

NATIONALISM AND MUNICIPAL SAVINGS BANKS IN BOHEMIA BEFORE 1914

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Introduction

Bohemia was the most industrialized province of the Habsburg Monarchy in the late nineteenth century. It was also the site of what was, arguably, the decisive nationality conflict of late nineteenth-century Habsburg history—that between the Czechs and the Germans. National competition found its expression in cultural activities and associations, in the political arena, and in the economic sphere.

Economic competition between Czechs and Germans focused on several areas, among them the ownership of property and its attendant voting rights; control of certain sectors of industry, for example, the sugar industry; and control of financial assets. The national affiliation of financial institutions became an issue during the second half of the nineteenth century. Czechs and other nationalities sometimes found it difficult to obtain credit from, or to influence the financial policies of, the Austrian National Bank or the large commercial banks located in the provincial capitals or in the imperial capital, Vienna. These large banks tended to be dominated by German financiers, and they generally restricted their loans to well-established businessmen, large landowners, and wealthy home-owners. The large banks therefore bypassed the small businessman, farmer, or homeowner, especially those living in the smaller provincial towns who formed the basis of the Czech national movement in its early years.

As the Bohemian economy expanded in the nineteenth century, the need for financial services in the small towns of the provinces grew. To a large extent this demand was met by a secondary credit sector, made up of several new types of financial institution, including credit cooperatives, agricultural cooperatives, and municipal savings banks.

These smaller banks were often deliberately allied with one national group or another. They formed the basis for financial self-help. Municipal savings banks, in particular, provided special services to support small-town business and to help modernize urban life in Bohemia.

Savings Banks as Municipal Institutions

The first savings bank in the Habsburg monarchy was formed in Vienna in 1819. The first savings bank in Bohemia, the *Böhmische Sparkasse*, was founded in Prague in 1825. These early banks were organized and managed by a coalition of nobles and burghers, with the support of the central government. In 1844 the Austrian government passed a regulation (*Sparkasseregulativ*) defining and restricting the activities of savings banks in the Austrian and Slavic lands of Cisleithania. The real impetus to found savings banks, however, came in the 1850s, when the Austrian government passed new statutes for savings banks that encouraged municipal governments to organize banks.¹

According to the 1844 savings bank regulation, savings banks were intended to aid the less well-off classes of society through a combination of thrift and inexpensive loans. The provincial governor's office and the Ministry of the Interior oversaw savings bank activities in Bohemia, while the banks were managed by a supervisory council that decided general bank policy and a board of directors that made daily banking decisions. Throughout the

nineteenth century the policies of municipal savings banks were torn between the humanitarian goals expressed in the 1844 regulations and emphasized by the governor's office on the one hand, and on the other the impetus toward individual and communal self-help emphasized by the customers, supervisors and directors of the banks themselves.

The provision that savings banks be founded and guaranteed by municipal governments had several implications for their future development. First, town governments were required to guarantee the liabilities and deposits of municipal savings banks. Second, supervisors and directors chosen by the town council administered the savings banks. As a result, whichever nationality controlled a town government also controlled the bank in that town. The struggle for control of savings bank assets and policies is an often-overlooked aspect of the struggle for control of municipal government in Bohemia. Finally, savings banks, which were organized as non-profit institutions, were expected to use any excess funds—the equivalent of their net profits—to support municipal projects and to make donations to local charities.

A savings bank's relationship to its town government thus rested on three factors: the town's guarantee of the bank; the selection of members of the bank's supervisory committee; and the support, through loans and donations, of community projects. The statutes of some municipal banks expressly stated that they were to restrict their services to the immediate geographic area—the community and administrative district in which the bank was located.

In their early years most savings bank directors consulted with the town council before making major changes in lending policies or interest rates. In some Bohemian communities all important decisions were first approved by the town council.² This approach to management worked best in small, intimate communities, in which the political and business élites were closely allied. As savings banks expanded their economic activities and became more business oriented, however, the relationship between towns and banks began to change. Savings banks in many communities struggled to gain autonomy from their town councils.³ Town councils, for their part, believed that since they guaranteed the banks' deposits, they should have a say in the management and disposal of their resources. In an attempt to resolve the issue, Habsburg courts determined that savings banks were not municipal institutions, but were rather autonomous institutions which were municipally guaranteed.⁴ Statutes published in 1892 for all Cisleithanian savings banks made this explicit, but even so the Bohemian governor's office was forced in the early 1900s to repeat that savings banks were legally independent of municipal governments.⁵

National Control of Savings Banks

The close relationship between savings banks and municipal governments affected the nationality struggle in Bohemia. Savings banks tended to be allied with the dominant nationality in their communities; and in a town with a mixed Czech-German population the minority nationality usually held itself aloof from the savings bank and created instead an independent credit cooperative.

The most important Czech savings bank, the *Městská spořitelna pražská* in Prague, was founded in 1875 as a Czech alternative to the German-dominated *Böhmische Sparkasse*. The Czechs had gained control of the Prague city council in the 1860s and a Czech-run commercial bank, the *Živnostenská banka*, was founded in 1869 to support industrial firms and to provide business services to credit cooperatives. The idea of founding a municipal savings bank was first put forward in 1871. Articles in several Czech economic journals outlined the reasons why Prague should organize its own bank. Promoters of the bank

argued that it could donate money to support municipal projects and could support Czech entrepreneurs. In addition, they complained that the *Böhmische Sparkasse* collected savings from Czech depositors but restricted its loans primarily to large land- and home-owners, most of whom were German.⁶ The *Městská spořitelna pražská* grew so rapidly in its early years that it was almost overwhelmed by deposits in the late 1870s.⁷ It took its national (i.e., ethnic) responsibilities seriously. Of symbolic significance is the fact that it employed only Czech firms in the design, construction and decoration of its new bank building, erected in the early 1890s. The bank's directors commissioned frescoes and sculptures by Czech artists to illustrate national themes, the virtues of thrift, and the hope for prosperity.⁸

Perhaps the strongest ongoing struggle for control of a local savings bank took place in the southern town of České Budějovice/Budweis, which remained dominated by German Bohemians throughout the nineteenth century. The Germans founded a municipal savings bank in 1858; the Czech minority founded a credit cooperative in 1864. In 1880 the Czech and German populations in the city were about equal; but the Czech population, which already prevailed in the surrounding districts, expanded more rapidly after that year and gained a majority in the city. Nonetheless the Germans succeeded in restricting the municipal franchise so as to retain control of the city government and, consequently, of its savings bank.⁹

In 1887 August Zátka, Old Czech politician and leader of the Czech community in České Budějovice, proposed establishing a separate Czech savings bank. This new bank would be independent of the city and would be managed and guaranteed by an organization to be known as the *Obchodní a průmyslové družstvo v Českých budějovicích*. Zátka noted in his application to the provincial governor's office that "The Czech nation is completely excluded from the management of the Budweis savings bank." Despite such arguments the governor's office refused to approve Zátka's request, avoiding the main point and arguing that the purpose of a savings bank was to help all members of the community, especially those who were less well off, and not to discriminate on the basis of nationality.¹⁰

The Germans in České Budějovice reinforced Zátka's view of the exclusive character of savings bank management when in 1895 they tried to limit the influence of the city council on the bank in anticipation of a possible electoral victory by the Czechs. Instead of allowing the city council to select two-thirds of the bank's supervisors, as stipulated in its statutes, they wanted to amend these statutes to enable the committee to select its own members, becoming in effect a self-perpetuating body. This proposal was rejected by both the governor's office and the Ministry of the Interior, which stated that such a move would be detrimental to the interests of the city—which did, after all, guarantee the bank.¹¹

Branch Banking

The Czech leaders developed an explicit programme of national-economic development that emphasized economic self-sufficiency through cooperative self-help.¹² Because they were municipal organizations, savings banks could use the principle of self-help to benefit the community through loans, donations, and the promotion of thrift. In German communities, the decision to found a savings bank was often more of a business decision. Nonetheless, savings banks located in German communities remained larger, on average, and generally were more urban in their orientation than their Czech counterparts (see TABLE I).¹³

Differences in the mission of the Czech and the German savings banks in Bohemia were reflected in the different rates at which they founded branch offices. By the early twentieth

century German Bohemian savings banking was expanding, primarily through the establishment of branch offices. The *Böhmische Sparkasse* established the first branch office in the northern town of Ústí na Labem/Aussig in 1904. It organized two more branches, in Chomutov/Komotau and Trutnov/Trautenau, in 1908. All three communities already had their municipal savings banks. The *Böhmische Sparkasse* used its offices to process loan applications and to collect deposits. It also set up collection places (*Sammelstellen*) where deposits could be made, and by 1914 had established thirty-eight such small branches. Geographically, the *Böhmische Sparkasse* was isolated in the city of Prague, which was surrounded by Czech districts. Unlike the *Městská spořitelna pražská*, therefore, the *Böhmische Sparkasse* had to set up branch offices if it was to funnel deposits from the provinces to the capital.¹⁴

This trend was less important in the expansion of Czech banking during the same period. The *Městská spořitelna pražská* organized only five collection places before 1914, in response to pressure from members of Prague city council. Directors of this bank argued against setting up branch offices because the expense involved in managing them outweighed the benefits of collecting more deposits.¹⁵ A few smaller Czech savings banks did establish branch offices, but Czech towns were more likely to choose to create new, independent banks.

This difference reflected the divergent attitudes of Czech and German communities toward their savings banks as well as the different financial position of Czech and German savings banks. Most German Bohemian banks were larger than their Czech-managed counterparts; they therefore had the financial resources to enable them to set up branch offices. In addition, business interests prevailed over national concerns in the management of larger, better-established German savings banks. German business leaders wanted to strengthen existing banks. Czech community leaders wanted to establish as many independent financial institutions as possible, especially in areas of mixed population where German financial institutions had predominated.

Table 1

Total Deposits at German and Czech Savings Banks in Bohemia, 1860 - 1904
(thousands of Gulden)

| <u>Year</u> | <u>German</u> | <u>Czech</u> |
|-------------|---------------|--------------|
| 1860 | 30,140 | 463 |
| 1870 | 84,467 | 10,262 |
| 1880 | 198,433 | 44,678 |
| 1890 | 281,515 | 116,441 |
| 1900 | 391,056 | 192,361 |
| 1904 | 466,751 | 273,061 |

Table 2

Municipal Loans of Bohemian Savings Banks, 1895 - 1910
(thousands of Gulden)

| <u>Year</u> | <u>Municipal Loans</u> | <u>% of Total Assets</u> |
|-------------|------------------------|--------------------------|
| 1895 | 21,762 | 4.0 |
| 1900 | 33,448 | 5.2 |
| 1905 | 51,415 | 6.1 |
| 1910 | 95,137 | 8.8 |

Table 3

Municipal Loans of the Böhmisches Sparkasse and the Prague
Municipal Savings Bank, 1880 - 1910
(thousands of Gulden)

| <u>Year</u> | <u>Böhmisches Sparkasse</u> | <u>Prague Municipal Savings Bank</u> |
|-------------|-----------------------------|--|
| 1880 | 63 | -- |
| 1885 | 1,133 | -- |
| 1890 | 1,286 | -- |
| 1895 | 5,570 | -- |
| 1900 | 8,023 | 6,811 |
| 1905 | 7,471 | 9,340 |
| 1910 | 12,238 | 11,165 |

Table 4

Donations of Bohemian Savings Banks, 1891 - 1900
(Gulden)

| | <u>German Savings Banks</u> | <u>Czech Savings Banks</u> | <u>All Bohemian Savings Banks</u> |
|---------------------------------|-------------------------------------|------------------------------------|---|
| Average per Year | 1,687,997 | 464,003 | 2,152,000 |
| Percent of Net Profit | 58.3 | 45.2 | 54.9 |
| Percent of Total Deposits | 0.5 | 0.3 | 0.3 |

Communal Loans and Donations

The financial ties between savings bank and towns were based on the towns' guarantees of the banks, and were cemented through communal loans and donations to support community projects. The supervisory committees of Bohemian savings banks were made up of businessmen and professionals who had an economic and political stake in modernizing their communities. Trends in communal loans and donations reflected the priorities of savings bank supervisors.

Savings bank loans to support municipal projects began in the mid-1860s and expanded rapidly in the 1890s (cf. TABLE II).¹⁶ Both Czech and German political parties called for increased spending and government subsidies to cover the cost of public projects at the end of the nineteenth century. The fiscal responsibilities of town governments were increasing more rapidly than their tax revenues, and municipal savings banks were therefore called upon to fund more urban development. Regardless of national affiliation, Bohemian savings banks lent money to finance the construction of roads, public utilities, and educational and public health facilities.

The two largest Bohemian savings banks, the *Böhmische Sparkasse* and the *Městská spořitelna pražská*, lent large sums of money to town governments, both in Prague and elsewhere (cf. TABLE III).¹⁷ The projects supported ranged from the humanitarian (e.g., constructing a home for the blind or a children's hospital) to the practical (e.g., the construction of a street connecting the Prague suburbs of Smichov and Bílá Hora, and of a new water and sewage system for the city of Prague.) Other projects were more partisan in character. The *Městská spořitelna pražská*, for example, lent money to the city to enable it to build a community building (*obecní dům*) in 1903.¹⁸

In addition to loans, savings bank also made donations every year to support municipal projects, cf. TABLE IV.¹⁹ Although both the banks' statutes and the Bohemian governor's office suggested that donations be made to charities such as poor houses, hospitals, libraries and scholarship funds, the largest portion of savings bank gifts went directly to the towns. Some of the money was then distributed to various municipal charities; on occasion, it was even used to pay the annual expenses of the operating municipal government.²⁰

The pattern of savings bank donations created resentment among depositors who lived outside the community and did not benefit directly from improved city services or modernized urban facilities.²¹ No legal guidelines were formulated for determining what sorts of projects or charities could receive donations from savings banks. The governor's office regularly reviewed lists of organizations and projects receiving financial gifts, but was unlikely to intervene if the bank gave the money directly to the town council for disbursement. In general, savings banks did not attempt to support national associations directly. The governor's office prevented the savings bank in Pilgram/Pelhřimov from donating money to the Czech national *Národní jednota pošumavská* in Pošumava because this organization was not humanitarian in purpose.²² The savings bank in České Budějovice was also forbidden to donate money to the German national *Böhmerwaldsbund* in 1885, despite the bank's contention that the association was a conservation society.²³

In 1903 the provincial council supervising savings banks was forced to remind the banks to donate at least part of their revenues to charity.²⁴ A draft of a circular prepared in 1906 noted that more pressure would have to be applied since savings banks had not complied with the 1903 decree, and pointed out that not all community donations served humanitarian purposes.²⁵ The German-language newspaper *Bohemia* made much the same point the same year when it suggested that the governor's office supervise savings bank donations

more closely; it objected to the dominance of municipal projects which ignored the humanitarian origins of the savings banks.²⁶

Such criticism had however little effect on how savings banks actually distributed their excess funds. The director of the savings bank in Most/Brüx complained in 1903 that a real change in the application of savings bank donations could be achieved only when the towns themselves imposed a rational communal tax reform that would enable them to raise enough money to support the need of modern municipal government.²⁷ Several commentators, including the economist Heinrich Rauchberg, argued that municipal projects did serve the good of the greatest number of people. As Rauchberg noted, the municipal tax burden was already too high in many areas, and savings bank subventions could help prevent further increases.¹⁸

The support which savings banks could give to municipal projects provided a motive for Czech and German communities to found municipal banks. National affiliation, however, rarely determined the sorts of projects supported by savings bank contributions and loans. Both of the national communities placed a high value on education, public health, and public utilities in the years preceding 1914. In fact, when their policies became subject to police scrutiny and criticism, Czech and German savings banks cooperated with one another to protect their mutual interests.

Postscript

The national dimensions of savings banking were more prominent in Bohemia than elsewhere in the Austrian half of the monarchy, but similar conflicts arose in other provinces as well. Non-German ethnic nationalities throughout Cisleithania were able to gain some measure of autonomy in financial affairs by developing a rich network of small savings banks and credit cooperatives.

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NOTES

1. For information on early Habsburg savings banks see Friedrich Thausing, *Hundert Jahren Sparkasse; Anlässlich des hundertjährigen Bestandes der ersten österreichischen Spar-Casse, 1819 bis 1919* (Vienna, 1919); Heinrich Rauchberg, *Die deutschen Sparkassen in Böhmen* (Prague: Calve, 1906); and *150 Jahre Sparkassen in Österreich. I. Geschichte* (Vienna: Hauptverband der österreichischen Sparkassen, 1972.)
2. The savings bank in Nový Bydžov was one that consulted regularly with the town council. *75 let Novobydžovské spořitelny, 1863-1938* (Nový Bydžov).
3. Savings banks in both Tábor and Litoměřice/Leitmeritz struggled to gain their autonomy. *Prvé padesátiletí spořitelny města Tábora, 1862-1911* (Tábor), and *Archív státní spořitelny* [henceforward ASS]; Annual Reports of the Savings Banks in Litoměřice for 1890 and 1891.
4. Judicial decisions were handed down in 1887 and 1890.
5. ASS, Prague Municipal Savings Bank, inv. no. 47: *Zprávy ke schůzím výboru 1903-1904* [henceforward, ZSV] for March 5, 1904; inv. no. 48, *ZSV 1905* for April 20, 1905 and June 3, 1905.
6. *Státní ústřední archív, Fond české místodržitelství* [henceforward SÚA ČM] 1856-83, carton 1757, folder 34/19/96 and carton 1758, folder 34/19/107 (Prague). For police clippings of articles advocating a municipal bank for Prague, see carton 1747, folder 34/19/1 (general).
7. ASS, *Městská spořitelna pražská*, inv. no. 1, *Protokoly o schůzích výboru* [henceforward PSV], Jun. 16, 1876; May 28, 1897; Oct. 30, 1879; and Feb. 21, 1880.
8. ASS, inv. no. 3, PSV, Feb. 27, 1890; and inv. no. 4, PSV, various reports for 1891.

9. For background to the nationality struggle in České Budějovice, see *Padesát let zázložny České-Budějovické, 1864-1914* (České Budějovice); Miloslav Pecha, "K činnosti české a německé politické reprezentace v Českých Budějovicích před první světovou válkou," *Jihočeský sborník historický* 48 (1978) 145-59; and Emil Brix, "Der böhmische Ausgleich in Budweis," *Österreichische Osthefte* 23 (1982) 225-48.
10. *SÚA ČM* (1884-1900) carton 5017, folder 34/190/17a (České Budějovice).
11. *SÚA ČM* (1884-1900) carton 5017, folder 34/190/17a (České Budějovice).
12. František Šimáček (1834-85), publisher of *Posel z Prahy*, was an ardent advocate of financial self-help; he promoted credit cooperatives, and argued that economic gains would lead to political gains for the Czech nation.
13. Source for Table I: Rauchberg, *Die deutschen Sparkassen* 118.
14. *ASS, Böhmisches Sparkasse*, inv. nos. 1440-71, *Platebna v Chomutově*; inv. nos. 1495-1504, *Platebna v Trutnově*; inv. nos. 1562-1617, *Platebna v Ústí nad Labem*. See also Rauchberg 274-76, who noted that branch offices detracted from the local character of savings bank loans and charitable contributions.
15. *ASS, Městská spořitelna pražská* inv. no. 48, *ZSV* Apr. 20, 1905.
16. Source for Table II: *Österreichische Statistik*.
17. Source for Table III: *ASS, Annual Reports of the Böhmisches Sparkasse, 1880-1895; Österreichische Statistik*.
18. *ASS, Böhmisches Sparkasse, Protokoly ředitelství* and *Protokoly valných hromad*, passim; *Městská spořitelna pražská, ZSV* and *PSV*, passim.
19. Source for Table IV: Rauchberg 231.
20. According to the 1892 statutes for savings banks, a bank was to give 50% of its net annual profits to charity if its reserve funds equalled at least 50% of its deposits. If a bank's reserve funds equalled 10% of its deposits, 90% of its net annual profit was to go to various charities.
21. For criticism of savings bank donations and the relation of banks to towns, see Robert Schachner, "Eine Kritik der österreichischen Communalsparkassenpolitik," *Österreichische Zeitschrift für Verwaltung* 34 (1901) 149-50, and "Kritische Streiflichter auf das österreichisches Sparkassenswesen," *Österreichisches Verwaltungsarchiv* 2 (1905) 1-42; and Franz Meisel, *Das neue Musterstatut für Sparcassen* (Vienna: Manz, 1893).
22. *SÚA ČM* (1884-1900) carton 5049, folder 34/190/81 (Pelhřimov).
23. *SÚA ČM* (1884-1900) carton 5017, folder 34/190/17 (České Budějovice).
24. Antonín Tománek, *Spořitelny jindy a nyní: Se zvláštním zřetelem ke způsobem upotřebení správních přebytků* (Prague: Svaz českých spořitelene, 1912.)
25. *SÚA ČM* (1901-1910) carton 8230, folder 35/54/6.
26. *Bohemia* Sept. 11, 1906.
27. *ASS, Annual Report of the Savings Bank in Brtix, 1903*.
28. Rauchberg, *Die deutschen Sparkassen*.

POVZETEK

VLOGA DR. JANEZA EVANGELISTA KREKA V SLOVENSKEM ZADRUŽNEM GIBANJU

Članek se pričinja s pregledom gospodarskih razmer v slovenskih deželah v drugi polovici devetmestega stoletja. Večina slovenskega prebivalstva je bila agrarna, relativno malo produktivna, in mnogokrat selo zadolžena. Na tem ozadju avtor najprej poda kratek življenjepisa Janeza E. Kreka, povzame njegov prispevek k teoriji in praksi socio-ekonomskih reform, in predstavi razvoj hranilnic in posojilnic na Slovenskem in slovenskega zadružnega gibanja.