

---Translation from Hungarian---

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Elemér Hantos' Alternative for Central Europe in the Years 1920–1930

After his studies in Vienna, Leipzig, Paris, Cambridge and Oxford, Elemér Hantos earned a doctorate in public administration and law. After returning to Budapest, he worked as a lawyer and later took part in founding a number of financial institutions and industrial companies. Between 1910 and 1918 he was a member of the National Assembly in the governing National Party of Work. In 1916, he became State Secretary of the Ministry of Commerce, and in 1918, chairman of the Post Office Savings Bank. From 1917, he taught finance at the University of Economics in Budapest, and from 1924, he worked in parallel as an expert at the Economic Committee of the National League.

Initially, Hantos studied the situation of the domestic economy; in 1924, he wrote a study on the Hungarian Bills of Exchange Act; later, for thirty years, he dealt with economic issues of the monarchy and then of Central Europe. A number of his publications about Central European issues are well known; the volume Valerio Korea - Johann Stark: Mitteleuropa Bibliographie (1919-1934) (Heymann Verlag, Berlin, Vienna, 1935) listed 42 of his books and essays. Once these were also published in German, French and Italian, his ideas and proposed solutions, combined with his own experiences on economic events, influenced the debates on European development.

Hantos' ideas during the First World War

During the First World War in 1915, Hantos analyzed the relationship between economic management and monetary policy, with particular regard to the Austro-Hungarian Monarchy. Examining the economic causes of the First World War, he came to the conclusion that they caused the breakout of the war.

Although for domestic and foreign policy reasons England was not a primary participant in the war, nevertheless it was her participation that led to the world war: "Her main motive was the destruction of the economic rival. The British troops arrived on the continent with the mission to systematically and completely destroy the German industrial objects on the territories they occupied."¹ England strived to obtain with economic weapons all that it could not obtain with its white and colored allies.² "This war is, from England's and Russia's point of view, an economic war in the first instance. England's purpose is to maintain its worldwide hegemony. Russia's is to increase its maritime power. Both have a common interest, namely to prevent the economic development of the German Empire and the Monarchy."³

In 1915, Hantos still believed that the Monarchy's modern economy would endure the test of war: the economic experience of the war would incentivize countries to provide for their needs themselves. Free trade would fade into the background once contracts that ensured the biggest benefits largely disappeared, and were replaced by others that would provide mutual advantages to the nations that had politically fused during the war; however, these advantages do not extend to inimical states.

In his opinion, the German Empire and the Austro-Hungarian Empire had economically converged since the beginning of the war, while Turkey regained its economic freedom of movement on account of the war. Even if a customs union between the three powers is not

possible, a trading and political alliance is by all means recommendable. This alliance would entail that a strong, unified economic area with 120 million inhabitants would negotiate with third countries.⁴ As the outcome of the war determines the achievement of these objectives, "we don't wish the end of the war earlier and with other than a complete and final victory over all our opponents."⁵ The outcome of the war, however, did not confirm his expectations.

The disintegration of the Austro-Hungarian Empire and the permanence of national tensions within the Danube Basin

The population of the Austro-Hungarian Monarchy (in 1910 51 million people in an area of 676 000 km²) was ethnically, linguistically and culturally uniquely heterogeneous. Twelve well-confined nationalities lived within the Monarchy's borders: Germans, Hungarians, Czechs, Poles, Ruthenians, Romanians, Croats, Serbs, Slovenes, Muslims, Slovaks, and Italians. Since 1867, the government operated within the framework of the Austro-Hungarian dual state, but it was clear that sooner or later a more stable form of government should be sought and implemented to replace dualism.⁶

After the Peace Treaty of Versailles⁷ the main cause for the quarrels between the small nation-states within the Monarchy was the awakening of the nationalities' self-awareness, the displacement of the Turks from the Balkans (i.e. the foundation of Romania and Serbia), as well as the great power interests. By the spring of 1918, the victorious powers (the United States, France and Great Britain) had not finally decided the fate of the Monarchy: whether a federal arrangement or a creation of nation-states. Their ideas also included the creation of anti-German Slavic states.

The Brest Litovsk peace treaty (1918 March 3), which assured a kind of eastern imperium for the German Empire, the failure of the Monarchy's attempts for a separate peace (Charles IV's attempts for peace), and the agreement between the German Empire and the Austro-Hungarian Monarchy to reach an economic union together caused a turning point in the policy of the western powers. The Entente interpreted the economic agreement between the two monarchies as the Monarchy's final fall under the sway of the German Empire.⁸

In their territorial claims, the nationalities of the monarchy by no means showed any more self-restraint than the turn-of-the-century advocates of the Hungarian imperial idea. All nations had dreamers who, once they got to speak up or came to power, usually found their base, too.

The final borders in the Danube basin were arrived at in a compromise between the smaller nations' exorbitant claims and the mostly modest plans of the great powers. The consequence from the region's hopelessly mixed ethnic situation was that, not nation states, but state formations, heavily laden with ethnic minorities were created. In Poland, Czechoslovakia, Yugoslavia (the Serb-Croat State), and Romania the minorities made up 30% of the population.

Before 1914, of the 100-120million people living in the area spreading from Finland to the Mediterranean Sea, 50 million people lived as minorities within the borders of a State, but after 1920 just 32 million. Therefore, from an ethnic point of view, the situation has improved. Among the new ethnic minorities, the most significant were Germans (6-7 million in Czechoslovakia, Poland and elsewhere), Ukrainians and Ruthenians (5 million) and Hungarians (3-3.5 million). But resulting from the incomplete national demarcations, the region was still characterized by ethnic disturbances. In 1942-1943, during the preparation for

peace, the Americans identified 34 focal points, of which thirty were in Central and Eastern Europe! ⁹

The victorious powers of the First World War made an effort to create stability in the region by means of two "defensive methods": first, through co-operation between the newly created small states between the Baltic and Mediterranean, optimally through their confederation. However, it soon turned out that this cooperation was not working due to internal contradictions. Not only was there tense conflict between winners and losers, but also between the winners. Since 1920, Poland was fighting an expansionary war against Lithuania, which divided the Baltic states into two camps. From 1921, the Little Entente looked at Hungary with hostility. In the Balkans, Bulgaria stared down its neighbors.

Another method, of establishing a mechanism for protection of minorities, was developed in Versailles to ease the ethnic tensions. The rules made possible the free choice of citizenship. In some cases, they ensured cultural and territorial autonomy as well. Czechoslovakia and Romania have adopted these "recommendations" in principle, but until 1938 and 1940 respectively, they have consistently refused their implementation. ¹⁰

Central Europe: The Pan-European regional unit

In June 1926, Hantos was among the founding members of the Hungarian Pan-European section, and accepted an active role in elaborating the economic program of the Pan-European Union by R.N. Coudenhove- Kalergi in 1923. He submitted a draft recommendation to the first Pan-European Congress in Vienna (October 3 to 6, 1926), concerning the importance of transportation. ¹¹ To overcome the intolerable conditions, Hantos' Pan-European- and Central European movements from 1923 initially endeavored federal, and later confederate trends in the interest of a collaboration between the nation-states. He believed that a Pan-European basis to rebuild a community of states would shape a kind of organism, and would provide vitality and positive content for the alliance between these states. He usually used the term "organic" in referring to structuring the state.

Pan-Europe would develop only gradually from the regional groups. The step-by-step progress could be realized through several state groupings, which would be closely linked in a natural way, due to the identity of the interests. Hantos reckoned with a Western European block (France, Germany, Belgium, Luxembourg), a Baltic block (Finland, Estonia, Latvia, Lithuania) and unification of economic policy between the Austro-Hungarian Empire successor states (Poland, Romania, Czechoslovakia, Yugoslavia, Hungary and Austria). The latter economic area would amount to a total of 1.227 million km² with 90 million inhabitants. ¹²

According to him, the Pan-European structure can be built only on „organisms.” Central Europe's new political entities are as yet only seeds, and are unable in their present form to cooperate structurally, either from a global political or from a global economic point of view.

The Austro-Hungarian Empire constitutes an ideal economic unit with appropriate autonomy. Following the Paris peace treaties, six politically and economically independent formations formed, without collaboration between them. Only motives of power politics prevailed following the liquidation of the late Danube monarchy; ethnic motives were sacrificed and the functions of economic policy were disregarded. The Little Entente was created with only one purpose: to maintain the peace treaties. The Little Entente contains only a small part in

Central Europe, therefore, it cannot serve as an originator for a Central Europe. Without Germany, Austria and Hungary, Central Europe would economically only remain a torso.¹³

In his opinion, Central Europe has to solve two important issues: the economic and the ethnic aspects. It should again create an economic unit; on the national level, it must either assert the peoples' right for self-determination or must replace the territorial principle with the Ethnic Personality Principle. Central Europe's natural and moral imperatives are the economic, currency and transportation union between nation-states with closed autonomous minorities.

The shape of Central Europe's reconstruction form must derive from its essence, not from history, which shows no similarity to the present situation. There are no parallels between wartime Central Europe and the current one. All of the bridges built in Central Europe during the war have collapsed.

Today, a Central European federation would constitute a solid core of a Pan-European organization if only because of its geographical situation. The process of political and economic development would steadily accrete further nations and new political units to the state federation. The next step would be to establish a close economic co-operation with the German Empire and France. In the midst of favorable circumstances, the Central European federation would grow to a continental proportion. Its ultimate goal would be to create an organization strong enough to be able to withstand even the global economic intentions of the strongest superpowers.¹⁴

Central Europe would be only the beginning, the partial implementation of the Pan-European concept. But Pan-Europe cannot be established without a Central European organization; its creation is unthinkable if bridging a vacuum in Central Europe.

Economic collaboration must be the starting point of rapprochement between nations. This is the easiest way to convince people that solidarity will benefit everyone. The most brilliant political ideas remain ineffective if they are incompatible with economic interests. Therefore, economic opportunity and necessity is the realpolitik touch-stone of the Pan-European concept.

Elemér Hantos in support of the European Customs Union and the Central European Economic Community in the 1920s

By January 1919, Hantos was convinced that the many new borders (12 000 km) and customs barriers could only be bridged by a Central European economic system. Therefore, he elaborated a system for serving agreements between the diverse political units of the region on currency, trade and transportation.¹⁵

He published his vision in spring 1923 in the columns of the Viennese *Neue Freie Presse*, with the subject of Central Europe's rebuilding. Hantos advocated a "Central European economic alliance," by which he meant the agreement of the successor states of the Danube Monarchy. Central Europe's rebuilding was to start by overhauling its ailing currencies. In one of his presentations he mentioned that the French plan of creating a "Danube Federation" had failed with the Little Entente. The treaties of Saint-Germain (Article 222) and Trianon (Article 205), had nullified the economic recovery in the Danubian Monarchy, as their paragraphs only allowed special regulations between Hungary, Austria and Czechoslovakia. Hantos proposed an economic and customs alliance, and named this co-operation "Central

European.”¹⁶ Striving for an exemption of the neighborly economic relations from politics he considered it important to establish the „economic Danubian Europe.”

According to Hantos, the drafters of the peace treaties believed that with the destruction of the Austro-Hungarian Monarchy they lay the cornerstones of the new state formations of the Danubian Confederation; by contrast, only new borders were arbitrarily drawn out. On the other hand, they did not prevent the destruction of the economic union, a possible starting point for many kinds of rapprochement. The complete lack of foresight was also manifested in the fact that the two monetary systems of Central Europe were replaced by a dozen different currencies of different value. Therefore, six different currencies replaced the monetary policy of the Monarchy that had been in place since 1816. Central Europe's misery and suffering were expressed by this multitude, fluctuation and devaluation of currencies, and a real currency chaos emerged.

Since the early 1920s, Hantos more and more actively advocated Europe's -- in particular Central Europe's -- integration. In 1924, he was appointed economic expert of the League of Nations. He founded the Central European Institutes of Budapest, Brno and Vienna, and the Centre d'Etudes de l'Europe Centrale in Genoa.

In 1924, the International Committee for a European Union was established, following the initiative of leaders and economists struggling to dismantle customs barriers and to restore free trade. By 1926, national committees were established in Germany and in Hungary; the organization had groups operating in France, Belgium, Czechoslovakia and Switzerland. The official journal of the Central Committee was published in The Hague, but journals were issued in France and Germany (until 1933), too. The German journalist Edgar Stern Rubarth, the French economist Charles Gide, and Elemér Hantos were members of the first board. The commission staff included Paul von Zeeland, director of the Belgian National Bank and Belgian Prime Minister from 1935, and the French banker Edmond Giscard d'Estaing.

The first Central European Economic Conference (I. Mitteleuropäische Wirtschaftstagung) was held 8-9 September 1925 in Vienna. Following Hantos' proposal, the congress adopted a resolution, which explained the unsustainable situation of the Central European economy with the large-scale isolation of the small states' national economies. A joint working committee was set up among representatives of the Central European states, which had the task to establish a permanent Central European economic organization.

In 1925, when the European Customs Union (Europäischer Zollverein) was founded, Elemér Hantos became a member of the international committee. (Member states: Germany, France, Greece, Great Britain, Italy, Austria, Switzerland, Czechoslovakia, Hungary, and the United States of America). Proponents of the customs union used the approach of Edgar Stern Rubarth, President of the European Customs Union, to popularize their views: "The following example shows how actual processes are played out within the 'national' work that allegedly needs protection: The British coal wanders to the French ore, which goes to Germany as pig iron, where machines are manufactured from it. In Austria, they manufacture plows with German machines. Romania buys the plows for wheat production, which then the Hungarian mills grind. England, however, needs the flour to produce bread for its miners, which in the end is six-times more expensive because of duties. Actually, there is only one consumer: the international market. This is complemented by the international financial system, which unites all parts of the world into a single economic community. All members of

this community, whether it is an individual or the state itself, are among each other, and themselves producers and consumers, creditors and debtors ".¹⁷

In 1925, Hantos published two books with the support of the League of Nations: *The Money Problem in Central Europe (Das Geldproblem in Mitteleuropa)*¹⁸ and *Trade Policy in Central Europe (Die Handelspolitik in Mitteleuropa)*. His aim was to converge the theoretically correct and the practically desirable with the politically maintainable. The implementation of the Central European collaboration depended on the goodwill and understanding of the leading statesmen; science was able to provide only the theoretical basics. Seven years of small independent statehood thoroughly changed the approach, and the idea of unification gained many adherents. The idea was not only present in the studies of a couple of "fantasists," but managed to enter also the public offices of the great powers, and by the summer of 1925, achieved extraordinary actuality by a League of Nations expert committee, advocated by the Austrian government. The first practical steps were taken by the European steel industrialists who, upon the initiative of Emile Mayrisch from Luxembourg, in 1926 created the International Steel Cartel. The Cartel united the French, German, Belgian and Luxembourg steel industry and the iron and steel works in Saarland. In February 1927, steel producers from Austria, Hungary, and Czechoslovakia joined the Cartel.

The Pan-European idea was put into economic practice within the framework of the European Customs Union. Before the First World War, tariffs were the most important trade policy instruments. This "weapon" of traditional trade policy after the World War was joined by new obstacles: currency fluctuations, money transfer problems, traffic problems, export and import bans, sales taxes and fees for rail transport. "The conclusions that convinced all laymen was: the imposition of duties is a price increase; price increases bring a decline in purchasing power; a decline in purchasing power results in a drop in turnover; a decrease in turnover forces cuts in production; production cuts cause poverty and misery. In contrast, the European Customs Union means reduction of prices by the abolition of customs duties: the price reduction will create a high purchasing power; the increased purchasing power requires expansion of sales; turnover expansion will result in the increase of production; increased production leads to wealth and riches".¹⁹

Compared to the dynamic economic development of the United States during the 1920s, a chaotic economic situation emerged in Europe. In the same territory where 26 customs areas existed in 1914, now there were 38; instead of the 13 independent currencies there were now 27 in circulation. Europe's transport network was shattered into more than a dozen traffic networks. Europe was fragmented instead of striving for unification, centralization, or collaboration.

Therefore, the primary task of the European Customs Union was the mitigation of the economic crisis, that is to free European countries from their problems. An economically strong Europe with ever increasing purchasing power with a unified customs area could be valuable to other economic regions. However, the unification of the continent must not be used as a weapon against the extra-European world.²⁰

The political system of regional contracts established in Locarno could be used in the regional construction of the European Customs Union. However, this would only be a transitional phase towards a European customs union. There is only one route to state security: to eliminate economic barriers in the field of finance, economy and transportation. Certain goods should be granted duty-free or with special favorable tariffs. The lower tariffs would be

created by a collective agreement between the concerned states or with a system of separate agreements. The rapprochement of trade policy would be even more effective if the free movement of persons, payment and capital were realized. Hantos proposed measures for fundamental changes in the organizations of traffic and transport as well. The successor states could form an international railway alliance. The Danube would be the most natural and ideal transport route for bulk commodities of Central Europe. There should be agreement on common tariffs and common transshipment for both forms of transport.

The most necessary measures include the establishment of a Central European financial community. As a solution, Hantos proposed to consolidate the central banks into a cartel, which would harmonize the advantages of the common currency with the financial autonomy treasured by the states. Such a currency community, in which the contracting states each have an independent central bank, would also incentivize close cooperation between the separate customs areas.²¹

Central European Institute in support of cultural and economic rapprochement of the Central European states

"In the completely changed, new situation it is not possible to keep anything that held together the old Central Europe politically, economically, and socially. The system of commercial contracts in Central Europe, the Central-European transport network, the Central European credit system, and the central European currency system have been destroyed. Central Europe has survived only in geographical terms, and its present national, economic and social fragmentation requires an organization more than ever before. The cultural and economic areas especially need cooperation as soon as possible," Hantos wrote in spring 1926.²²

In 1925-1926, he held a series of lectures at the University of Vienna on the cultural problems of Central Europe. From the beginning, he was aware that the centuries-old cultural ties and community that connect the Central European nations despite all animosities, constituted the best point of departure for the Central European economic agreement.

In Central Europe, only the state and especially large cities had the necessary financial means to support and organize intellectual culture. As a result of the First World War and the revolutions, the economic situation of the communities had deteriorated so strongly that they were unable to act as sponsors of culture in the traditional sense. More and more, the issue of culture turned into a financial problem of the state budget. The cultural institutions too, understood in a wider sense, had difficulties with surviving the crisis. Social restructuring crushed the educational tradition, which was the most important cultural factor. In the entrepreneurs' world, the nouveau riche showed little empathy towards poverty and ignorance.

International animosities between peoples living side by side in small areas led to augmented armament, to a point of absurdity. Especially cultural spending suffered the consequences of prevailing military nationalism. Amounts allocated to culture and education fell far behind military spending in the state budget.

Hantos saw causes for the Central European cultural crisis in the areas of cultural policy, financial policy, national policy, and in organizations. Therefore, he came up with the establishment of a Central European Institute that was to have clearly outlined fundamentals. The base for a solid construction of Central Europe was to be provided by scholarly research. A carefully reviewed, distinct outline of the Central European cultural and economic system

would help to lead out of the chaos. According to Hantos, the lack of goals, programs, and plans constituted the main obstacle to a Central European agreement concerning the nations' common issues.

A Central European Institute was to unite all Central European states within a common bond of intellectual, cultural and economic synthesis. In the various countries, the outstanding representatives of scientific and economic life per se would constitute a sufficient basis for the creation of the interstate social organization.

„The Central European Institute must, by all means, go out of its way to enable growing and lasting cultural and economic cooperation. The resources to make the Central European Institute into a valuable, unifying organization are: vivid exchange of ideas at conferences, as in the press, and in literature; closer relations in all scientific and technical fields; exchange of teachers in the different disciplines, and the involvement of students in their mutual educational institutions.”²³

The draft statutes of the Central European Institute aimed "to create the scientific foundations necessary for the cultural and economic consensus and the rapprochement of the Central European peoples. [...] He considers it his farther task to find ways and means, so that Central European nations could benefit through cultural and economic cooperation, while maintaining the complete political independence of States.”²⁴ The draft mapped out the prospect of promoting cooperation between Central European countries by the following: creation of personal contacts between the economy's outstanding scientists and representatives; cooperation between economic institutions and bodies; joint consultations between the concerned professional and interest groups; conferences, scientific publications and events.

Hantos designated one of the states' capitals (Belgrade, Berlin, Budapest, Bucharest, Prague, Warsaw, or Vienna) to be the seat of the Central European Institute. The headquarters would be changed every three years, and the managing board would decide on the new location by simple majority vote. The institution would have branch offices in all the capitals of Central Europe. It would operate as a non-political, cultural, and economic association. In addition to the ordinary members, there would also be supporting members and corresponding members.²⁵

The Issue of the Central European Economy at the World Economic Conference (1927, May 4 to 23)

The first World Economic Conference met in May 1927 in Geneva, organized by the League of Nations, at which 47 states were represented. "The aim of the whole conference on world economy was to draw attention via science's light and practical methods to the fact that, the desperate competition of nations – in which one is just waiting for the other to lose out - can only lead to further and more severe shocks, of which there is only one way out: To identify and to nurture economic solidarity.”²⁶

Hantos was dissatisfied with the preparatory documents of the conference, because they did not provide an accurate picture of the situation in Central Europe. When presenting the structure of Europe, they labeled its center as the hub of most economic misery, but linked it to Eastern Europe, thus thoroughly obscuring its image. Although the Soviet Union's member states had been excluded from the group "Central and Eastern Europe," the remaining parts still did not fit into one group. In addition to Germany, Austria, Czechoslovakia, Hungary, Poland, Romania, and Yugoslavia, they also mentioned Bulgaria, Estonia, Latvia and

Lithuania in conjunction with Central Europe, countries with which it barely maintained any business relationships. Hantos emphasized the importance of clarifying the concept of Central Europe. According to him, it would be sufficient for a new European order, if the concept of "Central Europe" was widened, respectively, if the Central European economic region was enlarged. Earlier, the Central European economic area had only included the German Empire and the Austro-Hungarian Monarchy, but now it was extended in the directions of east and west, and covered the essential parts of the Balkans. If Central Europe was limited to Germany, which together with the succession states of the Austro-Hungarian Monarchy is situated in the heart of Europe, compared to the earlier Central Europe it would increase, and would amass 1.7 million square kilometers and a population of 150.36 million.²⁷

The issue of Central European economy was not specifically pointed out in the negotiations, but various prominent conference participants (Zimmermann, Layton, Loucheur) raised the issue and suggested that the main arena of economic troubles was Central Europe. The debate on Central European issues focused on Hantos' memoranda (Central Europe's Economic Problems), which he had written on behalf of the Central European Economic Conference in Vienna. In his memoranda, he repeated the arguments concerning the benefits of a single economic area, and concluded that "no intelligent person would think any more of restoring the former Central European political system. However, given the current situation, any reasonable person must raise the question, whether it was right to destroy the economic community forged together by generational traditions and by the powerful forces of nature, because of power interests".²⁸

Suggestions to resolve the agrarian crisis in Central Europe

Since 1928, Hantos had held that the agricultural crisis should be solved regardless of the world in those large and closed economic areas, where production and consumption of agricultural products were balanced.

The demand for grain in the three Central European industrialized countries (Germany, Czechoslovakia, Austria) could be pivotal for the states that exported agricultural products (Hungary, Yugoslavia, Romania). The restructuring of grain imports, "the clearing of Central European agricultural surpluses," would not jeopardize exports to the overseas states. The urgency and need for such regional cooperation is increased by the fact that the United States was making great efforts for the recovery of its agriculture.

Poverty and declining birth rates further exacerbated the crisis in Central Europe; this region may rather complain because of decreased consumption in traditional retail areas than because of inflow of excess production from overseas. The reason for the agrarian crisis in Central Europe was not because of dumped goods coming in from America, these only gave it the final blow. Although there is a connection between the local agrarian crisis and the overseas grain production, the origin is not one and the same. Since Central European agriculture was excessively burdened by a hapless partition of estates, it collapsed under the American supply. Further reasons were: price increases for resources, taxation and social conditions, as well as shortage of money.²⁹ The cause of the crisis should neither be sought for in the nose-dive of US prices, nor can you expect recovery from the crisis by a rise in US grain prices. The agricultural crisis in Central Europe is not only wider and deeper than in other regions of Europe, but it is also of a different nature, and therefore requires different measures to resolve it.

Hantos saw the primary cause of the agrarian crisis in the destruction of the homogenous area

of production and sales. The countries suddenly liquidated their relations with each other, subjecting themselves to efforts of autarchy and turning against each other. The Danube Monarchy embodies a rare equilibrium in economic and supply policy. Its solidarity with the German Empire was restored by way of roughly identical customs duties for the two areas. In pre-war autarchy, the pricing policy was independent and stable, with limited influence from the world market. However, the new states of Central Europe were less significant as far as trade policy was concerned; they had no market-based pricing, and therefore, were vulnerable to the dictates of the world market prices. But these were many times below the cost of agriculture production in Central Europe.

The three exporting countries (Hungary, Romania, Yugoslavia) competed among each other, too, and undercut each other to sell their products. This was the initial stimulant to create the organization of the Central European market.

In 1930, August 28 to 30, representatives of the most important among the states that exported agricultural goods agreed in Warsaw that, the small and medium-sized states were not able to independently solve the agricultural crisis.³⁰ The neighboring agrarian states needed international agreements instead of bilateral ones.

Hantos suggested that, in order to equip the sales markets against pressing offers of insolvent agricultural producers, warehouses and sales organizations should be created, which are set up to handle intervention purchases. Division into diverse sectors would render sales more difficult and increase risks. In order to neutralize the undercutting competition of world market prices, a situation must be established for farmers, mills and grain traders, which allows them to postpone the sale of their products. This requires construction of warehouses, solutions for commercial credits, and quality production. Farmers must be encouraged to produce high-quality products, because this is the only way to get rid of overseas competition.³¹

Hantos found that in the three Danubian States, the economic conditions for commercial political cooperation were the best. The three were more or less equivalent negotiating parties, their most important agricultural products were the same, and the differences in quality were of no particular significance. In case of an average harvest, the Danube states would export a total of 35-40 million tons of wheat, corn, barley and rye, which however the European market were to absorb. But so far, this was not happening; the Danube crops were struggling to compete with overseas quality products, at the cost of great sacrifice. A co-operation of the three states would change the situation, as the preconditions for their efforts are equal and well-grounded.

Poland's difficulties in exporting rye offer less options for a settlement with the other surplus-producing countries. The selling price of rye amounts to 60% of total production costs. Poland shares the agricultural crisis situation firstly with Germany, the largest rye producing country. In the winter of 1929, the two states concluded a rye agreement, according to which sales of rye on world markets are carried out by a Polish-German joint committee.

Thus, the dividing line runs between the four agricultural states and the three industrial states. The industrial states are proposed to take over the excess production of the agricultural states. They could buy all the excess barley, wheat, and half of the maize surpluses, without harming their own agriculture or jeopardizing important export interests. The proposals that the agricultural states presented to the industrial states, were intended to find favor for their

products. The tariff concessions would not pertain to other agricultural states; this applied mainly to the states overseas. By contrast, for industrial products the most-favored-nation principle would remain in effect.³²

But it was also clear to Hantos that it is not possible to unilaterally abolish the most-favored-nation principle from European commercial contracts. The German Empire, determinant in the selling of agricultural products, would hardly be willing to break with the principle of most-favored-nation in the interest of the eleven Danube countries, as their economic relations with these countries were relatively insignificant. Germany also stressed that the idea of preferences only made sense for those countries that exported single, monopolistic products. In addition, the question arose as to why Germany was to provide tariff concessions in the eastern agricultural states, why not to the larger states which might offer more?³³

Rationalization of the global economy and the European tasks

In December 1929, Hantos delivered a presentation in Vienna on behalf of the Austrian Society of Economists, in which he analyzed the rationalization of the global economy. In his opinion, over the last decade mankind had created a number of difficulties which, despite rich resources, can lead to general impoverishment. The current unsatisfactory situation of the world economy can be traced back not to the dreariness of nature, but to the inadequate adjustment to available forces. The issue in question is not a problem of quantity, but a problem of adjustment, meaning that a target-oriented combination of tasks and available resources is necessary.

An attempt was made to begin fixing the world economy by rebuilding global economic works that had been destroyed by the war and the war's consequences. The various undertakings - among others the League of Nations - earmarked the dissipation of the current crisis situation in the world economy.³⁴

Growing insight strengthened the notion that a cleanup and consolidation of the world economy could only be solved collectively. From this crisis and the awareness of interconnections within the global economic crisis, the international rationalization movement emerged. By means of purposeful cooperation it sought to align production capacity with market needs. The rationalization of world economy is a collective term; ultimately, rationalization of private economy and of national economies is subject to this objective.³⁵

Around this time, Hantos' proposals concerning world economic recovery became even more concrete. Following the change in economic conditions after the First World War it was necessary to rebuild our continent with respect to Europe's role in the world. After the "dethronement of Europe", its economic unity should be restored within the framework of the Pan-European movement. This would be a non-political Pan-Europe, neither a power political formation, nor an enlarged power, but a target-oriented alliance of European states for economic policy which would be achieved by the rationalization of the European economy.

There are three approaches to implement this target-oriented association: The European customs union, the European transportation community, and the European production community.

The different nations could cooperate based on division of labor and collaboration, if customs borders were abolished, that is, the economic union of Europe would materialize. Consequently, the aim of the European customs union is the economy-based stabilization of

Europe. However, this can only be achieved step by step. In the process of Europe's economic unification, the most promising path is the following: those states that depend on each other from an economic, geographical and political point of view, hence qualified to join forces, would previously melt together into a major economic area. A world economic system of Pan-European scale can only be built on organisms. Besides the French-German economic agreement, the most important precondition for the European economic union would be if the Austro-Hungarian Empire successor states would economically combine forces. Germany could enlarge Little-Central-Europe, which is constituted by the successor states, into a Great-Central Europe. Treaties, modeled after the political system of Locarno, could be used to create the European regions' customs union. However, the regional agreements would only represent a temporary phase.³⁶

Among the requirements for an economically unified Europe there is the transportation sector. In view of simultaneous developments in the transport means, it is of greater importance than customs unification. The shipping sector as well as postal and telegram services need global standardization. However, telephone systems, air and railway transport systems need a Pan-European solution.³⁷

The European economic system would stand for an easier path for cooperation, if it was based on the joint efforts among the various production sectors. In this area, promising initiatives have already been launched by supranational organizations. Such were, among others, the continental Pact of Steel between formerly hostile states, the International Copper Cartel, and the potash industry agreement. In the productions sector evident benefits would be achieved through a concentration in a European cartel. Post-war international cartels should not concentrate on the increase of sales prices, but on the reduction of production costs, thus on rationalization in order to increase profits.

It is predominantly in the industry sector that international producer organizations with joint interests are imaginable. In essence, companies that produce raw materials or semi-finished products are the reliable ones and may form trusts and cartels. In agriculture, however, cartel-like concentration is impossible.³⁸

The Great Powers in the Danube region in the 1930s

In 1931, the Danube region got into the central focus of political rivalry of the Great Powers.³⁹ "Hantos' ideas are unacceptable," –von Hoesch, German ambassador in Paris reported to the Berlin Ministry of Foreign Affairs (Auswärtiges Amt - Foreign Office), referring to the visit of Riedl, the former Austrian ambassador, in December 1931. Riedl tried again to call von Hoesch's attention to dangers looming if a Danubian Confederation was created without Germany.⁴⁰ To prevent the danger, Riedl suggested that "the four European Great Powers: Germany, England, Italy and France quickly agree, before they join negotiations about the reorganization of the disorganized European economic system. So if maybe early next year a conference would take place, the Danube confederation plans could be buried ".⁴¹

Hantos, by contrast, continued to be active in the efforts of unifying Central Europe. However, the economic cooperation between Vienna and Budapest failed due to the resistance of the Austrian agricultural authorities. The triple solution Czechoslovakia - Austria - Hungary, however, triggered the dislike of Romania and Yugoslavia. Therefore, in 1931-1932 Hantos came up with a new plan to include Czechoslovakia, Austria, Yugoslavia, and Hungary. Both Romania and Germany would have been excluded.⁴²

In February 1932, upon the initiative of the Hungarian Pan-Europe section, a conference was held in Budapest about the economic cooperation of six successor states. A confidential questionnaire that Hantos had compiled served as the basis for the debate. Among others, it was decided that "the task of the moment is to restore mutually beneficial agreements between the six successor states. However, since this market is not sufficient for the entire production, collaboration with other interested states in all economic sectors is useful and desirable."⁴³

Hantos took note of the realities of power politics, and told the media representatives that the two great neighbors, Germany and Italy, will be taken into account because, without their support, the Central European situation can be changed only with difficulty. In a statement, the German Embassy commented that Hantos "wanted to bear in mind public opinion in Hungary and Germany, which he strove to present the idea of a Danubian Confederation to, in an acceptable way".⁴⁴ Nevertheless, the various excuses did not alienate Hantos.

The Tardieu Plan (March 1932) proposed a regional collaboration based on mutual benefits between the Danube states. Berlin wanted to overthrow the Tardieu plan, but at the same time wanted to avoid an open German-French confrontation. The failure of the London conference to discuss the Tardieu plan (April 1932) "was the end of the attempts to solve the issue of the Danube region by the economic unification of all the successor states".⁴⁵ Even though a conclusion of the Stresa conference (1932, September) was that Europe's main scenery of economic problems was located in the Danube basin, the source of all difficulties.

In early 1933, Hantos stated in his new book: "threatened by Bolshevism from the east, thinly supported by capitalism from the west, and upset by many splintering forces, Central Europe will become the continent's fire source and a constant threat to world peace".⁴⁶

He developed a complete system for the reconstruction of Central Europe from a strictly scientific point of view. In accordance with the political power realities, he calculated with the great powers' - mainly Germany's, Italy's and Poland's - growing interest towards this region.

His synthesis outlined various ways for the regional rise of Central Europe. This could be realized starting from industry, just as the project for a German-Austrian Customs Union Plan (1931) envisaged it. The upsurge could be initiated starting from the agricultural sector, as the various Central European conferences on agriculture had already outlined. It would be possible to begin this via cooperation among the Danube states or with the combination of other states, but such a process was not to be directed against other peoples or states. Hantos' system of economic policy relied on the policies of trade, industry, agriculture, transportation, and finance.⁴⁷

By spring 1935, Hantos used other terms: he spoke not of Central Europe, but of the Danube area. "The decision about the Danube issue is not taken by means of science, nor by economy, but by politics; it is not recognition, nor reason, but will to become dominant," he wrote, apparently experiencing the growing influence of the national socialist politics in the region.⁴⁸ The attempt to re-order the economy, while standing apart from politics, failed. "Let's try to outperform politics by the economy, and let's create a freer, fresher atmosphere through economic collaboration."⁴⁹ However, his proposals did not find a hearing after Hjalmar Schacht's New Plan created an entirely new situation in the region.

Summary

Elemér Hantos belonged to those intellectuals and economists in Hungary after World War II, who sought theoretical foundations and practical options for economic and cultural rapprochement that could provide a way out for Europe's and Central Europe's political fragmentation and disorganization. He wanted to restore the earlier organic cooperation of the former Austro-Hungarian successor states.

The terms of Central European issues completely changed compared to the years of war. The decisive factor was then the idea of a common defense against the preponderance of the United States economy. In 1920, they could have settled for a cultural reconciliation and an economic accord of those nations, which for several centuries had lived in an opportune co-existence. Before the war, especially German circles had called for cooperation. But by the 1920s, Germany only related to the idea as an observer.

It would have only been possible to recover from the crisis with a carefully thought-out, clearly outlined Central European cultural and economic system. According to Hantos, missing the mark was the main obstacle to a Central European agreement, or otherwise, the total lack of plans and programs concerning issues that collectively affected the nations. He devoted his complete scientific and practical activities to the development and promotion of Central European cooperation.

To solve the agrarian crisis in Central Europe, he proposed to form a block of the seven Central European states. Thus, Central Europe's agricultural independence could prevail, and, providing sales opportunities for agriculture would significantly strengthen the market for industrial products. Hantos' "realistic program" promoted joint struggle against the export premiums; joint action of the agricultural states in animal health issues; promotion of common interests through trade-organizational cooperation; agreement on freight charges; and a trade policy agreement. Regional cooperation would provide an appropriate starting point for a common platform with the other nations of Europe regarding the need for an advantageous customs system.

In the early 1930s, the question of Central Europe was replaced by the question of the Danube region. Hantos was accused that he dealt with "listing the deficiencies." In 1936, based on a new plan by Hjalmar Schacht, Germany concluded bilateral economic agreements with the countries in the Central European region. In the wake of German hegemony soon prevailing in the region, all the ideas of a cooperation of Danubian Europe collapsed, regardless whether Hantos' principles, the Little Entente model, or even a different pattern was followed.

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