

PhD Dissertation Theses

**THE HISTORICAL BACKGROUND OF THE
TOBACCO MONOPOLY IN HUNGARY**

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I. The preliminary and the objective of the PhD thesis, the limitation of its subject

In my dissertation I am examining what kind of proposals, attempts and plans were made before introducing the tobacco monopoly in Hungary (1850). Which means that my aim is to introduce the antecedent events of tobacco monopoly in Hungary. The beginning of my dissertation is the first date when tobacco monopoly was mentioned in the documents as a possible tax, which is 1658. The closure of my dissertation is 1850, when the final imperial decision was made to establish the tobacco monopoly in Hungary too. The geographical place of my dissertation is the area of the Habsburg Empire which was a very complex political environment during this period, and it is very difficult to define as it had different names like „Habsburgermonarchie”, „Österreichische Monarchie” and such as Kaisertum Österreich. Due to its complexity I decided to explain not only the viewpoints of the Hungarian and the imperial side but also the opinion of the merchants. Due to the complexity of the trade and the political environment, and the influence of the Habsburg custom policy it came natural to introduce and examine all the different viewpoints. Mostly these different viewpoints are missing from the Hungarian works.

Due to the feudal constitution the permission of the parliament was necessary to launch the tobacco monopoly in Hungary too. The major part of the Hungarian politicians was against the individual sales as it meant a new tax; because the only tax which existed in trade and the economy was the export duty. Although the farmers could not have been obliged to give their tobacco; -as the forestalling, the mongering and the production was conducted in a regular way - the Hungarian agriculture produced the major part of the imperial income. Therefore the Royal Court had to cooperate with merchant, as any other operator. Several ideas were constructed to solve the caused problems, such as: buy the tobacco directly from the farmers, make contracts with the merchants or establish a state owned tobacco garden. In the times when the treasury had financial issues/problems the establishment of the tobacco monopoly was suggested as a resolution.

In 1841 a secret decision was made to merge Hungary and Transylvania in the same customs policy with the Monarchy. This decision meant a main step in the antecedent events of tobacco monopoly in Hungary. Previously the tobacco monopoly was suggested as a solution to the financial problems of the treasury or as a new income. After the elimination of the custom policy it was unworkable not to pay tax after the Hungarian tobacco products. After the above described situation, there is no talk off if the monopoly should be introduced in Hungary or not, but when and how.

II. The used source materials and methods

In contrast with the previously published material my dissertation focuses onto the tobacco and the question of the tax-, custom policy and the subjection of the Hungarian economy is placed into the background. The novelty of my dissertation is not in the methodology but in the used source materials. In the focus of my dissertation the communication between the royal court and the Hungarian parliament is placed. Due to the above described novelty the national harm and the traditional royal politics are not placed in the focus of my dissertation.

My original plan was to write a dissertation which examines and describes the antecedent history of the tobacco monopoly as detailed as it is possible: follow the life of the tobacco from the production until the processing and the marketing. After examining the available sources (especially the available ones in the Archive of Vienna) it became clear that due to the huge amount of them, it is not possible to introduce the topic of high standards. Therefore I decided to narrow the syllabus. Therefore in the focus of my dissertation I placed those decisions making events which can demonstrate why the question of the tobacco monopoly was placed into the focus of the Royal Court and then why they were ignored.. Namely what kind of purposes, possibilities and petitions were in common knowledge when the idea of the Hungarian tobacco monopoly was on the agenda. According to my hypothesis besides the event reconstruction, we can get a complex picture about the opinion of the economic and political elite on the trade.

My goal was a detailed data exploration. Therefore the methodology of my dissertation follows the traditional national-economic History. For the reasoning of my decision I can mark the unilateralism and the deficiency, which was very common in the previous researches. The previous researchers have not made a connection between the royal decisions and the contemporary market. The Austrian researchers are using the royal archive documents as a starting point, therefore the viewpoint of those researches is empire centered. Besides the Austrian researchers we can mention the Hungarian ones, in whose viewpoint the interests of the Hungarian economics are exclusive.

The theme can rely on a wide variety of sources which is a specialty in the economic History. My main-objective was not to introduce only one piece from the available sources but the complexity of the topic. Therefore I collected the used sources from different archives.

During the procedure of source processing two different methods were used. The first one was, when the tobacco related sources, which can be found in the Austrian State Archives

were processed. After the previous step I deliberately focused on the documents (person or institution owned) which could be somehow connected with the topic.

First of all I examined the sources of Präsidialakten der k.k. Hofkammer und des k.k. Finanzministeriums, Finanzministerium, Präsidium Hauptreihe. I collected those archive documents which were marked with the Tabak and Ungarn keywords and could be related to producing and trading in the annual thematized table of contents. The registration numbers found on the documents can be connected with each other; therefore I followed the registration system of the royal court during the process. I am sure that the documents of Finanz- und Hofkammerarchiv, Sonderbestände, Sammlungen und Selekte, Nachgeordnete Dienststellen und Fremdprovenienzen, Tabak- und Stempelgefällsdirektion could give us important details about the topic, but after 1836 those documents cannot be examined. According to the information of the archive, the document could be found in the Tabakmuseum, but their current location is unknown.

Due the contemporary procedure the reports of the governor of the tobacco excise were forwarded by the royal chamber's chairman to the chancery. Therefore the research was expanded to the documents of the Kabinettskanzlei which documents were issued during the operations of the Kabinettsarchiv (Minister Kolowrat Akten, Staatskonferenzakten, Staatsrat, Kabinettskanzleiakten)

During the research I set aside the documents of the royal court available in the Hungarian National Archive, because the documents found in the Archive of Vienna contained the viewpoints of the Hungarian institutes. Furthermore I did not exhibit the documents which contained the opinion of the opposition about the tobacco monopoly, because the monopoly was item on the agenda only one time.

Therefore the focus of my dissertation is on the period when after the customs union it was impossible to avoid the harmonization of the legal system. I tried to present the documents of the county assembly, the Hungarian parliament and Hungarian political leaders.

After 1840 the number of the available sources increased: due to the increased contemporary press (Budapesti Hiradó, Pesti Hirlap, Hetilap, Nemzeti Újság, Pester Lyod, Pester Zeitung) besides this the Treasury sale from 1846 also influenced this number. Besides the documents of the National Archive the personal documents can be useful too, for example the political writings of Dessewffy Emil contained information about the tobacco monopoly, and Széchenyi István wrote several memoirs about the tobacco monopoly.

Therefore the dissertation mostly focuses on the documents of the Austrian State Archives, because the records of the royal chamber, chancellery and those organizations which managed the tobacco monopoly can be found here. The changes in the custom union

brought several changes in the available archive sources too. Previously it was common that decades gone by without even discussing the tobacco question, after the custom union the tobacco monopoly was not only an idea but a mandatory measure, which increased the number of the archive documents. Therefore the bigger part of the archive documents were created due to the above described two factors.

III. Listing the results

The establishment of the *droit de régle* of the tobacco reflects the historical development of the monopoly. When the ruler wanted to create a new financial source for the treasury, independent of the estates of the realm, the rental system appeared to be a plausible solution. In the course of time, the monopolies became the foundation of state loans. The most important creditors of the House of Habsburgs were mainly banking houses that were specialized in tobacco trade. On the one hand, the increasing public debt forced the Habsburg to gain additional incomes, on the other hand it was also forced to compete according to the rules of the market with the banking houses that gave it a loan while purchasing raw material for the imperial excise or to sign unfavorable contracts.

With the help of imperial patents we can follow-up how the *droit de régle* of tobacco became an inevitable source of income for the treasury. The plant that was first learned about around 1570, was first taxed in 1658 and later, more decrees came into force that monopolized the phases of its marketing, usually with the authority of each province. This provincial fragmentation came to an end in 1701 when Leopold filed a generally accepted patent about the practice of monopoly. The Habsburgs sometimes strengthened and other times weakened its influence on the rental companies and at last, Joseph II. nationalized it in 1784.

The Hungarian tobacco politics of the Habsburgs was swaying. Sometimes they wanted to fix the purchase of raw material of the imperial income by raising the duties, making contracts with merchants or through a direct contact with the growers, other times by establishing self-managed tobacco horticultures. It was up to the strategies of the current decision-makers which suggestion was considered the most beneficial for the treasury. Within this 200-year period there was one common feature: the role of the production of the raw material for the Kingdom of Hungary. It is important to point out that establishing a Hungarian tobacco factory did not even occur to the Habsburgs until the mid-1840s and the foundation of the tobacco factory in Temesvár was rather connected to promoting the Habsburgs' monopolizing intentions than to establishing a Hungarian tobacco industry.

Apart from the transformations of the mechanisms of the imperial excise, the monopolization of the Hungarian tobacco seemed to be the simplest form of excluding the market. While the monopoly created by the patent of Leopold I. was swept away by Rákóczi's War of Independence, during the rule of Charles III., a handful of complaints were enough for the ruler to change his mind. Francis I., unlike his predecessors, did not attempt to put his experiments into practice, his attempt for a change regarding the question of tobacco was all

mere secret letter exchanges. All of his advisors opposed to the idea of monopolization. Without the approval of the Hungarian Parliament, however, introducing a new source of public tax is unlawful, in this case the tobacco monopoly.

Although the introduction of the tobacco monopoly was a recurring idea, the documents mentioning it occurred between considerable time intervals. The attempt came up in different political-economic contexts, independently from each other; the patent of Leopold I. only appears as reference in the expertise inspired by Francis I., there is no continuity between the two. While Leopold I. wanted to monopolize only the trade and maintain the freedom of production, Francis I. and his advisors suggested an entire royal monopoly.

The idea of monopoly kept reoccurring when the treasury faced financial problems. And as the Habsburgs was still hesitating, it probably did not regard the monopoly of tobacco as an industrial or political key question. The Habsburgs considered the tobacco monopoly from the very first attempt to introduce it up to 1848 politically more harmful than profitable. The monopoly that was treated solely as a financial matter got reinterpreted owing to the custom alliance.

Not just the Habsburgs' tobacco politics was unstable but also the Hungarian court's. Because of the General Appalto und Pachtordnung, Sándor Takáts finds it possible that the chamber administration of Buda was passive because the institution was subordinated to the Habsburgs. Later, Ambrózy Lajos, the villico of Temes said while the treasury hired gardeners that the Hungarian chamber did as it was told by the Habsburgs.

Among the archive documents, two of them are worth to be mentioned. In 1830, the Parliament asked for a decrease of the custom for tobacco. Although the Hungarian chancellery supported the suggestion, it could not be put into effect, even though the Habsburgs also supported the decrease of the custom a year before. Moreover, the President Joseph von Eichhoff even complained that the Hungarian court does not stand for the interest of the excise.

The Hungarian nobility and the ones connected to the tobacco industry followed the Habsburgs. The estates of the realm first opposed to the measurements taken to limit the export, but when they realized that the monopoly was inevitable because of the custom, they formulated more sophisticated concepts. Among the cons, there are the ones that the monopoly of production, process and sale would destroy this prosperous industry, the production area of the plant would shrink and the exclusion of the free market would lessen the income coming from the tobacco trade.

So the question arises that if the system of monopoly was regarded as dangerous in terms of the tobacco trade and production, why can we come across offers of merchants

among the archive records, and what is more, why did Sándor Károlyi try to gain not just a Hungarian monopoly but he also held negotiations over a common monopoly of the crownlands? The matter of tobacco merged with the custom politics for the nobility and the merchants; therefore it was interpreted as a matter of resentment rather than an independent agricultural branch.

The opening of the tobacconist's in 1846 meant the peak of the protest. Even Lajos Kossuth used the debate as the monopoly could be maintained in the crownlands without extending it to the Kingdom of Hungary. The government's act of excluding the competitors with underpriced products reflected the backwardness of the Hungarian tobacco industry.

The basis of the protest against the tobacconists' is rather unclear. The Habsburgs received contradictory reports from its spies and in his report to Karl Friedrich Kübeck, Andreas Baumgartner described the movement as powerless, connecting it with a handful of factory owners, their relatives and the enemies of the government. György Apponyi, however, talked about an „energetic suppression”. Still, there is no archive source available to settle this question.

The borderlines of the viewpoints are clearly shown by the pros and cons expressed at the general meeting of Pest country. While the opposition considered the monopoly as harmful, the conservatives did not understand the excessive concern. In his public writings, the neoconservative Emil Dessewffy stood up for the compensation of the custom alliance by indirectly taxing the tobacco.

Count István Széchenyi had similar suggestions. Both of them regarded the settling of the matter of tobacco as a prerequisite of the custom union, as it could not only compensate for the income that fell out but it could also contribute to Hungary. The difference between their suggestions lies in the motifs, the time periods, the relatedness to the taxes and the use of the money.

Széchenyi wanted to abolish the *droit de régle* of the tobacco and the *ius aviticum* but for the nobility to take part in paying the special tax remained only a theory. He wanted to define the tax only in one or one and a half year, as also the land owners in debt could pay the tax owing to the abolishment of the *ius aviticum*. Quite contrary to Széchenyi, Dessewffy wanted to carry out his plan within 12 years. While the public mensa was regarded as a basis of loans by the neoconservatives, Széchenyi intended to improve the traffic.

As opposed to Dessewffy, Széchenyi did not support the *droit de régle* of the tobacco because he was loyal to the Habsburgs but because he wanted to improve the transport. However, according to his diary records, Kübeck talked to him about the monopoly, but the

count was aware that the Habsburgs found its introduction inevitable, moreover, Kübeck hesitated to give his promised 1 million Forint for the Tisza regulation.

Dessewffy was aware of the Habsburgs' real intentions. In his speeches, much as he tried to prove the financial benefits of the public management, he could not even convince the conservatives entirely. The opposition regarded the measurements of the government and the attitude of the conservative press as the antecedents of the introduction of the tobacco monopoly but many found these unconstitutional as the government wanted to open a new source of public income without the consent of the Parliament, the measurement was opposite to Hungary's economic interests. But while Kossuth saw the solution in the protective tariff system, the centralists supported the custom alliance without making suggestions to the tobacco question, supposed that tobacco income would not come into effect in Hungary.

Apponyi suggested the separation of the question of monopoly from the custom; if it was not a prerequisite for the custom union or regarded as a new source of income, people would stop being afraid for Hungary's autonomy and independency. He also criticized the indirect way of the market monopolization saying the government should be open about its intentions.

The chancellor could not find supporters in the Royal Court, the matter of the custom was not separated from the *droit de régle* of the tobacco. All the conservative flyers and memoranda treated the parliament negotiations of the monopoly as a fact. Still, it was not mentioned in the royal propositions.

At the 1847-48 Parliament, the tobaccoist's of the treasury was not discussed, and the March events and the first ministry created a new domestic political situation.

On 23rd June 1848, the warehouses of Pest were closed down and the treasury sale was banned, opposed to the protest of the chamber. The first preparatory steps of the government failed and could not convince Hungary about the *droit de régle*. The coming of the imperial troops put an end to 200-year old antecedents of the monopoly of the tobacco.

IV. The scholarly works published on the subject of the dissertation

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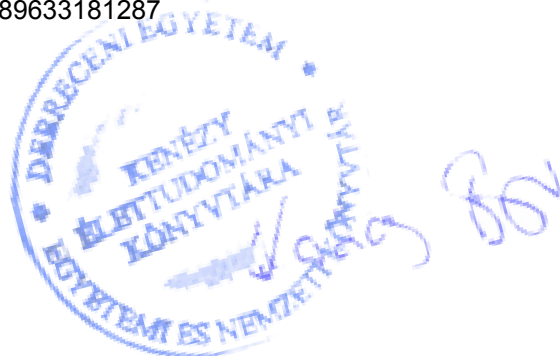
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List of publications related to the dissertation

Hungarian book chapter(s) (4)

- Kohút S.:** A magyarországi dohánymonopólium bevezetésének gazdaságpolitikai háttere.
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