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Dismantling Empire: Ignaz Seipel and Austria's Financial Crisis, 1922-1925*

John Deak

The German-Austrian Republic was proclaimed on the steps of the Vienna Parliament building on 12 November 1918. The Allied Powers, through the Treaty of Saint-Germain, had carved Austria out of the Habsburg Empire's hereditary lands following the First World War. The internal contours of the new Austrian Republic, however, would take shape over the next few years as Austria's leadership, its political parties, and its citizens responded to the new republic's smallness, its reduced economic base, and its new geopolitical position in Central Europe. It is the argument of this paper that Austria's financial crisis and subsequent bailout by the League of Nations in the early 1920s was crucial in Austria's transition from the core lands of an empire to a republic. It was largely a result of the financial crisis, and the response to it by Ignaz Seipel's government between 1922 and 1925 that the administrative structures of the Habsburg Empire were finally dismantled, clearing the path for a new republic. In other words, the Austrian Republic was forged over time and this creation of a new state had as much to do with dismantling the structures of the empire as it did with the active creation of a new state.

In 1922, after four successive winters in which Austria had to beg the allied powers for credits to purchase food and coal, Chancellor Ignaz Seipel successfully negotiated a major loan with the League of Nations. This loan, totaling upwards of 650 million gold crowns (i.e., an amount pegged to the pre-war value of the Austrian crown), was to cover the Austrian government's budget for two years. This major loan would be floated in the international currency market and guaranteed primarily by the governments of Great

Britain, France, Italy, and Czechoslovakia. But the large loan would come with significant strings attached to it and would do much in the way of reforming Austria into a new, smaller republic.¹

The chief negotiator in both securing the loans with the League of Nations, as well as reforming the Austrian state, was the recently-appointed chancellor, Ignaz Seipel. Seipel, born in Vienna in 1876, came to the chancellorship of Austria less than four years after the proclamation of the republic and the fall of the Habsburg Monarchy. He had risen to prominence as a political thinker in the First World War. By 1918 Seipel was both a Catholic priest and a *Professor Ordinarius* at the University of Vienna. Though he taught theology, Seipel's intellectual energy had been directed toward political and constitutional reform in the Habsburg Monarchy. His work brought him into contact with the Christian Social Party and found him a place in public service: He became minister of social welfare in the last imperial-Austrian cabinet and presided over the dissolution of the Habsburg Monarchy. By 1922, Seipel had been promoted to the prelature in the Catholic Church (he even had been considered as a candidate for Archbishop of Salzburg); he had also become the Chairman of the Christian Social Party. It was under Seipel's leadership that Austria would secure funds under the tutelage and supervision of the League of Nations. It was thus under Seipel that Austria would financially secure its existence in a new Europe consisting of nationalizing "nation-states" and that Austria would dismantle the structures and vestiges of its imperial past to re-forge itself as a republic.

The League of Nations bailout of Austria is generally considered as the League's first test-case and its first success as an international organization.² Moreover, within Austria, the *Sanierung* is seen (though this can depend on one's political affiliation/commitments) as the moment when Austrian independence and statehood was both guaranteed and put on proper footing through a balanced budget and a stable currency. Beyond this, the subsequent need to create new "Austrian" historical narratives, ones which emphasize Austria's status as a small republic—disconnected from its imperial origins and existing separately and distinctly from Germany—have naturally led to views of Austria's financial reconstruction as a milestone on the path to Austrian statehood. In a sense, then, the international dimensions of Austria's financial crisis lend themselves to Whiggish histories of the Second Republic—the one that appears democratic, liberal, and free. But such a view does not help to explain the period in Austria after 1927, when democratic institutions began to fail. It certainly does not provide much insight into the Catholic-corporatist/clerical-fascist (terms which follow



Ignaz Seipel (1876-1932), Austrian Chancellor, 1922-1924, 1926-1929 (Photo courtesy of Picture Archives of the Austrian National Library, Vienna)

Red or Black political ideologies) regime that followed the Austrian civil war in 1934.

However, if we choose to focus on Austria's financial reconstruction in the early 1920s as a domestic and constitutional issue—and a moment when long-standing debates on the role of democratic and bureaucratic governance in society came to a head—a quite different story emerges. In essence, we should see the financial reconstruction not only as an international issue, and not only as a financial issue, but as part of a decisive

process about the functioning of governmental power in Austrian society. This process was the result of long-standing debates that emerged with the growth of representative and parliamentary government in the Habsburg Monarchy and which concerned the interplay of bureaucratic authority and democratic (and party-political) institutions.

The financial reconstruction of Austria, from the standpoint of 1955 or 2010, might have set the stage for an independent Austria in Central Europe, but it also made a major intervention into Austria's administration. This intervention was particularly important for the way policy making was divided between ministerial bureaucrats and political parties. Financial reconstruction disrupted the traditional relationship between the civil service and the state; it remapped the lines of authority in the bureaucratic apparatus itself. The once-imperial bureaucrats, stationed in the provinces and districts and answering to the Interior Ministry in Vienna, would now be forced to answer to elected officials in the provinces. The once enlightened absolutist bureaucracy would now come under the control of Christian Social or Social Democratic party politicians.

Postwar Austria, then, is really a constitutional story. It tells us much about the delicate nature of democracy and its susceptibility to failure. The immediate years following the fall of the Habsburg Monarchy were by nature years of transition. The republic was not founded overnight: The legal institutions and the relationship between the state and citizen developed between the initial proclamation of the republic and the political crises in the 1930s. In many ways, however, it was in the midst of a great financial crisis and the eventual bailout of the Austrian government, that the republic was forged.

But the Austrian Republic was not formed of new metals; rather the vestiges of the Empire, its political leaders, its administration, but also the legal and constitutional debates that structured the internal developments of the last twenty years of the monarchy, provided the stuff of the new state. The way Austria responded to its financial crisis as it secured a major loan from the League of Nations in 1922 actually reflected political, administrative, and institutional debates that stretched well back into the nineteenth century. Moreover, the process of implementing the loan proved most important for establishing the governmental shape of the Austrian Republic. The policies of Chancellor Ignaz Seipel—while in their most immediate sense they responded to a state financial crisis—also worked to dismantle the administrative vestiges of the Habsburg Monarchy and to forge a new, decentralized republic.

Austria's Imperial Inheritance

There are a few major characteristics of the First Republic that we must keep in mind so that we may properly evaluate the way the financial crisis would shape the new state. The first is that the Austrian Republic, founded in 1918 at the close of the First World War, was in a state of administrative and constitutional transition at least until 1925—after the country had weathered the financial crisis that accompanied its new statehood. Second, the young republic had inherited the central bureaucratic ministries—and the legions of officials who staffed them—in the months immediately following the First World War.

In the ongoing transition process from the empire to the republic, financial crises accompanied administrative uncertainty. As a successor to the Empire, the Austrian Republic inherited not only German-speaking politicians and bureaucrats from the Empire, but also the institutions, norms, and administrative ideals of the central offices that were located in Vienna. In addition to this, however, the Austrian Republic quickly found itself containing the still intact provincial diets and their ever-loyal provincial bureaucracies. In a sense, then, Austria's imperial inheritance would contain not only the centralizing enlightened absolutism that the state bureaucratic apparatus embodied. This inheritance also came with a well-established tradition of provincial autonomy.

On 22 October 1918, one day after the National Assembly of the future German-Austrian Republic met in the Lower Austrian *Landhaus*, a new body constituted itself in the very same building. It consisted of the leadership of provincial autonomy in seven of Austria's provinces. The Land-Chairmen of Lower Austria, Styria, the Tyrol, Carinthia, Salzburg, and Vorarlberg, as well as the members of each of these provinces' executive boards, the *Landesausschuss*, assembled in Vienna to coordinate policy among the primarily German-speaking provinces and, more importantly, to bring the crownlands into the discussion on the future German-Austrian Republic.³ By late October 1918, the administrative authority and the centripetal power exercised by the imperial authorities in Vienna had largely melted away. But more than this, as Wilhelm Brauner rightly notes, this conference of *Landesausschüsse* showed a remarkable resurgence of provincial authority and politics after four-and-a-half years of extreme centralism. None of Cisleithania's provincial diets had been allowed to meet during the war, but the crownland councils had been allowed to continue to operate in their administrative function as the executive board of the diets. In reality, however, their ability to function as independent

policy-making bodies, functions that they had rigorously defended and expanded in peacetime, had been crushed by the centralizing policies of war administration.⁴

The result of this meeting with the provincial representatives, consisting of the members of the crownland councils, was the law of 14 November 1918, "regarding the transfer of state authority in the provinces."⁵ In a basic sense, the law abolished the dual-track administrative system by eliminating the position of imperial governor and turning over his jurisdiction, as well as all the state officials who answered to him, to the provincial diets and their chairmen (the *Landeshauptmann*).⁶ The social democrat Karl Seitz, the President of the National Assembly as well as a member of the Lower Austrian Provincial Council (*Landesrat*), noted that these laws were for the time being "provisional." He also gave this label to the legislative successors to the *Reichsrat* and the provincial diets, which for the moment carried the titles of the National and Provincial Assemblies.⁷ But Seitz also recognized the opportunity of the moment—in the transfer of administrative and executive powers from *Reich* to republic, new rules and norms could be written and new chains of command could be erected. The moment (with the emperor increasingly powerless to impose his will upon state institutions) was ripe for the parties not only to take control of the reins of the state, but also to crown themselves the masters of the bureaucracy. Such a masterstroke was part of the "successive construction" of the constitutional norms and regulations that would become part of the new republic; this reflected the general consensus to expand the jurisdiction of democratically-elected institutions.⁸ However, this was more than progressive democratization; it also reflected the deep-seated animus of regional politicians and the party leadership of the provinces to Vienna and its central administration. The latter institution was particularly saddled—somewhat unfairly—with the responsibility of wartime deprivations and by its association with the military administrative authorities during the First World War.⁹

The Provisional National Assembly took up the issue of the "transfer of state authority in the provinces" during its third session, on 12 November 1918. The chancellor of the new republic, Karl Renner, remarked that the law introduced a democratic administration in the provinces. To Renner, it was clear that an administrative reform in the provinces must accompany the institution of democratic elections. The new republican state would abolish the curial suffrage system—which persisted in the provinces even after universal male suffrage was instituted in 1907 for *Reichsrat* elections—in favor of a truly democratic suffrage law, a "universal, equal, direct and secret

right to vote for all citizens without regard to gender.”¹⁰ Such a suffrage law was to apply not only to the elections of the new parliament, but to the provincial assemblies as well. In this context, with the future provincial assemblies elected by universal suffrage, it was “in the spirit of democracy ... that the officialdom which administers a province be integrated and incorporated under the provincially-elected representatives of the people.” Not only would the two separate lines of administrative authority—the imperial-state and autonomous-provincial bureaucracies—be combined, it was in this same “spirit of democracy” that the “democratically configured representatives of the provinces elect from their midst the governments of the provinces and that these governments become the head of the administration.”¹¹

But, this process too, went unfulfilled in the early years of the republic. The law of 14 November had itself left much to be determined. It was understood, according to State Councilor (the new title for cabinet minister) Jodok Fink, that this law was a stop-gap measure until the National Assembly created a constitution and otherwise established a more permanent state system. In the early years of the republic, the door was left open to reestablish a type of central control of the administration in the crownlands. The law of 14 November did not combine the two separate bureaucracies (the formerly-imperial state and autonomous-provincial) in the provinces into one body, but maintained them as separate institutions.¹² Indeed, the law stipulated that the responsibilities of the former imperial bureaucrats and the former autonomous officials would remain the same; that is, the separate lines of command would continue to exist—but now former imperial officials in the provinces would answer to the Landchairmen and, thus, the provincial assembly, while the provincial officials reported to the provincial executive board (the *Landesausschuss*).¹³

In essence, then, former imperial officials were able—at least provisionally—to maintain their distinct status. These vestiges of imperial prestige helped to forestall a massive bureaucratic resistance to the new republic. But it was clear that the provincialization of the state bureaucracy was not a welcome event within its ranks. Protests and angry letters from state officials to the government would follow, as the former imperial officials came further and further under the control of provincial party rule.

The questions of state organization and political jurisdiction (centralism and federalism) as well as state control and local autonomy thus carried over from *Reich* to republic. Many of these administrative questions, especially regarding the chain of command for the Austrian administration and the concomitant questions about how centralized or how federalist the new

republic should be, were not settled either by the creation of the republic or by promulgation of the 1920 Constitution.¹⁴ Rather, such issues lingered at least until the First Constitutional Revision of 1925—a revision that followed, both logically and chronologically, Austria's financial restructuring and the League's financial bailout.

In addition to taking on the former imperial structures, constitutional framework, and legal norms of the monarchy, the Austrian Republic that emerged in 1918 immediately took on the legions of imperial officials who staffed Vienna's central offices, the imperial governors' offices at the provincial level, and the district prefectures at the local level. The three presidents of the State Council of the German-Austrian Republic met with the last minister president of imperial Austria, Heinrich Lammasch, on 31 October 1918 (almost two weeks before Kaiser Karl abdicated and the republic was proclaimed). In what signaled the changing of the guard and the passing of monarchy to republic, Lammasch gave his assent to the "complete transfer of the administration" from the Austrian Empire to the German-Austrian government.¹⁵ The law of 12 November 1918 (StGBI. Nr. 5), followed this gentlemen's agreement; it abolished the special laws and privileges of the emperor and the imperial house in one article and released the imperial bureaucracy from their oath of loyalty to the emperor in the next.¹⁶ These steps paved the way to the imperial bureaucracy's wholesale incorporation into the administration of the republic. The bureaucrats themselves, however, had no legal right to automatic employment with the Austrian successor state. Moreover, the new Austrian state did not saddle itself with any legal obligation to carry over the officials' employment. Nonetheless, this is what happened.¹⁷

That the new republic tacitly acquired the central offices and personnel of a multinational empire is an example of what makes the story of Austria's bureaucracy an inherently Austrian story. It is an obvious question that one must ask, aided of course by hindsight, as to why the small successor state would take tens of thousands of officials into its ranks. Why did the German-Austrian state not take advantage of the fall of the Monarchy to rebuild a new, smaller, cheaper bureaucracy? Why did it not choose to free itself of the financial burdens of employing legions of civil servants? Furthermore, when one finally considers these questions in light of the wish of the leading social democrats, especially President Karl Seitz and State Chancellor Karl Renner, to place all the institutions of government under some form of democratic authority, why would the state take on the civil service wholesale—without picking and choosing those civil servants who were not arch-conservative or monarchist?

The answer to this question lay not only in the need for the new state to maintain the administrative expertise of many of the Monarchy's high and mid-level officials; it lay furthermore in the traditional patronage relationship between the state and its civil servants that Karl Renner, the new head of the government in 1918, hoped and, indeed, fully expected to take over as well. When State Chancellor Renner addressed the bureaucrats of the central offices of the new German-Austrian Republic in November 1918, he admitted that bureaucrats and public servants were also enduring the hardship of postwar hunger and inflation. Renner also recognized that many officials had to live with the daily anxiety of an unknown future: Would Austria's many officials be able to hold onto their jobs and earn a steady, middle-class salary? Renner gave his assurances that even though "German-Austria will be a poor state and will not be able to afford a larger bureaucratic apparatus" there would be every effort given "to take up all the German public servants and employees into the new state."¹⁸ Renner hoped to harness both the expertise and the ethos of the imperial civil service to the new, small republic. Such hopes soon would be met by the harsh financial realities of post-war Europe.

In a very real sense then, Austria's transition from a group of crownlands that comprised the core of a multinational empire, to a rump republic of leftover provinces, is not the only story of the post-war. And, might I add, if the story one wants to tell is about state-building, or "forging a republic," this transition is, in itself, hardly a momentous one. Rather, state-building as regards the Austrian Republic was much more about dismantling the empire than building a state from wholly new cloth. The new state inherited not only the former imperial capital, Vienna, but much of its contents: its personnel, their expertise, their ideologies and mentalities of statecraft and policy-making. Importantly, the republic would also inherit the debates and questions which dominated constitutional scholars and administrative reformers in the empire: questions which focused on the relationship of center to periphery, of the *Länder* to the whole state.

The state financial crisis would shape how the institutions and people of the monarchy would be incorporated into the republic. However, Austria's path through the financial crisis was channeled in a very real sense through the mentalities of statecraft, bureaucratic governance, and party politics that the rump state had inherited from the empire. As we will see, the financial crisis was the catalyst that ended almost 200 years of central administration in the provinces. In this rather expansive chronological perspective, in the early 1920s Austria would bring the long-term presence of enlightened absolutism, and the sinews of power that connected Vienna

to the provinces, to an end.

Financial crisis and reconstruction

The republic that the Treaty of Saint-Germain had delimited was small. A third of its 6.5 million citizens resided in the capital, Vienna. The new boundaries that had been erected as a result of the Paris Peace Treaties had separated the Austrian lands and the capital Vienna from its former trade lines, overturning what prosperity the large customs union that was the Habsburg Monarchy had created. Sir James Arthur Salter, the head of the economic and financial section of the League of Nations, would write in 1924 that the new borders of Central Europe had been especially cruel to Austria, separating its "urban populations from the food, without which they could not live, and the main industries from their raw materials and from their markets."¹⁹ Thus, it is important to consider that while Austria's politicians were able, between 1918 and 1920, to create the constitutional and administrative edifice of a republic, the hardships and deprivation of war continued well into the 1920s. Salter noted that "Austria lived—but pitifully and precariously. She froze in winter, and a large part of her population was hungry throughout the year. Her middle class was almost destroyed [...]. The mortality was high and, among children, terrible."²⁰

By February of 1922, Austria had seen numerous interventions of foreign credits and loans, as well as shipments of food supplies and outright charity on the part of the Allies. But these injections of foreign currency into the Austrian system only managed to keep the state afloat and the people fed, if inadequately clothed and heated, for brief periods of time. Firstly, Austria was unable to cover its budget—its projected budget exceeded its income by startling amounts. For the fiscal year July 1920–June 1921, parliament approved a revised operating budget of 70.6 billion Austrian crowns in March 1921; for the same fiscal year, the Austrian Finance Ministry projected that federal income would total less than 30 billion crowns, leaving more than half of the budget uncovered.²¹ At the same time, the *Neue Freie Presse* published an article on its front page that addressed the viability of Austrian statehood. The article concluded that "Austria cannot be helped except through a serious relief operation that addresses the fundamental problems" and not simply one that simply solves the problems of the moment.²²

But such a fundamental action did not come yet. The budget passed by parliament the next year exhibited more of the same, with 40 percent of the projected federal budget for the calendar year 1922 uncovered by state

revenue.²³ Austria would again receive foreign credit to cover its budgets, but the charity upon which Austria had relied to keep the government running and to buy food and coal on the international market for its citizens had all but dried up.²⁴ Moreover, inflation threatened to starve the laboring and middle classes alike. Price rises had essentially been a part of Austrian domestic life throughout the war—doubling every year between 1914 and 1921.²⁵ By the end of 1921, however, hyperinflation had set in. Governmental expenses that were not covered by foreign credits—including expensive social welfare programs and food subventions for unemployed veterans and the working class poor—were increasingly covered by Austrian crowns from the printing press. In the first eight months of 1922, the number of Austrian crowns in circulation would balloon from 174 billion to over 1 trillion.²⁶ The cost of food rose exponentially and while Austrian manufacturers were able to dump their products on the international market at cut-rate prices, the financial solvency of Austria and its ability to secure any more financial aid were both in jeopardy.

Moreover, Austria's assets in 1922 were already all held as collateral against future war reparations, the foreign loans it already received, as well as occupation costs and other payments it owed to the various successor states of the Habsburg Empire. At the economic summit which was held in Genoa in April 1922, the Austrian federal chancellor, Johannes Schober, had failed to convince the Allies unanimously to lift their right of distraint from all the liens that they held against Austria's assets. Austria had nothing left to secure new loans—especially any long-term loans it would need to right its household and balance the government's budget.²⁷ It was under such circumstances that Johannes Schobers' "government of experts" fell in May 1922 and a new chancellor, Ignaz Seipel, would assume the reins of state in the worsening financial crisis.²⁸ Seipel spent the next few months striving to open the spigot of foreign aid again. The Pan-German and Christian Social governmental coalition initially embarked on a strategy to make Austria appear more financially capable of taking on new loans. The first tactic was comprised of a domestic financial plan, which Seipel's finance minister, August Ségur, presented to parliament in June 1922. It consisted of a series of laws which would have raised revenue through new taxes and imposed spending cuts on the government. Additionally, Ségur intended to finally stop using the printing press to print new money.²⁹ Such austerity measures failed by August 1922, when foreign-controlled banks balked over the fine print: They sought financial guarantees from the Allies before they would consent to a new, independent bank of issue.³⁰

When this did not work, Seipel played on the fears and ambitions

of the Allies and Austria's neighbors in order to bring them back to the negotiation table. Seipel's second tactic was to turn to the international community for aid. In order to do this, however, Seipel's government emphasized Austria's desperation—not for international sympathy, but to fan fears of Austria's collapse. Over the summer months of 1922, after the failure of Seipel's domestic financial plan, Austria's delegation in London worked to secure a large foreign loan of £15 million. The argument that Seipel's government began to strenuously put forth however, was one that emphasized the precariousness of Austria's government and economic situation. If the Austrian crown would lose all of its value, Austria would not be able to import the foodstuffs necessary to feed its people or the coal necessary to keep its people warm. Food riots, anarchy, or worse, Bolshevism, would be the next step. The Austrian army, still in the firm hands of the Social Democrats, could not be counted upon to restore order; the government would collapse, and Austria would either be partitioned among its neighbors or fall completely into the hands of Italy or Germany. In any event, failure to help Austria—an artificial state that the Allied Powers had created—would result in a humanitarian disaster and possibly a war in Central Europe over Austria's dismemberment.³¹

By mid-August, such argumentation had failed to sway Lloyd George's government, though George did promise to raise the issue of a major foreign loan to Austria at the next meeting of the Allied Conference—to be held that very afternoon. The Allied governments, though, were likewise reticent to come to Austria's aid yet again. They referred the Austrian matter to the League of Nations, saying in their note that they would not come to Austria's aid “unless the League were able to propose a programme of reconstruction containing definite guarantees that further subscriptions would produce substantial improvement, and not be thrown away like those made in the past.”³²

Despite this major setback, the matter of Austrian reconstruction became a matter of prestige for the League and its supporters. In the meantime, Seipel had embarked on an international appeal of his own. He had traveled to Italy, Czechoslovakia, and Germany to discuss possible courses of action under which Austria could find a “Central European solution” to Austria's dire economic problems. The discussions included topics that, in the minds of League members, would have upset the balance of power in Central Europe. Thus, by entertaining Austria's dissolution and possible falling to Italy or Germany, Seipel simultaneously appealed to the political and humanitarian necessity of propping up an independent Austria through financial help.³³ In the meantime, the financial situation in

Austria continued to deteriorate. Austria's economic collapse was imminent and, thanks to Seipel, well-known. Under such circumstances, Seipel took a train to Geneva to address the general assembly of the League of Nations, which had just reconvened.

Seipel's address to the General Assembly of the League of Nations, on 6 September 1922, appealed to its membership to help Austria, not only for the sake of charity, but above all to secure its own legitimacy as an international organization that must follow its mission to insure peace. If the League failed to act, Austria would likewise fail:

This would mean a hole would be ripped through the middle of the European map; it would mean the creation of a vacuum in the middle of Europe, a vacuum with a monstrous suction that would pull in [Austria's] neighbors and would disrupt the balance of power among them that had only been established with great skill.³⁴

Seipel's appeal had the desired effect; on the next day the League established an "Austria Committee"—the *Sous-Comité de l'Autriche*—to discuss a future league action in Austria.³⁵

A month later, on 4 October 1922, the League of Nations had worked out three protocols which were signed by representatives of Great Britain, France, Italy, Czechoslovakia and Austria.³⁶ These Protocols laid down the conditions through which Austria would receive a loan of 650 million gold crowns, 520 million of which were to help Austria cover its budget deficit in two years. The loan thus was to provide the Austrian government the time and the means to enact serious financial and governmental reforms. The state monopolies on tobacco and tariffs were put up by the government as security for the loan.³⁷

The protocols each addressed different aspects of Austria's political and financial situation. Protocol I quashed any hopes among German Nationalists or Social Democrats for a German Anschluss. Protocol II set up the loan, how it was to be used, and the supervisory function of the League's members in the administration of the loan itself. The third and last Protocol spelled the most change for the structure of the Austrian Republic itself; moreover, it was the hardest for Seipel to sell to the Nationalrat, Austria's parliament.

Protocol III required Austria's legislature to approve and the government subsequently to undertake a series of reforms that would "enable [her] to re-establish a permanent equilibrium of her budget within two years" (§ 2). To do this, the Protocol saw the establishment of the office of "Commissioner General" to oversee Austria's financial reconstruction. Over the next three-and-a-half years, the Commissioner-General, who was stationed in Vienna,

would file forty-two monthly reports to the League.³⁸ The Commissioner-General would also serve as a supervisor to the Austrian government in matters that related to the "execution of the reform programme."³⁹

The reform program was necessary to provide Austria with a lasting balanced budget and a stable currency. In financial policy, this meant following a deflationary program and giving the right of note to an independent bank of issue defined by the League.⁴⁰ As far as balancing the budget, however, Austria's government promised to undertake radical internal reforms, reforms that were first brought to light in the "Rebuilding Law" of 27 November 1922.⁴¹ The law projected, among new taxes and price increases for the federal railways, a significant reduction in the number of state employees and what was termed "administrative reform and austerity measures."

In addition to reducing the number of ministries and instituting measures to reduce paperwork, the government called for the reduction of public employees by about one-third; that is, by 100,000 state officials and employees of the federal railways.⁴² In reality, however, the Austrian government stopped short of cutting 100,000 civil servants—but not by much. The League of Nations reported that "reduction" figures by December 1925 included some 96,613 public employees. These included 22,946 from the Central Administration; 21,062 from the State Monopolies; 39,783 from the Federal Railways; and 11,184 from the *Südbahn*.⁴³ Reduction measures had followed mechanical guidelines; civil servants who had reached the age of fifty-four but had not yet spent thirty years in the service were nevertheless to be automatically cut.⁴⁴

In many ways, Seipel's financial reconstruction plan was more than successful. Sir Arthur Salter could report in *Foreign Affairs* in 1924 that Austria would not even need the full amount of the loan to cover its deficit.⁴⁵ But the collateral damage of the reconstruction plan—a not unforeseen one—was the major blow to the ethos of the bureaucracy. Instead of winning new republicans among the bureaucrats, Seipel's government had taken away their job security and thus their identification with the republic. By the time of the Great Depression in the late 1920s, the government had seen the immediate effects of reducing expenditure by laying off its employees and officials. After the official end of the "reduction" program in 1925, the government would pare down the bureaucracy even more. Its supposed low-point in 1925 of 208,500 employees would sink to 169,000 by 1933.

In essence, Seipel's response to the financial crisis and the Geneva Financial Reconstruction of Austria were never solely budgetary matters

but also opportunities for Seipel and the Christian Socials to intervene in long-standing constitutional issues that the republic had inherited from the Monarchy. Victor Kienböck, Seipel's minister of finance, hinted that the imperial government's increasing interest in business regulation in the nineteenth and early twentieth centuries had led to the problem of an unsustainable number of civil servants—a number which had only increased during the Monarchy's increasing intervention into industry during the war.⁴⁶ It was left to the republic and Seipel's government to dismantle the imperial bureaucratic apparatus and the remnants of the central, regulatory state.

The *Beamtenabbau*, the cashiering of legions of civil servants, eliminated many jobs in the Federal Railways and the State Monopolies to be sure; but among the *Hoheitsverwaltung*—the administrative and ministerial bureaucracy—it eliminated almost 20 percent of Interior Ministry officials, more than half of the officials in Ministry of Social Affairs, and almost one-third of officials in the Ministry for Transportation and Trade.⁴⁷ But more than just dismantling the structures and personnel of an interventionist bureaucracy and the regulatory state, Seipel's Financial Reconstruction Plan cleared the path to both a significant administrative reform as well as a major constitutional revision in 1925.

While administrative reform sought to meet the reduced bureaucratic apparatus with a work reduction, the constitutional reform of 30 July 1925 reorganized the relationship between the federal government and the provinces. It ended Austria's long-standing dual-track administrative organization, which it had inherited from the Empire, by turning over all the federal offices at the provincial and district levels to the provincial governments. This was essentially a strike at the relationship between the central state and the bureaucracy; a relationship that the social democrat Karl Renner had hoped would directly carry over from *Reich* to republic. Instead, the bureaucracy that might have united the small republic was provincialized and handed over to the direct supervision of the Christian Social politicians outside of Vienna.

In the early 1920s, Ignaz Seipel was the one major political figure who sincerely believed in the viability of the Austrian Republic and the need to solidify its independence. The loan he helped to secure from the League of Nations, as well as the financial reform program which his government implemented, was intended to anchor Austria's viability in the international system and in its own financial solvency. At the same time, however, Seipel used Austria's financial reconstruction to resolve, once and for all, the debates regarding Austria's administrative system. But in downsizing the

bureaucracy, Seipel also brought about its complete provincialization and—at least outside of Vienna's central offices—its dependence on provincial politicians and elected officials. By dismantling the imperial bureaucracy, Seipel thought he was building the foundations for a viable republic. But he had altered and reduced an important and once powerful component in Austria's political structure: the bureaucracy. In eliminating the ability of the bureaucracy to make policy independent of parliament and the political parties, Seipel made Austria financially secure, but all the more dependent on democracy, elected officials, and parliamentary government. These institutions would not prove themselves as active participants in a healthy political system until after the Second World War.

Notes

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1. For information on the series of relief efforts and their negotiations between Austria and the Allies, see above all, Peter Edwin Schmidt, "The Relief of Austria, 1919-1922," PhD. diss., Case Western Reserve University, 1977.
2. For a contemporary analysis, which presents the League of Nation's bailout of the Austrian government as a success story for the League, see above all the official report written by the head of the economic and financial section of the League, Sir Arthur Salter, "General Survey," in *The Financial Reconstruction of Austria: General Survey and Principal Documents* (Geneva: Imp. Kundig, 1926), 9-85.
3. *Reichspost*, 23 Oct. 1918. See also Wilhelm Braunereder, *Deutsch-Österreich 1918: Die Republik entsteht* (Vienna: Amalthea, 2000), 64-68.
4. Braunereder, *Deutsch-Österreich 1918*, 65-66.
5. *Gesetz vom 14. November 1918, betreffend die Übernahme der Staatsgewalt in den Ländern*, StGBI. Nr. 24/ 1918.
6. An explanation of the Habsburg Monarchy's unique dual-track administrative system, in which two separate administrations (each with their own distinct bureaucracies) administered social welfare and the business of government at the provincial and local levels, can be found in Josef Redlich, *Austrian War Government*, Economic and Social History of the World War vol. 6 (New Haven: Yale University Press, 1929), 14-16.
7. See the minutes of 5 November 1918, *Stenographisches Protokoll der provisorischen niederösterreichischen Landesversammlung*, 9-11, quoted in Georg Schmitz, "Demokratisierung und Landesverfassung in Niederösterreich," in *Studien zur Zeitgeschichte der österreichischen Länder I. Demokratisierung und Verfassung in den Ländern 1918-1920*, ed. Alfred Ableitinger (St. Pölten: Verlag Niederösterreichisches Pressehaus, 1983), 164.
8. Theo Öhlinger, "Die Entstehung des Bundesstaates und ihre juristische Bedeutung," in 60

- Jahre Bundesverfassung*, ed. Eberhard Zwinck, Schriftenreihe des Landespressebüros Salzburg (Salzburg: Landespressebüro, 1980), 42.
9. Josef Redlich, *Austrian War Government*, 100–06. See also, John W. Boyer, *Culture and Political Crisis in Vienna: Christian Socialism in Power, 1897–1918* (Chicago: University of Chicago Press, 1995), 370.
 10. Article 9 of the *Beschluß der Provisorischen Nationalversammlung für Deutschösterreich vom 30. Oktober 1918 über die grundlegenden Einrichtungen der Staatsgewalt*, StGBI. Nr 1.
 11. *Stenographisches Protokoll der provisorischen Nationalversammlung für Deutschösterreich*, [Hereafter SPpNV] 3. Sitzung (12 November 1918), 76.
 12. See Fink's speech in SPpNV, 4. Sitzung (14 November 1918), 109.
 13. Moreover, article 10 of this law (StGBI. Nr. 24/ 1918) reads "Until the completion of an administrative reform no change will enter into the existing employment status or compensation; officials of the formerly autonomous provincial administration will hold the title of 'Officials of the Land-Council' [*Beamte des Landesrates*] and officials of the former imperial governor's office will hold the title 'officials of the provincial government' [*Beamte der Landesregierung*]."
 14. For the constitutional history of the creation of the republic and the Austrian Federal Constitution of 1920, see above all Brauner, *Deutsch-Österreich 1918*, 70–75; Paul Brian Silverman, "Law and Economics in Interwar Vienna: Kelsen, Mises, and the Regeneration of Austrian Liberalism," PhD. diss., University of Chicago, 1984: ii, 660–76.
 15. Gottfried Köfner, "Eine oder wieviele Revolutionen? Das Verhältnis zwischen Staat und Ländern in Deutschösterreich im Oktober und November 1918," *Jahrbuch für Zeitgeschichte* 2 (1979): 138.
 16. *Gesetz vom 12. November 1918 über die Staats- und Regierungsform von Deutschösterreich*, (StGBI. 5/ 1918), articles 5 and 6.
 17. Herta Hafner, "Der sozio-ökonomische Wandel der österreichischen Staatsangestellten," PhD. diss., University of Vienna, 1990: 217–18.
 18. *Der Staatsbeamte*, Nr. 491, 1 Dec. 1918, 70.
 19. Arthur Salter, "The Reconstruction of Austria," *Foreign Affairs* 2 (Jun. 1924): 631.
 20. *Ibid.*
 21. BGBl. Nr. 162, *Bundesfinanzgesetz vom 17. März 1921 für das Verwaltungsjahr 1920/21*.
 22. "Die Frage der Lebensfähigkeit von Oesterreich," *NFP*, Nr. 20318, 22 March 1921 (Morgenblatt), 1.
 23. The federal budget for the calendar year 1922 was set at 347.5 billion crowns. The projected state income for the same period was nearly 210 billion crowns. In other words, the budget proposed 137,770,399,300 K—nearly 138 billion crowns—in uncovered expenses. See the BGBl. Nr. 726/1921, *Bundesfinanzgesetz vom 21. Dezember 1921 für das Jahr 1922*; and Nr. 727/1921, *Verordnung, betreffend Grundsätze für die Führung des Bundeshaushaltes vom 1. Jänner bis 31. Dezember 1922*.
 24. Salter reports that a monetary intervention in February of 1922 by Great Britain (£2,250,00); France (55 million Fr.); Italy (70 million IL); and Czechoslovakia (500 million Kr) prevented a complete financial collapse in the first half of 1922. But, in reality, only the British actually fulfilled their pledge. Compare Salter, "General Survey," 13–14; and Victor Kienböck, *Das österreichische Sanierungswerk*, vol. 85, Finanz- und volkswirtschaftliche Zeitfragen (Stuttgart: F. Enke, 1925), 19–20.
 25. Roman Sandgruber, *Ökonomie und Politik: Österreichische Wirtschaftsgeschichte vom*

- Mittelalter bis zur Gegenwart*, Österreichische Geschichte (Vienna: Ueberreuter, 1995), 354-59.
26. *Ibid.*, 355.
 27. Carole Fink, *The Genoa Conference: European Diplomacy, 1921-1922* (Chapel Hill: University of North Carolina Press, 1984), 239-41.
 28. For the fall of Schober's government see Rainer Hubert, *Schober: "Arbeitermörder" und "Hort der Republik": Biographie eines Gestrigen* (Vienna: Böhlau, 1990), 148-53. For the rise of the Seipel government, see Klemens von Klemperer, *Ignaz Seipel: Christian Statesman in a Time of Crisis* (Princeton: Princeton University Press, 1972), 163-74.
 29. See NFP, 22 June 1922 (*Morgenblatt*), 1-2.
 30. See John C. Swanson, *The Remnants of the Habsburg Monarchy: The Shaping of Modern Austria and Hungary, 1918-1922*, East European monographs no. 568 (Boulder: East European Monographs, 2001), 298. See also Klemperer, *Ignaz Seipel*, 184.
 31. For Austria's appeals to the Allied Powers and especially Great Britain in the summer of 1922, see especially Kienböck, *Das österreichische Sanierungswerk*, 21-22; Schmidt, "Relief of Austria," 430-59.
 32. Lloyd George to George Frankenstein, London, 15 August 1922, British Foreign Office 371/7339/c11517/74, quoted in Schmidt, "Relief of Austria," 459, 469.
 33. For a detailed history of Seipel's "great trip" see especially, Klemperer, *Ignaz Seipel*, 186-97.
 34. Large parts of Seipel's speech to the General Assembly of the League of Nations are reprinted in Friedrich Rennhofer, *Ignaz Seipel: Mensch und Staatsmann. Eine biographische Dokumentation* (Vienna: Böhlau, 1978), 310-11. This quote is taken from 310. The full text of Seipel's speech is in Josef Gessl, *Seipels Reden in Österreich und anderwärts: Eine Auswahl zu seinem 50. Geburtstage* (Vienna: Heros, 1926), 25 ff.
 35. Gottlieb Ladner, *Seipel als Überwinder der Staatskrise vom Sommer 1922: Zur Geschichte der Entstehung der Genfer Protokolle vom 4. Oktober 1922*, vol. 1, Publikationen des Österreichischen Instituts für Zeitgeschichte (Vienna: Stiasny, 1964), 120.
 36. The three "Geneva Protocols" are reprinted in League of Nations, *The Financial Reconstruction of Austria: General Survey and Documents*, Publications of the League of Nations, II. Economic and Financial (Geneva: Imp. Kundig, 1926), 137-50.
 37. Lajos Kerekes, *Von St. Germain bis Genf: Österreich und seine Nachbarn, 1918-1922* (Budapest: Akad. Kiadó / Vienna: Böhlau, 1979).
 38. League of Nations, Commissioner General for Austria, *Financial Reconstruction of Austria: Report by the Commissioner-General of Austria*, Geneva, 1923-1926. 42 vols.
 39. See Salter, "General Survey," 25.
 40. Salter, "The Reconstruction of Austria," 634.
 41. *Budengesetz vom 27. November über die zur Aufrichtung der Staats- und Volkswirtschaft der Republik Österreich zu treffenden Maßnahmen*, BGBl. Nr. 843/ 1922.
 42. For the figure of 100,000 civil servants see Waltraud Heindl, "Bürokratie und Beamte," in *Handbuch des politischen Systems Österreichs: Erste Republik, 1918-1933*, ed. Emmerich Tálos et al. (Vienna: Manz, 1995), 98; Kerekes, *Von St. Germain bis Genf*, 380. Kerekes actually lists the downsizing action as intending to cut 100,000 tenured civil servants; 61,000 public employees; 23,000 attendants [*Bedienstete*]; and 11,240 employees of the Federal Railways. Kerekes' figures essentially double Heindl's; though I have not been able to as of yet corroborate either figure among the archival records.

43. *The Financial Reconstruction of Austria: General Survey and Documents*, 122-23.
44. Heindl, "Bürokratie und Beamte," 100.
45. Salter, "The Reconstruction of Austria," 637. Salter was careful, however, to emphasize that the government needed to continue with the reduction of expenditure.
46. Kienböck, *Das österreichische Sanierungswerk*, 47-48.
47. See the table, "Personalabbau in der Zeit von 1. Oktober 1922 bis 14. März 1925," in *ibid.*, 55.