

## **SIMULATED CAPITALISM\***

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*“Setz dir Perücken auf von millionen Locken,  
Setz deinen Fuss auf ellenhohe Socken,  
Du bleibst doch immer, was du bist.”  
(J. W. v. Goethe: Faust. Part One)*

In Hungary the statistician, particularly since 1890, hits upon data of strong capitalization. Actual population growth was by 1,790,768 persons between 1890 and 1900, of which 28.5% was in agriculture, and 52.4% was shared by mining, industry and communications. Actual population growth was 1,631,928 persons between 1900 and 1910, of which the share of agriculture was only 17.8% and 71.3% was taken up by mining, industry and communications. In 1900 one hundred craftsmen attracted 182 assistants, whereas this figure was 219 by 1910. The population of municipal boroughs grew by 50.2%, that of towns with consolidated councils by 27.9%, and the number of inhabitants in villages of more than ten thousand residents increased by 30% between 1890 and 1910. Domestic industries consumed 25 million quintals of coal in 1895, whereas this figure was 91 million quintals in 1913. The turnover of foreign trade grew from the average of 1.75 thousand million crowns of the years 1882–1885 to the round figure of 4 thousand million in the recent years. The number of operated trains of the Hungarian State Railways was an annual average of 0.75 million between 1891 and 1900, but there were three times as many in 1913, and passenger traffic along all the Hungarian railways also trebled during the same period, and cargo traffic jumped from 4.5 thousand million ton-kilometres to 10 thousand million. In the average of the period between 1901 and 1905 the number of the credit institutions of the Hungarian empire was 3617, but in 1914 it totalled 6072. The nominal value of the funds of joint stock companies grew by a full 40 per cent between 1907 and 1911, whereas growth was only 14 per cent in Germany, 25 per cent in Great Britain and in the Netherlands and 30 per cent even in Switzerland during the same period. Data related to consumption also indicate a more delicate articulation of needs. In the average of the years between 1895 and 1900 the per capita consumption of sugar was less than four kilos, but in 1913–1914 it was almost 10 kilos, already half of the high culture of German consumption. During the same period the consumption of beer grew from 9 litres and the consumption of wine from 11 litres to 16 litres each in rounded figures, the consumption of petrol for lighting grew from 4 kilos to 5 kilos, and the consumption of each individual of coffee, tea and cotton goods trebled. So far all these figures without an exception are positive ones of capitalism. Capitalism is being

\* Megjelent: *Medvetánc* 1988 (1917) No. 2-3.

stressed but from the other side also by socialists. They quote figures of emigration, the number of estates auctioned off, of infant mortality and tuberculosis.

*Table 1. Consumption of Meat and Meat Products and Alcoholic Drinks*

	Meat and meat products		Alcoholic drinks	
	Total	Per capita	Total	Per capita
	Quintals	Kilos	Hectolitre	Litre
In 1903	379,985	48.1	610,470	77.2
In 1904	365,799	45.0	655,254	80.6
In 1905	370,850	47.5	673,069	86.2
In 1906	352,222	44.0	719,296	90.8
In 1907	313,295	39.0	760,402	94.8

They point to Franzstadt where 2.97 individuals inhabit a room in the average, and this proportion is 3.25 in Old Buda, and 3.34 in Kőbánya, another peripheral district, whereas it is only 1.7 in the inner city of Budapest. They speak about ten thousand homes in cellars, about fifty thousand beggars receiving aid from the municipalities, and that they have found 95 rich, 1500 wealthy, 10,105 poor and 88 impoverished among 11.788 dead. They say that the number of males grew in the actual industries of the country by 29.4 per cent only, but of women by 35.17 per cent in ten years, and that the number of prostitutes in Budapest grew by one third between 1908 and 1912. The socialists also point out the rapid growth of their organizations, too: their membership was trebled between 1903 and 1912, while the number of organized workers only doubled in Britain, Denmark, Sweden, Spain and Austria.

Light is shed on Hungarian capitalism from two directions. Yet as if lighting were not perfect, for it lends an alien color to the picture. Something is wrong with this capitalism where one can also see employers lobbying with bent back as well as success emancipated by boom. Support accorded to this capitalism is weak and its criticism is limping. The density of this capitalism is not proportionate to its productivity, its mobility and exchanges are more vehement and haphazard than usually the equal throbbing of human heart. The soot-covered fire-tenders of this capitalism are watched by excited gamblers of cards, its land is turned by gold-seekers after the cultivators.

## TWO CAPITALISMS

Socialists, and even more academia sympathizing with them distinguish between two categories of the capitalist order. According to them there is an economic and necessary capitalism, and there is a historical, contingent one. The former one is the substance of capitalist order, and the latter one is only its accident. The practical blur affecting this distinction is caused by its imprecision. The 'economic' category of

capitalism can also emerge as an outcome of the struggle of motives: it is a psychological outcome. Capitalist spirit belongs to the substance of capitalism. Marxism is in quest of human soul only in the legal superstructures instead of watching economic causes as psychological motives. The capitalist legal system is not capitalist production yet, but there is no capitalism without capitalistic spirit. The capitalist order depends on human resolution, human will, assessment and patience. Ultimately people may undertake any contingent they like out of economic determinism up to the limit of hunger and physical pressure. A country can be made a *colony* by force, but it cannot be made a *capitalistic state* the same way. In this sense it is true that even if we can see the historical inventory of capitalism, the liberation of serfs and the acquisition of landed property, the abolition of guilds and corporations, the freedom of movement, traffic and of collecting interest, the presence of the capitalist spirit and hence the “economic” category is not yet unquestionable.<sup>1</sup> But whenever we speak about economic necessity we always have psychological necessity also in mind. An economic encouragement coming from outside only facilitates the development of the capitalist order, but it is made *possible* by the capitalistic motives gaining dominance internally.

Countries from where Marx had projected his laws show parallels between the capitalist spirit and legal system. And disappointment was made complete by the later congruence that can be identified between the capitalist economy of Germany getting wealthy out of reparations and its capitalist legal order.

There are, however, states that misleadingly resemble those that produce in capitalist order, yet they do not have capitalist production even if the legal category has developed in them, only it remains void and alien, hardly having any economic roots. It is the freedom of private ownership that dominates without the dominance of the produced stocks. The economic order of such states is called *simulated capitalism*, in fact in contrast to the actual order of capitalist production.

None of the variants fills purely the life of a single society either. Even the City of London has pieces of simulated capitalism. And in Hungary some basins of the capitalist order have developed organically, due to the forces and pressures of internal necessity, only to assimilate subsequently the legal and moral environment to their own shape. We wish to say that much for distinguishing between true and simulated capitalism that in one country it is the real, whereas in another it is simulated capitalism that *dominate*, and in one country it is this one, whereas in another one it is the other

1 The Hungarian capitalist order had three roads. 1. Abundant English-French credit of more passive behaviour, less interfering into production. 2. Limited German-Austrian credit actively interfering into production. 3. Organic internal accumulation of capital. The first road was mostly blocked by preferences of the national interest: Hungarians joined forces with the Germans, though they could have received more and cheaper money from the French and British. Domestic capital accumulation was once again blocked by psychological quietism: the rich Hungarian had a household Jew, the gentleman becoming poor looked for a job of fixed salary, the rural potentate remained haughtily seated at his own household, and national minorities huddled together at linguistic islands. Thus the dominance of Austrian and German activity did not suffer from any external competition, but remained empty inside. The Scottish master writer of capitalism did not take into account this kind of fiasco of the capitalist order, neither did Marx.

one that holds in its grab the minority variant of capitalism and more or less forces upon it the tone and measure.

Basically the difference between the two kinds of capitalist order is not a moral one, though in simulated capitalism parasitism can undoubtedly flourish more than in real capitalist production where everyone is forced to take up the workplace assigned to him with an iron law. Actually moral loosening up is supplementary in this context: it is caused by deep economic cavities. Simulated capitalism lacks the internal logic of the real one, it does not break out organically from the causal series holding towards common points; it does not appear as the most economical and most complete material existence of the given level that would split up the environment resisting its growth. There is no tragic and dramatic tension of the dimension of world history, no crime and punishment, for it only has situational complications. It is an alien formula, a blatant style amidst the ancient efforts of the nation. It is burdened by the disparity of having been forced from outside and that it had not grown from inside out. It is not the stronger one that gains the upper hand by it, but the one that happens to be present: everybody for himself and the devil take the hindmost.

Two kinds of negation would fit the two kinds of socialism: two critical approaches, two tactics and *two socialisms*.

### THE ORIGIN OF SIMULATION

The historical-legal category of the capitalist order develops among the people of the East by the economic, intellectual and emotional influence of the true capitalist societies sloping towards the East. Feudal East needs the exchanges and credit of the West because of the exhaustion of the land or of growing population. This intercourse is impossible without a uniform political currency. The stronger and cleverer, the more conscious that have accumulated bigger and more suitable stock would impress the stamp of their legal development on the weaker, the more instinctive and less well informed that have survived from one day to the other in the intervals of bloody struggles. The state relying on export and credit is forced to put its legal life on a common denominator with the legal life of the importer and creditor states. Napoleon carried his Civil Code along the trace of his armies, and the plan of Mitteleuropa was drawn up in Essen. Széchenyi brought home the golden rules and the conditions of credit from foreign countries, from the peak of world market and international trade. The Hungarian Estates were pressed for liberal reforms by Austria, our purchaser and creditor, and it was the orthodox of Dualism that launched the slogan of nationalised public administration at home, too. The European big powers pressed for certain reforms in Turkey as if they were collecting their claims based on a bill of exchange. And Stolipin's agricultural reforms are entering into force in direct proportion to the government loans of St Petersburg deposited in Paris and Berlin. The *economic* category of the capitalist order is missing in this case, too, only *inside the state borders*, and the Marxian wording is modified only to the extent that the *capitalist economic order is shared by two states*, the historical-legal postulates of capital are in one state, whereas the corresponding economic conditions are located in another one. For the

sake of the market and credit of the West Eastern Europe is being filled with mimicry-societies sweating capitalist legal order out of themselves, with a disproportionate bureaucracy, an oppressive arms race, and are forced to maintain an aimless Don Quixotean diplomacy. They copy the Western legal codes, put on Western uniforms, get the masterpieces of Schneider and Krupp, cram the language and usages in order to simulate capitalism. The Bulgarian Bismarck is replaced by a Hungarian one, and Bratianu uses Grey's formulae.

The simulated capitalist order is a tool of others, it depends on the foreigner. The aims of production are not only torn from but even are alienated from the aims of the producers by that order.<sup>2</sup> The alpha of the economic order is no more taken from the Gospel, it is not any more the daily food of the man of the Bible, but it is the coupon cashed in bi-annually by the Russian state and paid to the French citizen or to the Bleichröders. Capitalist simulation is unable to get into the stream of the people's efforts and into the impetus of their vigor: its currencies are guarded by ignorant and hungry peasants. It pays tithes and not interest. It is a function of foreign capital together with its latifundia, peasants, factory owners, merchants and banks. It is confronted to the real capitalist order as the proletarian is confronted to his employer. Its wage laborer is proletarian squared. And the export of people grows parallel to its export of goods.

Working with foreign capital in itself does not create this kind of subordination. Real capitalist economies also extensively use foreign capital. We live in world economy: colorful opportunities of capital replace, support and utilize one another. No one had considered the United States as an economic dependency of Great Britain even amidst its major stock exchange crisis only because it had to be supported even by British capital. It was forms of business technique that had failed in the American crisis, without a degradation of the vigorous strength of capitalist production. And as soon as the tides turned it was the old English country that had to rely on the gold of America, but even then economic equality was not imbalanced. Whereas the foreign indebtedness of the Russian empire, the countries of the Balkan, the republics of South America, of Eastern Austria and half of the Hungarian economic life creates subordination, because the justified order of production gives loan to a forced order of production, and the large extent of independence from nature gives loan to a large extent of dependence on it. *On the one hand there are the evenly maturing coupons and expiring bills of exchange, on the one hand there is the May rains awaited anxiously.*

### THE HUNGARIAN NATION WORKS IN SWEATSHOPS

The foreign dependence of our economic life has two specific features that are not present in all simulated capitalisms; one is the geographic and historical neighborhood of the creditor countries, and the second one is the economic monopolies that have emerged because of political reasons. The neighborhood mitigates and makes

2 In contrast Coleridge says with a somewhat coarse Old English wit about internal loan: "a husband and wife playing cards against each other, where what one loses, the other gains". *The Friend*. I.(7): 144.

dependence more real: contacts are more intimate and organic; the creditor is also consumer to a large extent. The nearby Western capitalist may obtain more exact information, may check some offers personally, may call any of his business friends by phone at any moment, he has the possibility of considering alternatives and of checking pretexts of postponement, of the sanguineness of agents and the precision of implementation. The outlines of boom are clearer, discussion and the acquisition of data may go even into detail. There is more seriousness but also pliancy in this relationship than in exotic credit information on which seems to have been cut from the novels of Jules Verne for children playing at the stock exchange.

The credit granted by our neighbours, however, means at the same time their creditor monopoly due to political reasons. Up to the most recent times the largest part of the denominations of our state debt, our interest-bearing railway denominations, of our mortgage-bonds and community bonds enrich foreign capitalists, and the dividends of our credit institutions and industrial companies (including foreign firms operating in Hungary) largely go abroad. In addition foreign dependence is *not even European, but overwhelmingly German and mostly Austrian*. Our foreign credit is wedged in a foreign political blind alley without any mitigation of competition in the money market and of its free evening up. Whereas it is our political opponents who are capable of helping states of underdeveloped capital with their abundant, relatively cheap and calm capital, for our political allies have already loaned their modest capital surpluses. They themselves sense the fatigue of an industrial impulse that has been increasingly exhausting their internal capital resources. Strong hands of capital are rarely extended from there, and if so they are rather stretching out for exotic investments, just as the miser would also spend on lottery tickets. The emitted capital in the three major markets of Europe in rounded million crowns figured as below, contributing to the great boom of industrial development in 1906, when new foundations and investments rushed through world economy almost like an epidemic.

While in Germany there was one mark of foreign origin for each 7 marks of domestic emission, in France there were 5 francs of foreign origin to every one domestic franc. All in all the French market was capable of absorbing ten times as many foreign papers than Germany in 1906, and this disproportionateness shows also on the radius of the two diplomacies. The numerical proportion gets little moderated if the French market is replaced by the English one, or, if a year of lesser boom, such as 1905 is viewed. If the mass of emission is surveyed a significant contingent is found that was placed in countries of far weaker legal security than Hungary. Russia, cracking under revolutions but an ally could place half of its two and half thousand million-loan in the Paris market during the monetary boom, at the same time Lombard Street was absorbing the railway denominations, the state and municipal emissions of Brazil, Argentina, Mexico and Bolivia in huge dimensions. Only during 1906 the Comptoir National, the Banque de Paris and the Société Générale formed the Crédit Foncier Argentin with a registered capital of 25 million francs after the German financial circles had rejected this plan, and the same financial interest founded the Puerto-Belgrano-Rosario railway company in Argentina with a registered capital of 15 million. At the same time the French market could place several millions at the disposal of Chile and Uruguay, it affiliated a series of Mexican banks, reorganized the

Table 2. The Emitted Capital in the Three Major Markets  
of Europe in Rounded Million Crowns

Country	State and Municipal Loans		Other Assets of Fixed Interest		Shares		Total		Domestic and Foreign Together		In Percentage	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
Germany	1270	240	625	90	1070	80	2965	410	3375	88	12	
England	215	770		1960					2945			
France	20	2300	390	640	435	1140	845	4080	4925	17	83	

Source: v. Halle, E.: *Die Weltwirtschaft*. Vol. I, 1906: 129.

Banco di Londres y Mexico, was instrumental in the 20 million capital increase of the Banco Yucateco, it elaborated the plan of a credit institution for landed property in Mexico to the value of 50 million, and took over above our head the Serbian emission of 95 million. There is one quarter of a thousand million pound sterling involved in the national economy of Argentina; there is a 1000 to 1200 crown of British investment per each Argentine inhabitant, and almost 140 million pound sterling is in English hands only of railway denominations. Of every 100 km of Argentine railways 75 km was built by English money.<sup>3</sup> Brazil also received railway loan of 40 million francs at the Paris market at the time of the major European industrial boom, and at the same time it placed additional 4 million pound sterling in London without any difficulty, even though Brazil's foreign debts with English and French capitalists were already approaching 3 thousand million crowns in 1908. French and English capital willingly turn to exotic countries of lesser legal security for placing its monetary surplus instead of our country, living on the continent of the French and English and having created legal security similar to theirs. England's behavior is explained somewhat by its fleet. It can easier reach Brazil and Chile with its help than the Great Hungarian Plain through the body of its rivals along a clumsy mainland route. But if the French and English millions land in the Balkan, similarly to the cranes of Ibicus, without stopping over with us, it can have no other but political motivation. England has collected great treasure from her colonies, and France did the same due to her parsimonious peasantry, and now both of them use this weapon, disregarding their adversaries and supporting their friends.<sup>4</sup>

We pay for the anti-Slav edge of our alliance with Austria and Germany and its national value in the form of shakily received credit and conditions monopolistically forced on us. France may be squeezed off the banker's table by her war burdens. But even then the situation will not change, for her place would be taken up by England and America. Some people believe that the anti-Slav edge would be made unnecessary by the *anti-pan-Slav transformation* that has taken place in Russia, and that from now on the continental English military power would represent a political alternative besides the German one which we could not consider up to now: and that our *relationship to gold* would change. But even if peace is made with the Slavs and in the case of German military monopoly it would be difficult to neglect the neighborhood of Austria and Germany, because the cheapness of the sea route is largely counter-balanced by the distant location of the bulk of our country from the sea, isolated by the Carst Mountain. The problem is actually not a quantitative one. Our capitalistic situation could be fundamentally changed only by such a world revolution of monetary economy, and

3 English Capital in Argentine Railway etc. *The Economist*, 1908: September–October.

4 The validity of what has been said is seemingly weakened by the massive quantity of municipal bonds and mortgage-bonds that were successfully placed at the French market by the Commercial Bank, the Bank of Mortgage and Discounting, the Domestic Bank of Pest and finally, by our capital city during the decade prior to the war. But these emissions a) do not serve state credit; b) are isolated from international complications by their nature; c) and even then the licensing of their introduction could be achieved only because French politics believed for some years in the effect of the Hungarian loans loosening the triple alliance (Caillaux, *Le Journal*, etc.).

such a directness of assessment which would, paradoxically speaking, not any more be capitalism.

More capital would only mean quantitative change if it remained foreign, if it ground our destiny with the indifference of a machine, if it came only to collect profit and filled in would move away. Carlyle's definition fits better this situation than any other capitalist order: *anarchy plus constable*.

### REAL AND SIMULATED CAPITALISM IN HUNGARY

There is real capitalist order of production where there is production, if possible in *concentrated* factories for the *market* with the possible most articulated *division of labor*. The means of production are in the hands of *capitalists* who give their *trust* to the production to be done when they advance the necessary stocks. The basis of trust is *speculation* and *calculation*. The economic elements of the true capitalist order are: concentration, division of labor and production for the market; its moral element is confidence in the future; its logical element is speculation and calculation.

We are unable to survey Hungarian capitalism in order to check these features of capitalist production and to select the offal of simulated capitalism. Only some characteristic examples are chosen, not as proofs, just to warn the credulous, and to encourage sobriety paralyzed by pseudo-concepts to think.

### THE MARKET

*Squeezing out free competition*. The number of workers employed in the mines, foundries, tobacco works and railway workshops of the Hungarian state is above fifty thousand. In the companies of our representative big industry, such as those of iron and engineering employ precisely seventy thousand workers in firms employing more than 20 unskilled laborers, every sixth of them are to be found in the engineering company of the Hungarian State Railways and at Diósgyőr. In 1914 almost 20% of the workers of Hungarian mines and foundries were employed by state-owned factories. This segment of the Hungarian labor organization is isolated from world competition. It is not encouraged by the competition of similar companies, it is not forced to try to please its commissioners, the boom does not worry it, and the clouds of the withdrawal of credit are not looming over its poor production performance. It is only numerically checked without the iron fist of business competition pressing against the absurdities of its arrangement and the mistakes of its organization.

The paralyzing effect of the productive role of the state on capitalist blood circulation is many times exceeded by the paralyzing effect of the *consumer role of the state*. A decisive proportion of the production of our large-scale industry served to cover the needs of the state already before the war (during the course of the regular and extraordinary common needs and those of the Hungarian state), for instance, it was the state that used one quarter to one third of our coal production, and as reported by the National Federation of Industrialists in 1915, it was public authorities that took over 30

to 40% of the total output of our paper industry. Hence even the machinery of our productive capitalism has some political overtones. The comings and goings of a governmental personality is such a coefficient setting direction in the calculations of Hungarian big capital that has some examples only in America. But the American capitalist would rather hope for *legislative* benefits from his political friends, whereas the Hungarian capitalist rather wants to acquire additional benefits laid down in *contracts*. A few banks and large industrial companies create the Machiavellian system of evading the public Dutch auctions, which is avoided with eyes downcast by old-fashioned merchants grew grey in honesty and by factory owners basing only on their own inventions. Simulated capitalism favors those conditions that can be met only by a single company up to the given deadline, and the additional conditions can be undertaken only by someone initiated. In many cases the role of the state is only ornamental. Simulated capitalism hides its adventurous demands realizable by force behind state command to be accepted blindly. Let rather the distrainer collect the prices of the cartel. As far as possible it should not be the mine, the factory, or the bank that would collect it, but the process-server. It is a decisive psychological advantage of state deliveries, premiums, subsidies and subsequent reimbursements from transport fees that the producer need not appear in front of the consumer. The *elephantiasis of the state organization relative to the development of the society* pushes into the background the wittiness of inventions, the economy of the factory, adjusting to the consumer and bargaining with the workers in our capitalism; greater importance is attributed to the political constellation than to economic boom. And since *state elephantiasis financially depends on a few large banks* on the one hand, whereas the main organs of simulated capitalism are *once again these large banks*, hence the sturdy Kuruts who has not concluded his personal peace of Szatmár one week after entering into office, would be called “heartless demagogue”, or a “theoretician not knowing life”, a veritable Hungarian Thomas More. Only when deliveries to the state are ensured people like Mechwart, Bláthy or Bánki may come; only then the servant should let in Tivadar Puskás, Pollák and Virág, all strange telegraphers. In warring Europe the states have recruited the ablest for civilian military service. And what happened in Hungary? The Commercial Bank picked Sierbán and Halászy, the two prides of the agricultural and commercial government for its own factories, and the Hungarian General Credit Bank divested Mezöhegyes from Lőrinc Jankovich.

*Excessive exchanges.* The commerce of simulated capitalism is characterized by being *quantitatively* disproportionately developed, it has a plethora of agents, it accumulates profiteering stocks, its goods go through many hands before they reach the consumer, and mobility immensely exceeds production. It has a relatively moderate role in the proper distribution of goods; it pries people and not the boom. Only a fragment of products becomes more valuable as a result of its interference, and it lives rather on the opportunity and not on demand. In the German commerce and turnover the percentage of earners and dependants grew only by 1.9 between 1895 and 1907, at a time when industry and mining grew by 3.7%. Apparently Hungarian development also meets this proportion, for the difference between 1900 and 1910 was 2.7% growth in mining and industry, and only 1.3% in transport and commerce for one hundred earners and dependents. The articulation of exchange, however, is unhealthy,

it has no measure, and its development is unprincipled. Not only because commerce has been involving the largest populations and still increasing in the poorest north-eastern countries (Máramaros, Ugocsa, Bereg and Ung) besides the cities, but because of the *unjustified nature and lack of economic necessity* of a significant part of the commercial jobs. In 1900 in the mother country 4767 people were engaged in farms and in poultry production, but in 1910 only 4313, and the number of those engaged in vegetable and market gardening grew only by 3% in ten years. In 1900 198 earners lived on apiculture, and in 1910 there were 205 of them, in 1900 79 people were engaged in fish-breeding, but in 1910 only 59, in 1900 2271 people lived on inland water fishing and 2479 people in 1910. In other words, the industrial-scale *production* of foodstuffs has been stagnating and declining. In the actual *industrial production* of foodstuffs there has been a relatively small growth. Sugar and spirit production as well as the output of flour mills have increased by about 5%. On the other hand the growth of brandy, alcoholic drinks, 'pálinka' and rum production was almost 100%; the number of pork-butchers grew by 40% and that of confectioners by 70%, of sugar manufacturers by 150%, and that of cocoa and chocolate makers by 200%. Once again between 1900 and 1910 the number of *food merchants in markets* increased by 40% and jumped to a total of 16,435. The number of our farmers, poultry producers, the *producers* of our vegetable and market gardens altogether is hardly more numerous than the number of those *marketing* foodstuffs. In the first county of the country there were 1042 market-merchants in 1900 and 2108 in 1910, in addition to them the number of those trading in food products and consumer goods was 2949 in 1900, and 4225 in 1910. In contrast in 1900 only 9, and in 1910 only 29 earners lived on apiculture, silkworm and fish breeding, in 1900 92, and in 1910 122 people lived on fishing. The growth of the number of merchants is not proportionate to the growth of the production of goods. It is profit that is growing and not the value produced. The rapid growth of food trade is somewhat explained by the fast industrialization of some districts of Pest County. But the County is so neglected and unexplored agriculturally that at least the production of fast decaying articles should keep pace near the city with the development of food trade. Statistics say, however, that their production is done only by some eccentrics, some Robinsons of lonely islands of land. The heavy and growing majority tries to be shrewd with goods *already brought to the surface by others*; they would rearrange their basket, mix up things and split them up, persuade and argue, only to look down upon with sly winks at the fence of the sweating gardener.<sup>5</sup>

- 5 The sleepy exchanges of the national fairs are in logical contrast to this excessive exchange, recalling the wanderings of nomads got stuck in the forest. In the annual average about two and a half million horses and five and a half million cattle are driven to the approximately five and a half thousand animal fairs of the Hungarian Empire, but only one-fifth of the horses and only one third of the cattle change hands. It should be remembered in relation to the enormous number of animals driven there that the 1911 counting of livestock found only 7 and a third million of cattle and three and a half million horses on the territory of the Hungarian Kingdom. Western culture knows no peer to this prodigal and sterile offer of stock: the deterioration of the condition of animals driven there, their laying on the ground for days, the wasted millions of man-days of the accompanying staff, not speaking about the carrying away of animal epidemics to all places, about the rich opportunities of cheating, the limitless alcohol consumption and the 'fair goods' purchased at wooden stalls, all making the Hungarian fairs offers of goods costlier than

### THE SPIRIT OF SIMULATED CAPITALISM

Listen carefully to a discussion of financial ‘capacity’ in a railway carriage. The man would be sincere out of boredom. It will not be difficult to understand the cornerstones of his speculation, the elements of his calculation, and the value of his trust. Just ask him what kind of valuable you should purchase by your modest savings. His face would turn gloomy, even gloomier than usually the face of Siemens or Krupp if an economic question is put to him: he would start whispering, for even walls have ears, and the flower of our financial matters wishes to tell you his advice and arguments with circumspection. Listen carefully and you will see that only one of his ten arguments will refer to the productive conditions of the valuable in question, and the nine others will tell that yesterday they have concluded an excellent contract with the state and that the only difficult item of that contract would be deleted next day. He would explain that the chances are good for the extension of the cartel, and that one of the managers referred to some accounting trick for building reserves the previous week. If you ask how far international boom is advantageous to that company, whether it has no difficulties of raw materials, if there are no built up stocks of their products, no technical shortcomings, burdensome bank interests, labor disputes, or obstacles to transportation, after these questions the financial ‘capacity’ would look at you listlessly and would consider you snobbish, and would wind up your curiosity with some generality.

If the overseer of an old rural gentleman living in a God-forsaken village would offer the purchase of ten sheep or a pair of oxen with such argumentation by which that paper was recommended, his master would immediately give the sack to his overseer. Your child would fail the exam, the driver would turn you into the ditch, the day labourer would pick out wheat instead of weed if he understood his job only that much as this financial ‘capacity’ does, who would like to succeed with expertise just as Rockefeller had been browbeating about railway tariffs.

Then let us rather have a hundred times the hateful fussiness by which Mikszáth’s peasant purchased the scythe!

### MANCHESTER OR ROCHDALE?

The main concern of the classical Hungarian financier, relying on Central European capitalists, was the consolidation of our state loan. He engaged the trust of Western bankers with solid output in the service of this aim. Not if the old fashioned financial politicians could fully avoid the quagmire world of simulated capitalism, they had also trespassed into it and then had to get through it, but they *did not reside in it*. The logic of their capitalism is not bearing thirteen hall-mark stamps either, the financial morals of their banker friends are not fully pure, but they could not laugh satisfied whenever they get out for the business may have ended with losses even for

the massive advertisements and skyscrapers of America. – Our commerce is too active, our peasantry is too clumsy: and the two extremes are unable to influence each other and find a balance. In simulated capitalism commerce is confronted to the cultivator as an alien tribe and not as a foreign occupation.

them. Whenever Tisza Senior asked for advice from the director of the Credit Bank, or Wekerle discussed the international sugar agreement with Sándor Hatvany, it had some entirely different capitalistic flavor than the discussions of László Lukács and Pál Elek had. The former ones still overwhelmingly concluded businesses of creative aim they prepared profoundly and seriously intended to implement; the purposefulness of their accords withstands expert criticism and does not languish on purchased silence.

A capitalistic productive order, however, cannot be created by Western state loan alone. And since state finances rapidly developed, whereas the internal capitalistic order has been making little progress, this has been inevitably put on the tow-line of the former one. Money has come from above *in big sums* through *octroi*, attempting to conjure up department stores and industrial estates with the help of enlightened absolutism, yet a department store would grow out of an economical grocer's shop, and the craftsman's son would build a factory chimney only here and there, a slowly growing big Hungarian company emerges only occasionally, as a coral island, handing over by father to son the growing family of customers and the greying honor of the good old name. Regulated state loan creates growing public demand and its satisfaction has often to be left to hearsay companies and bungler favorites, not having anything else. The *Hungarian American* jumps at state loan fought out in Western Europe, would juggle with the carefully guarded French gold of Kálmán Széll, at first he would produce capital, and only afterwards would go to the party club for some business, and just like the covetous peasant would have the land of his aged father put on his name, he would try to get the monopolies of the Hungarian state put under his name from salt mines to the lottery. Capitalism coming from outside would be inevitably deformed in domestic production still missing capitalistic nature. A lopsided, forced capitalism is proliferating all over the country, and it has *started with foreign banknotes and not with domestic copper coins*. This capitalism is growing out of the weaknesses of some and not out of the country's resources. It depends on foreigners, yet it is foreign to the people of which it should depend on.

Would a real Hungarian capitalism have the strength and time to wrestle with the simulated one? Has destiny chosen us to live through a belated second flowering of capitalism here, in the East that is setting already elsewhere? Would not a Hungarian or Russian Adam Smith write a new chapter to the *Wealth of Nations*, and is not the Danube the border river of Marxism? Perhaps it is not capitalism that is awaiting us by the time we have defeated those simulating capitalism. Having broken away from state capitalism do we still have to go first to Manchester, and cannot we go straight to Rochdale? Russia does not anymore want to know about Manchester, she wants to go straight to Rochdale, and this is what explains its desperate writhing. She could counter-balance all the omissions of his history by this shortcut and could catch up with the nations of the West. The mute arch force of the peoples of the East has not realized for long what was happening to it. By the time it realizes that it did not need simulated capitalism, perhaps it would not need the real one either.

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Our customs policy protects the influential and not the weak. Our taxation system serves the principle of respecting authority. The accidental is still too much respected. We tolerate it, rely on it and fix it with favors granted to it. We have to revise the justifications of economic significance and of social usefulness. Only those forms of operation and modes of production should remain in place that would bring the deep value of Hungarians to the surface without any loss. The master of our work organization cannot be anybody else but the Hungarian people. The profiteer simulating leadership and the swollen head incapable of organization must disappear.