

## **ECONOMIC CONCEPTS OF SLOVENE LIBERALISM BEFORE WW II**

**Žarko Lazarević**

This article discusses the economic concepts of Slovene liberalism over a one hundred year span, from the mid-nineteenth century until the outbreak of WW II. The founding of Yugoslavia in itself did not represent a significant turning point in the ideological sense, and it is a fair assertion that the Slovene liberal mentality of the 1920s was an extension of pre-WW I Slovene liberalism. A true ideological turning point, however, was the Great Depression in the 1930s, which subjected liberal economic doctrine to an acid test, and not only in Slovenia. It is noteworthy that this period also witnessed considerable fragmentation of the liberal camp, both in the organizational and ideological spheres. This article examines the reasons for the decline of influence of Slovene economic liberalism as a consequence of the changed political, economic and social circumstances in the 1920s and especially in the 1930s.

The typical economic traits of Slovene liberalism derive from a specific, Slovene historical environment, embracing the entire course of the dynamic century before WW II. In the first half of the nineteenth century, Slovenia did not lag behind neighboring lands in modernization and proto-industrialization. The first industrial enterprises and monetary institutions emerged a decade or even two before the mid-nineteenth century—that is, at the time when the process of industrialization had already jumped from the British Isles to the Western European Atlantic coast. It was then that the key dilemma of economic development on Slovene territory arose. The relatively early attempts at modernization, which did not constitute a widespread process, long remained isolated events in a traditionally and prevalently agrarian economic environment. Neither did Slovenia's opening to Europe with the construction of the southern railway accelerate industrialization; if anything, the opposite was true. It is safe to say, at least of Carniola, that in the second half of the nineteenth century there were signs of a strengthening of the agrarian sector. Its importance in the context of the Slovene economy increased for few decades. The expected benefits from the railway network were pushed to some distant future. In Slovenia, industrialization became an ongoing process only in the 1880s or even a decade later—in other words, about a half century after its promising beginnings.

The situation was similar in the case of banking institutions. With such a delayed starting point, Slovenia was unable to become industrialized before the outbreak of WW I. Furthermore, Slovenia had missed, by at least

two decades, the feverish “Grunderboom” in Austria. Its economic achievements placed Slovenia in the gray, mediocre area within the Habsburg Empire and, within the European context, on the very margin of economic and modernization processes. Although the economic growth rate in the Slovene lands was slightly higher in comparison with other Austrian lands, it promised convergence with developed neighboring areas only in the very long term (Lazarević 2007: 397–98).

Slovenia was unable to join in the international modernization processes on equal terms with others. Slovenia’s economic development, which was also conditioned by its social structure, significantly lagged behind that of neighboring countries. At the turn of the twentieth century, the country was still predominantly agrarian, with some eighty percent of the population depending on agriculture. The urban groups, a natural environment for the development of economic liberalism, were few in number as well as poor in structure. Two strata prevailed: the intelligentsia and bureaucrats on one side, and a mass of small craftsmen and merchants on the other. The relative development gap with its neighbors and the dominance of the small business sector were interdependent and interactive aspects of the society. The dominant small business sector was constantly jeopardized by the slow industrialization at home and, especially, by competition from elsewhere in the Habsburg Empire or beyond. Large scale and ambitious entrepreneurship was a rare phenomenon in Slovenia. Socially and economically, Slovenes, as an ethnic group were in an underprivileged situation within the Habsburg monarchy.

Besides experiencing economic anxiety, Slovenes felt threatened as a nation. They were often under the impression that social and economic modernization went hand in hand with the assimilation policy as we can conclude on the cases of Celje and Maribor. In these cases we can see the interdependence between the economic domination of the German population and the processes of national identification (Mikola 1991, 1998, 2004).

Such circumstances gave rise to two phenomena that dominated Slovene society in the second half of the nineteenth century—namely, anti-capitalism and an equally virulent nationalism. The former was a response to the lower economic efficiency and low competitiveness when compared with those of the Germans, for example. The latter was an expression of emancipation tendencies in the political, social, and economic areas. Both phenomena merged into an ideology of economic nationalism as tools for achieving social and economic modernization in the Slovene provinces. On the one hand, they were constant pleas to the government for protection, not only from outside competition but also in internal politics. Representatives of the small business sector lodged clearly delineated demands for protection (i.e., preservation) of their economic position. They requested the

government to compensate them for the unfavorable effects of the liberal market system. Nationalism, on the other hand, acted as an additional stimulation for a faster modernization of the socio-economic structure within the Slovene nation.

In such an environment, as indeed in many other places in Europe, there was little room for pure liberal thought. Any insistence on classic economic liberalism, without taking into account the economic and social peculiarities of Slovenia, could only exist at the level of intellectual, abstract, and theoretic models. For liberalism as a political practice to become established in the domestic political arena, it had to incorporate into its conceptualization the dominant traits of Slovenia's economic and social development. It followed that, when the economy is concerned, the proponents of liberal concepts had to strike a strong social note as well as take into account the demands of the small business sector, which was their prime target group. Declaring oneself a liberal was exceptional (Melik 1982: 19) enough politically, let alone economically. The right to private property and the recognition of the importance of profit in the economy remained the main postulates of the liberal program. Profit was, they believed, the motivation for economic progress. The liberals emphasized this position in contradistinction to contemporary Roman Catholic social and economic doctrine, which was based on "anti capitalistic" sentiments, especially where profit is concerned. At the same time, liberals clearly demanded a coordinated and broad government initiative to create an environment conducive to small businesses' adaptation to the market economy. They stressed that everyone was personally responsible for his or her own social situation and economic success (Perovšek 1998).

It was liberals who introduced cooperatives into the Slovene economy. They were the main initiators of cooperativism, despite its overtly collectivist character. They justified this by adjusting it to their needs and not attaching to it any other connotation than that of an occasional tool used to facilitate the adaptation of the small business sector to the dominant logic of capital. In the initial stages of "liberal cooperativism," there was very little in the way of ideology, apart from a strong national(ist) note. By assuming the modified Schulze-Delitsch model,<sup>1</sup> liberals molded a

---

<sup>1</sup> Because of legislative provisions adopted in 1880 providing tax relief to societies and cooperatives that limited their operations to their members different types of shares in cooperatives' everyday transactions were introduced: primary and participation shares. The difference between them was that primary shares, in combination with the right to vote, enabled shareholders to take part in decision making, whereas participation shares were intended for all those who were not interested in taking a more serious part in the loans cooperatives made and who were only interested in obtaining a loan. The differentiation of shares and their different scopes were not intended only for the expansion of the principal, but were also a guaranty that the cooperative

cooperativism that emphasized the urban environment as one of its basic principles. The urban environment, which was saturated with a profit-oriented mentality less burdened with the community, more individualized, and economically and financially more differentiated, dictated an organizational structure capable of satisfying liberal socio-economic outlooks. Since the organizational principle of such cooperativism was similar to that of a joint-stock company, it was often used as a substitute for joint-stock companies where there was a shortage of capital and lack of experience (Lazarević 1999) and confidence. Later on, the cooperative format proved too narrow. As a result, “liberal cooperativism” and the liberal political camp started to distance themselves from each other. (*Narodni gospodar* 1914, *Slovenec* 1914). Although joint-stock companies were the focus of attention since the 1890s, the process was only completed after WWI, when Slovenia became part of the Yugoslav state.

With the establishment of Yugoslavia, the situation changed in many respects, especially in the socio-economic environment. In spite of her relatively modest achievements, Slovenia became economically the most advanced part of Yugoslavia. As in other Eastern European nations at the time, a practical economic nationalism started to prevail in Slovenia (*Slovenski narod* 1918, 1919). The state, as a compensation for an insufficiently developed social and institutional environment, became very important for ensuring faster economic development. As a constituent nation in their new state, Slovenes finally obtained what they had lacked in the Habsburg Empire, access to state mechanisms for the assertion of their interests. The state acted as a guarantor for accelerated domestic capital accumulation, thus fulfilling a decades long Slovene aspiration. Accumulation of the national capital and protection of national interests in the economy were the main principles underlying Yugoslav economic policy. In such a protectionist environment, where relative price levels were adjusted in favor of the industrial sector, the industrialization finally received a boost in Slovenia. Like elsewhere in Eastern Europe, the textile industry became so predominant that it shifted the balance of gross domestic product and income in favor of non-agrarian activities. The period between the two world wars was also deeply marked by the Great Depression. To describe the economy in the 1930s, one cannot use such words as progression or growth, but only recession, decline, and loss. Such

---

would be securely managed by reliable Slovene patriots. At that time, they planned payments of dividends or interest rates on primary shares and paid positions. All this was supposed to encourage safe transactions. They were aware that the trust of people could not be gained only with a patriotic and morally impeccable staff, but mainly with transparent, safe, and conscientious transactions. Their plan was to establish large, powerful cooperatives run by Slovenes that would be capable of standing up to German competition like proper banks (Lazarević 2006).

a situation called for reconsideration of the concepts of Slovene economic liberalism.

During the 1920s, the Slovene liberal camp, which had begun to disintegrate into several factions, was still convinced of the appropriateness of the liberal democratic model of the social system. The active government policy of economic nationalism, aimed at strengthening domestic enterprise, corresponded fully to the liberal program which stressed the urgency of developing big, Slovene-owned industry and commerce. Although the social emphasis had not faded, greater attention was given to a harmonious social development and the avoidance of socio-economic conflicts in society. This model, with which liberals entered the new Yugoslav state, was devised by Milko Brezigar already in 1918. His principles can be summed up in the following points:

- liberal economic principles in the domestic market and protectionism in order to strengthen domestic entrepreneurship;
- stimulation of entrepreneurship by acknowledging profit as the motivation for economic progress;
- preservation of cooperativism for the economically vulnerable in order to secure their economic survival;
- technological and organizational transition from an extensive to an intensive economy;
- the urgency of an appropriate social policy to secure balanced economic development (Brezigar 1918).

This was undoubtedly the prevailing concept among the liberally orientated politicians in Slovenia, regardless of the fact that some individuals or groups may have reproduced it with slightly different emphases (Perovšek 1998). Nationalism was another constant in the 1920s, both in defense of economic nationalism and the support of unitarist Yugoslavism or Slovenism (Perovšek 2005: 43–48, 145–90).

Despite the different circumstances during the 1920s, which were, after all, the “golden age” of Slovene capitalism, the mentality of the proponents of liberalism did not change much. What did change considerably was the situation of individuals from the liberal camp. Many, in fact, took advantage of these turbulent times to achieve social and financial promotion. The “slovenization” of economic subjects in this period, which gave the liberal papers a strong nationalistic coloring, offered opportunities for personal gain. Some of the businessmen and politicians became very wealthy—in Slovene terms, of course. This process was questionable in the eyes of their contemporaries, not legally but ethically, as it was not seen as a fruit of their work, but as an abuse of their position in companies in the process of “slovenization” (Lazarević and Prinčič 2005:

80–86) and political power. The word “liberal” gained an even more negative connotation.<sup>2</sup>

As in the nineteenth century, liberals still attracted only a limited sector of the population. There were no significant changes in the period between the two world wars in this regard. They failed to gain wider support, although they succeeded in preserving that of wealthier groups, large farmers, the intelligentsia and bureaucracy (Melik 1982: 20). Although the support remained the same, the socio-economic reality in the time of Great Depression in the 1930s was something else altogether. The profound changes and the extensive and prolonged crisis affected the target groups of Slovene liberalism. The wealthier population in both urban and rural areas suffered in the 1930s. Phenomena, such as falling prices and purchasing power, indebtedness, and widespread unemployment became a real threat to the general well being. Poverty and social insecurity did not affect only small farmers and workers, but were also the experience of the strata whose interests were represented by the Slovene liberals. This was something new to people who had never before experienced such an extensive and profound crisis. The “liberal” groups whose well being was jeopardized were overtaken by insecurity and fear. They, too, endured social and economic straits. Although they had to deal with their own pain first, they became more open and sympathetic to the needs of other social groups.

All this led to a massive ideological turn in the 1930s. Economic liberalism, which had until then been inconsistently defined, lost its social legitimacy in Slovenia, even in those circles that had hitherto referred to it for their ideological profile. The 1930s were a time when the liberal socio-economic scheme seemed to have run dry. Strong anti-capitalist sentiment resurfaced. Thinking on the economic system tended in the direction of planned, transparent and foreseeable socio-economic development with the abolition or restriction of market rules. This was a time of grand socio-economic doctrines whose fervent exponents demanded no less than a change of human nature—i.e., renunciation of private economic benefits and the profit profit-oriented mentality for the sake of society as a whole, as well more responsible social behavior by individual entrepreneurs. People were expected to subject their individual interests to the higher, collective ones: those of their social class, profession, corporation, and nation (Lazarević 1997).

In such a dramatic environment there was no longer room for liberalism. Even its representatives started questioning their own ideological convictions. It is no surprise that liberals themselves gradually abandoned

---

<sup>2</sup> In the Catholic camp the word was considered almost an expletive (Melik 1982: 19).

the principles of economic liberalism. The socio-economic picture of Europe, Yugoslavia, or Slovenia eventually convinced them that solutions should be sought in another direction. They, indeed, found them in the doctrines of harmonious socio-economic development and social solidarity. They saw a future in a planned economy and, consequently, heavy socio-economic state interventionism. They went even further by renouncing individualism and accepting the professional-corporative system. They were even prepared to relinquish their democratic privileges, should this ensure that the crisis did not remain a “permanent situation” (Perovšek 2005: 48).

Although liberalism was marginalized by prevailing ideo-political doctrines, its ideals never vanished completely, especially insofar as economics is considered. There were always some individuals and groups in Slovene society whose analytical and penetrating minds were able to see beyond the fences of the prevailing mentality. Drago Potočnik, for example, editor of the journal *Tehnika in gospodarstvo* (Technology and the economy), realized and expressed what others, convinced about the imminent end of capitalism, were unwilling or unable to. Information about a stable and long-term improvement of the economic situation in democratic countries made him understand that capitalism was far from extinction, and that it was only assuming a different, hitherto unknown shape, by adjusting to the given circumstances (Potočnik 1936–37: 107–108). Otmar Pehani (1932), a banker, named this newly emerging system “a reformed, relative or social liberalism”.

Such liberal ideas were not an integral part of established political parties or groups. They remained as a result of an intellectual search, in the shadow, without any publicly noticeable influence. It was exactly on this point, right before WW II, that something changed. The Slovene section of the Yugoslav National Party (YNS Youth), reaffirmed the liberal economic idea, although strongly modified and modernized in the sense of anti-cyclicism, and with social accents, state interventionism, and redistribution of wealth. The views of this group can be summarized in several points. The first was the adoption of the liberal democratic social order—i.e., parliamentary democracy and a market economy with profit as a motive for entrepreneurial activity. The task of the state was to eliminate the largest shortcomings of classic economic liberalism. Their proposals’ interventions would compensate for the cyclic oscillation between prosperity and poverty, and economic development would have to be gradual. Another important task of the state would be to ensure balanced economic development by setting up a system in which entrepreneurial activities could be freely launched for the benefit of both their initiators and society. Such economic policy would have to be accompanied by an active social policy which would mitigate financial and other social differences between people by prescribing compulsory medical and pension insurance and determining minimum salaries and other income, like social supports, big enough to

secure a dignified life for every working member of the society (Vidovič-Miklavčič 1994: 193–242).

Inštitut za novejšo zgodovino

#### Works Cited

- Brezigar, Milko. 1918. *Osnutek slovenskega narodnega gospodarstva* (A draft of the Slovene national economy). Celje, Omladina.
- Lazarević, Žarko. 1997. Prebivalstvo, družba, gospodarstvo pri Slovencih v tridesetih letih (Population, society, economy in the Slovene lands in the 1930s). In *Slovenska trideseta leta*, ed. Peter Vodopivec, 33–42. Ljubljana: Slovenska matica.
- . 1999. “Aristokrati” in “demokrati” med zadružniki? (Aristocrats and democrats among cooperativists?). In *Gestrinov zbornik*, ed. Darja Mihelič, 351–64. Ljubljana: Založba ZRC.
- . 2005. Slovenski nacionalni interes v gospodarstvu do druge svetovne vojne (Slovene national interest in economy up to WWII). *Zgodovinski časopis* 59(1–2): 101–10.
- . 2006. National and economic features of Slovene cooperatives. In *Cooperatives in ethnic conflicts: Eastern Europe in the 19th and early 20th century*, ed. Torsten Lorenz. Frankfurter Studien zur Wirtschafts- und Sozialgeschichte Ostmitteleuropas 15, 251–62. Berlin: Berliner wissenschafts Verlag.
- . 2007. Sočasnosti slovenskega gospodarskega razvoja (Synchronism of Slovene economic development). *Zgodovinski časopis* 61(3–4): 393–410.
- Lazarević, Žarko and Jože Prinčič. 2005. Bančniki v ogledalu časa (Bankers in the mirror of time). Ljubljana: Združenje bank Slovenije.
- Melik, Vasilij. 1982. Slovenski liberalni tabor in njegovo razpadanje (The Slovene liberal camp and its disintegration). *Prispevki za zgodovino delavskega gibanja* 22, vol. 1–2: 19–23.
- Maribor skozi stoletja*. 1991. (Maribor through the centuries). Maribor: Obzorja.
- Mikola, Milko. 1998. *Iz zgodovine Celja 1848 – 1914* (From the History of Celje). Celje: Zgodovinski arhiv Celje
- . 2004. *Zgodovina celjske industrije* (History of industry in Celje). Celje: Zgodovinski arhiv Celje
- Narodni gospodar* 10 (1914): 105–10.
- Pehani, Otmar. 1932. Proti anarhiji v gospodarstvu. Gospodarska in sociološka študija s posebnim ozirom na sodobno krizo človeka, njegovega gospodarstva, družbe, kulture, civilizacije in duha. (*Against anarchy in economy. An economic and sociologic study with a special regard to the modern crisis of mankind, its economy, society, culture, civilisation and spirit*). Ljubljana: Samozaložba.

- Perovšek, Jurij. 1998. Prilagoditev Schulze-Delitzsčevih združno-gospodarskih zamisli na slovenskem v letih 1872-1895. *Prispevki za novejšo zgodovino* 38(1-2): 5-13.
- . 1998. Programi slovenskih političnih strank, organizacij in združenj na Slovenskem v času Kraljevine SHS (1918-1929) (*Programs of Slovene political parties, organizations and associations in Slovenia during the Kingdom of SCS*). Viri 13. Ljubljana: Arhivsko društvo Slovenije.
- . 2005. *Na poti v moderno* (On the way to modernism). Ljubljana: Inštitut za novejšo zgodovino.
- Potočnik, Drago. 1936-37. Konjunktura v svetovnem gospodarstvu (Boom in the world economy). *Tehnika in gospodarstvo* 5-6: 105-109.
- Pušenjak, Vladimir. 1907. Slovensko združništvo in sodelovanje učiteljstva pri istem (Slovene cooperativism and the participation of teachers in it). *Zadruga* 9: 194-95.
- Slovenec* 77 (6 April 1914): 1.
- Slovenski narod*, 6 July 1918: 1; 25 December 1919: 1
- Vidovič-Miklavčič, Anka. 1994. *Mladina med nacionalizmom in katolicizmom* (Youth between nationalism and Catholicism). Ljubljana: Študentska organizacija Univerze.

## POVZETEK

### GOSPODARSKI KONCEPTI SLOVENSKEGA LIBERALIZMA

*V drugi polovici 19. stoletja obvladujeta slovenski prostor dva pojava. Gre za latentni protikapitalizem in za prav tako latentni nacionalizem. Protikapitalizem kot odgovor na primerjalno nižjo stopnjo gospodarske učinkovitosti in gospodarske nekonkurenčnosti, denimo nasproti Nemcem. Nacionalizem pa kot izraz emancipacijske težnje na političnem, socialnem in gospodarskem področju. Oba pojava sta se združila v ideologiji ekonomskega nacionalizma kot orodja družbene in gospodarske modernizacije slovenskih pokrajin. In ta miselni krog, ki se nadaljuje tudi v dvajseta leta 20. stoletja, ni bil naklonjen širšemu odmevu ekonomsko-liberalne misli. Le ta je bila prilagojena slovenskemu prostoru s prevladujočo drobno-gospodarsko strukturo in posledično izjemno veliko socialno noto. Liberalna gospodarska misel je bila na velikih preizkušnjah v tridesetih letih, v letih velike gospodarske krize. Globina sprememb, obseg in dolgotrajnost krize, so se dotaknile tudi zaledja slovenskega liberalizma. Že tako nekonsistentno definiran slovenski ekonomski liberalizem je izgubil družbeno legitimnost. In to ne samo v krogih, ki mu še daleč niso bili blizu, temveč tudi med znatnim delom prebivalstva, ki ga je sicer sprejemalo za podlago svojega ideološkega profila. Tako ni presenetljivo, da so načela ekonomskega liberalizma začeli zapuščati tudi liberalci sami. Hkrati v ta čas datira tudi velika fragmentacija liberalnega tabora ne samo na*

*organizacijskem področju. Ekonomski liberalizem je bil tako potisnjen na obrobje družbenega dogajanja.*