

# Civilizing Galicia 1772-1914. Economic (Under) Development, Modernisation and Multi-ethnicity in a Habsburg Periphery.

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## Between development and dependency: Economic Integration and Regional Disparities

In recent years the impact of economic integration on regional disparities has become a research topic of major interest. The Habsburg Monarchy often serves as a historic model case for studying the possibilities of regional development in the context of processes of a cross-border division of labour. So far, research has tended to neglect the poorer regions of the Habsburg monarchy such as Galicia, especially with respect to processes of economic integration. Thus, this Ph.D. project is a case study on Galicia's economic development focusing on economic integration in trade, migration, capital investment and finance.

Since it was conquered and subsequently made a province of the Habsburg state in 1772, Galicia has been one of the poorest and most underdeveloped regions not only within the Habsburg Monarchy, but also in comparison to the other parts of Poland-Lithuania to which it had formerly belonged. Crafts and industries were almost non-existent and produced predominately for local markets. Furthermore, both industry and agriculture were relatively inefficient. These conditions persisted virtually unchanged until the late nineteenth century. These structural weaknesses resulted in a low living-standard throughout the whole period between 1772 and 1914.

## Trade and interregional competition

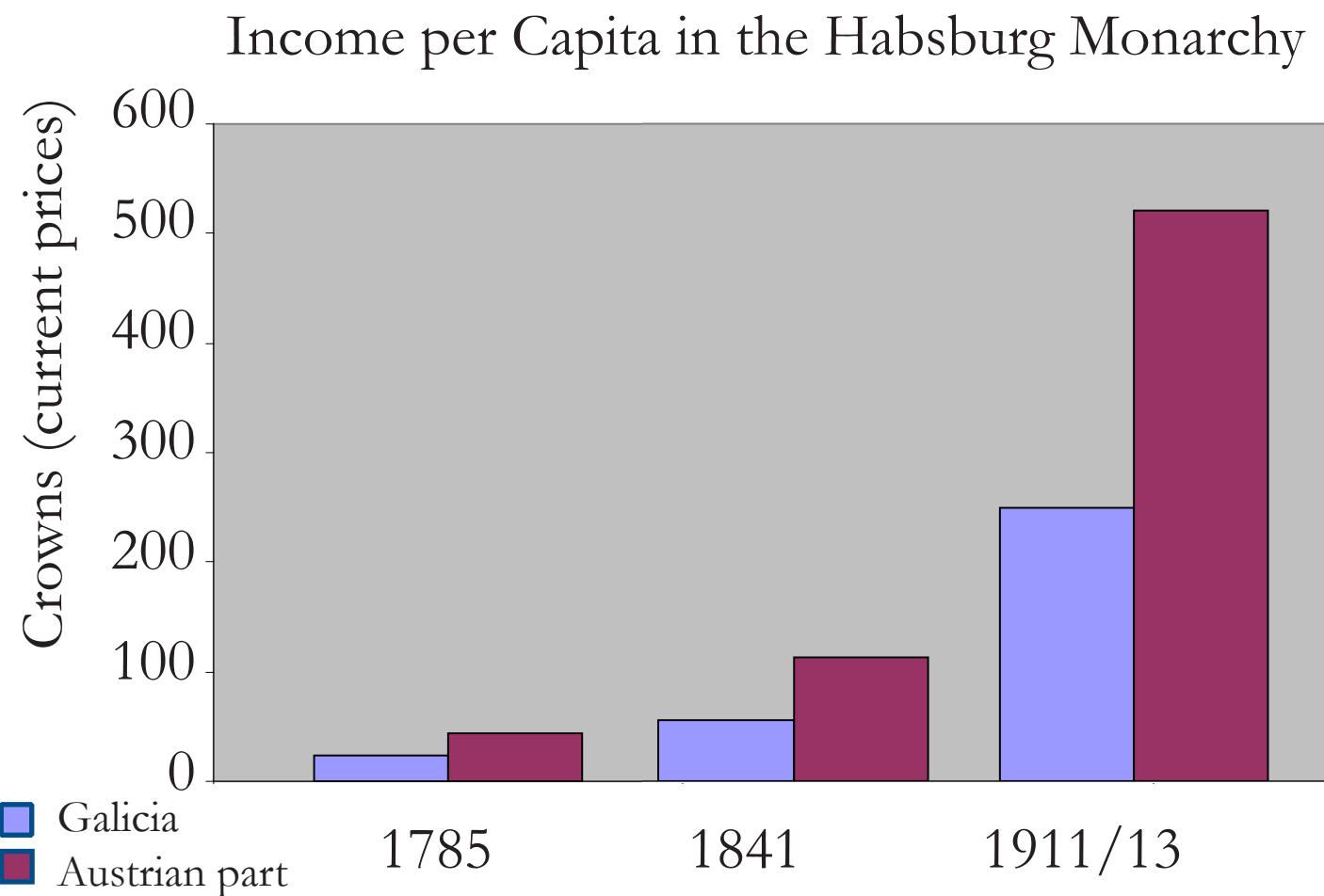
Trade relations within the Habsburg Monarchy were not to Galicia's advantage. The region's rapid integration into the Habsburg monarchy in the late 18th century led to the disintegration of former markets in Poland-Lithuania and Western Europe. This contributed to an economic downturn of the region in the late 18th and early 19th centuries. Many landlords went bankrupt, because they could no longer participate in the profitable grain export via the Baltic Sea. Galicia's strengthened trade relations with the Habsburg regions were an insufficient substitute, as demand and supply didn't correspond. Furthermore, Galicia's trade balance was dominated by raw materials and foodstuff exports and by the imports of finished products – a tendency which lasted throughout the period and aggravated the region's peripheral status.

Especially after the construction of railway lines beginning in 1856, Austrian and Bohemian industrial goods gradually drove a major part of Galicia's crafts and domestic industry off the market. As industrialization didn't take place, there was no substitute for either the production of semi-finished products or for working places. Therefore, seasonal and permanent migration was the only alternative to the region's peripheralization. Furthermore, the trade structure led to a negative balance of trade contributing to the overall deficit in the region's balance of payment.

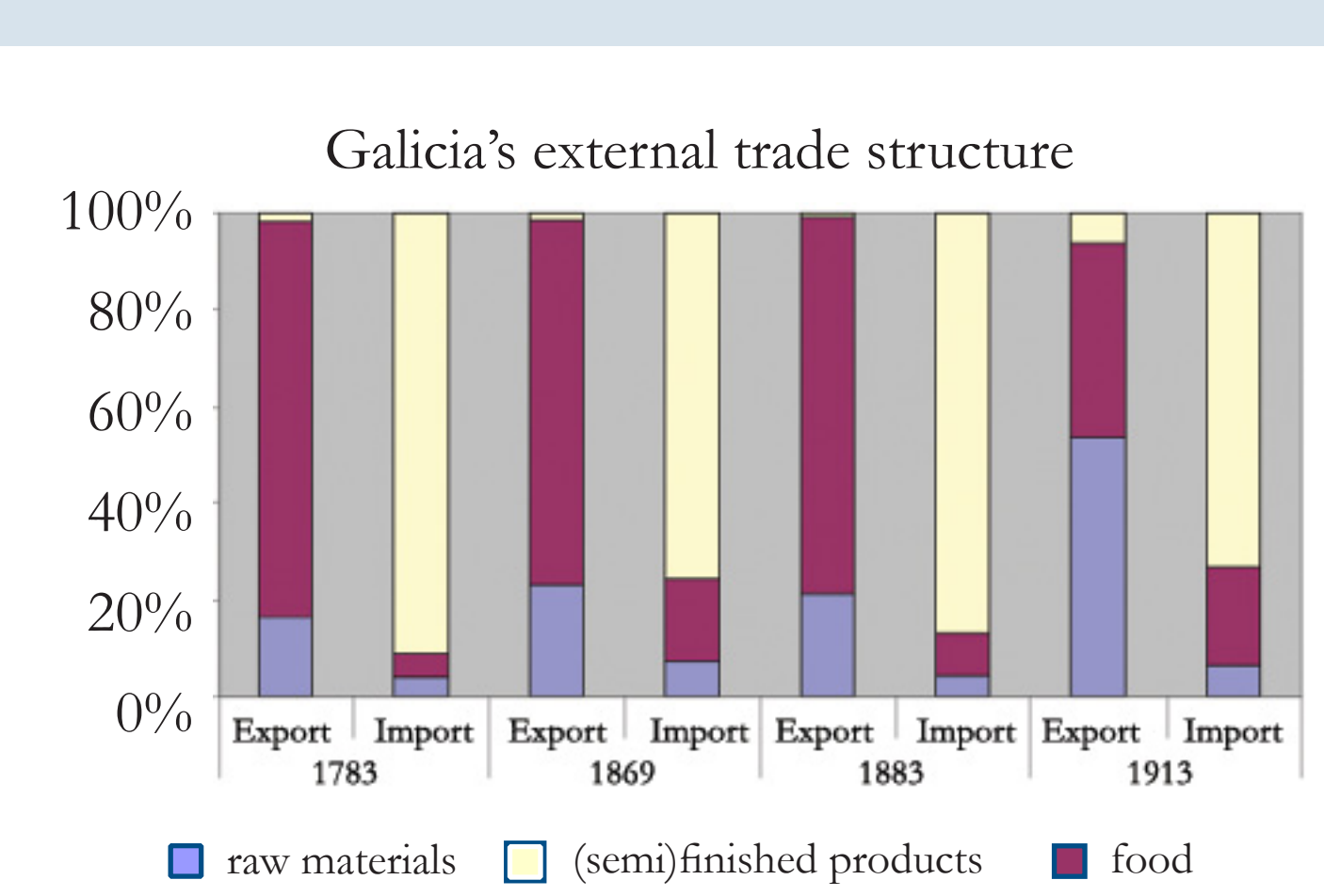
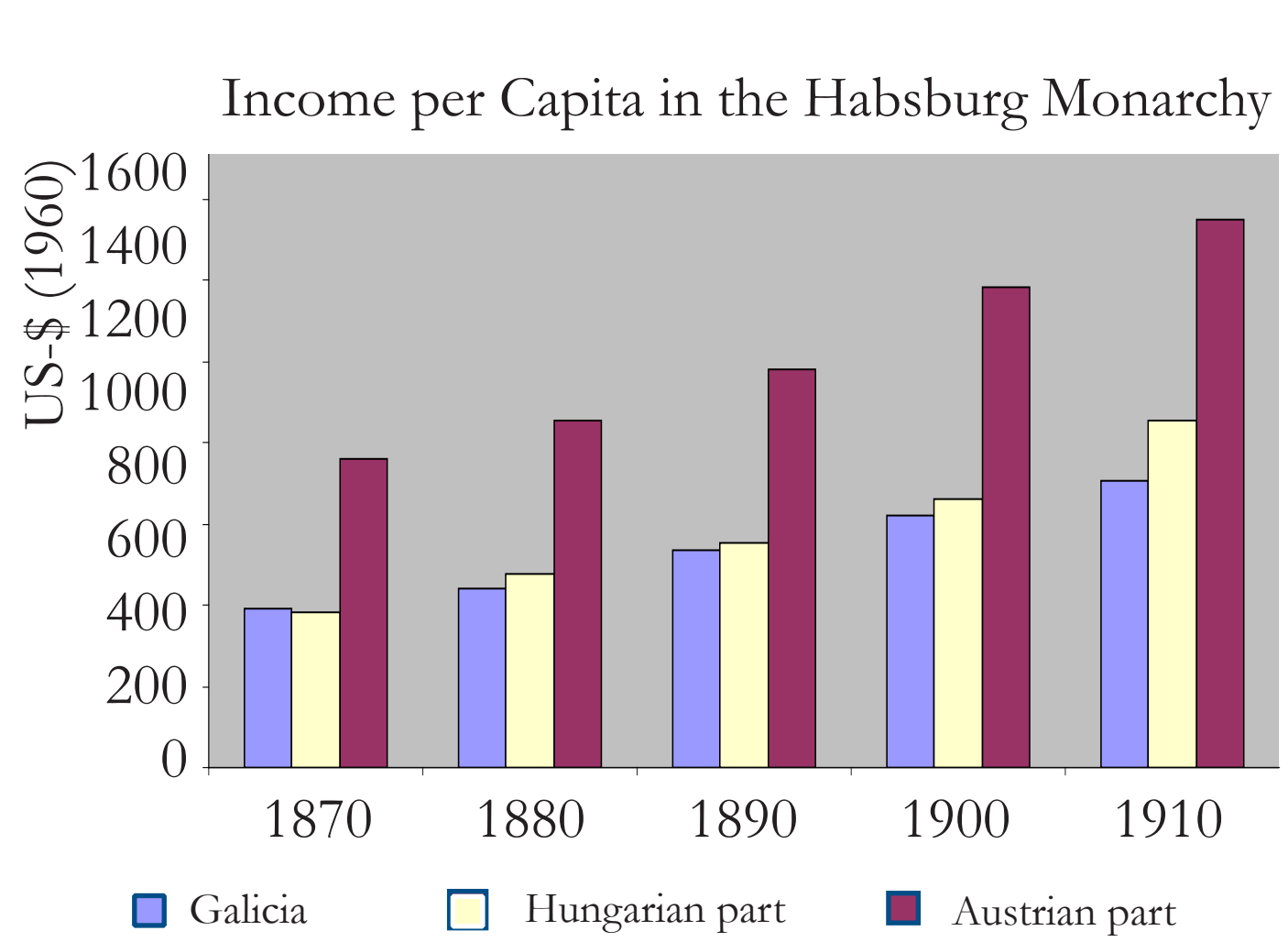
## Civilizing a backward economy

Over the whole period both the state as well as private actors and institutions were devising concepts for the region's economic development. Until the middle of the 19th century these were devised by imperial elites, mainly in Vienna and Prague, and urged to “civilize” Galicia by a tight integration into the Habsburg Monarchy's internal division of labour. This referred to technology, production methods and consumption patterns. The imperial, German-speaking elites aimed at imposing on Galicia what they called “German culture” – e.g. better ploughs and new crops, consumption of beer instead of liquor, and above all a more efficient work ethos. The enlightened government officials and statisticians often described Galicia's social and economic relations in stereotypes, creating ethno-social images. By assessing the developmental degree of ethnic groups, they were construed in symbolic hierarchies according to dominant and subaltern cultures.

A part of the regional elites criticized these discourses. Especially after Galicia's economic situation worsened in the 1830s and 1840s, the criticism of Galicia's forced economic integration into the Habsburg Monarchy's internal division of labour intensified: focusing on the negative balance of state revenue, the government's industrial and trade policy. In the second half of the century Galicia was often called the “Austrian colony” by Polish Galicians.



Throughout the period 1772-1914 Galicia's regional income remained decisively beneath the level of the monarchy's Austrian and Hungarian part. Galicia's income rise at the turn of the 19th century was unable to close this gap.



Advertisement of the L'viv branch office of the “Austrian Creditanstalt for Trade and Commerce” in Polish (1908). The Creditanstalt was the first external private bank which opened a branch office in Galicia in 1860. Apart from banking, the company also invested in railway construction and the region's oil industry.



## Theoretical Framework

According to this view, Galicia serves as a model case for how economic integration led to backwardness rather than prosperity. The causes for this outcome are analyzed by applying the theoretical framework of Immanuel Wallerstein's world-system analysis and the internal periphery approach. Both claim that economic integration between developed centres and more backward peripheries leads to structural dependency and hence impedes developmental convergence between them. This is shown by statistical analysis of Galicia's trade structure, balance of trade and payment as well as capital investment. Due to lack of data, qualitative sources – e.g. government reports, newspaper articles and books – are also used to reconstruct Galicia's commercial relationships. The interregional division of labour is based on spatial orders, e.g. customs frontiers and conditions for capital imports, which are shaped by economic policy. By applying postcolonial theories, the influence of varying spatial economic concepts on the interregional division of labour and, hence, also on Galicia's economic development is shown. Here, imperial, regional and national spatial conceptions were in conflict with each other, but also in partial overlap. A main code of these spatial concepts was “to civilize” the region, which aimed at diminishing Galicia's backwardness by further integration into the Habsburg Monarchy's division of labour.

## Taxes, Capital and Finance

The region's deficit started with its conquest in the 1770s and 1780s, when many landlords either transferred their capital abroad or went bankrupt. The new taxes and state monopolies introduced by the government increased the net capital outflow. The government's investment in infrastructure (roads, buildings) remained far behind the state's income through taxes, monopolies and customs. Moreover, the credits the government offered local entrepreneurs were modest in sum, investments in industry or crafts didn't take place apart from the state's own enterprises. Nonetheless, most of them were sold and the state withdrew from an active economic policy in the region.

The negative balance of payments grew even more severe from the 1820s onwards and led to massive critique from Galician landlords, officials and writers. Only after the middle of the century did this tendency gradually change. In the 1850s and 1860s the first branch offices of banks were founded, which also started to invest in the regional economy. With the political transformation in the 1860s, the Galician elites gained more influence and gradually reversed the negative balance of state payments. This meant a rise in the state's investment in the region. On a broader scale, external investment flowed to the region from the 1860s onwards and reached a peak after the oil boom in the 1890s. Nevertheless, the major part of this investment focused on extracting raw materials and led neither to a substantial economic growth nor to industrialization. In the early 20th century Galicia's balance of payment was thus still negative.

## Economic integration and ethno-social tensions

Although the regional elites gained more power in the 1860s, they didn't substantially question the analysis of imperial actors. They also believed that Galicia's population had to adapt to a “Western” socio-economic model. Thus, imperial concepts were transformed in national ones: By “civilizing” the region and their people the Polish, Ruthenian (Ukrainian) and Jewish elites strived for national emancipation. Thus, the internal division of labour should be corrected, but was not radically questioned. Neither a customs frontier nor an autonomous industrial or trade policy were viable options for Galicia in the political framework of the Habsburg Monarchy.

Economic transformations and downturns, caused partly by a one-sided economic integration, were thus followed by inter-ethnic conflicts over diminished resources. In the late 19th century the ethno-social relationships in Galicia were gradually polarized along national lines.