

Management of the Austrian State Economy in the Mid-Twentieth Century. Problems of Macroeconomic Planning in Europe in 1945-1960 with a view to contemporary economic history

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Abstract: *This work focuses on the management of the state economy in Austria, specifically targeting the preconditions of the planning within the institutional set-up of the Austrian economy. The work emphasizes the influence of the German planning experience applied in Austria during World War II to the post-war form of the Austrian economic policy. The purpose of the work is also to highlight the effects of the Austrian economic policy after World War II and the extent in which this policy included certain forms of planning. It also aims to determine how this policy managed to steer Austria away from a difficult period of a divided country in the first ten years following World War II.*

JEL Classification: B20, F50, G38, E14, E20, E31, E32, E52, E58, E62, F14, F44, H20, H50, H62, N44, P21, Y40

"Socialism is an attempt to replace market anarchy and to gain greater equality through social planning. This would however lead to an enormous increase in the bureaucracy of power which would in turn result in inequality and economic stagnation." (Max Weber, German sociologist, philosopher and political economist 1864 – 1920)

1. Introduction

A centrally planned economy (at the macroeconomic planning level) is an economic system where the most significant role in the economic decision making is played by a

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state-initiated plan which controls investment, i.e. the allocation of capital and as a result also the demand. Planned economies¹ are generally connected with central planning of a soviet type, where almost the entire industry is owned by the government and all production is theoretically geared towards achieving the central plan.² The central plan therefore fully replaces the market. As a result, when the economy is government through central planning, this generally results in major investment at an exceptionally large scale. This was the case in Germany after 1936 and in Russia after 1928. The state ordered the construction of cities, roads, factories, railways, electric power plants and more to further consolidate its own political power. Central planners are less concerned with the production of consumer goods and in case the investments further improve the political power of the elites, the focus on consumption is considered even less so.³

In a centrally planned economy, the consumer is not the determinant factor which determines (through price, or demand) and who controls the allocation of production factors. The consumer has no control over the economic process. On the contrary, a central planner decides about the distribution of consumer good and the number of production factors that should be invested across the desired industries. From a long-term viewpoint, it must be said that centrally planned economies can work only within the confines of authoritarian regime societies.⁴

Some economists or political scientists see the benefit of centrally planned economies⁵ in the sense that the government can make use of land, labor and capital in such a way that it fulfills the economic goals of the state. Consumer demand can be limited at the benefit of larger capital investments geared towards economic development in the

¹ Note: When compared to unplanned economies, especially market economies, autonomous companies (entities) present in the market make decisions concerning production, distribution, pricing and investment. Market economies only make use of indicative planning or planning on a microeconomic level.

² ZIMBALIST, Andrew and SHARMAN, Howard J.: *Comparing Economic Systems: A Political-Economic Approach*. Harcourt College Pub., 1988, p. 4

³ HAYEK, Friedrich A. von, *The Road to Serfdom*. 2nd edition, In the ČSFR (Czech and Slovak Federative Republic), the 1st edition was translated by Tomáš JEŽEK. Praha: Academia, 1990, p. 28

⁴ Note: Mixed economies typically make use of macroeconomic planning, while microeconomic issues are left to the market and its ability to control the pricing.

⁵ Note: This benefit is then utilized with systems based on indicative planning which describes a form of economic planning which the government aims to address the issue of lacking information in market and mixed economies - with a goal to increase the economic performance of the state.

desired future model. The state can for example decide to expand heavy industry capabilities in an economy that is not yet fully developed. All of this can be done without having to wait for the accumulation of capital gained from expanding light industry and without being dependant on external financing - which could be observed in the USSR during the 30s. Yet another benefit can be seen in zero unemployment.

Politicians in centrally planned economies aimed to plan based on scientific factors which they saw in the following:

- The principle of political and economic unity,
- The principle of democratic centralization,
- The principle of science,
- The principle of five-year and annual planning,
- The principle of legally-backed and direct plans,
- The principle of daily controls and progress review of the plan in question.

Practice has shown however, that the disadvantages outweigh the advantages. Some of the most significant problems include: Ineffective distribution of resources ¹ (the emergence of a black market of scarce goods), lack of flexibility, insufficient technical progress,² suppression of democracy and self-governance as well as overarching economic instability.

Aside from central planning itself, such economies are characterized by state intervention, an increase in the state control of market mechanism and exerting pressure on free price determination. For this purpose, we are referring to a state controlled national economy, or state interventionism. Such a type of influenced ³ economy can also be observed in Austria from the late 30s until the time it reached complete freedom (1955) - as explained further in the text that follows.

2. Historical context

The Austro-Hungarian Empire has significantly changed throughout the 19th century. The capitalist model of production expanded across the entire empire and replaced

¹ Note: Businesses cannot effectively coordinate their decisions (in a market economy this is ensured by a system of free pricing based on the market demand/supply).

² Ludwig von Mises saw the businessman as the bearer of progress through "undying invention" and "interest in innovation", Ludwig von Mises: Bureaucracy, 1944

³ But not a centrally planned economy

medieval economy, bringing with it technological change as well as accelerated industrialization and urbanization. The GDP of the population grew approximately 1.76% each year between 1870 and 1913. Such growth numbers compared to other European nations such as Great Britain (1%), France (1.06%) and Germany (1.51%) was very positive indeed.¹ However, when compared to Germany and Great Britain, the overall economy of the empire was lacking behind, primarily due to the fact that its modernization began with a delay. In terms of national wealth calculated per inhabitant, the monarchy with its 121 USD per capita belonged to the same group of less developed nations such as Spain and Italy. Developed European nations achieved significantly higher values with Great Britain being at 312, France at 303 and Germany at 244 USD respectively.²

The monarchy played no major role in the global trade. Regarding this problem, Lacina states that "In 1910, the overall volume of foreign trade amounted a mere 5.5 billion K, and was smaller than that of Belgium or The Netherlands for example. The volume of Great Britain was 5 times greater, Germany 4 times greater and France 2 times greater than that of the Austro-Hungarian Empire."³

Economic growth primarily focused on the cities; in Cisleithania (Austrian region) it was in Vienna and in Transleithania (Hungarian region) it was in Budapest. Further it focused on the Austrian Alp regions of Austria as well as the Czech lands. Towards the end of the 19th century, rapid economic growth spread to central Hungarian regions. However, the monarchy still suffered from large regional differences in economic development and it remained true that the western regions remained significantly more developed than those in the east. At the end of the 19th century, the situation began to level out and the rate of growth in the east started to outweigh that of the western regions. Strong agricultural and food industries in the Hungarian regions started to dominate and accounted for a large part of exports to the rest of Europe. Western regions centered around Prague and Vienna excelled in terms of their manufacturing sectors. For example, the Czech lands had 10,3 million inhabitants which accounted for approximately one fifth of the entire Austro-Hungarian population, and 36% of the Cisleithania region respectively. However, it accounted for 52% of all industrial and trade activity and employed 56.9% of all people active in the industrial activity of the

¹ GOOD, D., *The Economic Rise of the Habsburg Empire*, University of California Press, 1984, p. 295

² LACINA, V., *Zlatá léta československého hospodářství /1918 – 1929/*, Praha, Historický ústav AV ČR, 2000, p. 13

³ LACINA, V., *Formování československé ekonomiky 1918 – 1923*, Praha, 1990 Academia, p. 14-15

entire Cisleithania region.¹ This separation of work between the west and the east, aside from the existing economic and monetary union, led to faster economic growth across the entire Austro-Hungarian Empire.

The course of the First World War revealed in full the monarchy's weakness. It became politically very unstable and became increasingly dependent on German military help. In 1917, under pressure from negotiating powers, it suffered a collapse.

With the breakdown of the Austro-Hungarian Empire, Austria inherited an advanced textile industry, wood/paper industry as well as food industries. A quarter of all industrial production was attributed to heavy industry. However, it lost significant segments of its industrial capacity, namely the glass industry as well as textile looms (which remained in the Czech lands). In addition, the industrial capacity was too large compared to the needs of the original empire. Austria had an advantage in terms of raw material resources, namely iron ore, zinc, lead, magnesite deposits as well as extensive forests. The newly established republic was however cut-off from energy sources (Ostrava/Silesian region coal and Galician diesel), which in turn resulted in the collapse of industrial production, falling to one fourth of the 1914 levels.²

Although the newly-founded state, along with Czechoslovakia belonged among the most industrially advanced successor states of the Austro-Hungarian Empire, it had to face significant economic problems along the way. The consequences of the war further degraded the country by exporting raw material resources, devalued the currency and impoverished the general population. As a result, it was the cause of severe economic problems. The economic burden was further worsened by the fact that Austria, based on signed peace treaties, had to take on a proportionate portion of pre-war and war debts of the Habsburg monarchy (in addition to further war reparation payments). Unemployment saw an increase and the devaluation of currency in turn resulted in major financial losses of Viennese banks. The inflation rate saw the middle-class suffer as their assets were deposited in securities and bank notes. Inflation that on one hand caused currency instability also had a positive effect on the other - it helped improve industrial competitiveness as a result of the devalued currency. This presented an opportunity compared to other countries whose currencies were stable.

Economically-speaking, Austria had an advantage in the sense that all successor countries had certain ties to Vienna, namely Viennese capital. As a result, they continued maintaining economic and business contacts with Vienna. The main problem

¹ LACINA, V., *Formování československé ekonomiky 1918–1923*, Praha, 1990 Academia, p. 22

² ROMPORTLOVÁ, M.; SLÁDEK, Z. *Hospodářský a sociální vývoj ve střední a jihovýchodní Evropě 1918 - 1938*. Second Edition, Brno, vydavatelství Masarykovy univerzity, 1994, p. 10

of the Austrian economy was an oversized industrial sector, the dependency on importing raw material resources, growing inflation, a large administrative, political and military apparatus which remained following the dissolution of the Austro-Hungarian empire. The regional structure of the state was strongly tied to the individual regions and their unequal population distribution and size.

The economic rise of the West was interrupted abruptly between 1929-1933 by a global economic crisis (The Great Depression). It began with the crash of the New York Stock Exchange on October 24, 1929. This saw an immediate impact on the American automotive industry, spreading to other industries. From the USA, the crisis spread to other countries, especially those whose economies were more dependent on the USA. However, it soon impacted (with varying intensity) all countries and became a global one. The Great Depression soon manifested itself in Austria too. By the end of 1930, unemployment rate hit a high of 25%.¹ One of the key personalities responsible for the reconstruction of the Austrian economy as well as the stabilization of the state budget during of the first republic was Dr. Viktor Kienböck.² Under his leadership, throughout the 30s, the Austrian schilling remained a relatively stable currency despite the global economic crisis. The industrial crisis was accompanied by a deep financial and agricultural crisis, giving it a wide-reaching nature. In terms of the depth and extent of the crisis, it was the largest economic crisis that the World has seen. The Great Depression was unusually long and was not followed by the expected recovery. In Europe, the crisis first hit Germany and Austria, eventually expanding across its entirety.

Table 1 – Industrial Production Index

Decline in the Industrial Production Index between 1929 and 1934:						
	1929	1930	1931	1932	1933	1934
USA	100	81	68	54	64	66
Germany	100	86	68	53	61	80
Great Britain	100	92	84	84	88	99
Czechoslovakia	100	89	81	64	60	67
Austria	100	85	70	61	63	70

Source: *The Great Depression*, available on <http://dejiny.wz.cz/mezi/bitvy/krize/krize.html>

¹ Die Wirtschaft Österreichs von 1918 bis 1938. p. 35, available on http://www.wifo.ac.at/jart/prj3/wifo/resources/person_dokument/person_dokument.jart?publikationsid=3456&mime_type=application/pdf

² Viktor Kienböck (18. January 1873 - 23. December 1956), Minister of Finance between 1922-1924 and 1926-1929 and the Chairman of the National Bank of Austria between 1932 and 1938.

Across the board, the crises lead to major unemployment. Unemployment benefits were close to none and were not sufficient to save families from hunger. In addition to this, a large number of workers were not eligible to receive benefits and, in some countries, none were available at all. Economies experienced the implementation of protective duties, trade wars as well as the creation of economic roadblocks. Disputes between European powers deepened, especially when it came to economic influence over Central and South-East Europe.¹

Table 2 - Unemployment rates

Unemployment rates between 1929 and 1934						
	1929	1930	1931	1932	1933	1934
USA	8,2	14,5	19,1	23,8	24,3	20,9
Germany	9,3	15,3	23,3	30,1	26,3	14,9
Great Britain	10,4	16,1	21,3	22,1	19,9	16,7
Czechoslovakia	2,2	4,5	8,3	13,5	16,9	17,4
Austria	12,3	15,0	20,3	26,1	29,0	26,3

Source: *The Great Depression*, available on <http://dejiny.wz.cz/mezi/bitvy/krize/krize.html>

From the above, it is clear that the impact of the crisis was especially destructive for Austria, because its economy was in the middle of a restructuring process and therefore very vulnerable. The transformation from a large economy to that of a small state needed to be absorbed first.

The government attempted economic recovery via increasing the potential market (not just for economic but also for political reasons due to the increased national pressure from the public) by negotiating with Germany about a customs union (in March 1931). When France found out about the negotiations, it immediately condemned it as a violation of the international ban on Austro-German unification. Under heavy diplomatic pressure, Austria was forced to cancel its plans. This French retaliation led to the collapse of Creditanstalt, Austria's largest bank at the time in 1931 (given the fact that Creditanstalt financed most industrial businesses, Chancellor Otto Ender was forced to cover the bank's losses, costing the Austrian government almost one billion shillings by 1933 in order to save the bank).²

¹ Světová hospodářská krize (The Great Depression), available on <http://dejiny.wz.cz/mezi/bitvy/krize/krize.html>

² GERALD D. FELDMAN [DIE BEITR. VON GERALD D. FELDMAN WURDEN VON HEIDRUN HOMBURG AUS DEM ENGL. ÜBERS.]. *Österreichische Banken und Sparkassen im Nationalsozialismus und in der Nachkriegszeit*. München: Beck, 2006. ISBN 3406551580

The government's priority was the attempt to stabilize the situation by implementing budgetary changes: for example, reducing salaries and incomes of railway workers, increasing taxes on beer and sugar, introducing a petrol tax or lowering the state operating costs by 20 million shillings.¹ The depression was further worsened by the German banking crisis which spilled over to Austria too. The entire situation was stabilized primarily by efforts from the Austrian national bank by raising the discount rate to 10% in 1931 (to lower the outflow of capital), but also by the burden put on the public as well as foreign loads (especially from British banks).

Despite improvements made in the Alpine country, its economy still lacked behind other West European countries. When comparing the national income during 1925-1934, the national income of Czechoslovakia was 2815 million USD, compared to 1442 million USD for Austria, meaning the inter-war economy performance of Czechoslovakia was essentially double that of Austria.²

3. Austrofascism and the corporate state

The economic situation returned to normal (the state budget had a surplus of 76,5 million shillings in 1925), but the economic crisis (between 1929 and 1933, the Gross Domestic Product of Austria fell by 25% and Industrial Production Index by more than 30%)³ and population hardship (salaries in 1934 fell to 70% of the 1929 levels⁴ and the unemployment rate reached 26% percent, totaling 557 000 people)⁵ all lead to changes in political direction and as a result opened the doors to fascism and national socialism in Austria. In 1932, a new cabinet was formed lead by Engelbert Dollfuss⁶ - Christian Social Party - CS. Dollfuss created a coalition composed of CS, Landbund (Right-wing party representing liberal and Protestant farmers in Styria, Carinthia and Upper Austria) and the Heimatblock (nationalist, originally a paramilitary group). The formed coalition gained a majority by a single seat. As was mentioned earlier, general malaise and

¹ MARZ Eduard, *Die große Depression in Österreich 1930-1933*, p. 410

² PROKŠ Petr, available on <http://ekonom.ihned.cz/c1-64796390-rakousko-uhersko-nemelo-budoucnost-prezivalo-z-ceskych-dani-upozornuje-historik-proks>

³ STIEFEL, Dieter, *Die große Krise in einem kleinen Land*, Wien - Köln - Graz, 1988

⁴ Österreichs Volkseinkommen 1913 bis 1963. Monatsberichte des Österreichischen Institutes für Wirtschaftsforschung, 14. Sonderheft, Wien 1965, p. 39

⁵ BRUCKMUELLER, Ernst, *Sozialgeschichte Österreichs*, Wien-München, 1985, p. 500

⁶ Engelbert Dollfuß (October 4, 1892 Texing - July 25, 1934 Vienna) was an Austrian Catholic politician who held the Chancellor post since 1932. At the beginning of 1933, he dissolved the parliament and ruled through presidential decrees. In 1934, he was murdered by the Nazis during an unsuccessful government putch. Available on http://www.katopedia.cz/index.php?title=Engelbert_Dollfu%C3%9F from 23.1.2018

economic hardship led to increased political radicalization. Both leading parties (CSP and Social Democrats) viewed each other with distrust, creating their own armed militias to protect each other (from 1930, militias were also formed by the Nazi party), further fueling political unrest.

Engelbert Dollfuss sought support for his party in fascist Italy¹ and increasingly relied on authoritarian measures which he employed in order to keep the government in existence. Dollfuss soon dissolved the parliament and governed the country through various decrees. He justified this approach as a justified set of measures to protect against the growing influence of Nazis in Austria, which he feared greatly. He further bypassed the Constitutional Court and maintained control over the press. Soon a ban on public gathering and the banning of the Communist party as well as the social-democratic Shutzbund (as paramilitary opposition to the Heimatablock) followed.

As a reaction to a deepening crisis in 1929, the government decided for a deflationary policy - a program of lowering state expenditure and by saving "in the right places".² Rising unemployment increased expenditure primarily in the field of unemployment insurance. Austria as a welfare state was under the danger of collapse, much like could be said about the Weimar Republic. The deficit in unemployment insurance in 1926 amounted to 8 million shillings, 16 million in 1929, 49 million in 1930 and 55 million in 1931, all of which had to be covered by the state.³ However Dollfuss aimed to tackle these growing costs using a "recovery package" with a focus on increasing tariffs and taxes on the general public. Support by the majority was gained by a proposal that doubled the turnover tax which was estimated to bring in 70 million shillings at the price of increasing the price of almost every article. Even this was not sufficient to fill in the budgetary "gap". It is precisely the desire to deal with economic hardships that contributed to the implementation of governmental solutions using authoritarian measures.⁴

To further strengthen his position, E. Dollfuss established the Fatherland Front (Vaterländische Front) which was a Catholic and clearly anti-Marxist oriented political

¹ Already the predecessor of Dollfuss, Chancellor Schober argued: "a period of misunderstanding between Italy and Austria is gone" and Mussolini added, "It's gone. Everything forgotten. Now we are friends.": ADÖ, Bd. 6, Doc. Nr. 1005, Besuch Schober in Rom

² ENDERLE-BURCEL, Getrude, „Planwirtschaft“ als Krisenbekämpfung. Aspekte österreichischen Staatsinterventionismus, in: Der Markt in Mitteleuropa der Zwischenkriegszeit, translated by Alice Teichová, Alois Mosser, Jaroslav Pátek, Prague 1997, p. 379-391

³ TÁLOS, Emmerich, Sozialpolitik in der Ersten Republik, in: HANDBUCH, p. 570-586

⁴ Note: The Austrian cabinet of Otto Endera gained extraordinary power in the question of economic matters.

organization for all loyal to the Austrian fatherland. The Front was established with the goal of gain wide popular support for E. Dollfuss and to integrate the Landbund as well as the Heimatblock. Dollfuss formulated a specific type of Austrian nationalism which was strongly bound with the Catholic identity of the country, referred to as "austrofascism". The Chancellor rejected any connection with the protestant Germany and his vision was that Austria will regain its historical role of a central barrier of European Christian (and German) culture to counter Nazism¹ and communism (after banning the KPÖ on May 26, 1933 and Austrian NSDAP in June 1933). Dollfuss (and his government) ruled by themselves with the help of decrees and a 1917 war empowerment law that never formally ceased to exist. This fickle legal construct spelled the end to Austrian parliamentarism.

The central idea of the Fatherland Front was the implementation of the social teachings of Pope Pius XI, as formulated in the *Quadragesimo Anno* Encyclical.² The encyclical discusses the ethical implications of social and economic order of the society as a whole with the aim of overcoming class division. Pope Pius XI proclaimed that private ownership is essential for personal development and freedom. At the same time Pope Pius XI stated that private ownership also played a social role. He claimed that private property loses its morality when it does not serve the greater good. This is why governments have the right to promote a redistribution policy. In exceptional cases, the Pope recognized that the state had the right to expropriate private property.³ The encyclical also dealt with the relationship between capital, labor and establishing a fair wage. It also claimed that industrialization lead to less freedom on an individual and communal level because numerous loose social entities are absorbed by larger ones. The Medieval society of individuals became that of a mass, class-based society. People have become less dependent on each other and have turned egoistic. The pope also called for greater solidarity among individuals, especially in terms of the relationship between employers and employees, ideally through improved communication and cooperation. Pius XI expressed a negative view of capitalism. The encyclical became an important inspiration for modern distributional ideas of increased solidarity and subsidiarity (unlike contemporary forms of capitalism). The encyclical described in great detail the desired tripartite corporatist social structure within which the government,

¹ Note: Dollfuss consider Nazism to be a misguided world view and disagreed with Hitler's vision of "dissolving" Austria under the German Reich.

² BINDER, Dieter A. (2009). *The Christian Corporatist State: Austria from 1934 to 1938. Austria in the Twentieth Century*. Transaction Publishers, p. 75

³ *Quadragesimo anno*, p. 114–115

industrial and labor forces cooperate to form the third path between capitalism and communism.¹

The solution to determining the right balance of capitalism and a social state was envisioned by the Fatherland Front representatives through the "Ständestaat" - a corporate state system² which was derived from Italian fascism and was characterized by the principle of authoritarian leadership, militarism, nationalism, anti-individualism, anti-Marxism, state-sponsored violence and opposition towards democracy. E. Dollfuss said himself that "*Economic prosperity and maintaining an agrarian (peasant) state is essential for the future of our nation.*" He imagined the future to center around the idea of cooperatives (Genossenschaft). Dollfuss did not intend to push for state-institutionalized forms of economic management but a free community of people led by clear authoritarian principles, but all in a social manner. The cooperative as he imagined it should not just have a material role, but also an ethical one. The social component of Dollfuss' ideology did not originate from a Marxist approach and materialism, but instead from Catholic social doctrine. Socialism was meant to be fulfilled with the help of Christian spirit.³ The theory of economic corporatism included in it the control of economic sectors by governmental or privately controlled organizations (corporations). Every trade union or employer theoretically represented their own professional interests, especially in terms of negotiating employment contracts and similar. It was believed that this method could lead to harmony between the social classes.⁴ The state required that all members of a certain economic sector became members of officially designated interest groups. Such interest groups gained a public status and contributed in forming national policies. The resulting situation meant that the state had control over groups and those groups in turn had great control over its members.⁵

¹ Corporatism was widely accepted in fascist countries of Catholic Europe, including the regimes of António de Oliveira Salazar in Portugal, Benito Mussolini in Italy, Francisco Franco in Spain. The Communist left regarded the encyclical as a guerrilla document in which the Pope gave his blessing to various fascist regimes in Europe.

² Note: Corporatism assumes a limited number of non-competing organizations with compulsory or semi-compulsory membership. Membership is professionally organized in a way similar to medieval guilds. These corporations often acting in parallel with the Parliament are controlled and directed by the state. The state administration is based on the cooperation of individual social classes or groups, as well as the organization of the state based on a profession principle.

³ JERÁBEK Martin, Diktátor, nebo mučedník? Engelbert Dollfuss a rok 1934, Revue Politika 6-7/2004, Centrum pro studium demokracie a kultury

⁴ MAZOWER Mark, *Dark Continent: Europe's 20th Century*, A.A. Knopf, 1999, p. 29

⁵ Abrahamian; De Bardeleben; De Sipio; Grindle; Kew and Lewis; Ross. Introduction to Comparative Politics. Boston, MA: Wadsworth Cengage Learning, p. 474

The idea of a corporate state was in stark contrast to the democratic ideas of liberal democracy, which was previously presented by the Austrian economic school of thought¹, primarily through the work of Ludwig von Mises² (who rejected fascist solutions to economic problems - principally due for reasons of Nazism)³ as well as August von Hayek⁴. It is also important to state that in terms of liberal economic theories, corporate economy has its place too. The very idea of liberal corporatism is accredited to British liberal philosopher John S. Mill⁵, who explored corporatist economic groupings and stressed that they must be "prominent" within society in order to ensure equality for workers, allowing them to influence the economy.⁶ When compared to other types of corporatism, liberal corporatism does not reject capitalism or individualism, but stresses the need to address the workers' needs (such as John Maynard Keynes or the New Deal).

Its economic and social base rested in agriculture. In the example of a "healthy farmer (peasant)", all social classes should perceive the social goal and all decadent deviations from this goal should be eliminated. The decisive protectionism of the Austrian agriculture sector in 1930 was largely preserved and it was protected from outside influences. The system of financing the economy was devised in such a way that agricultural products had clear preference over commercial or industrial products.

Catholic sociologists have recommended that more attention be paid to the small and medium-sized business sector, because the growth of large business always brought poverty and suffering (had a negative impact on society). Other measures implemented as part of the reorganization of the commercial sector brought forward the removal of the remaining foundations of liberal trade (for example implementing societies into the

¹ Note: Although some representatives supported a strong state where it is easier to impose unpopular but necessary economic measures, such as Morgenstern.

² Ludwig von Mises (September 29, 1881 Lvov, Austro-Hungarian Empire – October 10, 1973 New York) was an Austrian economist who operated in Austria and the US during the 20th Century. He gained popularity as a critic of state intervention in the economy and was an advocate of liberalism.

³ KLAUSINGER, Hansjörg, From mises to Morgenstern: Austrian economics during the ständestaat, the quarterly Journal of Austrian Economics vol. 9, No. 3 (FALL 2006), p. 28

⁴ Friedrich August von Hayek (May 8, 1899 Vienna – March 23, 1992 Freiburg) was an economist and philosopher of the so-called Austrian school of thought. He was particularly famous for his defense of classical liberalism.

⁵ John Stuart Mill (May 20, 1806 London, Great Britain – May 8, 1873 Avignon, France) was an English philosopher, political economist and liberal politician.

⁶ GREGG, Samuel. *The commercial society: foundations and challenges in a global age*. Lanham, USA; Plymouth, UK: Lexington Books, 2007, p. 109

economy). The goal of Christian socialists and the Heimwehr was to limit the class struggle. For this purpose, civic organizations for employers and employees were established (sometimes even forced). These were meant to disrupt and replace trade unions. The limited expansion of state infrastructure in Austria between 1933 and 1938 was clashing with the propaganda in place (for example when considering construction in transport). The system of "organized capitalism" in its core included militaristic and rationalization measures in the context of the organization of work. However, it expressed very strong anti-Marxist elements including the rejection of central planning. The system itself called itself the "third route" next to liberalism and socialism.¹ Liberalism was criticized primarily for its instability and the formation of monopolies. The presented alternative to that was the security of a "responsible" economy with the guarantee of "corporate social responsibility". A popular slogan of Italian fascist said "Tutto nello Stato, niente al di fuori dello Stato, nulla contro lo Stato" (All for the state, nothing but the state, nothing against the state). The real economic policy has changed (it transitioned away from the ideal of free economy). The natural "regulator", free competition, was to be replaced by a controlled (planned) economy. The carrier of this new planned economy - in contrast to communism - was not meant to be state power, but a corporate economy (Ständesystem). Marxism was criticized primarily for the "incitement" of the proletariat and for its hostility towards private ownership. It was also criticized for the Jewish origin of the bearers of such socialist ideas.²

As a summary, it could be said that corporative experiments carried out in Austria after 1934 **could in no way meet the needs of a modern industrial state.**³ [bold:T. Kremer]. Václav Klaus, based on contemporary experience says that "*The third route is the route to a Third World.*" A corporate state stood on the other side of an imaginary line denoting faith in individual freedom and limited state intervention. He opposes Friedman's view on the role of the state which was that the "*The scope of government must be limited. Its main goal should be to protect our freedom from outside dangers as well as its own citizens; maintain law and order; enforcing private contracts and to support a competitive market.*"⁴ A representative of the Austrian school of thought, von Mises, believed that "... economic science proves in a very chilling, irrefutable logic that the ideals of those that refute the function of the market are in vain, that socialist organization of the society is unrealistic, that planned social order is nonsense and in

¹ STADKER, Karl R.: *Austria*. In: Wolff, S. J., *Fascism in Europe*, London, 1981, p. 96

² PAULEY, Bruce F., *Eine Geschichte des österreichischen Antisemitismus. Von der Ausgrenzung zur Auslöschung*, Wien, 1993, p. 211

³ SENFT Gerhard, *Krise und finanzdiktatur. Die wirtschaftspolitik im austrofaschismus* available on <http://blog.arbeit-wirtschaft.at/krise-und-finanzdiktatur-die-wirtschaftspolitik-im-austrofaschismus/>

⁴ FRIEDMAN, Milton. *Kapitalismus a svoboda*. Jinočany: H & H, 1994, p. 16

*clash with the goals on which it stands and that market economy is the only workable system of social cooperation."*¹

Outward-facing politics (especially German) were undergoing major changes which had far-reaching consequences for the young Austrian republic. In June 1934, Hitler and Mussolini met for the first time. Mussolini expressed his support for Dollfuss by saying for example *"Tell Dollfuss that he can count on my help ... (and) he should visit me in Italy. I will let Berlin know that it should let Austria alone."*² Hitler denied any intention to annex Austria, but clearly declared his will to see Austria fall under the German sphere of influence. Dollfuss was murdered on June 25, 1934 by Austrian Nazis (Paul Hudl, Franz Holzweber, Otto Planetta) during a putsch attempt. Strong international outrage over this event forced Hitler to keep Austrian Nazis in check and under control.³

Dollfuss was replaced in his role by Chancellor Kurt von Schuschnigg (December 14, 1897 – November 18, 1977) from CS. His political survival relied almost entirely on Italy's support of independent Austria. In 1935 however, Mussolini started to share Hitler's ideas and began advising the Austrian chancellor to do the same. K. Schuschnigg was willing to make concessions to Germany, as long as Hitler would clearly declare that Austria will remain independent. Schuschnigg however did not grasp the fact that he was a mere cover-up for Hitler. At the agreement signed with Germany on July 11, 1936, Austria received essentially empty promises of Austrian independence and sovereignty. In exchange for these empty promises, Schuschnigg was forced to accept into his government members of the "nationalist opposition" who without his knowledge, were already directed from Berlin.

The agreement from 1936 supported Germany's will to isolate Austria diplomatically so that Austro-German relations remain a purely internal matter of the German nation. With the external support removed, the Austrian chancellor was no longer able to withstand German pressure. At a meeting in Berchtesgaden with Hitler on February 12, 1938, Kurt Schuschnigg had to sign an agreement where he accepted a list of requests aimed at strengthening the political standing of Austrian Nazis. During the negotiations, Hitler pressured the Austrians implicitly with the option of military invasion.

¹ MISES, Ludwig von, *Epistemological Problems of Economics*. Princeton, N.J.: Van Nostrand 1960, p. 196

² STARHEMBERG, Ernst Rüdiger, *Memoiren. Miteiner Einleitung von Heinrich Drimmel und einem Nachwort von Heinrich R. Starhemberg*, Wien, München 1971, p. 131

³ Note: Mussolini event prepared a part of the Italian Army on the border with Austria, threatening Germany with war in case it invaded Austria.

After his return to Vienna, Schuschnigg began preparing plans for the last desperate attempt at maintaining Austrian sovereignty with a public vote (referendum) titled *"For a free German, independent and social, Christian and united Austria, for maintaining peace, employment and equality to all who declare their love for the nation and Fatherland."*¹ Hitler was well aware that the referendum would represent a new obstacle to the planned Anschluss and a symbolic defeat of Germany. He was very quick to denounce it. The German army started preparing for an invasion on the 10th of March and Nazis in the Austrian Cabinet requested that the vote be delayed. Schuschnigg agreed and accepted the requests for his resignation. Despite this move, Hitler's army was sent to Austria on March 12. Mussolini's position as the protector of Austria was then significantly weakened by the problematic war of Italy in Ethiopia, where Mussolini was forced to ask Hitler for help.

After the invasion by Nazi Germany, the Chancellor was arrested, held under house arrest and then relocated to various concentration camps. He was then finally freed in 1945 by the US Army. He spent the rest of his life in an academic environment in the USA (Saint Louis University).²

Dollfuss' and Schuschnigg's "Austrofascism" had many elements of European fascism, but lacked two basic characteristics generally considered essential for victory: a strong leadership and a mass political foundation. This is why it collapsed quickly, allowing it to be replaced by National Socialism based on the German model.

The appointment of Arthur Seyss-Inquart (22.7.1892 - 16.10.1946) as the Chancellor and by organizing a referendum (more than 99% of Germans and Austrians supported a united German Reich), the Austrian republic ceased to exist and a dark period with dark consequences in the future followed. Despite heavy persecution, Austrian Nazis gained growing influence. In the second half the 30s, the Italian influence decreased, removing the main guaranteed of Austrian independence, allowing Hitler to feel strong enough for the "final solution" of the Austrian question. In February 1938, with brute pressure, he forced Schuschnigg to name the leader of Austrian Nazis, Arthur Seyss-Inquart as the Minister of Interior and to release all jailed Nazis. Schuschnigg tried to counter the pressure by announcing a referendum about the independence of Austria for March 13, 1938. He believed in the success of the referendum and he began a large-scale campaign for the independence vote. Hitler reacted with an ultimatum, where he requested that the Nazis would be handed over all political power. Schuschnigg resigned (he spent the rest of the war in concentration camps), but president Miklas refused to name Seyss-Inquart as the chancellor. After the ultimatum passed, the

¹ Austria, Area Handbook of the US Library of Congress

² Obituary of Schuschnigg in *The Times*, London, November 19, 1977

German army crossed the Austrian border on the morning of March 12, 1938. The army was not met with any resistance. Immediately after the Armies were inside Austria, Hitler arrived to Vienna he was subsequently met at the Heldenplatz by a crowd of 200,000 people. On March 13, 1938, Austria was declared an integral part of the German Reich. The Nazis organized a referendum on April 10, 1938 to confirm this with 99.7% of the votes backing the decision.¹

4. Austria following the Anschluss

Austria was renamed to Ostmark (Eastern March) and was fully absorbed into Germany. Any official mention of Austrian existence was destroyed and suppressed.²

The Austrian economy was immediately made part of the German economy. Due to the fact that a growing number of Austrian men were drafted to the growing army, there was a major lack of labor. This due to a major increase in the arms industry brought a major demand for labor. Foreign workers from many European countries were therefore forced to work in industry and agriculture. Many thousands of concentration camp prisoners were also included in the work process, mostly from the Mauthausen concentration camp.

German, or rather the Nazi economy was the source of interest for many economists and assessments of its success vary. For example, the Glenview State Bank of Chicago recently awarded Hitler's economy it is monthly newsletter.³ However, Hitler's economy cannot be assessed without taking into account very negative characteristics of this economy: antisemitism, racism and genocide.

During the 30s, Hitler was considered to be another protectionist central planner who managed to identify the failings of a free market and recognized the need for national economic growth. Keynesian socialist economist Joan Robinson wrote that "*Hitler found the cure against unemployment before Keynes arrived with his theory*".⁴ It is important to note that Keynes himself regarded Hitler's economic program in a positive light by stating that the "*theory of production ... is much better suited for conditions in a totalitarian state, than then theory of production and distribution ... under the conditions of free competition*".⁵

¹ <http://www.fronta.cz/fotogalerie/anslus-rakouska-1938> (15.1. 2018)

² Note: Upper and Lower Austria became Upper and Lower Danube

³ <https://mises.org/library/hitlers-economics> (15.1.2018)

⁴ <https://mises.org/library/hitlers-economics> (15.1.2018)

⁵ GARVY George "*Keynes and the Economic Activists of Pre-Hitler Germany*," The Journal of Political Economy, Volume 83, Issue 2, April 1975, p. 391–405

The Nazi economy suspended the gold standard, started engaging in massive public construction, such as highways, protected the industry from foreign competition, extended credit, employed work programs, limited the impact of the private sector on pricing, forced the control of capital and introduced the concept of planning. On the other hand, it created national health insurance and unemployment insurance as well as educational standards.

Between 1933 and 1939, Germany moved away from the system of individual - ad hoc - controls to a planned, controlled economy. ¹ Already in Hitler's inaugural speech, Hitler stated that *"The new government will achieve a large task of reorganizing the economy of our nation through two large, 4-year plans. The German farmer must be preserved in order to supply the nation with food. The German worker will be protected from the attack of unemployment and within 4 years, unemployment must be clearly defeated. Marxist parties with its allies had 14 years to show what they can achieve. The result is a number of ruins. Now, people of Germany, give us 4 years and then judge us!"* ²

After the National Socialists came to power, it was essential for them to revitalize the German economy and to tackle the high rate of unemployment.

The first Nazi plan to introduce new employment opportunities was introduced in June 1933 and was named the Reinhardt ³ program ⁴ - a law that was meant to lower unemployment. In 1933, the unemployment rate lowered by 14%, accounting for almost 2 million employed between March 1933 and March 1934.⁵ There were however more factors contributing to the lower unemployment rates. First of all, the overall condition of the German economy was improved. Programs meant to create employment gave preference to labor-intensive production (such as building highways). The labor force

¹ It should be noted that the German planned economy cannot be compared to the Soviet planned economy. Although the two planned systems shared some features, the German state authority did not create such complex national economic plans like the Soviets planners. The interventions of the German state did not cover all spheres of real and monetary economy. Some of the most distinct features included private ownership of the means of production and resources (accounting for a large share of the private sector affecting economic decisions) and the existence of private German banking (greater importance of money in the economy). Comparison can be seen in the study: TEMIN, Peter. Soviet and Nazi Economic Planning in the 30s, *The Economic History Review*, New Series, 1991, Vol. 44, No. 4 (Nov, 1991), p. 573–593.

² Hitler's radio address, "Aufruf an das deutsche Volk," Feb. 1, 1933

³ Fritz Reinhardt (April 3, 1895 in Ilmenau - June 17, 1969 in Regensburg) was the Secretary of State of the German Treasury during the Third Reich.

⁴ SILVERMAN, *Hitler's Economy: Nazi Work Creation Programs 1933–1936*, p. 69–87

⁵ OVERY, *The Nazi Economic Recovery 1932–1938*, p. 23

was relatively inexpensive due to a law from 1933 which did not allow for the wages to grow.

Hitler and his national socialist government clearly tackled unemployment within the four-year period. The number of unemployed people constantly lowered from the original 6 million at the beginning of 1933, when Hitler took power, to 1 million in 1936.¹ In 1935, the Reich Labor Service was set-up (the Reichsarbeitsdienst - RAD) requiring young people to take part in its mission. Usually, this involved unpaid work at farms. Further unemployment reductions were achieved by reintroducing military service for young men in 1935. Just these two measures alone resulted in the "dissolution" of 400,000 unemployed individuals. Yet another factor contributing to this was the blossoming state bureaucracy where state administration required more and more employees. An important role was also played by the national socialist ideology concerning the role of women in society. According to this ideology, women had to take care of the household and the family.²

For a large number of Germans, wages and work conditions saw continuous improvement, for example thanks to employment organizations like Kraft durch Freude (Strength Through Joy), which aimed to motivate working people to support the Nazi ideology and to improve work output by organizing social life and recreation of the working people. From 1932 to 1938, the average gross income for a week of work increased by 21%.

After Austria became part of the German Reich in March 1938, the country experienced a dramatic improvement. Almost immediately following the Anschluss, the Alpine economy quickly revitalized itself. Investment, industrial production, housing construction, consumer spending, tourism and the living standards saw marked improvement. Between March and December 1938, the weekly income of Austrian industrial workers increased by 9%. The unemployment rate went down from 21.7% in 1937 to a mere 3.2% in 1939. Austrian GDP increased by 12.8% in 1938 and surprisingly by another 13.3% in 1939.³

Even the industrialists were happy with the new situation. Trade unions were crushed and replaced by the DAF - Deutsche Arbeitsfront (German Labor Front). State orders were growing at an unstoppable pace.

¹ GORDON A. Craig, *Germany 1866-1945*, New York: Oxford, 1978, p. 620

² JOHNSON Z., *Hospodářská politika spojených států amerických a německa v letech 1933–1939*, dissertation, VŠE, 2017

³ BURKEY *EvanBurr*, *Hitler's Austria*, Chapel Hill, 2000), p. 72

To finance the new economic policy, Hitler's main economist Hjalmar Schacht¹ had to find the required resources. The frequently quoted aryianization of Jewish property was by far not sufficient for the bombastically-growing state expenditure. This is why corporate income tax was consistently increased; from 20% in 1934 to 25% in 1936 and 40% between 1939 and 1940 respectively. ² Progressive income tax also ensured the financing of the state budget. Despite these measures, the state budget was in a deficit. Implementing major economic and political plans inevitably led to abnormally larger changes in expenditure to meet the government's needs. On average, during the peace years of economic management by the National Socialists, government expenditure increased by 20.6% from year to year.³

After gaining power, a large portion of the economy remained in private hands, but under state control in the form of four-year plans. The four-year plan was a series of economic measures initiated by Adolf Hitler and realized by Hermann Göring. The primary goal of the four-year plan⁴ was to rearm Germany and prepare the country to be self-sufficient between a period of four years from 1936 and 1940. Central points of Hitler's memorandum included the following:

- 1) The German army must be functional in 4 years.
- 2) The German economy must be ready for war within 4 years.⁵

Based on Hitler's memorandum, the four-year plan was a temporary solution. The final solution was to ensure self-sufficiency by increasing the German living space.

The Four Year Plan aimed to lower unemployment, increase the production of synthetic fabrics, diesel, rubber, increasing automobile production, realizing projects of public works under the direction of Fritz Todt ⁶ (who used up to 800,000 forced workers for public works) who was behind a number of construction and architectural projects, further developing the highway system. The actual realization of the plan was run under

¹ Horace Greely Hjalmar Schacht (January 22, 1877, Tinglev - June 4, 1970, Munich) was a German banker and financial expert, known for stopping the devastating inflation that threatened the Weimar Republic's existence in 1922-23. He also served as minister of economy (1934-37) in Adolf Hitler's National Socialist government. Available on: <https://www.britannica.com/biography/Hjalmar-Schacht>

² SCHOENBAUM D., *Hitlerova sociální revoluce*, Norton, 1980, p. 125

³ BARKAI, *Nazi Economics: Ideology, Theory, and Policy*, p. 158

⁴ The plan was announced at the Reich Party Day in September 1936.

⁵ VOLKMANN Hans-Erich, *Wirtschaft und Rüstung am Vorabend des Zweiten Weltkrieges*. 2. Auflage. Droste, Düsseldorf 1981, p. 85

⁶ Fritz Todt (September 4, 1891 Pforzheim – February 8, 1942 Wolfsschanze) was the Nazi Minister for Armaments and Ammunition.

state control. Hitler extended Göring's authority by decrees that allowed him to direct several selected representatives to manage major industries.

The Four Year Plan gave preference to the development of the agricultural sector (namely in terms of food production) to support Germany's economic independence. Göring therefore had full control over the economy, including the private sector, especially after the Minister of Economy, Hjalmar Schacht started losing Hitler's support due to his opposition to growing military spending at the expense of civilian economic growth. During the next few years that followed, the Nazi German state, under the direction from Göring Works started to build refineries, aluminum factories as well as factories for the production of synthetic materials.¹ This enterprise was continually enlarged by absorbing factories from occupied Europe and Austria, such as the absorption of heavy industry enterprises

The transformation of Austria into a center of energy and military industries followed plans which existed on the German side before Austria was invaded. Even the first Four Year Plan of German national socialists included resources from the Alpine regions. This was one of the largest economic motives leading up to the "Anschluss".² The Reich needed the Austrian workforce much like it needed the underused Austrian industrial capacity, its natural resources and ores including its oil resources. In fact, in 1939, 20.5% of all iron ore originated from Austria as well as 19.4% of oil production, the Alpine and Sudetenland regions produced 8% of the electrical energy as well as 3.7% of crude steel production.³

The state plan was important for the political freedom of the regime and its goal was to allow Hitler to better carry out his international politics of threats and extortion by achieving Germany's economic independence⁴, no longer requiring foreign resources and materials. The economy was always seen by national socialists as a means to achieving the political and foreign-policy goals including the absolute control of German development and subsequent territorial expansion.

When compared to Soviet economies, in Germany and Austria as well, private ownership of production facilities, agricultural production and industrial holdings

¹ OVERY, Richard, *War and Economy in the Third Reich*, Oxford University Press, 1994, p. 16

² Comparison to Norbert Schausberger, 'Wirtschaftliche Motive für den Anschluss', in: *Österreich in Geschichte und Literatur* 13 (Februar 1969), 57-69; ders., *Der Griff nach Österreich. Der Anschluss*, Wien u. München 1978, 389 ff.; Liselotte Wittek-Saltzberg, *Die wirtschaftspolitischen Auswirkungen der Okkupation Österreichs*, Phil. Diss., Wien 1970

³ WAGENFUHR Rolf, *Die deutsche Industrie im Kriege 1939-1945*, Berlin 1955, p. 21

⁴ PETZINA Dietmar: *Autarkiepolitik im Dritten Reich. Der nationalsozialistische Vierjahresplan*. Deutsche Verlags-Anstalt, Stuttgart 1968, p. 194

remained primarily in the hands of private individuals and companies. Private owners however only had limited control over the production capabilities.¹ The state intervened in the economy only in cases when it needed to solve economic and social problems - otherwise referred to as a directive economy, similar to the current mixed economy.

A wide palette of various regulations and interventions in the economic space which was employed throughout the 30s can be simplified to some extent by two types of intervention, that of controlled demand and that of controlled investment. Several years prior to the onset of war, labor supply regulation was put in place. The consistent control of household consumption took place naturally, i.e. by the simple lack of consumer goods, whereby some consumer sectors were intentionally underfinanced. This led to the outflow of the labor force from those fields, ensuring that sufficient imported agricultural or industrial assortment was not possible for their production.

The fact that the supply has not adapted itself to the demand was solved by further regulation in terms of prices and wages with the subsequent goal of artificially lowering the demand and avoiding rising inflation. A growing rate of inflation ² could further cause panic since the stigma of hyperinflation was still fresh due to the 1920s. Wages were regulated from the time of the Weimar Republic with the goal of ensuring a minimal wage for workers. In 1933, this regulation was overturned and wages frozen by a wage ceiling. All industrial inputs including domestic ones began being fixed by the second half of 1934. As a result of a rapid growth in prices across the world and with the Four Year Plan in place which was clearly focused on war preparation, price control was strengthened by creating a truly centralized system under the watch of a special commissioner as well as a law that set price ceilings (Preisstopgesetz).³

Typical traits of war-time economies include state regulation of the wages and prices, price quotas, labor duties, tax increases ⁴ or mandatory saving regulation.¹ The war-time

¹ EUCKEN, Walter. *Zásady hospodářského řádu*. 1. vyd. Praha: Liberální institut, 2004, p. 111

² Other reasons that Schacht and Hitler used to tackle the growth of inflation was the danger of loss of confidence of the domestic currency as well as a loss of prestige - see BUNDESARCHIV BERLIN-LICHTERFELDE, fond R 2 Reichsfinanzministerium, fond 2501 Deutsche Reichsbank, Volume 5, Devisenpolitik der Reichsbank, p. 66–73

³ JOHNSON Z., *Hospodářská politika spojených států amerických a německa v letech 1933–1939*, dissertation, VŠE, 2017, p. 145

⁴ On the other hand, before the war, taxes were reduced in the construction sector, in particular taxes covering new construction or reconstruction of old buildings - as well as taxes associated with the construction of buildings - see BUNDESARCHIV BERLIN-LICHTERFELDE, fond R 43-II Reichskanzlei, Volume 787, p. 112–126

economy of National Socialism can be described as a centrally-administered economy with private property ownership or as a capitalist centrally-controlled economy. With the help of the extraordinary social situation, politicians and the public were willing to accept more radical solutions. The German economic reforms never reached such extremes as in the Soviet Union and the economy never reached the level of a centrally planned one.

Hitler's economic policy was based on the following premises:

1. Capitalism is an unfair system based of exploitation. It disadvantages the vast majority at the expense of a small minority. Private ownership of production means prevents the full usage of natural resources and technological innovation. Capitalism is the cause of poverty and leads to war.
2. It is of utmost importance for the government to control businessmen (entrepreneurs).
3. Price ceilings and minimum wage tariffs are a suitable tool for improving the life of consumers and continuous improvement in the quality of life all all people.
4. Simple monetary policy, i.e. credit expansion, is a useful method of ensuring that the country prospers. In addition, it prevents periodic repeats of economic depression.
5. Return to laissez-faire, free trade, the Golden standard or economic freedom is not possible under any circumstances.
6. The benefits of international trade rest primarily in export. Imports are not desirable and should be limited as much as is possible. The ideal situation is that where the country is not dependent on any import from abroad.

It is important to stress, that support of war-time politics in Austria was strong until the latest stages of the war and Austrian opposition to Nazism was small, although not insignificant. The opposition was represented mostly by the left (primarily communists and socialists) but conservatives too (primarily Christian socialists and monarchists). During the war, several tens of thousands of Austrians were arrested; many of which died in concentration camps or in prisons, with approximately 2,700 of them being executed.² In addition to this, many Austrians fought in allied units against the German army.

¹Meyers Lexikon: *Artikel über Kriegswirtschaft* (Memento vom 24. Oktober 2007 im Internet Archive) (archiviert bei Internet Archive)

² <https://www.britannica.com/place/Austria/Anschluss-and-World-War-II> (29. 1. 2018)

5. Plan or the market (situation after World War II)

The foundations of Austrian political and economic success were laid after the end of World War II. One clear-cut reason includes the fact that the Austrian economy was granted its place in the prosperous western economy in the four decades following the war. In the 80s Austria became one of the richest countries of Europe.

The situation following World War II was critical and the economy was in ruins. Austria saw 250,000 of its people killed during the fighting. Even a greater number of Austrians were held as prisoners of war, many of which had to work in work camps in the Soviet Union for many years to come. More than 20,000 Austrians were killed by British and American bomb raids.¹ The country was occupied by four Allied powers and was divided up into occupation zones (much like Germany). The foundation for the re-establishment of the state was seen by the powers in the Moscow Declarations. On October 30, allied powers agreed on the re-establishment of Austria after the war, but also noted its responsibility for collaborating with Nazi Germany. Despite many political uncertainties, for example following the onset of the Cold War, the post-war situation counted on a sovereign Austria.

Following the war, Austrians tried to convince the Allies that they were in fact victims of the Nazi regime (murder of Dollfuss, Anschluss). However, the reality was closer to the fact that a large portion of the Austrian population as well as the political elite collaborated with Nazi Germany. The overall atmosphere of the country meant that Austria was considered to be directly by the side of Germany when the war broke out. The opposition to Germany was very small. There were opposition elements, but significantly limited in its scope. The onset of fascism all lead to the eventual integration of Austria with Germany.

Austria's complicated, but in the end very successful post-war development was to a large extent a matter of luck, a result of hard work by its population and the by-product of a beneficial international situation (competition among the two political blocks).

Austria was not just occupied by the winning powers, but also left the war as an economically-ruined country. USA, Britain and the USSR had a differing approach to the Alpine country when compared to Germany. In the Soviet capital, on October 30, 1943, the so-called Moscow Declarations were signed. It was signed by the foreign ministers (Third Moscow Conference). The British were represented by Anthony Eden,² the USA

¹ <https://www.britannica.com/place/Austria/Anschluss-and-World-War-II> (21.1.2018)

² Robert Anthony Eden, 1st Earl of Avon (June 12, 1897 - January 14, 1977) was a British conservative politician who served three times as the Foreign Minister and then briefly as

by Cordell Hull,¹ and the Chinese by Foo Ping-sheung² and the Soviet Union by People's Commissar for Foreign Affairs Vyacheslav Mikhailovich Molotov³ ⁴. This declaration stated that the Austrian state will be re-established again, making the German Anschluss from March 1938 invalid (null und nichtig, i.e. null and void). The original British and Soviet idea of federalization of Austria with another country (Bavaria, Baden-Württemberg or Czechoslovakia - as argued by Russian historian Olga Pavlenko).⁵ The Moscow Conference did not only deal with Austria, but also dealt with some of the problems of cooperation in defeating Nazi Germany and its allies (question of the second front). At the conference, the Declaration of the Four Nations was accepted (signed later by the Chinese representative), stating the requirement to lead the war until the unconditional surrender of Nazi Germany. It stated the principles of the post-war security system with the help of a new international organization, followed by the Declaration on Italy, the Declaration on Atrocities which was signed by Russia, USA and Great Britain (J. V. Stalin, F. D. Roosevelt a W. S. Churchill). The Declaration on Atrocities laid out the will to punish those responsible for the war and its war crimes, as well as their extradition and punishment in countries where they committed their crimes, or to determine where they should be tried. As part of these negotiations, the Declaration on Austria was also agreed upon.

The formal re-declaration of independence of the country took place on April 27, 1945, with the Declaration of Independence of the Republic of Austria and the establishment

Prime Minister of the United Kingdom (from 1955 until 1957) – available on: https://en.wikipedia.org/wiki/Anthony_Eden (14.1.2017).

¹ Cordell Hull (October 2, 1871 - July 23, 1955) was an American politician from Tennessee. C. Hull is the longest serving Minister of Foreign Affairs, serving in the position for a period of 11 years (1933-1944) under the administration of Franklin Delano Roosevelt - for most of the duration of WWII. Hull received the Nobel Peace Prize in 1945 for his important role in establishing the United Nations - available at https://en.wikipedia.org/wiki/cordell_hull (14. 1.2017).

² Also Fu Bingchang (1895 - 1965), also known as Foo Ping-Sheung, was a diplomat and politician in People's Republic of China and then Taiwan.

³ Vjačeslav Michajlovič Molotov (Skryabin), (February 25, [March 9 based on the new calendar], 1890, Kukarka [now Sovetsk], Russia - Died November 8, 1986, Moscow, Russia, USSR) was a statesman, diplomat, Foreign Minister and the main spokesman of the Soviet Union at the Allied Powers conferences during and immediately after the Second World War. Available at: <https://www.britannica.com/biography/Vyacheslav-Mikhaylovich-Molotov> (23.12.2016)

⁴ PUBANTZ, J., John Allphin MOORE, J. A. Jr. Encyclopedia of the United Nations, Second Edition. New York: Facts On File, Inc., 2008, p. 303

⁵ <http://spravy.pravda.sk/svet/clanok/297867-stalin-uniu-rakuska-s-csr-odmietol/> (12. 10. 2016)

of a transitional government headed by social democrat Dr. Karl Renner ¹ (a Marxist presented by the Soviets without informing the Allies). Dr. Renner assembled a government on April 27, 1945, denouncing the Anschluss as a forced measure and therefore invalid, reestablishing the constitution from 1920, building on the democratic foundations of the "First Austrian Republic".

In June the same year, the first control treaty was signed, which much like in Germany, have the decision-making power to the Allied Control Council - i.e. the headquarters of the occupation forces.

The elections saw Leopold Figl (ÖVP)² elected as the Chancellor and Adolf Schärff (SPÖ)³ as the Vice-Chancellor. Leopold Figl offered participation to Austrian communists as the Soviet army was still present in Austria. The communists however, due to a surprisingly bad election outcome, just one ministerial seat and could therefore not prevent Austria's orientation to the West. The new Chancellor, immediately after announcing the government stated *"Das Österreich von morgen wird ein neues, ein revolutionäres Österreich sein. Es wird von Grund auf umgestaltet und weder eine Wiederholung von 1918 noch von 1933, noch eine von 1938 werden. – Tomorrow, Austria will become a new revolutionary country, it will be reworked from the ground up and the situation from 1918, nor 1933, nor 1938 will be repeated ever again."* ⁴ In the meantime, Dr. Renner was also elected as the Federal President. From the onset, the new government of the Second Republic had to tackle many difficult situations. Supplying the population with basic goods still represented a difficult and solution-free problem.

¹ Karl Renner, (born December 14, 1870, Dolní Dunajovice (Unter-Tannowitz), Bohemia, Austro-Hungarian Empire [now the Czech Republic] - died December 31, 1950, Vienna, Doebling, Austria), was a social-democratic statesman, Rector of the University of Vienna (1918-1920, 1945) and Austrian president (1945-1950). He played a major role in the restoration of Austria following the end of German occupation in 1945. Available on www.britannica.com/biography/Karl-Renner (2.1.2017).

² Leopold Figl (October 2, 1902 – May 9, 1965) was an Austrian politician from the Austrian People's Party (Christian Democrats) and the first Federal Chancellor after the Second World War. He was also the youngest Federal Chancellor of Austria following the war. Available on: http://austria-forum.org/af/Wissenssammlungen/Biographien/Figl,_Leopold (20.12.2016).

³ Adolf Schärff (April 20, 1890 - February 28, 1965) was a politician from the Austrian Social Democratic Party (SPÖ). He served as a Vice Chancellor from 1945 until 1957 and then as Chancellor from 1957 until his death. Available on: https://www.parlament.gv.at/WWER/PAD_01587/ (12.12.2016).

⁴ PORTISCH, Hugo a Sepp RIFF. *Österreich. 5. Aufl.* Wien: Kremayr&Scheriau, 1986, p. 320

Due to the number of destroyed buildings, factories and the destroyed arable land and due to labor shortages, only about 30-35% of the industrial capacity was available. On top of the above-mentioned problems which led to low economic output, another set of factors that led to an economic depression was the lack of fuel, raw materials, division of the country into zones which were permeable only to a limited extent.

Austria became dependant on foreign aid. On March 8, 1946, the population first received 8000 tons of wheat from the United States. From this point onwards, CARE ("Cooperative for American Remittances to Europe", later known as "Cooperative for Assistance and Relief Everywhere, Inc.") - distributed food packages to the population. The packages included meat, fat, flour, sugar, honey, raisins, coffee, dried milk, chocolate and cigarettes. In addition to Austria, CARE supplied food packages to Germany, Greece as well as the UK and France.¹

Following the war, Austria had to tackle not just extensive material damage, a depleted economy as well as a destroyed country, but was also charged for the expenses by the occupying powers following the war. In 1946, these expenses accounted to 35% of the state expenses of Austria.²

The most catastrophic economic situation was without a doubt present in the Soviet occupied zone. After several years, the Soviets changed their economic policy and from the direct extraction of machinery and factory equipment to expropriation of entire Austrian companies. Austrian communists were advised by Stalin to nationalize the entire economy. From February 1946 to June 1946, the Soviets expropriated hundreds of businesses within its zone.³ These expropriated businesses were incorporated under USIA (Russian: УСИА, Управление советским имуществом в Австрии) - a conglomerate of more than 450 businesses. USIA was very weakly integrated with other businesses of the Austrian economy and its effectiveness was therefore very low. USIA products were primarily sent to the East and the profit was de facto confiscated. At the same time, the Soviet Military Bank (SMB) was established to facilitate all financial transactions carried out by the USIA. The Austrian government refused to recognize the legal right of USIA's property.

As a punishment, the USIA refused to pay Austrian taxes and tariffs. This competitive advantage allowed USIA to remain functional. Due to the fact that the Soviets did not

¹ Kalenderblatt 16.8.1946, Alsdie Care-Pakete kamen, available on <http://www.spiegel.de/einestages/kalenderblatt-16-8-1946-a-948442.html>

² EISTERER Klaus, *Osterreichunterallierter Besatzung 1945-1955*, Bohlau, Wien 1997, p. 125

³ BISCHOF Günter, *Austria in the First Cold War, 1945-55*, St. Martin's Press, New York, 1999, p. 254

invest their profits back into the businesses, the property deteriorated and the competitive advantage was eventually lost. USIA accounted for a mere 5% of the Austrian national production and 30% of the Soviet zone output, but owned a major, almost monopoly-like share in some industrial sectors: 60% of the glass industry, 43% of the leather industry and 40% of iron and steel production.¹ After the occupation forces left, USIA quickly crumbled. The remaining property was sold to the Austrian government for 150 million US Dollars in goods for a six year period. The occupied oil fields were the subject of a separate contract and the Austrians had to pay 200 million US Dollars² - despite the fact that almost immediately after the war, 48 from the total of 58 oil installations were dismantled and taken to the USSR from the largest oil fields in Zistersdorf. After 1945, almost all oil fields were placed under the control of the Soviet administration (Austria was the third largest oil producer after Russia and Romania).

The Soviet control of the economy left the Austrians with a deep and long-lasting negative impression. The American report on USIA activity from 1958 stated that "the sole purpose of USIA was to make use (exploit) natural and human resources in Austria, in the biggest possible way ... almost at a colonial level....".³

In 1947, the Austrian economy reached 61% of the pre-war level. The production of consumer goods was especially weak (42% of pre-war level). However, the most significant problem was still represented by food. Between March 1946 and June 1947, 64% of all food aid was supplied by UNRRA⁴ (United Nations Relief and Rehabilitation Administration) or GARIOA (Governmental Aid and Relief in Occupied Areas). The drought of 1946 and a heavy winter of 1946/1947 followed by a catastrophic summer of 1947 and the withdrawal of UNRRA help (1947) all led to major food shortages and major inflation, followed by civil unrest. In June 1947, a mere month following UNRRA's stop on food supplies, the situation was so dire, that the American government was forced to spend 300 million US Dollars on food aid for the country. That same month, Austria was asked to discuss its participation in the Marshall Plan.

¹ BISCHOF, Gunther; PELINKA, Anton; STIEFEL, Dietrich. *The Marshall Plan in Austria*. Transaction Publishing, New Jersey, 2000, p. 12

² BISCHOF, Gunther; PELINKA, Anton; STIEFEL, Dietrich. *The Marshall Plan in Austria*. Transaction Publishing, New Jersey, 2000, p. 12

³ BISCHOF, Gunther; PELINKA, Anton; STIEFEL, Dietrich. *The Marshall Plan in Austria*. Transaction Publishing, New Jersey, 2000, p. 77

⁴ BISCHOF, Gunther; PELINKA, Anton; STIEFEL, Dietrich. *The Marshall Plan in Austria*. Transaction Publishing, New Jersey, 2000, p. 78

The new US Secretary of State, George Catlett Marshall ¹, along with his ministry, prepared a plan of economic recovery for Europe. This plan began being called by his name - the Marshall Plan. Officially however, it was referred to as the European Recovery Program. This program was signed-off by the US Congress on the April 3, 1948, with the overall aim of organizing US efforts to help post-war Europe. Between 1948 and 1952, the United States provided Western Europe assistance totaling 14 billion USD. The Marshall Plan was an answer to the fact that between 1945 and 1947, the relations between the western part and eastern part of Europe were worsening, exposing a bipolar new world order - where the main actors of this division were represented by the USA and the Soviet Union.

In March 1947, Marshall described the situation in Europe as follows: "*The recovery of Europe has been far slower than had been expected. Disintegrating forces are becoming evident. The patient is sinking while the doctors deliberate.... Whatever action is possible to meet these pressing problems must be taken without delay.*"²

The plan was presented with the main goal of feeding the European population and to stop the spread of communism. Yet another important goal of the United States was to revitalize the continent for future trade cooperation, political influence and being able to use the resulting economic structure for the interests and needs of the US economy.

The Marshall Plan was realized between 1948 and 1952 and included gifts and loans. The structure of the provided aid was as follows: 20% of the overall volume of aid was represented by loans, primarily aimed at purchasing US goods and 80% was represented by gifts in the form of food, agricultural and industrial machinery etc. These resources played a key role in the post-war recovery of Western Europe and its economies and the accompanying relationships and cooperation with the United States. Last but not least, it also helped in social recovery and strengthening friendly relations between the nations of Western Europe.³

For Austria in its desperate economic situation, participation in the program became a means for saving human lives. That is why the question (such as was present

¹ George Catlett Marshall, Jr. (December 31, 1880 - October 16, 1959) was an American statesman and a military official (soldier). He was the Chief of Staff under Franklin D. Roosevelt and Harry S. Truman. He also served as the Foreign Minister and Minister of Defense under President Truman. Available on: http://www.nobelprize.org/nobel_prizes/peace/laureates/1953/marshall-bio.html (12.12.2016).

² Washington DC Embassy News 1947, Political report # 32, source: Krátký K., *Marshallův plán. Article on the cause of the Cold War*, Aleš Čeněk, Plzeň, 2010

³ KOKEŠOVÁ Lucie, *Marshallův plán* Consulted by: doc. PhDr. Stanislava Hýbnerová, CSc, Student scientific and professional activity at Charles University, 2015

in other Central European countries, for example in Czechoslovakia¹) of whether to participate in the Marshall Plan or not, was not an option in Austria. There were no doubts at all - it represented the only way forward in order to survive.

The Marshall Plan affected the European continent in a powerful manner and for a long period of time. This applied not just to the economy, politics and social spheres but much more. Between 1947-1951, Washington provided Europe with 14 billion US Dollars (14 billion USD would equate to approximately 300 - 350 billion USD in today's currency).² Austria received 5.3% from that amount.³

With regards to this Alpine country, Austria was the only territory occupied by the Soviets which received help as part of the Marshall Plan. The first set of quick results occurred in heavy industry, which recovered quickly and from 74.7% of pre-war production levels in 1948 reached 150.7% in 1951.⁴ Between 1948-1948 most of Marshall Plan was used to cover imports of food. This assistance then gradually removed most of the causes of riots which shook the country in 1947. On the other hand, this help meant that Austria remained dependent on the import of food (it deformed the price of agricultural produce, rendering the local production not competitive enough). The second phase of the Marshall Plan, which began in 1950 was focused on improving economic productivity and in total, 300 million US Dollars were invested for this purpose.⁵

According to Bischof, "no European nation made more use of the Marshall Plan than Austria". The country received almost 1 billion US Dollars through the Marshall Plan and half a billion on humanitarian aid. The Americans also returned all occupation costs which Austria was forced to pay between 1945-1946 (approximately 300 million USD). Between 1948 and 1949, the Marshall Plan contributed to 14% of the GDP, which is the

¹ Note: The total war damages incurred by Czechoslovakia as a result of the war were estimated to be 252.3 billion CZK as estimated by the Czechoslovak National Bank (ČNB) in 1946 - see ČNB/NBČ k. 64, Record on a discussion held by the Interim Bank Administration on September 24, 1945 and Vyčíslení reparačních a restitučních nároků Národní banky Československé (Quantification of the Repayment and Restitution Claims of the Czechoslovak National Bank), p. 24

² <http://www.mybudget360.com/cost-of-living-1938-to-2013-inflation-history-cost-of-goods-inflation/> (15.10.2016)

³ ELLWOOD D.W. *Rebuilding Europe. America and West European Reconstruction*

⁴ BADER, William B. *Austria Between East and West*. Stanford University Press., Stanford 1966, p. 58

⁵ BISCHOF, Günter et al. *Austria in the Nineteen Fifties*. Transaction Publishers. New Jersey 1993, p. 89

greatest percentage among all recipient countries. The support per capita amounted to 132 USD compared to 10 USD for the Germans.¹

After 1953, the main goal of democratic Austrian politicians was to end the occupation status and the establishment of full Austrian sovereignty. This effort was given support by the UN General Assembly which in December 1952 appealed to the victorious powers to end the occupation status.

The new US president, Dwight Eisenhower and Winston Churchill urged Stalin to sign a state treaty with Austria. Stalin died in 1953 and the Austrian hopes for independence gained in strength. Chancellor Raab expressed the following: *"10 years of waiting, 10 years of waiting in vain is too much for a patient nation. We will feel free only after the state treaty has signatures from all 4 superpowers and when the last occupation soldier leaves Austrian soil."*²

Austria was very fortunate that at the time (after several months of internal struggles following the death of Stalin), the conservative wing in USSR did not win the power struggle and the more liberal Bolshevik wing led by Nikita Khrushchev took power instead. Khrushchev tried to ease international tension from the Stalin-era. There were also political and strategic reasons for a more favorable approach towards this occupied nation. If the occupation status were to persist, Austria could be divided based on the occupation zones. The Soviet occupation zone was absolutely unsustainable and would represent another massive expense for the Eastern Bloc countries headed by the USSR.

The Soviet Union required that the new state treaty expressly forbid the reunification of Austria with Germany. Austria also had to agree to not take part in any military pact. On April 15, 1955, a memorandum was announced declaring Austria a neutral nation, much like that practiced in Switzerland. The Soviet Union agreed with this neutral status and ratified the treaty. Austria also agreed to defend its sovereignty with the use of arms in case it was attacked. Western superpowers were informed of the memorandum and expressed their agreement.

On May 15, 1955, the long-awaited moment took place. At 11:00 at Vienna's Belvedere Chateau in the Marble Hall, four foreign ministers of the Allied Powers signed the state treaty (Österreichischer Staatsvertrag - Staatsvertrag betreffend die Wiederherstellung eines unabhängigen und demokratischen Österreich)

¹ BISCHOF Günter, *Austria in the First Cold War, 1945-55*, St. Martin's Press, New York, 1999, p. 174

² studena.valka.cz/rakousko_1945-1955.htm (10.10.2016)

After the signing, Austrian representative Leopold Figl stated: "17 years of a thorny journey from slavery is over ... with joy, I can now exclaim: Austria is free!"¹

From the above, it is clear that after the war, not even in the Soviet occupation zone, there were no measures taken to introduce a centrally planned economy based on the socialist model. The Moscow administration was interested primarily in the plundering of economic resources of the occupied country. The goal was clear: to transfer the maximum amount of assets that could be used in the USSR. Nothing new was built and in fact the existing was destroyed, removing as much as possible that was still left in this war-torn country.

6. Conclusion

State planning can certainly help in the short-term in terms of economic development, but as A. von Hayek noted in his *The Road to Serfdom*, for the long-term development of the economy, free market price determination is irreplaceable. No planner is able to assess all human needs and preferences which remain highly individual in nature.

In German speaking countries, in the medium-term extend, state intervention showed its ineffectiveness - for example by investing into highway infrastructure in the mid-30s without parallel increases in the production of fuel, rendering them underutilized. On the other hand, investment into the railway network was delayed for extended periods of time. As a result, the railways were unable to cope with the growing demand for the transport of raw materials and resources.

In various types of market economies, as is well know, there is definitely a cycle of economic depression and recovery, usually associated with fluctuations in investment. If we avoid any decline in investment, we can also avoid depression. However, this means little in terms of the effectiveness of such an allocation of capital. The economy does not undergo a purification process by removing ineffective businesses and releasing resources for those which are capable of survival, propelling the society forward (for example through innovation).

Even zero unemployment in authoritarian, planned economies can exist, because every worker can be employed regardless of the costs involved. In a market economy, workers are laid off because there is a measure of effectiveness for one work unit and because there is a market power element to it. Workers are laid off when the income from their employment does not cover their cost. A central planner does not have a tool to determine whether the workers produced goods of a value that surpasses the costs.

¹ PORTISCH Hugo, RIFF Sepp, *Österreich II. Der lange Weg zur Freiheit*, Wien Kremayr & Scheriau, 1986, Wien, p. 365

In a centrally planned economy, distribution and retention of income is placed in the hands of the central authority. It is no longer productive contribution of individual production factors which is important for their reward, but instead the plan set forth by the central authority. The power of the central authority leads to the establishment of authoritarian regimes, or totalitarian states from both corners of the political spectrum, bearing similar characteristics. Is communism and Nazism the same? In both cases, the states are controlled by a totalitarian regime with many similar approaches:

- Introduction of total control over the citizens, the individual is not important, importance is achieved by being part of the whole (nation, party)
- The goal is to promote an ideology and to achieve its acceptance.
- The regime is linked to the suppression of the opposition (it is focused against plurality of parties and political opinions, representative democracy and free elections).
- The only political party is the government (the state is degraded to the status of a tool in promoting the politics of the leading party)
- The state has an information monopoly (the regime controls the media) and demagogic propaganda is widespread.
- The police element stands above the law.
- A controlled economy is subjected to the state's interests; the state significantly interferes in the economy including efforts to plan economic processes.
- Human rights are suppressed.
- Crimes are excused with principles of "higher goals" or "new morality".
- A leader stands at the top of the movement, nation and the party.

Nazism and communism are significantly different as well:

- Communism is based on the premise of class struggle.
- Fascism calls for the cooperation of the classes (owners of the means of production).
- Communism is characterized by the collective ownership of the means of production.
- Fascism maintains private ownership.
- Communism places (at least theoretically) emphasis on universal human and humane principles.
- Fascism places emphasis on the race.
- Both regimes have their own ideological reasoning, a different social basis and different historical development.

Following the war, there was a general increase in state intervention and economic planning across most of Western Europe. The most famous case of this can be characterized by so-called economic plans which can be best seen in the economic history of France through the Monnet Plan devised by Jean Monnet in 1946¹ based on previous French experiences regarding the interaction of the state and its economy. The plan was a five-year plan of modernization with the goal of national economic reconstruction. It was based strongly on earlier French plans to make France the biggest steel producer in Europe. Monnet's plan was to modernize the French economy in such a way that it would become internationally competitive, especially towards German exports.

The campaign of nationalizing industry and detailed central planning which took place following WWII in the West "lost its momentum" when socialists realized that nationalization is a recipe for waste, inefficiency and bureaucracy. By removing the profit motive, the expected increases in effectiveness were not attained. Detailed central planning was in conflict with human freedoms which the people longed for and central planning became politically undesirable. This is why socialists shifted their focus from nationalizing means of production to nationalizing the outputs, from detailed central planning to building a welfare state funded by progressive taxation.²

In any case, it should be stated that Austrian post-war development was indeed quite successful and Austria now represents one of the most advanced and richest countries in the world. The GDP per capita has almost reached 40 000 EUR which places Austria as the fourth country in the EU28 - approximately 30% above the EU average.

The Austrian economic system can be described a social market economy with relatively high taxes and state spending. Economic life is well organized with compulsory membership for companies in the Austrian Federal Economic Chamber (Wirtschaftskammer Österreich) and for employees in the The Federal Chamber of Labour (Arbeiterkammer). The strength of the Austrian economy lies in an industrial tradition, tourism and foreign trade.³

¹ Jean Omer Marie Gabriel Monnet (November 9, 1888, Cognac, France – March 16, 1979, near Paris) was a French politician, diplomat, economist and one of the founders of a united Europe.

² FRIEDMAN, Milton. *Kapitalismus a svoboda. Liberální institut*, Praha, 1993 – Preface, p. 7

³ https://www.mzv.cz/vienna/cz/obchod_a_ekonomika/obecne_obchodni_informace/charakteristika_rakouske_ekonomiky/charakteristika_rakouske_ekonomiky.html