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From Progressivism to Conservatism: The Social Policy of the Hungarian Association of Industrialists (GyOSz) In the Era of Dualism and After World War I

Abstract

The purpose of the study. To examine how and why the social policies of the GyOSz and its attitude towards a broadening of suffrage changed from progressive ones in the period of Dualism to conservative ones in the Horthy Era.

Applied methods. Literature review including the author's 1980 dissertation and subsequently published works on the topic by him and other authors.

Outcomes. The GyOSz, many of whose members were of Jewish origin, sided with progressive groups in promoting a broadening of suffrage and some social policy measures in the period before World War. They did so in hopes of building an urban alliance that opposed the economic policies and antisemitism of the agrarian interest groups. Shocked by their experience during the latter months of Károlyi's republic and especially the Soviet Republic in 1919, the industrialists of the GyOSz threw their full support behind the conservative Horthy regime rather than making cause with the Social Democrats for progressive reforms. They did this to their peril since the Horthy regime initially promoted antisemitism and later was unable to contain it. Many members of the GyOSz suffered from the antisemitic laws and the subsequent Holocaust at the end of World War II.

Keywords: Hungary, economic interest groups, GyOSz, Dualism, Interwar Period, Horthy Era

History of this Research

The Hungarian Association of Industrialists, or Magyar Gyáriparosok Országos Szövetsége (GyOSz) played an important political role in the final decades of Dualism as well as in the interwar period. Yet, this organization has not received the scholarly attention that it merits. My doctoral dissertation, which I defended in 1980, took the story of the organization from its foundation in 1902 to the outbreak of World War I.¹ I then left the field of history for a career in information technology. The topic largely lay dormant until the end of communism in Hungary when an organization with the same name was revived and commissioned two works on the history of its predecessor, one by the historian Szabolcs Szita, who described the policies of the organization through its lifetime, and the other by a literary historian, Zoltán Fráter, who

¹ I chose this topic with the help of my then thesis advisor, Professor István Deák of Columbia University and L. Nagy Zsuzsa (Institute of History, Hungarian Academy of Sciences) who was visiting Columbia University in 1975. Under IREX and Fulbright fellowships, I began archival research on the topic in 1976 with the guidance in Budapest of Dr. Péter Hanák, also of the Institute of History. The dissertation was defended at Columbia University in 1979 and a revised edition published in 1990. Deák, G. (1990). See also Deák, G. (1992).

described the role that the GyOSz played as a sponsor of modernist cultural life.² These works have considerable value, though their point of view is influenced by the fact that they were commissioned by the revived Magyar Gyáriparosok Országos Szövetsége.

The social policies of the GyOSz were surprisingly progressive in some ways in the years before World War I. A classic Marxist study of Hungarian industrial development published in 1955 by two young historians at the time stresses the class conflict that existed between capitalists and the working class. “The monopolies and, domestic and foreign finance-capital insured their maximal profits at the expense of the dire conditions of the Hungarian working class and its constantly declining standard of living.” [‘A magyarországi munkások sűjos helyzete, életszínvonalának állandó romlása árán biztosítottak a monopóliumok, a magyarországi és a külföldi finánciókések a legmagasabb tókés profitot.’]³ Of course, such statements were politically necessary in a study written in 1955. The value of the book, whose authors would go on to illustrious careers in economic history, and in the case of Ránki, other branches of history as well, lies not in these statements but in the statistical information on industrial development that they brought together. In fact, most historians of capitalist industrial development agree with the essence, if not the tone, of Berend and Ránki’s above statement. In what may be considered the period of “take-off”, industrialists in Europe and the United States in the nineteenth and early twentieth centuries paid little attention to the welfare of their workers unless forced to do so by the state, as in Germany under Bismarck or by strong labor movements, as eventually happened in England and Sweden. In Hungary, however, prior to World War I, industrialists through the GyOSz allied themselves with progressive demands that offered to give greater power to the working class, which in turn, promised to allow it to increase its proportion of the national product. The GyOSz did this, because its members found a community of interests with other urban classes against its rival economic interest group, that of the agrarians. The fact that many industrialists and especially the leaders of the GyOSz were of Jewish origins, also turned the organization towards the progressive movements, which, whether socialist, or “bourgeois radicals” such as those around the journal *Nyugat*, opposed distinctions made on ethnic and religious grounds. After World War I, however, this progressive tendency was replaced by a conservatism in social policy inimical to labor that placed industry into close alliance with the aristocratic and gentry dominated governing class. At times, it even outdid the governing party in its opposition to proposals favored by the Social Democrats and other parties that represented the interests of labor and, in my opinion, the general interest of the country. Our goal here is to demonstrate this change which is best exemplified by the opposition of the GyOSz to the introduction of unemployment insurance in the 1930s. We recognize that the problem deserves more research both on the economics of social and electoral reform and on the motives and mindsets of industrialists in opposing such reform.

The question of why business groups take different attitudes toward social policies at different times has garnered some interest in the last decades. The histories of different countries exhibit divergent ways in which social policies emerged (or failed to emerge) to mitigate the social and political problems caused by industrialization and the business cycle. In Germany, social insurance of various sorts was introduced in the 1880s from above by Bismarck. In Sweden of the 1930s, business groups realized that welfare reforms were a political inevitability, given the power of the labor movement and so they advocated them so that in the process they would

² Szita, Sz. (1996); Frater, Z. (1996).

³ Berend, T. I. – Ránki, Gy. (1955): 337.

be able to influence their implementation. In the United States, even during the Depression in 1934, business tried to scuttle the New Deal as best they could. Studying the case of Hungary could add an important set of data to this field of inquiry.⁴

Progressive Policies in the Era of Dualism

The GyOSz was founded in 1902 by a group of men at the apex of Hungary's newly emerged modern industry to represent the interests of their firms in the political arena. Its most prominent founders were Ferenc Chorin, president of the Salgótarján Coal Mines and of the National Association of Mines and Forges, who became the first president of the GyOSz and Sándor Hatvany-Deutsch, whose family owned Hungary's largest sugar refineries, who was president of the Hungarian Association of Sugar Manufacturers, and who became vice-president of the GyOSz. Ferenc Aich, president of the Hungarian Brewers Association and Nándor Förster, president of the National Association of Iron and Machine Manufacturers were also among its founders. The political interests of large industry, and the social interests of industrialist, had been well represented until the beginning of the twentieth century by the gentry founders of the Dualistic political system. There was an implicit division of labor in which parliamentary politics and government administration was the bailiwick of the Magyar nobility, while industrial leadership was left to non-Magyar groups, primarily Jews and to a lesser (or perhaps just less visible extent) ethnic Germans. This division of labor began to fray with the advent of neo-conservative agrarianism as some noble landholders began to feel economically challenged by the rapid growth of industrial, commercial and financial entrepreneurs, many of them Jewish. Agrarianism was organized in such groups as the venerable the National Hungarian Association of Landlords ('Országos Magyar Gazda Egyesület', OMGE), whose roots went back to the Reform Era, and the newer Hungarian Association of Landlors ('Magyar Gazdaszövetség'), formed in 1896 by Count Sándor Károlyi. By the turn of the century both organization, but especially the latter, had an ideology and rhetoric that was decidedly antisemitic.⁵ Industrialists sensed the distancing of the Hungarian nobility from their cause and began to look for allies in the rising urban classes on the left, including the industrial working class, represented primarily by the Social Democratic Party, which had been formed in 1890. This search led the GyOSz to pursue some progressive policies.

The beginnings of progressive social policies in the history of the GyOSz can be seen in the proceedings of a conference that it sponsored on the question of emigration in 1907. The GyOSz considered the preparations for this conference to be its major activity of the year. The managing director of the GyOSz, Lóránt Hegedüs, a liberal intellectual, the godson of the celebrated novelist Mór Jókai, had an interest in the problem both as sociologists/economists and as a Hungarian patriot.⁶ He also considered the problem to be of relevance to industry, from which emigration drew off potential workers. The leaders of the GyOSz agreed with him that emigration was detrimental for industry. They also evidently supported the policy-solutions penned by Hegedüs and published by the GyOSz after the conference, which included provisions for access to land for the peasantry by means of the abolition of the institution of

4 See among others Cutright, Ph. (1965); Flora, P. – Heidenheimer, A. (1981); Kim, K. (2001); Paster, Th. (2011); Paster, Th. (2013).

5 Deák, G. (1990): 27-36.

6 Rab, V. (2021): 18.

entail ('hitbizomány'). The GyOSz however was not unanimous on all of the resulting proposals. Zoltán Lázár of the Rimamurányi Iron Works pointed out that the demand to facilitate the acquisition of land by the peasantry would make it even more difficult to attract workers to industry.⁷

The most important social policy proposal coming out of this conference was for a progressive income tax, which would have increased the taxes paid by industrialists. Sándor Wekerle, during his second prime ministry (1906-1910) proposed just such a tax, a significant modernization, though, for political reasons, Wekerle was not planning to extend the tax to the incomes of large landholders. The GyOSz naturally protested this aspect of the proposal, but advocated that the lower limit of the tax be raised so few workers would be subject to it. The organization also advocated other measures that would have helped the working class. It demanded that the taxes that workers paid for food should be lowered (though taxes on wine and beer should be increased). Institutions of welfare such as state-run old-age pensions and free public education should be expanded. It also favored land reform. It urged that employer (separately from the state) help workers by providing clean and healthy dwellings, consumer cooperatives, school buildings, hospitals, and vacation facilities.⁸

The peak of progressive stances taken by the GyOSz was its support of the broadening of the suffrage. While not a social program itself, broadening the suffrage to the working class was reasonably thought of as key to further social reforms. Suffrage in Hungary at the time was extremely limited, with only about six per cent of the population having the right to vote and in rural areas balloting was done in public under the eyes of the authorities. The demand for universal secret suffrage was the main political demand of the Social Democratic party. It was also supported by much of the urban middle classes. The ruling political elite – the Magyar nobility that ruled the country through parliament – however were wary of extending the suffrage, fearful for their position as the ruling class, as the guardians of Magyar supremacy over national minorities and of territorial integrity. Yet, suffrage reform became part of the political agenda through the multiple pressures of foreign examples (Austria introduced universal manhood suffrage in 1905); the threats from the King to extend the suffrage if the Hungarian parliament did not cooperate with Austria in areas of common administration; the parliamentary opposition parties that were in intense competition for advantage with the government party; and the demands from below of the Social Democrats (who were not represented yet in Parliament), the bourgeois radicals (also not represented) and the Christian socialists (under the umbrella of the Christian People's Party who had a few representative in Parliament)⁹.

⁷ Deák, G. (1980): 210-213; Deák, G. (1990): 99-100.

⁸ Deák, G. (1980): 213.

⁹ For the Christian Socialists, see Szabó, M. (1974): 8.

As early as 1904 the GyOSz, in response to an inquiry from Prime Minister István Tisza about the organization's attitude towards suffrage, stated its support for suffrage reform:

*We believe that the parameters of the suffrage set by the laws of 1848 must be adjusted in line with the changed circumstances. ... The broadening of suffrage would not lead to the loosening of discipline in the factories. Indeed, the representation of the working class in Parliament would be an appropriate means of decreasing the severity of social conflict.*¹⁰

Suffrage reform was one of the main areas where the GyOSz and the Social Democrats cooperated. In 1909, the Association hosted a conference in which it tried to form a "League of Industrial and Merchant Voters" against the "agrarian" interests. The Social Democrats welcomed that effort in their newspaper, though they would have rather have seen the bourgeoisie forming a party.¹¹

On May 23, 1912, a day that has come to be known as Bloody Red Thursday, a demonstration involving about 100 000 protestors, the largest demonstrations of the era, took place before Parliament. It was organized by the Social Democrats who feared that the accession of István Tisza to the speakership of parliament meant the end for their hopes of suffrage reform. The authorities brought in the police, the gendarmes, and the military to suppress the demonstration, which had also spread to other cities. In Budapest, windows were broken, barricades were set up, a street car was overturned, and six people, including a policeman, were killed. The GyOSz commented on the situation with understanding for the demands of the crowd and urging of the introduction of suffrage reform.

*[I]n the same way as turbines transform the destructive force of water, so should intelligent, fine-to-behold laws transform into national strength that "fearsomeness" that flowed destructively through our streets." [... miként a vizek pusztító erejét a turbina termékeny munkája alakítja át, úgy kell azt a „félmetességet”, mely utcáinkon károsan, pusztítón végighömpölygött okos és szép törvénnyel nemzeti erővé átalakítani].*¹²

The progressive policies espoused by the GyOSz also indicate the choice made by the leaders of the organization to seek an alliance with the internationally oriented parts of the urban middle classes: those with a progressive and inclusive ideology that came to be known in politics as "bourgeois radicals" and in culture, as "the second reform generation." They included such writers as Endre Ady and Mihály Babits and the sociologist Oskár Jászi and Bódog Somló, founders of the magazine *Twentieth Century* ('Huszadik század'). The major stockholders of the literary magazine *Nyugat* (The West) -- founded in 1908 by Miksa Fenyő, who also became the managing director of the GyOSz in 1912 -- were the Hatvany-Deutsch family. We also find among the owners the industrialists Ferenc Chorin Sr. and his son Ferenc Jr., a future president of the association, as well as Manfréd Weisz, Leo Goldberger, Alfréd Brüll, and the banker Leo Lánchy. Wolf Kohner, the son of a GyOSz member also owned stock.¹³ As we have seen, the GyOSz also cooperated with the Social Democrats, whose revolutionary Marxist ideas were

¹⁰ Quoted from 1904 memo in Magyar Gyáripár 1913. No. 2. 4; Deák, G. (1990): 117. It would be worthwhile seeing if the memo to Tisza István can be found.

¹¹ Deák, G. (1990): 149, quoting Népszava 1908. No. 266. 2.

¹² Magyar Gyáripár 1912. No. 11. 2.

¹³ Deák, G. (1990): 68.

tempered by their major effort at this time was aimed at obtaining the suffrage rather than towards overthrowing capitalism by revolutionary means. It is likely that leaders of the GyOSz like Hegedüs and Miksa Fenyő were aware of the ideas of reformist like Eduard Bernstein, who had a major influence on German social democracy.

The progressivism of the GyOSz was probably also conditioned by the fact that much of the leadership was ethnically and socially differentiated from the predominantly gentry and noble political ruling class. Assimilated Jews or Christianized Jews made up probably more than half of Hungarian large industrial entrepreneurs, and assimilated Germans made up much of the rest. Although the Hungarian landowning gentry and nobility that had created the political system of Dualistic Hungary had been liberal (in the early 19th sense of the term) in the early decades of Dualism, by the end of the 19th century, many landowners began to sympathize with the antisemitic conservative movements that were intertwined with agrarianism. The conservative anti-capitalist and anti-Jewish ideology of agrarianism was promoted by the main interest group rival of the GyOSz, the Association of Hungarian Landowners ('Magyar Gazdaszövetség.')¹⁴ It was largely in reaction to this that the GyOSz began to seek allies on the progressive Left.

The Revolutions of 1918-1919

The declaration of a democratic republic under the leadership of Mihály Károlyi in the autumn of 1918 was initially welcomed by the GyOSz. During the initial months of the regime, it showed even greater sympathy to the demands of workers than under Dualism. Miksa Fenyő urged the new regime to respect the principle of private property while also assuring it of the full support of the GyOSz. The organization, he claimed, was in the process of rethinking its earlier [capitalist] ideology. Szita, however, notes that behind its cooperative words, there was foot dragging as well. Some owners attempted to move their money out of the country to safe havens as the economy continued spiraling into chaos and the diplomatic situation looked bleak.¹⁵ The declaration of the "dictatorship of the proletariat" that followed the radical turn of March 21, 1919 spelled the temporary end of the GyOSz. The property of those that it represented was nationalized and several of the leaders themselves were jailed if only for a short time. (They had to share cells with some agrarian landlords but survived the ordeal.)¹⁶

The Horthy Era

The GyOSz was reconstructed after the August 1919 demise of the Republic of Councils but, shocked by the experience of the first seven months of the year, in the era that followed it abandoned its optimism about cooperation with the Social Democrats, which had begun under Dualism. It threw its lot in with the counter revolutionary forces of Miklós Horthy and István Bethlen, hoping that the alliance between these men and the antisemitic White Terror that accompanied Horthy's accession to power would be a temporary phenomenon. Throughout the interwar period, there are no signs of its earlier support of progressive social legislation or an attempt to seek an alliance with the Left, which was in any case given little quarter during the

¹⁴ Deák, G. (1990): 27-36; Szabó, M. (1974): 17.

¹⁵ Szita, Sz. (1996): 49-53.

¹⁶ Szita, Sz. (1996): 53-55.

Horthy regime. Typical of its new social conservatism, the GyOSz was the major and successful opponent to instituting compulsory unemployment insurance when such a policy was being considered under József Vass, minister of social welfare, in 1924 and 1926. The GyOSz argued, perhaps with reason, that employers should not be the only ones to bear its cost.¹⁷ Zsuzsa Ferge, a sociologist who has studied the history of Hungarian social policy, concurs that the GyOSz consistently blocked the acceptance of the institution of unemployment insurance.¹⁸ In 1936, the government instituted the 48 hour workweek, to which the GyOSz reacted with “antipathy” (‘idegenkedés’).¹⁹ The support of the organization for universal suffrage was also reversed during the Horthy period. Under the revolutionary regimes following World War I, suffrage had been greatly expanded and, fearing the rule of the “mob”, it was restricted again in the early years of the Horthy regime.²⁰ Rather than supporting more democratic elections, the GyOSz successfully fought to have itself represented by appointment after 1927 in the Upper House of parliament, when the unicameral legislature was changed back to a bicameral one.²¹ Suffrage was nevertheless broadened again in 1938 and elections were held in 1939, but the new system worked against the interests not only of the GyOSz but also of the Social Democrats. Of the opposition parties, the Arrow Cross won the largest number of seats. In those two years, the monthly journal of the GyOSz, *Magyar Gyáripár*, maintained complete silence on the issue of elections. What drew its apprehensive attention and protest instead was passage of the First Jewish Law. That law was part of a process that would bring the Holocaust to Hungary in 1944 when many leaders of the GyOSz would once again lose their properties and suffer internment. But this time, many would lose their lives as well. Those who survived in Hungary, or returned from exile, like the Pécs industrialist Zsigmond Deutsch, would see their properties nationalized and the GyOSz disbanded in 1948 by the new Communist rulers of the country.

Further Research

A number of questions remain about the history of the GyOSz. The only monograph that tells its story beyond 1914, and only in outline, was funded by the organization with the same name that was reincarnated in 1990 and thus, though the work contains much good information, it may have been hesitant to critically examine its subject. There might well be primary sources that the authors of earlier secondary works, including this author, were unable to consult, for example, among the papers of the Social Democrats in the Institute of Party History or among the papers of the ministry of social welfare, its minister between 1922 and 1930, József Vass, and those around him who dealt with attempts at improving working conditions and the situation of the unemployed. Such sources might give a more reliable answer to whether there were in fact any attempts at a dialogue between members of the GyOSz and such groups? The private papers of Hegedüs Lóránt have come to light in the last decade. Do they contain new information about the GyOSz? Might there be sources in provincial archives related to the provincial branch organizations? It is unlikely that all these were destroyed as supposedly were the ones in Budapest.

¹⁷ Baksai, Z. (1983). 755, 772; *Magyar Gyáripár* 1921. Aug. 1. No. 13-14. 8. and 1926. Nov. 1. No. 10. 2.

¹⁸ Ferge, Zs. (1986): 108.

¹⁹ Szita, Sz. (1996): 87.

²⁰ Romsics, I. (2001): 225.

²¹ Romsics, I. (2001): 224.

It would be interesting to look more closely at the reasons for the change in policy that we have described. Were there economic reasons such as competitive pressures that explain the opposition of the GyOSz to such social reforms as unemployment insurance, or were the industrialists motivated primarily by personal greed? Another question that would be interesting to investigate is what were the relations between industrialists who were of Jewish origin with those who were not? Did antisemitism play a significant role within the class of Hungarian industrialists, or was there a more cooperative attitude among industrialists than there was between those within the big business and those on the outside?

The Pécs Connection

Since this work will appear in a publication based in Pécs, we give an example of a local opponent of the First Jewish Law from a non-Jewish member of the GyOSz. *Magyar Gyáripár* approvingly reported on a speech that Tibor Mattyasovszky-Zsolnay, one of the owners of the Zsolnay Ceramic Works, gave to the Pécs city council in June 1938, days after the passage of Law 1938:XV, “on securing the more efficacious equilibrium in social and economic life,” which, among other things, required that no more than twenty percent of the professional employees in commercial, financial, and industrial firms with over ten employees be legally “Jewish”. Without mentioning the antisemitic legislation directly, Mattyasovszky-Zsolnay declared:

*I am with good reason filled with great trepidation about those irresponsible efforts transplanted into the public mood, which under the slogan of a fairer distribution of national wealth and income, threaten the valuables of our national economy with terrible destruction. (‘Jogos aggodalommal töltenek el azok a közhangulatba átültetett, felelőtlen törekvések, amelyek a nemzeti vagyon és jövedelem igazságosabb eloszlásának jelszava alatt szörnyű rombolással fenyegethetik nemzetgazdasági értékeinket’)*²²

How widespread were such concerns among non-Jewish industrialists? In any case, Pécs can be proud of one of its leading citizens, even if he was not able to find many others with whom to mount a defense of his ethnically Jewish neighbors then, or later.

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²² *Magyar Gyáripár* 1938. June. No. 6. 28.

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