}
\includegraphics[width=\textwidth]{chart.png}
\end{center}

Source: BFL IV. 1343. j.

\textsuperscript{22} BFL IV. 1343. j. 37/1869. Pál Kollerich, 31 January 1870. On the Marcuards, a family of bankers, see Bergeron, 1991. 61.

\textsuperscript{23} The calculation made jointly with Károly Halmos is based on the Court of Law’s register of bankruptcy proceedings. It may be worth noting that Juhász, the first analyst of the bankruptcy documents, mentioned five significant bankruptcy cases in early November 1869, but he does not include the two largest ones, the respective cases of Ignác Izidor Kohen and Gudbrand Gregersen. Juhász, 1939. 62.
Let us take a look at the seasonal breakdown of the number of bankruptcy proceedings opened. While the number of bankruptcies filed in the Court of Law was three in July, two in August, and as few as one in the month of September 1869, October brought along five cases, and November as many as 10 (in December, the number of new proceedings opened was down to five once again). The mere fact of this fluctuation, which clearly defines two distinct stages in the Gründerzeit period, seems a fairly good indicator even if we remember that we are only looking at the number of bankruptcies filed with the Royal Court of Law in Pest, and that the number of insolvencies on record with the court regulating exchange matters must have been substantially higher.

Kohen’s bankruptcy case was closed on 26 March 1870 as by then he had reached an agreement with his creditors, with the consequence (a rather unfortunate consequence at that, at least from the perspective of future historians researching the era) that he eventually did not have to file a complete balance of his assets and liabilities. Nothing indicates the survival of his one-man company; he participated in the second stage of the Gründerzeit period as the general manager of the Franco-Hungarian Bank established in 1869 until that company too ran into liquidation as a result of the crisis of 1873.24 It may well be that he never drew the consequences of 1869, but this holds at least equally true for the Hungarian government, which, while rapidly sinking into the abyss of indebtedness, contracted the Franco-Hungarian Bank and the international network of Erlanger banking houses to manage two of its debt issuance projects. As for the rest of his life, we have only sporadic and incomplete data. According to some accounts, he ended his career in Vienna; others indicate he ended it later in Paris. Of course, even though Kohen’s biography is full of international aspects of great interest, it is not the reason why we discuss him here and now. What we are focusing on is to what extent the banker was embedded into the era’s international system of connections during the crisis of 1869, and what these network links tell us about the nature of the “Small Crisis” of 1869.

While CA Vienna was being courted in the issue of a possible guarantee, the Budapest Chamber of Commerce and Industry also started negotiations with the Hungarian government. While finance minister Menyhért Lónyay, a convinced liberal, was generally of the opinion that the government is under no obligation to intervene in economic developments, he did not entirely discard the possibility that government intervention might just be necessary after all in certain situations.25 At the end of the day, the most peculiar aspect of Hungary’s crisis was not so much related to the nature of the crisis itself but to the way it was handled. Because of the conflict between the finance ministers of Austria and Hungary, and because of the way the National Bank of Austria behaved, it was the finance ministry of Hungary that took charge of managing the crisis aid programme based on authorisation granted by the Hungarian National Assembly. The government made a total of 4 million forints available to Hungarian enterprises through eight banking institutions, partly in the form of mortgage-backed loans and partly as bill of exchange credits (subject to a 5% rate of interest). However, the banks, in their dealings with the enterprises, followed the norms of the business sector; thus, only “companies of prime credit standing” gained access to loans under this programme.26 The banks only financed enterprises where the firms’ survival was a viable scenario and therefore the bank’s return on

24 Kövér, 1986.
25 As Lónyay put it, incidentally on 4 November 1869, in response to an interpellation: “it is not a government responsibility to directly intervene in order to moderate any such money crises”. KN 1869-72. III. 173.
26 Juhász, 1939. 60-61. Among the notes, he lists the companies that received credit.
its investment was ensured. As a consequence of the strict credit rating criteria applied, over 1 million of the total 4 million forints available under the programme remained unutilised. Nearly two thirds of the 3 million forints was spread between a total of 10 companies in the form of mortgage-backed loans, while one third of the funds was distributed against the acceptance and/or discounting of bills of exchange. Most rejected applicants were rural credit institutions.27

Contemporary crisis perceptions

Actually, in Pest, the thematisation of the crisis started in September 1869 way before the first wave of insolvencies struck. Pest’s number one statistician József Kőrösi published his observations and recommendations in the daily Pesti Napló shortly after the Budapest Chamber of Industry started discussing the issue. His sentences might as well head our study as a motto: “While events are in progress, sometimes it is very difficult to discern the relationship between the cause and the effect. One tends to be distracted by minuscule superficialities whose insignificance only becomes apparent later, when, keeping some distance, one can judge the accomplished facts in their completeness. – Some historians believe that the fall of the hero of Malplaquet and the turn in England’s policy (1712) came about because of a glass of water, or that a poorly constructed window of the Trianon Palace might be the cause behind the bloody French-German war of 1688. After all, when events long in the making burst into the stage, they take a specific form in front of the eyes of the world; this, however, should not lead one to mistake either the shape they happen to take or any other collateral circumstance for their original cause.”28 He believed that neither the hearsay concerning Napoleon’s health condition nor the restrictive measures adopted by the National Bank of Austria should be attributed too much significance.

Just a couple of days after some of the more important firms filed for bankruptcy in Pest, the National Assembly once again had to discuss the issue of the crisis. This time, a truly competent person, Mór Wahrmann was given the floor. In addition to being the Member of Parliament for the Pest-Lipótváros District, he was also a merchant and banker who was actively involved in the Gründerzeit. During an earlier debate held at the Chamber of Commerce and Industry, he had already stated his quite characteristic opinion that “the stock exchange crisis cannot and should not be counteracted.”29 He made specific effort to clarify the concepts in circulation throughout the debate by making a distinction between monetary crises, stock exchange crises, and trade crises. In his view, the “money crisis” lasted five to six days, while the stock exchange crisis was still around but needed no government intervention whatsoever; however, should a trade crisis crop its head up (which, in his opinion, was not related to the former two, and neither was it around the corner at the time), then government inaction would not be an option any longer.30 In this respect, it was obviously very much possible for business and government to agree. It is an entirely different question why the government should support certain companies if the trade crisis has not (yet) struck. One might possibly argue that there may have been a need for preventive measures.

27 Ibid. 61.
28 Kőrösi, 1870. 43.
29 The position stated on 23 September is quoted by Kőrösi, 1870. 37. He partly contests such position as Kőrösi believes that “this stock exchange crisis normally also has a bearing on monetary conditions”. Ibid. 42.
30 Mór Wahrmann (8 November 1869). KN 1869-72. III. 226-227. “I am not a friend of government subsidies at all, and I have often cited “Aide toi, et Dieu t’aidera”; “Heaven helps those who help themselves”. However, there may emerge situations where helping oneself is rendered impossible, when the interests of the individual must be represented and promoted by the total of all individuals: the state.” Ibid. 227.
The fact that finance minister Menyhért Lónyay resorted to active crisis management is not the only peculiarity of the historical process of the Hungarian crisis. Heeding to two interpellations from the opposition, he also proposed that the National Assembly send out what would be called a Commission on the Issue of a Central Bank with a mandate to analyse the situation and to organise an invitation-only hearing with the participation of the interest representation bodies of the business sector (chambers of commerce and industry, the Hungarian National Agricultural Association OMGE, the National Industrial Association), various business institutions (the stock exchange and the country’s large banks), as well as the country’s leading experts on economics. At least two of the nine questions posed were not related either to the responsibility of the National Bank of Austria or the possibility of setting up a Hungarian central bank, but instead probed into the nature of the “money crisis”. The overwhelming majority believed that the recent crisis (or, as several participants would emphasize even in the spring of 1870, the then still ongoing crisis) should more appropriately be called a credit crisis, rather than a money crisis. It is also not by accident that Wilhelm Lucam, representing the favoured scapegoat of many of those present, namely, the National Bank of Austria, would speak of “a clear-cut case of a crisis driven by speculation”. Others also shared this opinion, mostly in the following formulation: “it is neither a trade crisis nor a monetary crisis; it is a stock exchange crisis”. Another version of this position was exposed in a statement made by Vienna banker Moritz Wodianer when he linked the cases for the stock exchange crisis with those for the credit crisis by referring to “the latter being a stock exchange crisis that eventually develop into a credit crisis”. The National Industrial Association was somewhat of an odd one out in opining that “the partly still ongoing crisis cannot be considered purely a monetary crisis; first and foremost, it was an outstanding production crisis”, which eventually “led to a true trade crisis”; nonetheless, at the end of the day, they blamed the crisis on “stock exchange manoeuvres”. From this perspective, the commissions meeting had a very interesting aspect to it: representatives of several chambers, mostly those from the eastern part of the country declared that the crisis never affected their respective regions, Kassa (Košice/Kaschau), Debrecen, and Kolozsvár (Cluj-Napoca/Klausenburg). The Adriatic port city of Fiume (Rijeka), which had no railway connection at the time, made the same statement about itself. In supporting their statements, each region underlined unique aspects. Those of Kolozsvár...

31 Jirkovsky, [1940]
33 Wilhelm Lucam (20 May 1870.) In: Jegybankügyi bizottság naplója (“Journal of the Commission on the Issue of a Central Bank”), 1870. 136. As a fairly late echo of Lucam’s standpoint can be mentioned a speech of the Governor of ONB, Ewald Nowotny, held in 2010 at the 38th conference of ONB ‘Central Banking after the Crisis: Responsibilities, Strategies, Instruments’, in which he contrasted Wilhelm Lucam’s opinion with that of Alan Greenspan. The too remote perspective, however, led him to some inaccurate remarks: he declared, for example, that „excessive speculation in Budapest led to a crash in 1869” (as if Vienna had been untouched by the crisis) and he called the central bank of the Austrian-Hungarian Monarchy as „Austro-Hungarian National Bank” which name, however, had been never used. http://www.oenb.at/dms/oenb/Presse/Reden-und-Präsentationen/Downloads/Nowotny/2010/3105100R.pdf (Last download: 10 July 2014)
35 Moritz Freiherr von Wodianer (April 1870). In: Jegybankbizottsági nyilatkozatok (“Declarations of the Commission on the Issue of a Central Bank”), 1870. 59. The signature clearly belongs to Móric, but the introduction of the declaration names his brother Albert (who, by the way, may have also shared his opinion during the invitation-only hearing).
37 (Fiume, 2 March 1870) 1870. 23.
emphasized that “being less developed commercially, the region our Chamber represents is not, for the time being at least, intertwined closely enough with Pest and Vienna to experience much of the waves sweeping through their money markets.”

József Lichtenstein of Miskolc, who represented the chamber of the Kassa District, was less cautious in formulating his opinion: “the monetary crisis in question was not a general monetary crisis; it was a local crisis affecting the Pest stock exchange and those involved in the founding fever there, which was rooted in overly ambitious expansion and an excessive desire to lounge into any possible business opportunity.” To add insult to injury, he also said “while in Pest there was a lack of money – in effect, a lack of credit –, the provinces, which are generally much less abundant in funds, now had way too much cash on their hands”.

What we find to be the real essence of this position is not so much that he is throwing the blame at over-speculating Pest; rather, it is how he makes clear that the real frontline, in terms of money and capital market related criteria, was not so much between Austria and Hungary; the conflict of interest involved Hungary on the one hand and the National Bank of Austria on the other hand, as Budapest and Vienna were closely and mutually dependent on one another. As Sándor Vetsey once put it, “the markets of Vienna and Pest are so closely interlinked that it is impossible for us here in Pest not to feel on our own skins the effect of whatever transpires in Vienna.”

Of course, there were bank executives who interpreted this as dependence on the money market of Vienna (but not as dependence on the National Bank of Austria). They believed that all this also played a substantial role in bringing about the crisis; reckless business buccaneering “was a lot more widely seen in Vienna than here, and [the crisis in Pest] would not have been quite as acute in its development had it not coincided with Vienna’s own crisis, which was quicker to come and quicker to go but also more acute.”

It is especially noteworthy that the only party to even make reference to connections with the world economy was the chamber of Debrecen (a city barely affected by the stock exchange crisis). They analysed grain crop exports as the main factor bearing on both boom and bust. They underlined that while the harvest of 1869 was rather poor in their region, North America and Russia produced way in excess of “even the highest hopes”. In addition, their argumentation also compared transport costs, singling out the example that the amount of money one had to pay for shipping goods from Odessa to the English coast only paid for 68 miles of railway transportation on the continent at best.

The impact of the “Small Crisis” and the “Great Crash” on the real economy

Last but not least, let us take a look at the impact of the crisis of 1869 on the real economy of the Monarchy. Thanks to quantitative history, today we have access to a range of calculations concerning annual industrial production indices also in respect of the Gründerzeit period. And even though these calculations occasionally contradict one another in some respects, they still help evaluate the short term impact of the crises of 1869 and 1873.

---

38 (Kolozsvár, 13 May 1870) 1870. 18.
42 Miksa Falk (1 April 1870) In: Jegybankügyi bizottság naplója (“Journal of the Commission on the Issue of a Central Bank”), 1870. 89.
44 Komlos, 1983; Schulze 2000.
Table No 2

**The calculation of the manufacturing industry indices of Austria and Hungary (1866-1878)**

(At 1913 prices, 1913 = 100)

<table>
<thead>
<tr>
<th>Year</th>
<th>Austria</th>
<th>Hungary</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>John Komlos</td>
<td>Max Schulze</td>
</tr>
<tr>
<td>1866</td>
<td>22.64</td>
<td></td>
</tr>
<tr>
<td>1867</td>
<td>28.82</td>
<td></td>
</tr>
<tr>
<td>1868</td>
<td>31.10</td>
<td></td>
</tr>
<tr>
<td>1869</td>
<td>33.95</td>
<td></td>
</tr>
<tr>
<td>1870</td>
<td>34.63</td>
<td>33.3</td>
</tr>
<tr>
<td>1871</td>
<td>40.29</td>
<td>38.5</td>
</tr>
<tr>
<td>1872</td>
<td>40.18</td>
<td>38.2</td>
</tr>
<tr>
<td>1873</td>
<td>35.60</td>
<td>35.0</td>
</tr>
<tr>
<td>1874</td>
<td>36.38</td>
<td>35.6</td>
</tr>
<tr>
<td>1875</td>
<td>36.19</td>
<td>35.4</td>
</tr>
<tr>
<td>1876</td>
<td>35.55</td>
<td>35.2</td>
</tr>
<tr>
<td>1877</td>
<td>36.80</td>
<td>36.5</td>
</tr>
<tr>
<td>1878</td>
<td>39.02</td>
<td>36.9</td>
</tr>
</tbody>
</table>

* An adjustment has been made to correct the calculation error of the Hungarian index of 1873. Cf. Komlos, ibid. [300]


The panic later referred to as the “small crisis” barely had any impact on industrial progress in Cisleithania, while the John Komlos’ series of indices covering the Hungarian manufacturing industry reflect a modest but protracted decline (the data supplied by Schulze do not yet cover this period). However, both data series suggest that Austria suffered the consequences of 1873 gravely and over a long period of time. In Hungary, on the other hand, the data of the years 1873 and 1874 did not at all reflect any crisis of the real economy; the decline of 1875-76 in an agrarian country can hardly be attributed directly to the Great Crash of 1873 (it is more probable that the poor grain crop of 1875 is to blame for the downturn). Naturally, when reviewing these largely estimation-based index calculations, one always has to take into consideration the author’s intentions concerning long term growth, as is the norm in the case of any historiographical venture. And while Komlos is widely known to have exposed himself as a fervent believer in the “Great Depression”, this seems to have only made his take on Hungary more differentiated.

* * *

It is a commonplace that future generations interpret historical processes in the light of their own experiences. This also holds true for crisis history. It is widely known how Hans Rosenberg’s concept of the Great Depression (1873-1896) was prefigured by his experience of the Great Depression of the 1930s. As we have seen, the Great Crash of 1873 similarly shaped how the history of the 1869 Small Crisis was written. The fact that the autumn of 1869 was treated as nothing more than one of the antecedents of 1873 already foreshadowed the possible final judgment that the actors had been unable to learn even from the experiences of

46 Rosenberg, 1943; Rosenberg, 1966.
their immediate past. On the other hand, we historians often mention the reverse of the “this-time-is-different syndrome”. Later experience can hinder our clear recognition of the peculiarities of the previous event. Although prosperity was international before 1869 as well, the crisis within the Monarchy (and also in Hungary itself) remained to be multifocal but local phenomenon. It influenced first of all Vienna and Pest. Austria was hit less strongly, while in Hungary its management (particularly in comparison to that of 1873) proved to be peculiar and its effects rather long-lasting. This is something we should consider even if we are not at all disposed to forget about the wisdom of Reinhart Koselleck’s comment on the theologically rooted tendency to explain economic crises as God’s punishment: “Whether this kind of explanation will be accepted by historians, or whether they would rather find other reasons (for instance, the catastrophe as the outcome of erroneous calculations of power) or look for psychological, economic, or other kinds of explanations, cannot be decided at the level of the sources. The sources certainly might provide an impulse toward a religious interpretation. The decision of which factors count and which do not rests primarily at the level of theory, and this establishes the conditions of possible history.”

(Translated by Attila Török)

---

47 Reinhart & Rogoff, 2011. 15.
Sources and literature

Budapest Főváros Levéltára [The Archives of Budapest Capital City] [BFL]

Historisches Archiv der Bank Austria Creditanstalt [Historisches Archiv BACA]

Képviselőházi Napló [Diary of the House of Representatives] [KN]


Wirth, Max: Geschichte der Handelskrisen. 2te vervoll., verb. Aufl. J. D. Sauerländers Verl., Frankfurt am Main, 1874a.

Wirth, Max: Geschichte der Handelskrisis im Jahre 1873. (Separatabdruck aus den zweiten Auflage der Geschichte der Handelskrisen) J. D. Sauerländer's Verlag, Frankfurt am Main, 1874b.

Wirth, Max: Geschichte der Handelskrisen. 4te Aufl. Sauerländer's Verlag, Frankfurt am Main, 1890.