

Eötvös Loránd University of Sciences, Faculty of Humanities

Doctoral Dissertation
Summary of the Thesis

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Credit History on the basis of In- and Extabulations in the
second half of the 18th Century and in the first half of the 19th
Century
The lending practice in the County Csongrád, Fejér and Pest-
Pilis-Solt

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SUMMARY OF THE THESIS

“What did we need credit institutions or credit in general in 1830 or the periods before that, in the circumstances of the time?” asked Count Menyhért Lónyay in the second half of the nineteenth century.

The credit activities of the second half of the nineteenth century did not come out of thin air, but rather had their precursors in the earlier periods. There is no doubt that the spectacular and easily measurable growth of money lending came to a full bloom only in the last third of the nineteenth century, and it is also beyond question that it took place among structures that had been different from those of the earlier decades; however, these antecedents were in any case part of the system, and the earlier structures had also not been permanent and unchanging. The system of money lending continuously changed in Hungary; sometimes in a more spectacular way, sometimes slower, but it always tried to keep pace with the changes in economics and society. This thesis presents the transformation of this system in the second half of the eighteenth and the first half of the nineteenth century.

The current research was started with two basic aims. Earlier historiography has already called attention upon the intabulation registers; those documents which were used for securing credit contacts in this period: if the debtor became insolvent, the creditors could get their money back in the order created on the basis of the intabulations. These earlier studies focused on single counties for drawing their conclusions. It was to be assumed that a comparison between several counties would yield a more nuanced image. My choice fell upon three counties, based upon the survival of the registers and the countries’ social and economic characteristics: Csongrád, Fejér and Pest-Pilis-Solt.

The other aim of the research was connected to the meta-narrative created by earlier historiography concerning the general indebtedness of Hungarian nobility. It seemed to be much more promising to set this aspect aside as a hypothesis and see the results concerning the system of personal credit independently of this tradition, thus avoiding a negative approach at the starting point. I wanted to show that although credit activities in Hungary, if seen from a distance, seem to be monolithic, and with its immobility and inflexibility the system had been an obstacle to the transformation of the country’s economy to capitalism; as a matter of fact there were a variety of changes taking place, which fine-tuned the workings of

the system and their systematic analysis may also give new facets to the meta-narrative of general indebtedness.

There are several fundamental questions in the research concerning this period and this topic, which had to be addressed, even if answers to them were bound to remain fragmentary, because a satisfactory answer would have required a primary research on a much larger scale than I would have been able to do in a doctoral thesis. Such a question is for instance the identification of the creditors and debtors, which is as difficult to answer as important it would be to have an answer; I have only been able to give some new nuances to earlier results. This fundamental question however leads to another one, the reason for taking loans in a world where allegedly there was no need for it. A third fundamental question would be the source of the credits.

In order to get a grasp on the transformation, I used the counties' intabulation registers, a source containing an immense amount of data, with a variety of primary and secondary possibilities for interpretation; which, as they had been kept in the same manner for decades, provide an excellent opportunity to use them for identifying trends. Apart from the intabulation registers, I tried to include as many narrative sources into my research as possible: articles in newspapers, contemporary economic analyses, credit contracts, materials of court processes, diaries and reports on markets.

The next chapter after the Introduction presents the legislation concerning credit, the most characteristic forms and types of loan in the period of personal credit; as well as the functioning of the courts of bills starting from the 1840s and the frauds related to money lending. Personal credit means, as it is clear from its name, that the sources of the credit are not institutions, but rather individuals. That is to say, the system is not based upon credit institutions that collect the sums (for instance through deposits) that they later disburse as loans, rather upon individuals who place their savings into credit transactions. There have been institutions specializing on cash distribution already in the period of personal credit (such as county treasuries, orphan's courts, ecclesiastical foundations and foreign private banks), these covered however only a small segment of the disbursed sum. I also find it important that these institutions – contrary to the later financial institutions – did not really allocate capital: due to their other responsibilities, they disposed of larger sums, which they tried to make good use of in money lending, one of the few investment opportunities of the age. I believe that the term "personal credit" is acceptable on the basis of exactly this

attribute, that is, the source of the capital; from its many characteristics this is the one I find the most prominent.

The overview of the Hungarian legislation concerning money lending shows that in the first half of the nineteenth century lawmakers did not necessarily only focus on the interests of the debtor any more, but rather tried (gradually and making only small steps at a time) strengthen the security of the creditors as well.

The presentation of the various types and forms of credits aimed at showing those possibilities I encountered in the sources: the instruments which were regulated by legislation and which served as the frame for credit contracts. I also present the aims for borrowing money which can be found in the sources: that is, why credits were taken, what could be the motivation in the background of the money circulation of the time. For the debtors the main goal was already in this period their hope to see their investments pay off. Although many traces point to the existence of humanitarian loans, but it is clear that in this atmosphere of limited investment opportunities the most general investment type was lending money for interest. And this investment form gradually had a profound impact upon society.

It is necessary to address the question of usury, which was a fundamental problem in this period (and continued to be so later on). The extent and sum of usury, or even its existence is very hard to define and trace, because sources are able to reveal only very little about this phenomenon. It was beyond doubts present and many abused the situation of those who ran into debts. Usury can nevertheless be seen as an indicator of the transformations taking place in this period. This change was hard to grasp and even harder to accept for contemporaries, because they could not really separate the connection between high interest rates and high risks (or in some cases, the shortage of cash) from the abuses against people in hopeless situations; thus they were unable to have a clear perspective on the question, and thus the legislation could not manage it either. The complexity of the question is well illustrated by the fact that the problem did not disappear in the period after the Austro-Hungarian compromise, and could become acute even today.

The transformation can also be presented through an analysis of frauds, more precisely of discovered frauds. The regulated frames also provided actors with the possibility to search for ways to circumvent them, and many of them effectively found these. Obviously, we only can present those who did not make it – they are the ones that became visible. If a bill was forged and it turned out, it proves only that there were frauds discovered, but it does not prove any further frauds. However, it provides us with the possibility to see these attempts as the parts of the credit system.

In the first half of the nineteenth century, intabulations became increasingly important: a growing number of people used this possibility after concluding their contracts. This process is presented in Chapter 3. With the growth of the number of credit contracts, the number of intabulations per year also increased. At the same time, intabulations never became automatically connected to credit contracts, not even at the end of the period, when the most intabulations were recorded: in half of the cases, they took place when the repayment of the loan was in danger, or when the creditor, due to a certain circumstance felt that intabulation could be necessary. The increasing number of intabulations was thus on the one hand the result of the growing importance of money lending in Hungary, on the other that this instrument became more and more well-spread and accepted; thus two changes can be found in the background of the numbers, one connected to the market, and another one in mentalities.

The growing number of intabulations however did not mean a similar increase in extabulations. If we accept that extabulations were in the logical interest of the debtors, we can also say that the ratio of extabulations shows deterioration related to intabulations. This however does not mean that society's general indebtedness would have also grown – at least this conclusion cannot be drawn on the basis of these data. Based on extabulations, a process of people getting indebted can indeed be seen, but it is by far not clear that this process would have had tragic dimensions. It is much more likely that the structural changes of economy in the period may have caused a general indebtedness unseen until that day; and this may have become connected to the negative financial consequences of the 1811 devaluation.

Related to intabulations, we find better and worse years, motivated by external factors: the number and sums of intabulations could be influenced by changes in the legislation, or a long-lasting war. Therefore, intabulations do not only show the changes in money lending, but can serve as an indicator for the conditions of the economy, even if not of its entire scale. At the end of Chapter 3 I analyze personal credit as an indicator: focusing on the European financial crisis that started in London in 1825 I show that (at least in Pest County) the international crisis seems to have had its impact not only on agricultural prices, but also on credit activities. One has to add that in all likelihood it was not the London crisis that reached Hungary eventually, rather its assumed reverberations (such as the weakening of the Viennese financial market), as the decreasing trends were present in Pest country somewhat later than 1825; however, a decrease in money lending is clear from intabulations. An analysis of the relevant tendencies reinforces earlier assumptions that there was a correlation between the two types of money lending, the personal in Hungary, and the one managed by credit institutions, that had

been prevalent in Western Europe by then: the crisis of institutional money lending had a negative impact upon the system of traditional credit activities as well, by shaking general trust.

The last chapter interprets the transition between personal credit and money lending dominated by banks. It was in the 1830s that various institutions specialized specifically on credit activities started to appear in the Kingdom of Hungary. It is important to compare the results of the savings bank in Brassó, the Pest county savings bank of András Fáy, and the Pest Hungarian Commercial Bank from the first few decades in order to show how the structures of money lending in Hungary change, on the other hand to give emphasis to a conclusion drawn from the earlier chapters: that the new system, based on the allocation activities of the banks did not build upon thin air, and had their prehistory. From the analysis of the institutions, the saving banks and the Pest Hungarian Commercial Bank, it is clear that 1867 was much more of a turning point, both in sum and proportion, than 1830, 1840, 1855 or even 1848. The appearance of institutions beyond doubts shows its impact already in the 1840s and it would be easy to point out (as many did) the starting date of the Pest Home First Savings Bank as a date that separates two periods; but real change was about to come only parallel to the transformations in the political situation of the country; till then, we only see a slow transition. In other spheres, such as that of the various credit forms and in the question of usury, we see that there are some changes, but the fundaments of different credit forms have already been available in the earlier period; whereas usury did not disappear and continued to be an important problem even in the 1860s. On the basis of all this, it is not possible to draw a clear dividing line between the two systems in the 1840s and 1850s. The better part of the fundamental structures has surely changed, but we can also trace continuity and transition, thus the period between the 1850s and 1860s could be best described as transitory.

I believe that the system of personal credit has not at all been such an immobile monolith, impossible to change, as it often had been characterized by earlier historiography. It attempted to transform itself as a reaction of economic and social change. These reactions were slow, just as any change in a closed system, but the feedbacks had a significant impact on it, as they also had on the mentality of the people making the system work. Therefore I suggest that the period of institutional credit should not be separated from the period of personal credit with a clear cut between black and white, rather the two should be seen as connected and transforming into each other through different shades of the two colors.

MY PUBLICATIONS, RELATED TO THE TOPIC OF THE DISSERTATION

Pest-Pilis-Solt vármegye adósai és hitelezői a 18. század második és a 19. század első felében [The Creditors and Debtors of the Comitatus Pest-Pilis-Solt in the first half of the 19th Century]. In: *Aetas* (25.) 2010/2. 5–18.

Nem fizető adósok és csaló hitelezők. Csalási módszerek az 1840-es évekből [Non paying Debtors and tricky Creditors in the 1840s]. In: H. Németh István – Szívós Erika – Tóth Árpád (ed.): *A város és társadalma – Tanulmányok Bácskai Vera tiszteletére* [The City and its Society – Studies in the Honor of Vera Bácskai]. Budapest, 2011. 335–345.

Közvetítők a 19. század első felének pesti hitelpiacán [Agents of the Credit Market of Comitatus Pest in the first half of the 19th Century]. In: Halmos Károly – Kiss Zsuzsanna – Klement Judit (ed.): *Piacok a társadalomban* [Markets in the Society]. Budapest, 2014. 199–210.

1830: Egy hitelválság és a Hitel [1830: a Credit Crisis and the Work of István Széchenyi]. In: Hites Sándor (ed.): *Jólét és erény: Tanulmányok Széchenyi István Hitel című művéről* [Wealth and Virtue: Studies on the Credit of István Széchenyi]. Budapest, 2014. 147–164.

Credit crises in Hungary before the age of banks? Working Paper. Symposium of ENIUGH 2014. Paris. In: Pogány Ágnes (ed.) http://valsagtortenel.elte.hu/upload/new_folder/WP_3.pdf. 2014. 1–27.

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