

Collective Amnesia – Crises and Memories Thereof*

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György Kövér:

A növekedés terhe. Krízisek – Csődök – Ciklusok (The Burden of Growth. Crises – Bankruptcies – Cycles)

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In the ten years since 2008, interest in the subject of crisis has increased worldwide, both among economists and historians. Economic theories were not able to forecast the most recent the global economic crisis, and the packages of measures based on economic science did not produce the expected results in many cases. Critics started to question the predictive power of theories and the applicability of theories to reality. However, it has become an increasingly widespread notion that the historical analysis of market structures, concepts and human behaviour patterns may add something to the explanatory power and practical applicability of theories. This is precisely the goal that György Kövér set for himself in his recently released work. Many have outlined that the history of crises is a history of amnesia and misunderstandings, and a historian can best help to improve the understanding of current developments by discussing the process of forgetting and the memories of crises. It is not the duty of a historian to offer new recipes for recovery, but it is to rethink the old ones drawing on the experience of current crises.

This is not the first time the author has dealt with this issue. In 1986, he published a monograph on the crisis of 1873, and later, in the context of the history of the Hungarian government debt in the age of the dual monarchy, he wrote about periodically returning financial crises. Between 2012 and 2017, he researched the economic, social and mentality history of the 19-20th century crises, in the MTA-ELTE Crisis History Research Group as its leader. The book is the author's own selection of studies, including previously published studies and studies written for this occasion, and pays tribute to this joint research encompassing a broad spectrum of crises from famine, floods and epidemics to agricultural, industrial, financial and commercial crises.

* The papers in this issue contain the views of the authors which are not necessarily the same as the official views of the Magyar Nemzeti Bank.

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The idea behind this selection, as the cohesive force of the book, is primarily the examination of Hungary's 19th and 20th century crises from macro- and microeconomic perspectives. The first two introductory studies set the theoretical framework and are followed by seven papers described by the author as crisis stories with multiple scales of observation. The book ends with another two studies presenting perceptions and memories of crises.

The first part includes two essays which were published 30 years apart. The more recent study from 2015 entitled *Crisis history as a discipline* presents, in particular, the spread of the concept of crisis and crisis phenomena borrowed from medical terminology, and the approach of international (Max Wirth, Clément Juglar, Joseph Schumpeter) and Hungarian (Jakab Pólya, Tivadar Surányi-Unger) classical representatives of crisis history and crisis theory. The older work deals with the *history of the Kondratiev cycle*. The key conclusion of the study is that although long-term economic cycles have been construed and defined in many different ways throughout time, and a number of explanations, mainly monocausal explanations have been and are still being provided, their existence seems justified at least since the 18th century. Even though – in contrast to shorter commercial cycles – people cannot directly perceive them, they leave indelible memories which come to life over and over again.

The crisis stories are introduced by a macro-level analysis (“*Nothing but crises*”) presenting the existential and financial crises of the 19th century and their fluctuations: short-term financial and commercial cycles (Juglar), long-term economic cycles (Kondratiev), and century-long trends (Braudel's secular trend-cycles). Standing at their intersection, the crisis of 1873 was exceptionally severe because it was interconnected with crises of various types (famine, cholera, financial-commercial, budgetary). However, the reason why it became known as the “Great Crash” by future generations is primarily the fact that it was followed by price drops for two decades in the descending phase of a long economic cycle. The study titled “*From famine to stock market crash*” also focuses on interconnected crises, highlighting the second half of the 1840s and the first half of the 1870s. The author illustrates the combined effect of cholera, famine and financial crisis using an extremely broad range of sources. The historian's narrative is supported by demographic data, price trends, industrial production indexes in addition to bankruptcy statistics and contemporaneous commemorations. In respect of the famine of 1863, in an essay titled “*Poverty around the corner*” the author leads the reader from the perspective of global climate events through measures at different levels of Hungarian authorities into the personal fate of the local population of Tiszaeszlár. From the remaining data collection of national, county and local authorities, we gain an understanding not only of the crisis management process, but also the specific circumstances and intentions which led to the creation of historic sources.

The Small Crisis ((1869) in the Shadow of the Great Crash (1873) points out that the historical judgement of the crisis of 1869 was dominated by the crisis four years later: most authors regarded the crisis of 1869 as a prelude and highlighted that actors did not learn from the mistakes. This is the image of the crisis in historical memory despite the fact that it showed completely different characteristics than the crisis of 1873: it was not international, and only hit the Austro-Hungarian Monarchy, more specifically, Vienna and Budapest. It had no particular impact on the real economy in Hungary, and rural areas were hardly touched upon. The crisis was definitely due to foundation fever in the preceding years and excessive stock market speculation. Additionally, through a macro analysis and contemporary perceptions of the crisis, we can understand the financial crisis at micro level through the failure of private banker I. I. Kohner. The study *“From fiscal crisis to gold annuity bond.”* provides an insight into the secrets of the fiscal consolidation after the Great Crash. Kálmán Széll, as the speaker of the National Assembly’s financial committee and later as the secretary of the committee aiming at restoring the balance of budget and finally as Minister of Finance between 1875 and 1878, played a significant role in the preparation of state budgets before, during and after the crisis. From the sources related to his activity, we get to know the financial government’s objectives and their limited room for manoeuvre, while, in respect of debt consolidation, we learn that – independently from the constitutional system of the empire – financial markets assessed the two states as a whole.

In a study co-written with Károly Halmos (*“Bankruptcy cases in Pest”*), the author draws the attention to the importance of bankruptcy statistics as sources for economic history, and he emphasises that data can equally reflect changes in economic activity, statutory regulation and culture. For the 1850s, Austrian bankruptcy statistics are only available. For the 1860s and 1870s, the statistics of the municipal court of Pest called Pesti Városi Törvényszék (individual entrepreneurs and companies with industrial licenses) and the commercial court of Budapest called Budapesti Kereskedelmi és Váltótörvényszék (companies under commercial law), while from the 1880s, official statistics on companies deleted from the company registry provide sources for research. When assessing sources, it should be considered that the number of liquidations significantly surpassed the number of bankruptcies. Data show financial cycles with a certain time lag, however they reveal that individual and commercial companies were more strongly hit by the crisis than others, and in the second half of the 19th century, some 40 per cent of the companies were terminated within 30 years. The subject and title of the paper closing the work on crisis events is *“The bankruptcy of a Lutheran wholesale trader in Pest”*. Although Frigyes Frölich applied for bankruptcy protection in 1865, finally he reached a settlement with his creditors. Contemporary Menyhért Lónyay and a 20th-century historian, Vera Bácskai arrived at two different assessments of Frölich’s carrier and failure. According to the former, on the one hand, a Jew is only

able to survive among merchants in Pest, on the other hand, Frölich should have stuck to what he was professional in. According to the latter, the second generation of merchant families in Pest was characterised by a stronger entrepreneurial mindset and greater flexibility as against that of their fathers. Following a detailed presentation of the history of the family and their business, the author draws the conclusion based on an analysis of the bankruptcy proceeding and lists of assets and liabilities identified in the proceeding that Frölich's failure was explicitly interconfessional: all major confessions were represented by the victims, and the "excessive expansion" into the field of railway construction cannot definitely be regarded either as the reason for bankruptcy. Maybe Frölich was just in the wrong place at the wrong time.

The first study of the chapter presenting the perceptions of crisis is titled *Growth and decline in the historical memory of the Austro-Hungarian Monarchy*. It demonstrates the memories of the economic fluctuations of the dualistic system, first through the eyes of contemporary actors, and then through the lens of economists and statisticians involved in researching history, and finally through historians' constructions of the past. The author concludes that the reflections of contemporary scientists are not free from the impacts of personal experience and contemporary discourses, and historians' retrospective constructions also have their own cycles. Their models reflect the prevailing approaches and concepts of their era. Contemporaries do not even perceive longer-term phenomena, and their perceptions relate to events of that time. Such contemporary perceptions are presented in the volume's final study entitled *Agony or resurrection?* It analyses the failure of Simon Krausz, "Napoleon of the Pest stock exchange" in the 20th century, in 1929 – even before the outbreak of the Great Crisis – as well as the diary notes written by the failed Krausz between 1931 and 1934. From this essay, we get to know the resentful worldview of Krausz who was considered to be a financial genius by many, but a swindler and gambler by others. In this worldview, the black and white figures of the classes of people seen by Krausz in a positive or negative way are completely separated in just the same way his contemporaries saw him in black and white terms.

In his book, György Kövér wanted to analyse crises from economic, social and mentality history aspects, and the study volume perfectly achieves this aim. Both the structure of the volume and the various studies reflect this approach. The macro analysis of the economic history, the local impacts and the individual perceptions of the crises complement each other well in most studies, making the historian's reasoning not only more easy-to-understand, but also more fascinating for the reader. The author's methodological versatility, the use of extremely diverse and different sources make the book a highly multifaceted and readable publication in which meteorological, demographic and economic statistics data series, presented

in an understandable way, coexist comfortably, often within one study, with biographic, historic and mentality history parts. The title *The burden of growth* probably refers to the view that crises are always caused by preceding upturns during which not only do the bubbles – fittingly illustrated on the cover designed by Nóra Sós – blow up, but we tend to forget about the lessons learned from previous crises.