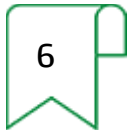


Hi-story lessons.



24.08.1931

István Bethlen resigns as Prime Minister (August 24, 1931)

The greatest economic crisis to be recorded in world history erupted on 24 October, 1929 in New York City, when panic led desperate stockholders to get rid of an unprecedented number of shares: twelve million shares were sold in the space of one hour. Panic soon spread to bank account owners, whose attempts to withdraw their savings drove the majority of banks into insolvency. Originally caused by industrial overproduction, this depression soon overcame all areas of the economy, resulting in the collapse of agriculture and credit as well. As the wave of world crisis spread from its epicenter in the United States, regions that had received a significant amount of credit from the US—such as Europe—were most severely hit. Throughout the ‘Old World’, the effects of the Great Depression were actually felt two years later.



Hungary also numbered among the countries carrying massive burdens in debt due to the economic recession that occurred in the aftermath of World War One. Amounting to more than four billion pengős, the bulk of this debt was owed by the state, while a smaller proportion encumbered private individuals. Hungary would have only had a chance at paying off the loan taken out during Bethlen’s period of consolidation if it had been able to generate sufficient revenue from exports. Due to the fact that the countries affected by the crisis—including Hungary—tried to preserve their national markets through the implementation of protectionist policies, there was no hope of them elbowing their way into foreign markets.



The most acute aspect of this depression proved to be the credit crisis. When, in May 1931, the Creditanstalt Bank of Vienna (an important institution in Hungary as well) filed for bankruptcy, foreign investors withdrew all loans placed in Hungary. In an attempt to refund these loans as quickly as possible, the Hungarian National Bank was forced to pay out the astronomic sum of forty billion dollars (roughly two-million pengős) in gold and foreign currency. The bank’s financial reserves were left utterly depleted, leaving the country facing the threat of total national bankruptcy. To make matters worse, bank account owners were also demanding the release of their savings, which led the Council of Ministers to decree a three-day ‘bank closure’ beginning 17 July 1931. Other emergency measures were also taken, such as the freezing of reserves in gold and foreign currency, restrictions on payments directed abroad, limits on bank account withdrawals, etc.

Due to its dependency on agriculture, Hungary was particularly affected by the fact that the world economic crisis delivered its most bitter blows to farming. In comparison to prices before the depression, wheat fell to a third of its previous value while animal products were worth half of what they had once cost. Breeders of livestock therefore felt these effects profoundly; the number of sheep raised in Hungary dropped drastically. An exporter of agricultural goods and importer of industrial products, Hungary was further hit by the fact that the price of industrial goods decreased seventy percent less than that of agricultural goods, meaning that the nation was forced to import goods at prices twenty percent higher than they had been before the crisis.

Hungary's industry, on the other hand, was less affected by the economic depression. Industrial branches involving the manufacture of agricultural equipment or processing of foodstuffs showed greater decline in comparison to the average. While the former fell victim to the crisis in over-production, the latter fell due to an increasingly poor society's lack of purchasing power. Branches of light industry (such as the textile industry, leather industry, etc.) were affected the least by the recession. A decrease in hiring, however, was common throughout all of Hungary's industry, thereby leading to a dramatic growth in unemployment. Nearly half of the working class was living below subsistence level: their only salvation was the limited aid provided by soup kitchens and scanty unemployment aid. Nor did poverty spare Hungary's peasant class: as the demand for agricultural goods plunged throughout Hungary and the world market, plummeting prices left the area of agriculture struggling to handle the unemployment of nearly a half-million individuals. Once they had fallen into debt, the only remaining option for peasant families was to auction off their property. Meanwhile, a very small section of society actually became wealthy by purchasing these auctioned lands at reduced prices. Forced to close their businesses or leave their positions, tradespeople as well as white-collar workers suffered the consequences of economic recession.

As of the beginning of the 1930s, more and more young, educated people who felt Hungary's most pressing problem to be the issue of its impoverished peasantry were travelling to the countryside to document the hopeless situation of farmworkers. The fact cannot be denied that every third person living in Hungary at this time belonged to the agrarian proletariat class and subsequently lived in appalling circumstances. According to certain statistics, 74% of dwellings had been constructed from mudbricks, the rate of tuberculosis was extremely high, etc. The rural sociologist movement emerged out of the desire to examine the everyday lifestyle and social patterns experienced by Hungarian peasants and reached its peak between 1936 and 1938. Including the names of authors such as László Németh, Gyula Illyés, Géza Féja, etc., these 'folk (népi) writers' patterned themselves in opposition to Budapest's 'urbanite' (urbánus) intelligentsia and published sociographic works of literature on their rural travels. This literary debate became known as the urbanist-populist movement. In his description of life in North-Eastern Hungary found in his sociological work, *Cifra nyomorúság (Opulent Misery)* (1938), the author Zoltán Szabó wrote the following: 'Perhaps one thing alone is the same throughout every region, at the depths of which the village lies concealed like a pearl in an oyster shell: poverty. While the reasons for it are different everywhere, how it rears its head never changes...this land is like the peasants who toil upon it: ornately patterned and miserably poor all at once. This land's gown is sumptuous in its beauty, bedecked with castle ruins for its antique jewels, shimmering in forests that display a pagentry of greens intertwined with ribbons of earth in every possible shade of brown. But at its depths dwell the poor and destitute. The land hides this poor earth like layers of opulently embroidered skirts gracing a body wasted to the bone'. The rural sociologist movement's critical viewpoint and factual approach to revealing society's ills earned the disapproval of the era's cultural policies.

As a result of the population's growing bitterness concerning life during the economic depression, a significant number of individuals were increasingly attracted to extremist, political movements emphasising shows of strength while simultaneously preaching simple solutions. The streets were regularly filled with crowds gathered in support of extremist events or demonstrations. Meanwhile, even political circles close to the government were nursing hopes of a turn to dictatorship. The Minister of Defence, Gyula Gömbös, demanded that a state of emergency be called, a move Bethlen refused to support. In spite of possessing permission from both the regent and the National Council to issue decrees, István Bethlen proved incapable of finding a way out of the recession. It was for this reason that Bethlen handed in his resignation in August 1931, even while simultaneously hinting at the possibility of a return to power. Bethlen's strategy of retreating in the hope of waiting for better times to come did not prove successful in the end.

It was 1933 by the time the economic crisis showed signs of easing, mostly due to measures passed by Bethlen's successor, Gyula Károlyi. While the austerity measures and economic cutbacks introduced by Gyula Károlyi's government kept the nation from total collapse, Hungary still could not recover from the crisis on its own. For Károlyi, the attack at Biatorbágy could not have come at a better time and he was quick to use it against Hungary's radical groups, especially the Communists. During the night of 13 September 1931, a bomb planted at the viaduct located in Biatorbágy was detonated, exploding the express train heading from Budapest to Vienna. Exacting a total of twenty-two deaths, this attack committed by Szilveszter Matuska allowed the Károlyi government to place full blame on the Communists and thereby declare martial law. For the more than one year that martial law lasted, military courts headed the legal system. While martial law was underway, neither left-wing, nor right-wing movements were able to gain momentum. Close attention, on the other hand, had to be paid to the expanding powers of neighbouring Soviet Union and Germany, both of which posed the threat of exerting increased pressure and influence on Hungary's internal, political situation, particularly in the case of its extremist movements.

Written by Gábor Szepesi, Completion and literary citations provided by Gábor Danyi, Translated by Maya J. Lo Bello, proofread by Maria-Philippa Wieckowski

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